



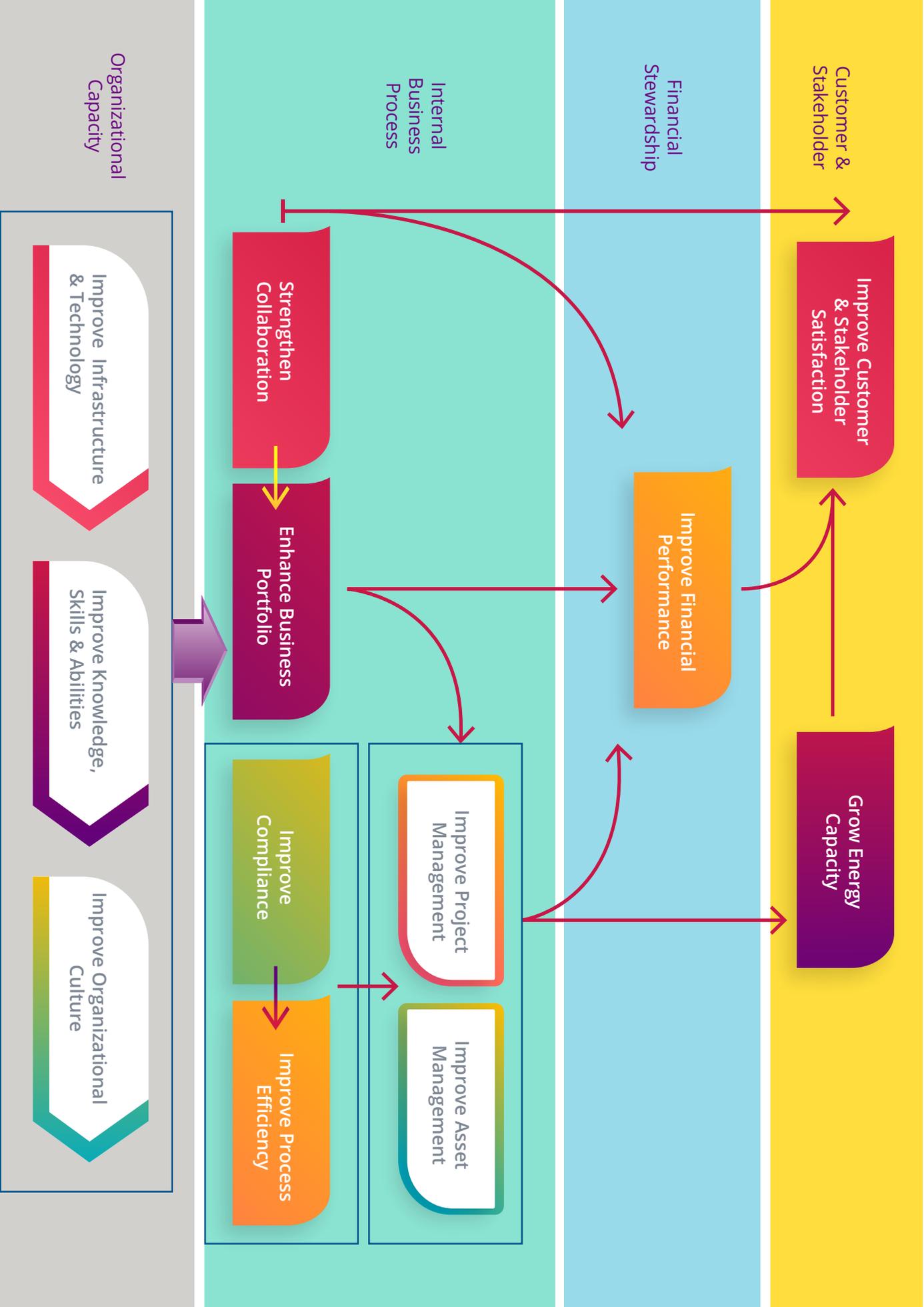
UEGCL
Generating *for* Generations

ANNUAL REPORT

FOR THE PERIOD
ENDED JUNE, 2020

Roadmap 
1300

UECCL CORPORATE STRATEGY





OUR VISION

To be one of the leading power producers in the Great Lakes Region



OUR MISSION

To sustainably generate reliable, quality and affordable electricity for socio-economic development

CORE VALUES



INTEGRITY



INNOVATION



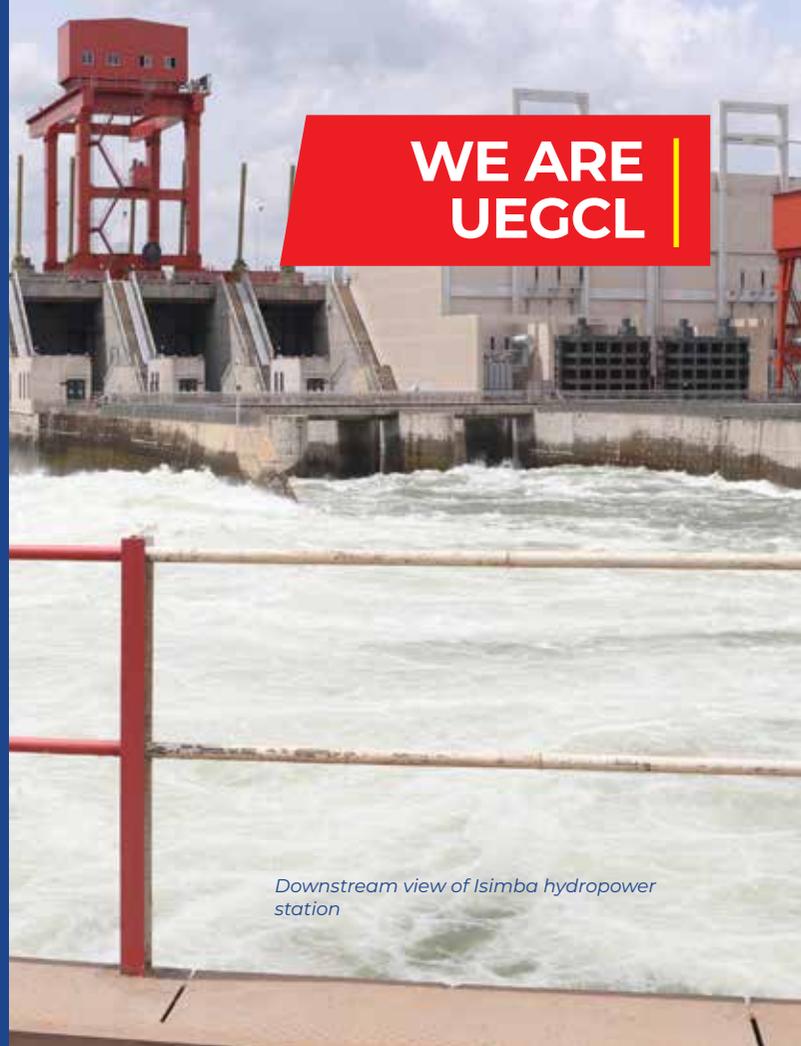
SAFETY



SUSTAINABILITY

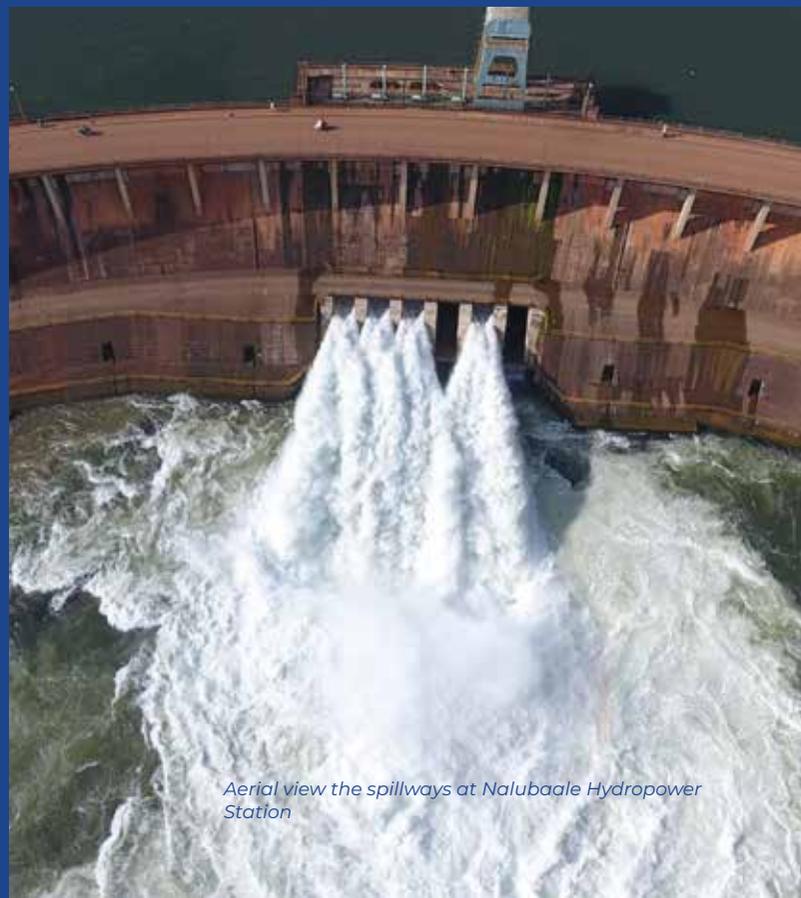


ACCOUNTABILITY



**WE ARE
UEGCL**

Downstream view of Isimba hydropower station



Aerial view the spillways at Nalubaale Hydropower Station

OUR MANDATE

To **establish, acquire, maintain** and **operate** electricity generation facilities and to promote research and development in the electricity generation sector while running the company on sound business principles

Drilling of drainage holes at the main transformer cavern at Karuma HPP

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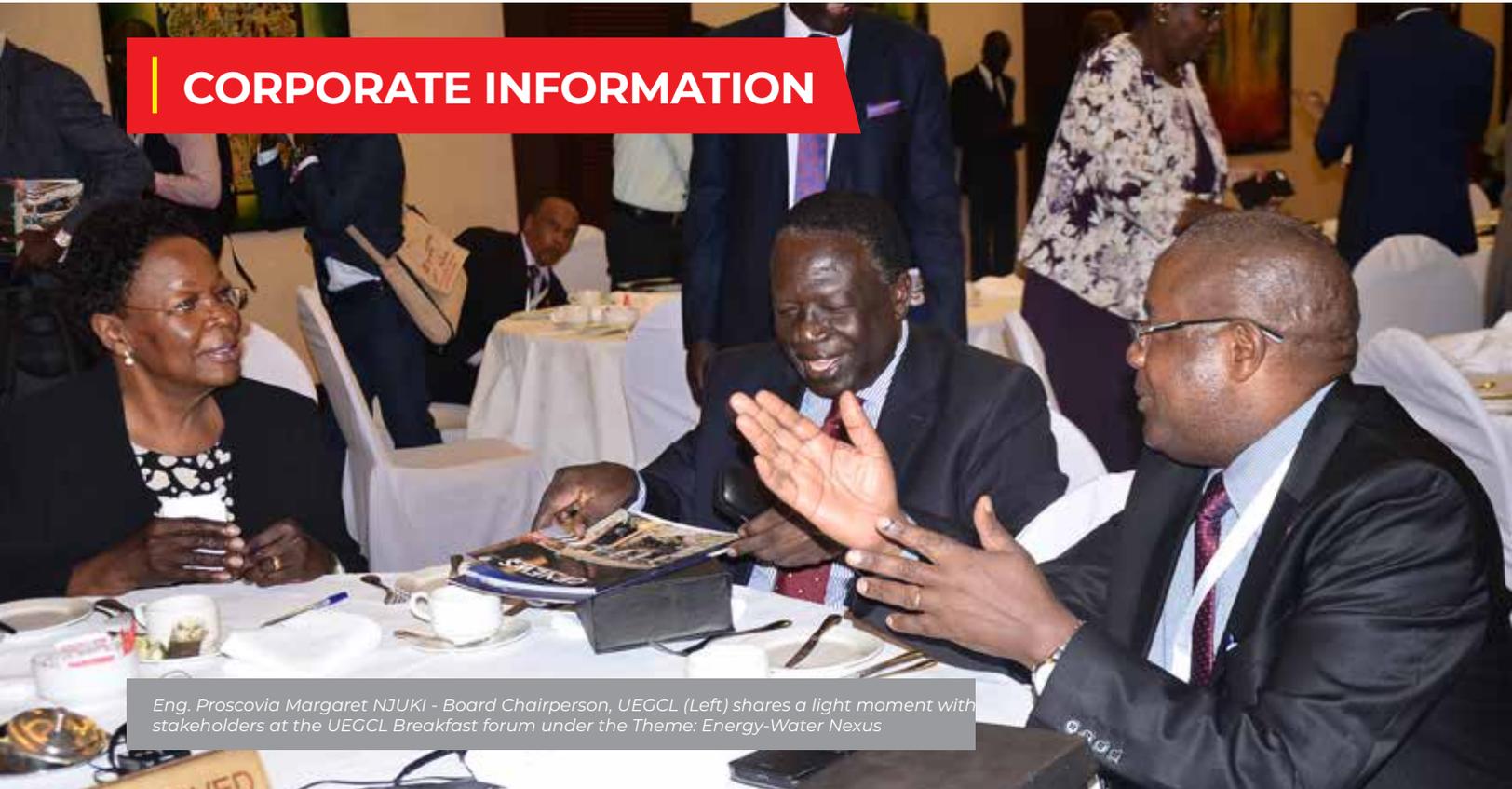
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CORPORATE INFORMATION



Eng. Proscovia Margaret NJUKI - Board Chairperson, UEGCL (Left) shares a light moment with stakeholders at the UEGCL Breakfast forum under the Theme: Energy-Water Nexus

DIRECTORS



The Directors who held office during the period and to the date of this report were:

Eng. Proscovia Margaret NJUKI		Chairperson
Mr. Zachary BAGUMA M ATWOKI	Member	
Dr. Nixon KAMUKAMA	Member	
Mrs. Hope BIZIMANA	Member	
Eng. Gilbert John KIMANZI	Member	
Mr. Ronald DRAVU	Member	
Mr. Paul Patrick MWANJA	Member	

CHIEF EXECUTIVE OFFICER



Dr. Eng. Harrison .E. MUTIKANGA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Head Office

Block C Victoria Office Park
Plot 6-9, Okot Close –Bukoto
P.O. Box 75831
Kampala Uganda

Branch Office

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

**COMPANY
SECRETARY**

Mr. Martin Mark OBIA

Victoria Office Park
Plot 6-9, Okot Close – Bukoto Kampla – Uganda

BANKERS



**Standard
Chartered** 

Standard Chartered Bank
Uganda Limited
Kampala - Uganda

 **Stanbic Bank**
A member of Standard Bank Group

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



UEGCL Board members and management pose for a group photo at the Karuma HPP switchyard after a site inspection

2020 PERFORMANCE HIGHLIGHTS

PAT

↓ -785%



EBITDA

↓ -754%



TOTAL ASSETS

↑ 5.7%



REVENUE

↑ 61%



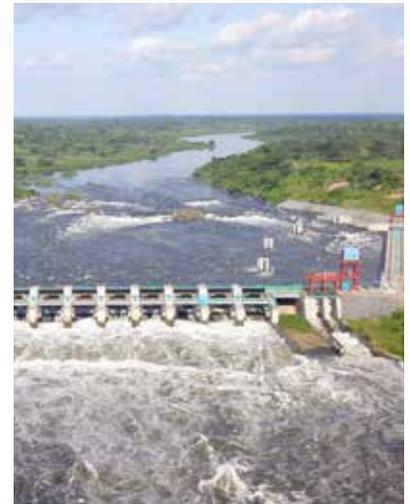
EQUITY

↑ 0.4%



PBT

↓ -785%



Water spilling at Nalubaale Power station due to increased water levels in Lake Victoria



UEGCL AT A GLANCE

Uganda Electricity Generation Company Limited ("UEGCL or the Company") was incorporated in 2001 initially with the main objective to take over as a going concern the generation activities of the now defunct Uganda Electricity Board (UEB) together with all or any part of the property, assets and liabilities associated with it as was transferred to the Company in accordance with the Public Enterprise Reform and Divestiture Act. These assets transferred to the Company from UEB were principally the 180 MW Nalubaale and 200 MW Kira Hydro Power Stations located in Jinja.

The objectives of UEGCL were then expanded to include project development including development of HydroPower stations and other renewable energy projects. In this regard, the company is the implementing agency for the generation component of 183 MW Isimba Hydropower station and 600MW Karuma Hydropower Project with the mandate to deliver the projects within the cost, time and specified scope/quality.

UEGCL is also developing other small Hydro Power stations and renewable energy plants and plans to do more in the future. The main objective of UEGCL is the development, efficient operation and maintenance of Power plants and the generation and sale of affordable electricity to consumers.



To implement the Vision and National Development Plan of the Government with regard to the generation of electricity, provision of high quality, affordable and reliable services



Sneak peek into the Karuma HPP main powerhouse

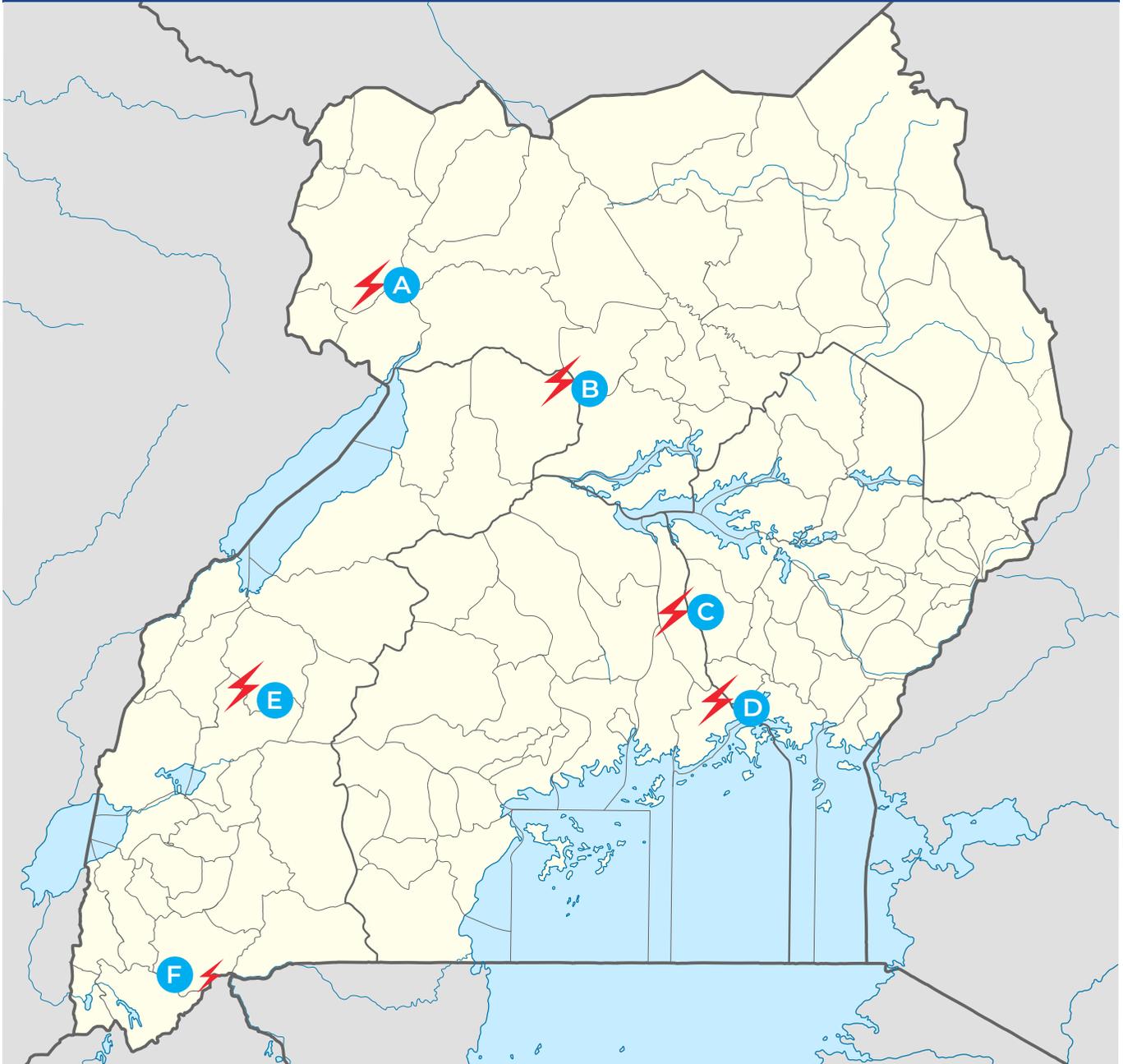


Aerial view of Nalubaale Hydropower Station

This may be broken down into the following objectives;

- a) To implement the Vision and National Development Plan of the Government with regard to the generation of electricity, provision of high quality management and consultancy services as well as training and capacity building of human resources in the Electricity Sector.
- b) To carry on the business of electricity power generation and sale for industrial and domestic use to both local (Uganda) and export (regional) consumers.
- c) To engage in design, planning, development and operation of electricity generation projects in accordance with prudent utility practice and international best practice.
- d) To engage in the preparation of annual generation capacity planning in close consultation with relevant stakeholders locally, regionally and internationally.
- e) To engage in the development, monitoring and operation of electricity generation projects whether publicly or privately owned by way of commercial agreement, where deemed necessary.
- f) To establish a UEGCL Hydropower Resource Centre (UHPRC) and provide training, research and innovation, and benchmarking services for efficient O&M services
- g) To engage with the private sector, donors, relevant government ministries, departments and agencies for purposes of enhancing the technical capacity of the Company's human resources in delivering on the set targets.

A MAP OF UGANDA SHOWING UEGCL FOOTPRINT



KEY

D ⚡ Kiira Power Station & Nalubaale Power Station

C ⚡ Isimba Hydro Power Station

B ⚡ Karuma Hydro Power Station

E ⚡ Muzizi HPP

A ⚡ Nyagak HPP

F ⚡ Maziba HPP

I OUTLOOK



Dr. Eng. Harrison E. MUTIKANGA -CEO,UEGCL explains the progress of the Isimba Bridge to Hon. Mary KITUTU - Minister of Energy and Mineral Development on her maiden visit to the 183MW Isimba Hydropower Plant.

a) Roadmap 1300

It is imperative for any organisation to have a long-term outlook if it is to succeed in its aspirations. UEGCL's future outlook is guided by the National Development Plan, which is part and parcel of the Government's Vision 2040.

Our five-year strategic plan (2018-2023), codenamed Roadmap 1300, launched in December 2017, takes into account the aspirations of the Government, key among which is the delivery of the key flagship hydropower projects of Karuma and Isimba, while at the same time improving the operational efficiency of the Kiira/Nalubale hydropower complex.

The cardinal pillars of Roadmap 1300 are to ensure; availability, reliability, affordability and the delivery of quality electricity services to the people of Uganda.

b) Operation and Maintenance Excellence

We have over the years built human resource capabilities for the Operation and Maintenance of Karuma (600MW) and Isimba (183MW) in line with the Government policy to provide employment, and ensure affordable tariffs through least cost-of-energy generation, spiralling economic growth and development. Currently the Isimba HPP is being managed solely by UEGCL staff through an indigenous business model.

c) Quality Management System

Development

During the year 2017, UEGCL attained ISO 9001: 2015 Certification and therefore joined the ranks of organisations whose products and processes meet internationally accepted standards. With the attainment of this milestone, emphasis is being placed on Customer Focus, Process Approach and Continual Improvement. Activities that are benefiting from the Certification include; Project Implementation, Operations and Maintenance, Human Resource activities and Information Technology. In 2019, the certification was revalidated through an external audit attesting UEGCL commitment towards ensuring standardised operating systems

d) Nalubaale – Kiira Complex

With regard to National Energy security, we are committed to ensure that government power generation assets of Nalubaale HPP (180MW) and Kiira HPP (200MW) are operated prudently by the existing concession holder Eskom (U) Ltd. We have built adequate professional and engineering human resource capacity who ensure that the quality maintenance and operation is kept to the highest standard possible. We have embarked on a plan to permanently address the problems at Nalubaale HPP which shall extend the life of the power station by 40 years as well as optimize and increase the plant factor of Kiira HPP from 40% to a value greater than 60%. A feasibility study in this regard is on-going.

PROJECT OVERVIEW



Government officials led by Dr Mary KITUTU Minister of Energy and Mineral Development inspecting the progress of work at Karuma HPP

1. 600MW KARUMA HYDROPOWER PROJECT

1.1 BACKGROUND

Karuma HPP is located on the Nile River in Kiryandongo District in mid-northern Uganda, about 110km downstream of Lake Kyoga, and 270km from Kampala, the Capital of Uganda.

1.2 STATUS

Physical progress is currently at 98.5%. Project was originally scheduled for commissioning in November 2020, hence extension of time is envisaged due to project implementation challenges

KARUMA HYDROPOWER PROJECT



Downstream aerial view of the dam section at Karuma HPP

1.3 TECHNICAL DATA



Type of Plant :
Run-of-River Plant



Construction Cost :
Approx. USD 1.7 Billion



Construction Period :
72 Months



Installed Capacity :
6x100 MW Vertical Francis Turbine Units

DATA

Gross head: 70m, Design discharge: 1098m³/s, Mean Annual Energy Output: 4.373 billion kWh, Concrete Dam: 14m high and 314m long, Water Conductor System: Headrace system of 6x 7.7m diameter pressure shafts and horizontal tunnels, an underground Powerhouse and Transformer Cavern, 6x Tailrace Branch Tunnels (TBT), Tailrace Surge Chamber and 2x Tailrace Tunnels (TRT) with finished diameter of 12.9m and lengths of 8,609m and 8,707m respectively.

ISIMBA HYDROPOWER STATION

2. 183MW ISIMBA HYDROPOWER STATION

2.1 Background

The 183MW Isimba Hydropower station is located 4km downstream of Isimba Falls on the River Nile approximately 50Km from the source of River Nile in Jinja District. The power station is about 21km from Kayunga town as the nearest town and about 65km from Jinja town.

Isimba Hydropower Station was commissioned on 21st March, 2019 and started commercial production of electricity on 1st April, 2019. It has added cheaper & reliable electricity on the national grid. UEGCL recruited young talented engineers and technicians who are now operating the plant.

The technical specifications of the hydropower station include the following:

- The Water Retaining Dams are composed of the Left Bank Earth-Rock Dam (LED) and Right Bank Earth-Rock Dam (RED), Gravity Dam GD1, Gravity Dam GD2.
- The spillways are composed of Bottom Outlet Spillway SP1 or Crest Spillway SP2.
- The earth-rocks dams have maximum height of 26.50m and the Gravity Dam of 26.50m.
- All of the Earth-Rock Dams, the Gravity Dams, Spillways & Powerhouse do undertake the water retaining task and are located on the same axis which has a total height of 1.65m.
- The power station has four installed vertical Kaplan turbine generator units with a capacity of 45.8MW per unit, thereby providing a combined installed capacity of 183.2MW.

2.2 TECHNICAL DATA



Type of Plant :
**Run of the River
Plant**



Turbine type:
**4 Vertical
Kaplan turbines**

Installed capacity:
183.2MW





A UEGCL Shift charge engineer at Isimba HPP at work in the main control room



183MW Isimba Hydropower Station main offices

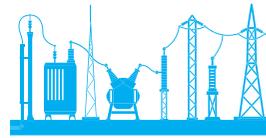
3. 48MW MUZIZI HYDROPOWER PROJECT

3.1 Background

Muzizi Hydropower Project (HPP), is to be developed at the lower course of the Muzizi River in Western Uganda, South East of Lake Albert with the powerhouse approximately 6 km upstream of Lake Albert at the Eastern flank of the Albertine Graben. The feasibility studies, including the Environmental and Social Impact Assessment (ESIA) and Resettlement Action (RAP), that resulted into 48 MW Muzizi Hydropower project were carried out by

Fichtner GmbH & Co.KG and completed at the end of 2013. These studies were funded by a 1.5 million grant from KfW. The project is to be implemented as a public project with UEGCL as the Project Executing Agency. The implementation engineer ILF Consulting Engineers optimized the feasibility study design which increased the capacity of the plant to 48MW. Procurement of an EPC Contractor is ongoing.

3.2 TECHNICAL DATA



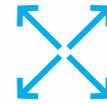
Type of Plant :
Run of the River Plant



Construction Period :
36 Months



Installed capacity:
48MW



Gross head :
465m

Data:

Waterway: 3.5km tunnel including pipe gallery with a penstock of (Ø 1.9m) Designflow: 12m³/s, ecological flow: 0.69m³/s Turbine: 3 pelton turbines, Transmission voltage: 132Kv

Financing:



- KfW Grant - Euro 5.36 Million
- EU Grant - Euro 19.55 Million
- KfW Loan - Euro 40 Million
- AfD Loan - Euro 45 Million
- GoU - Euro 20 Million

4. 6.6MW NYAGAK III SMALL HYDRO POWER PROJECT

4.1 BACKGROUND

The proposed 6.6 MW Nyagak III Small Hydropower Project (SHPP), located in Paidha Sub-County Zombo District, It is being developed as a Public – Private Partnership by a Special Purpose Vehicle (SPV) GENMAX Nyagak Limited formed between UEGCL and the procured strategic Partner (Consortium of Hydromax Ltd and Dott Services Ltd).

The Strategic Partner shall be in charge of the financing, design, construction, operation and maintenance of the power plant for a period of 20 years after which the plant shall be transferred back to UEGCL. The Public Partner UEGCL is mandated with providing the viability funding for the project. Additionally, UEGCL is responsible for land acquisition for the project and also implementing the Resettlement Action Plan (RAP), Livelihood Restoration Plan (RAP), Catchment Management Plan (CMP) and Community Development Action Plan (CDAP).

The Nyagak III HPP project is meant to generate 35.91 GWh per annum. The tariff is set at USD cents 5.47 per kWh all through the license term for the project.

4.2 STATUS/PROJECT PROGRESS

The construction works commenced in May 2019, and as at end of August 2020, actual progress for Civil and Penstock Works was at 20.8%. The electro mechanical and hydro mechanical works are still at tendering stage and shall be finalized by end of 2020. The developer is further progressing with design of the transmission line for evacuation of the generated electricity. UEGCL has concluded the acquisition for additional land for the generation facility and also the compensation for the cultural heritage aspects. In the next financial year UEGCL shall also focus on acquisition of the land for the transmission line in addition to project monitoring and supervision.

4.3 PROJECT COMPONENTS

Dam and Spillway

The impounding structure for storage of water of the Nyagak River comprises of a concrete gravity dam 59.85 m long and 7 m high with the river bed level at the dam site an elevation of 1203.5 m asl (above sea level) and the Full supply level (FSL) at 1210.5 m asl. The crest of the gated spillway is at EL 1206.2 m. The non-overflow section would be 28.35 m long

3.3 MUZIZI STATUS

Procurement of the Plant Design and Build Contractor for the project is ongoing and is expected to be concluded in the first quarter of 2021. Procurement of the Construction / Supervising Engineer (Owners Engineer) will also soon commence. Compensation of the project affected persons is ongoing and so far, over 40% of payments have been accomplished.

with the top at EL 1212.5 m. Energy would be dissipated by suitably-sized stilling basins.

Water Conductor System and Forebay.
The water conductor system comprises of a steel conduit pipe of 1.7 m diameter running full in a cut-and-cover section for a total length of 1215 m to convey water to the Forebay.

The fore bay would be located at the end of the steel conduit to provide immediate water demand on starting of the generating units, and to act as a surge pressure relieving structure during load throw-off condition.

Penstock

The penstock is pressurized and is made up of steel ferrules. It has a diameter of 1.6 m to convey water from fore bay to turbines in the power house. The centre line of the penstock at fore bay will be at 1204.15 m elevation. At the end of the penstock near the power house, a bifurcation piece will divide the penstock into two branches each of 1.13 m diameter to supply flow to two turbines.

Power House

Nyagak III SHPP shall have an installation of two turbo-generator units each of 3.3 MW rated capacity in a surface powerhouse located on the right bank of the Nyagak River. The overall dimension of powerhouse shall be 31.0 m (length) x 10.8 m (width). The power house will comprise of a turbo-generator bay, a service bay and an electrical bay with control and switchgears rooms.

Tailrace System

At the exit end of two draft tubes, a tail pool about 12.3 m wide having the crest of the outlet weir at 1097.7 m elevation will be provided. A trapezoidal tailrace channel having 10 m base width will be constructed to discharge the outflow from the tail pool back to the Nyagak River.

4.4 TECHNICAL DATA



Type of Plant :
Run of the River Plant



Commencement Date: May, 2019



Installed capacity:
6.6MW



Construction cost: **Approx. USD 19.39M**

Gross head : **12.20m**, length of waterway: **1.289 km** buried pipe (Ø 1.7m), Forebay, Steel

5. MAZIBA DAM

Fact file:

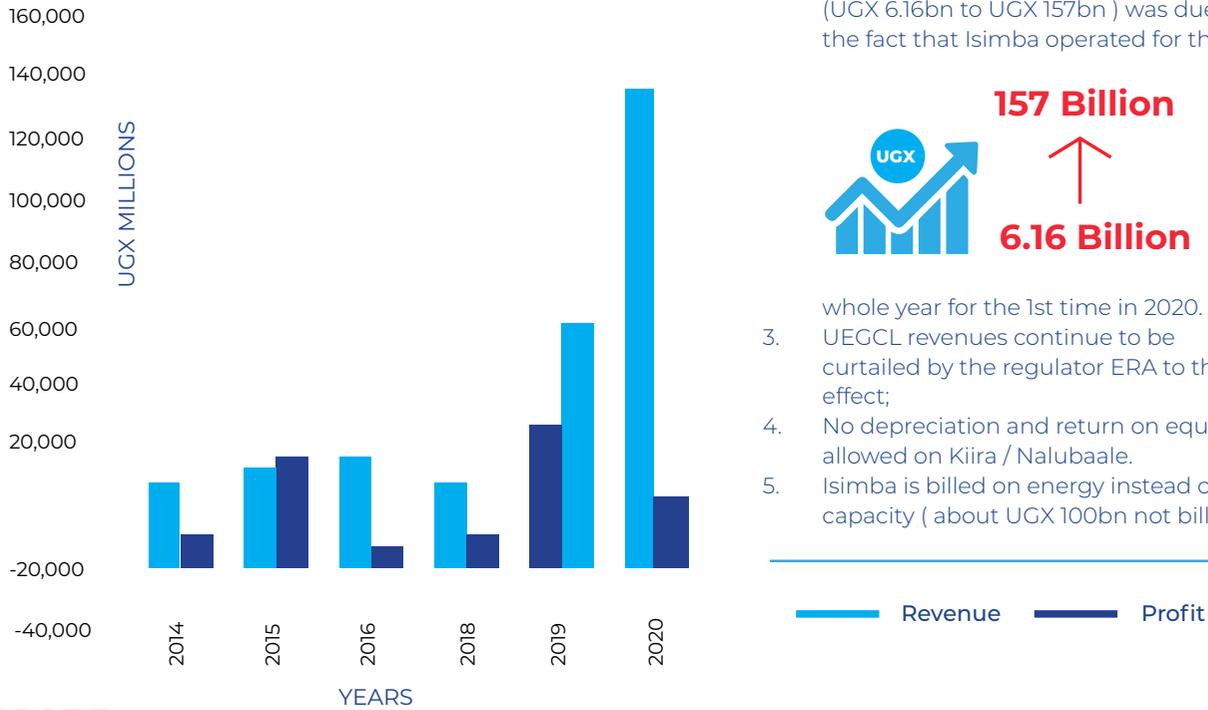
On June 30th 2015, Uganda Electricity Generation Company Limited (UEGCL) received vesting instruments for the takeover of the Maziba Gorge Small Hydro Power plant from Uganda Electricity Distribution Company Limited (UEDCL). This is one of the several small hydro power plants that UEGCL is considering to develop.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	12months ended 30th June 2020	12months ended 30th June 2019
FINANCIAL STATISTICS	2020	2019
	UGX '000	UGX '000
For the year		
Concession Fees	10,777,810	10,162,065
Isimba Income	126,424,924	49,430,703
Other Income	24,679,589	7,034,949
Operating profit/Loss	49,457,618	23,922,515
Earning before interest,depreciation	95,769,993	49,504,993
Profit/loss for the year	2,796,001	24,783,518
At year-end		
Total Assets	7,103,838,502	6,720,008,928
Shareholder's Equity	740,816,255	738,020,253
Outstanding interest bearing debt	5,496,163,890	5,369,686,392
Cash flow data		
Net cash flows from operating activities	121,341,888	12,562,721
Netcashflows used in investing activities	410,696,170	954,646,245
Net cash flows from financing activities	335,729,681	980,126,749
Operating and other statistics	FY 2020	FY 2019
Total number of customers(Concession- Eskom/ UETCL)	2	2
Total number of employees	200	186
Exchange rate: US Dollar to Uganda Shilling (at year end)	3,735	3,700
Exchange rate: US Dollar to Uganda Shilling (average for the year ended)	3,717	3,734

FINANCIAL AND OPERATIONAL CHARTS

REVENUE /PROFIT



REVENUE

1. Revenue grew exponentially in 2019 due to commissioning of Isimba HPP.
2. The 2019/2020 revenue growth of 61% (UGX 6.16bn to UGX 157bn) was due to the fact that Isimba operated for the



3. whole year for the 1st time in 2020.
3. UEGCL revenues continue to be curtailed by the regulator ERA to the effect;
4. No depreciation and return on equity allowed on Kiira / Nalubaale.
5. Isimba is billed on energy instead of capacity (about UGX 100bn not billed) .

Revenue Profit

PROFIT

1. Drop in profitability to UGX 2.7bn (2019: UGX 24bn) is mainly due to exchange rate fluctuations on our forex borrowings . Forex loss is UGX 15.6bn (2019 UGX 9bn gain).



Drop in profitability 2.8bn

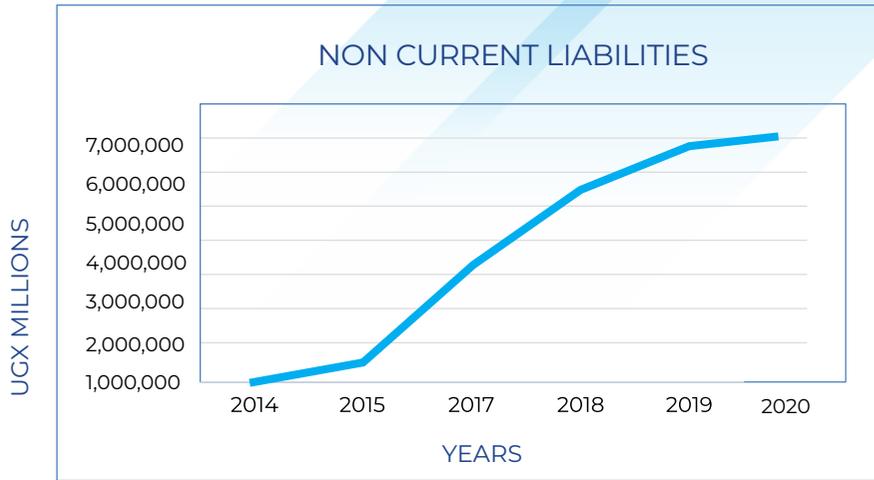
2. We have engaged MOFPED to convert our loans on Karuma & Isimba HPP FROM USD to UGX denomination.

TOTAL ASSETS

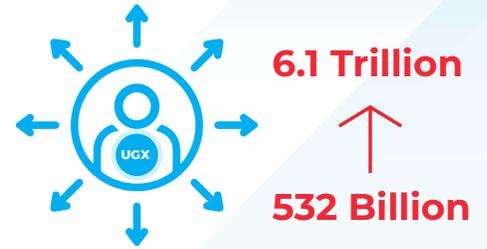


1. Total Company assets have grown to UGX 7.1 Trillion. This is mainly due to the development of Isimba & Karuma HPP between 2015 to date.
2. Karuma is still WIP while Isimba HPP was completed in march 2019.
3. Muzizi HPP construction yet to start.





1. Total non current liabilities has significantly grown from 2015- UGX 532 billion to UGX 6.1 trillion.
2. There is an increase due to borrowings for Isimba HPP & Karuma HPP.



POSITIVE EQUITY

The Company as at 30th June 2020, is solvent with positive equity of UGX 741 Billion. Net profit is UGX 2.8bn (2019 was UGX 24bn).



UGX 741 Billion



EVENTS CALENDAR



The 600MW Karuma HPP CSR Project Steering Committee led by Eng. Isaac ARINAITWE – Chief Projects Officer, UEGCL (3rd right) pose for a group photo with Maj. Gen. Sam OKIDING – Commander, UPDF Arterially Division, Masindi (Centre) during a site inspection at Masindi Barracks Hospital.



Panelists from the UEGCL Breakfast Forum under the theme “Energy Water Nexus” pose for a group picture with UEGCL Board and Management after a panel discussion. This was part of the African Water Association Congress 2020 held at Kampala Serena Hotel.



H.E Gen. Yoweri Kaguta MUSEVENI (M) inspects the progress of works during the removal of the floating island that docked at Nalubaale in April, 2020.



UEGCL staff took part in the blood donation camp organised by Uganda Blood Transfusion Services at the UEGCL Head Quarters



In a quest to operationalise its Strategic Plan (2018 -2023), UEGCL received a 5-year grant from the Norwegian Government through the Norwegian Ministry of Foreign Affairs. UEGCL was represented by Dr. Eng. Harrison E. MUTIKANGA (2nd right) and Norwegian Embassy represented by H.E Zenia CHRYSOSTOMIDIS - Chargé D'affaires (M)



Hon. Simon Giw D'Ujanga – Minsiter of Stake for Energy shares a picture moment after chairing a meeting between UEGCL and the Kaal Umua Chieftdom elders on compensation for the cultural sites at the 6.6MW Nyagak III Hydropower Project site.



Dr. Mary Goretti KITUTU – Minister of Energy and Mineral Development poses for a group picture with UEGCL Board and Management, OE AF Consults, Project Steering Committee Chairman and EPC Contractor Sinhydro Corporation after a site visit to Karuma HPP.



UEGCL partnered with Gayaza High School to produce mathematics text books which were distributed to pupils of St. Andrew Primary School Kiyunga, Kamuli & Nakatooke Primary School, Kayunga



Dr. Eng. Harrison MUTIKANGA leads Rt. Hon. Rebecca KADAGA – Speaker, Parliament of Uganda on an inspection of Buluyya Health Centre II in Kamuli District after commissioning on 16th November, 2020.



A high-level delegation led by Dr Mary KITUTU - Minister of Energy and Mineral Development accompanied by representatives of the energy ministry & UEGCL had a 2-day benchmarking visit to the 158MW Olkaria Geothermal Power Plant in Kenya operated by Kenya Electricity Generating Company (KenGen).



CHAIRPERSON'S MESSAGE

Eng. Proscovia Margaret NJUKI
Board Chairperson

“

UEGCL's forecasts its market share of installed capacity to increase from 45% to 61.8%, as at June 2021



EQUIVALENT TO AN
INSTALLED CAPACITY OF

1,213 MW

The financial year 2019/2020, saw the Company once again deliver resilient results with respect to the growth in revenue and assets.

We have also successfully executed the second year of the Company's five-year (2018-2023) Strategic Plan intended to contribute to strengthening our capabilities to develop new generation capacity.

At the governance level, we have continued to strengthen the structure of the Board of Directors by embracing the new members to the Board, assessing the effectiveness of the Board, and fostering efforts in our environment, social and governance engagement.

FINANCIAL OVERVIEW

Revenue increased to UGX. 161 Billion from UGX 66 Billion in the financial year 2018/19 largely from commercial operations at Isimba Hydro Power Plant, which generated UGX 126 Billion in electricity sales. Earnings before interest, tax, depreciation, and amortization (EBITDA) increased to UGX 111 Billion from UGX 40 Billion in 2019 driven largely by increased revenue.

Net profit dropped to UGX 2.8 Billion from UGX 24.8 Billion in 2019 representing a significant decrease of UGX 22 Billion largely attributed to the interest expense of UGX 31 Billion towards repayment of the on-lent loan for Isimba Hydropower Plant and a foreign exchange loss of UGX 15 Billion due to volatility of the local currency.

Total Assets as at 30th June 2020 were UGX 7.1 Trillion, an increase of UGX 383 Billion from 6.7 Trillion in 2019. The increase in assets represents the Work in Progress at Karuma Hydro Power project and acquisition of O&M Assets at Isimba HPP.

Borrowings stood at UGX 5.8 Trillion compared to UGX 5.4 Trillion in 2019 due to accrued principal and interest on the loans advanced by the Export-Import Bank of China for the development of the Karuma and Isimba Hydro Power Projects.

As at the close of the year, the Company was solvent with positive equity of UGX. 741 Billion. Accordingly, there is no material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

OPERATING ENVIRONMENT

In addition to the factors which govern our business, the priorities and targets set under the National Development Plan (NDP III) and Vision 2040 form the key driver of our goal to increase generation capacity and improve operational efficiency and generation cost management to achieve the least cost generation to support Uganda's goal of industrialisation and socio-economic development.

Transitioning from Projects to Operations & Maintenance

During the financial year, the Company transitioned into full operations and maintenance mode for Isimba Hydropower Plant using our own staff, this is the realisation of our plan to gradually build local capacity to operate and maintain our power plants. In this regard we are glad that the operations during first year have largely gone smoothly.

Outbreak of the COVID19 pandemic

Perhaps the keyword this year has been resilience, following the outbreak of the COVID-19 pandemic in China at the end of December 2019, and its subsequent global spread, where Uganda reported its first case in March 2020. The pandemic demonstrated the interconnected nature and reliance of the global economies on each other and lead to the imposition of measures to contain it including a national lockdown, restricted

movement, and social distancing all of which while necessary and prudent also had serious adverse effects on the economy, the operations of the Company and staff and livelihood of the general population in the country. We are grateful to the Government for its swift response, and actions taken to contain the virus. The Company quickly adopted and executed a response plan with strategies to ensure continuity of critical operations such as the generation of electricity, remote working using reliable online platforms and where necessary, creation of bubbles especially for critical generation staff, regular testing of staff and implementation of containment measures.

The impact of the pandemic on the Company in the short term was the loss of revenue due to the economic slowdown resulting from the reduction in aggregate demand for electricity, project delays due to global travel restrictions and social distancing measures, potential force majeure claims, and an impact on financing

year (2018-2023) Strategic Plan with a focus on operational excellence, sustainable growth, stakeholder management, and developing an engaged workforce.

We have undertaken a review of the Strategy and its implementation and formulated new targets for the next financial year in light of changes in our operating environment including the negative impact of the COVID-19 pandemic in the last half of the FY 2019/2020.

GOVERNANCE AND SUCCESSION

During the financial year, the Board was joined by Mr. Paul Patrick Mwanja and Mrs. Hope Bizimana as non-executive Directors who replaced Miss. Zeridah Zigiti and Mrs. Jennifer Katagyira Lubaale both of whom retired having completed their tenure. UEGCL remains grateful to Miss Zeridah Zigiti and Mrs. Jennifer Katagyira Lubaale for the enormous contribution they made to UEGCL during their tenure on the Board.



The Company quickly adopted and executed a response plan with strategies to ensure continuity of critical operations such as the generation of electricity, remote working using reliable online platforms



for certain projects. The long-term effects shall to a great extent depend on the pace of economic recovery and perhaps the speed with which a vaccine can be available to the populations.

STRATEGY

At the close of the financial year, we marked the end of the second year of implementation of the five (5)

The Board had been able to adjust and embrace online tools which it has effectively utilised to carry out its duties and keep abreast with new information, trends, and best practices for corporate governance.

The Board has also with the help of an external facilitator assessed itself to determine how effectively it performs its roles, along with its members related

duties and responsibilities, the results indicate an overall average performance of 83% which in our view is a reflection of the Board's tremendous commitment to providing effective stewardship and oversight of the Company but also points to the support of Management and stakeholders in ensuring the Board is effective. Areas of improvement and recommendations were highlighted and these will intensely be addressed by Board.

ONGOING COMMUNITY ENGAGEMENT

Our community engagement program continues to support disadvantaged people and families around the country and assist communities in the local areas where we operate. In this regard, we have supported funding of infrastructure and facilities in water and sanitation, teachers' housing, and classrooms and health facilities in Kamuli and Kayunga Districts.

FUTURE OUTLOOK

There are opportunities for growth in all parts of our business, and we will continue to prioritise the increase of generation capacity, investing in innovation to improve efficiencies and launch new products to diversify our revenue sources. We also remain committed to maximizing productivity by improving efficiency and lowering the costs of production.

In 2020/2021, we expect to deliver strong performance through the focused execution of our Strategy with increased sales and revenue growth. Additionally, we expect to achieve the following;

- Completion of construction and commencement of commercial operations for the 600 MW Karuma Hydro Power Project.
- Commencement of the construction of the 48 MW Muzizi Hydropower Project
- Completion of feasibility studies for rehabilitation of the Nalubaale (180 MW) and Kiira (200 MW) hydropower plants and development of other small hydropower plants.
- Development of the Nyagak III (6.6 MW) Small Hydropower Project with our partners.

CONCLUSION

We thank the Management and Staff for the impressive work they have done in 2019 to further evolve and grow our Company. I also thank all our business partners for their ongoing support and trust in our long-standing relationships. We also extend our appreciation to our Shareholders and Development Partners who repeatedly foster our common vision to further develop UEGCL into the Leading Power Producer in the Great Lakes Region.



Eng. Proscovia Margaret Njuki

CHAIRPERSON, BOARD OF DIRECTORS

Generating for Generations



CEO'S STATEMENT

Dr. Eng. Harrison .E. MUTIKANGA
Chief Executive Officer

“

Our incomes grew from **UGX 61.6 bn** to **UGX 157 bn** mainly as a result of income streams from Isimba operations.

”

moved from a profit position of UGX 24.7 in the year ended June 2019 to a lesser profit of UGX 2.8 billion in the year ended June 2020. As a Company we are glad that we remained profitable, however, key to note is the impact of the interest payment on the EXIM Bank Loans and the Foreign Exchange losses which wiped away the income gains during the year. Our incomes grew from UGX 61.6 billion to UGX 157 billion mainly as a result of income streams from Isimba operations. Key to note therefore is that UEGCL has commenced servicing its Isimba HPP loan, and this will continue dampening our bottom line figures going forward. The income was from two sources, concession income (UGX 5.8 billion), and Isimba Energy billed (UGX 126.4 billion). Total energy dispatched from Isimba was 818 GWh.

Project Implementation

During the reporting period, overall physical progress at Karuma was 97.85%, and it is envisaged that the Karuma Project will be commissioned in 2021 majorly due to delays resulting from construction non-conformities and the COVID 19 Pandemic. We are happy to note that the quality of works in Karuma are greatly improving with the continued close supervision by the Owner's Engineer, AF Consult and over site role provided by the Board and Project Steering Committee. Similarly, since commencement of operations in Isimba, the project snag list (775) has been greatly reduced by 96%. The outstanding snags (4%) are very critical to the safety of the dam and safe operation of the Isimba power plant and are therefore

Introduction

It gives me great pleasure to once again present the UEGCL Annual Report for the Financial Year 2019/20. I am glad to report that amidst the COVID 19 Pandemic which accosted the World in the second half of the year, UEGCL continued making progress. As a Company, we are happy to note that the NDP III (2020/21 – 2024/25) which was launched during the reporting year still considers the power sector as a priority sector within the development agenda, with specific reference to the need for increased power generation.

Financial Performance

I am happy to report that despite all odds, we once again continued operating on sound business principles with continued profitability albeit a lower bottom line figure. The Chairpersons foreword has highlighted the details but for emphasis, UEGCL

of great significance to the operation of the Plant. It is envisaged that the contractor shall have all outstanding snags (4%) completed prior to the end of the Defects Liability period by March 2021. UEGCL, with the support of the Government of Uganda, is undertaking the Community Development Action Plan (CDAP) for Isimba and Karuma Hydropower projects, to mitigate

schedule, and the delay is attributed to difficulties in acquisition of the required land for the project and solving the cultural heritage related issues plus delays in financing.

As part of its drive to ensure continuity in supply of electricity, especially to the far distant remote areas, UEGCL, with assistance from the French Government also embarked on the feasibility study of the 3 sites.



During the year, UEGCL also continued monitoring the Concession with Eskom (U) Limited at Kiira/ Nalubaale Complex. In line with the objective of ensuring that the Kiira/Nalubaale life is extended, phase 2 works for a contract for feasibility study for the refurbishment of the complex progressed with the detailed assessment of the options initially selected in phase 1 expected to be completed by 2020.”



the increased pressure on local infrastructure, social services, livelihoods and natural resources, arising in the neighbouring communities from the implementation of the above two Hydropower projects. The scope of the CDAP initiatives involves the construction of school blocks, health infrastructures, boreholes, water supply system, rural electrification lines, VIP latrines, cultural and tourism centres, and support to agricultural and fisheries projects and energy-saving technologies. Implementation of the CDAP initiatives started in 2017 and to date, UEGCL has completed the construction of 7 boreholes. Also under implementation are the construction of ten classroom blocks (23 classrooms), 11 staff houses (44 units), 12 five stance VIP latrines, and 6 Maternity/ General Wards in Kamuli and Kayunga districts, which are expected to be commissioned this year. All other projects within the scope of the CDAP initiatives are planned and will be implemented in the near term, on a rolling basis, depending on the availability of funds.

Other Hydropower Projects

UEGCL is also undertaking other hydropower projects whose status is summarised as follows: During the year, the procurement for the works contractor for the **Muzizi (48 MW)** hydropower plant progressed and is awaiting KfW No objection on the financial bid evaluation report to proceed to award the contract to the contractor. On the other hand, works on the **Nyagak III (6.6 MW)** have progressed to 19.6% for the civil and penstock works. The project is behind

The findings from the revised feasibility study reports indicate that **Okulacere (6.3 MW)** is the only viable project that will proceed to the next stage for the full ESIA studies while Agbinika (2 MW) will not. Also, drafting of the tender documents for rehabilitation of **Maziba (1 MW)** by the consultant is expected to be completed by December 2020.

Operational Performance

The financial year 2019/20 marked the first full year of operations at the **183 MW** Isimba HPP. Despite the lagged snags, the plant operated with a plant availability and reliability of **98.14%** and **99.6%** respectively. The average declared capacity was 168 MW per hour and the average actual dispatch was **94.7 MW** per hour resulting into a plant factor of **51.7%**.

The restrictions due to the COVID-19 pandemic in the second half of the year created a shift in the normal running of the 183 MW Isimba Power Plant necessitating a reduction in the workforce at the plant and optimizing activities to match the lean workforce at the plant. With the increasing river discharge from the upstream plants and power blackout challenges attributed to the floating water weeds at the Nalubaale complex in April 2020, specific resources were deployed to manage the reservoir and water spilling cycles to ensure efficient water for power production, ferry movement and bridge construction.

During the year, UEGCL also continued monitoring the Concession with Eskom (U) Limited at Kiira/

Nalubaale Complex. In line with the objective of ensuring that the Kiira/Nalubaale life is extended, **phase 2 works** for a contract for feasibility study for the refurbishment of the complex progressed with the detailed assessment of the options initially selected in phase 1 expected to be completed by 2020. We are proud to note that we received support from the Norwegian Government through Norconsult towards a 5 (five) Hydropower Operation & Maintenance Excellence (HOME) program. The overall objective of the program is to establish UEGCL as a professional operator of its hydropower plants through establishment of systems, procedures, technical support and provision of a wide range of capacity building activities

Business Development

Our business development drive is multifaceted, and is aimed at ensuring diversification of our energy generation sources, capacity building in line with the asset growth, and financial mobilization to facilitate implementation of our various strategic objectives and business initiatives.

During the year, UEGCL received support from the Swedfund to conduct feasibility studies for a **Pilot floating solar project**. Terms of Reference and RFP for the consultant to conduct this study on the proposed sites at Nalubaale, Bujagali, Isimba and/or Karuma Reservoirs have been developed and to be issued by the end of December 2020.

The Establishment of Hydropower Resource Centre through the Norwegian Hydropower Operation and Maintenance program is in the advanced stages with the procurement of the consultant for modification of the training space in Karuma expected to be finalized 2020.

During the year, the Board of Directors approved the Research and Innovation Policy designed to be a guide in the conducting of research and management of innovation projects at UEGCL. Such initiatives are aimed at improving funding for research and innovations by streamlining research and innovation needs and clearly identifying their potential impact. A Research & Innovation Workshop the first of its kind with the ultimate objective of generating new ideas to improve the company business is scheduled for the next year.

7

One of the several cracks on the civil structure at Nalubaale Hydropower Station caused by Alkali-silica reaction (ASR) under feasibility study for refurbishment with the objective of ensuring that the Kiira/Nalubaale Complex life is extended and performance optimized.



Human Resource Development

UEGCL continued with the operationalization of the approved Organisation Structure by the Board through annual manpower planning. As June 2020, the staff count stood at 201 compared to 185 as at June 2019. During the year, the positions for Head Research & Business Development, Manager Learning & Development, Quality Assurance Manager, among other key positions were filled. In the same spirit, exploration of flexible and collaborative engagements with institutions where UEGCL staff can undertake further studies related to the business were pursued. Two (2) staff are scheduled to pursue further studies in Project Management from the Leeds University during the course of next year.

Business Re-engineering

Our preparatory efforts towards UEGCL re-certification in the ISO 9001:2015 remained futile due to the COVID-19 travel restrictions. This notwithstanding, our clamor for this re-certification was, and remains to illustrate our unwavering commitment to improving and streamlining our various processes and activities such as Operation and Maintenance of our plants and Monitoring Kiira/Nalubaale Complex in Jinja. During the year, UEGCL embarked on the roll-out of an Enterprise-Wide Risk Management Framework to ensure business continuity. I am happy to report that the Board approved the Business Continuity Policy and an inventory for Key Risk Indicators has been developed. UEGCL also fast tracked the roll-out of Asset Management Framework following the certification of 15 staff in the previous year. A Strategic Asset Management Plan (SAMP) which explicitly defines the stakeholder needs, key strategies on asset life cycle and enablers have been developed and approved.

Challenges Faced by the Business

Despite the positive strides attained by the Company, a number of challenges were faced during the year. These included:

- a) The current billing for Isimba HPP on basis of energy metred reduced the revenue generated to meet the loan repayment obligations under the on-lending agreement between UEGCL and Government of Uganda for the development of Isimba HPP. However, following consultations, government through the Ministry of Finance, Planning and Economic Development has guaranteed to meet any shortfalls in the loan repayment arising from the reduction in revenue due to the billing on the basis of energy.
- b) Financial resource constraints arising out of limited budget which curtails UEGCL's ability to effectively carry out all its planned activities especially investing in the generation infrastructural projects to ensure energy security and reliability for the long term.
- c) Inadequate Investments by Eskom (U) Limited plus delayed implementation of Projects at the Jinja Complex. This has exposed the Generation Facility at Jinja to risk of reduced asset life and equipment damage due to concrete expansion and cracking as a result of Alkali-Silica Reaction (ASR).
- d) Policy and Regulatory Framework which limits the ability of UEGCL to operate financially sustainably with a reasonable return on investment.
- e) Delays of project implementation covering the Karuma, Muzizi and Nyagak III hydropower projects. This has arisen mainly due to exogenous factors such as acquisition of land Karuma and Nyagak III, and delayed receipt of the Muzizi no objection for the financial bid evaluation.
- f) Lack of a clear discernment between the Policy and Project development roles between the Ministry of Energy and Mineral Development and UEGCL. This makes futuristic generation planning for UEGCL challenging given our mandate as a Company.
- g) COVID-19 pandemic and its general impact on project implementation and business development.

Future Outlook

UEGCL will still focus on ensuring sustainability across its value chain, commencing with generation of power to its bottom line of financial sustainability.

UEGCL will continue operating Isimba (183 MW) power plant based on sound Asset Management practices with an indigenous based workforce to ensure reliable and affordable generation of electricity. In addition, it is envisaged that the Karuma (600 MW) Plant will come on line for operations as well during the year 2020/21. As a mechanism of executing the 2018-2023 Strategic Plan, UEGCL will concentrate on implementation of

her roadmap for ISO 4500:2018 for Occupational Health & Safety and ISO 14001 for effective environment management systems.

Secondly, UEGCL is cognizant of the fact that generation assets ought to grow in tandem with the economic growth of the country. In line with this, UEGCL is to continue its implementation of generation projects including the; Muzizi HPP (48MW), Nyagak III (6.6 MW) and completion of the feasibility studies for the greenfield site of Okulacere (6.3 MW), and rehabilitation of Maziba (1 MW). This is in line with ensuring NDP III electricity installed capacity target of 3,500 MW.

Also, UEGCL will fast track the finalization of the energy mix study with a focus on exploring the gaps in policy, regulation, and key stakeholder mandates in energy diversification and drawing up short, medium and long term plans for the energy diversification. The plan will consider implementation of a pilot floating solar project, pursue the takeover of the Namanve (50MW) Thermal Plant and establishment of Hydropower Resource Centre.

Furthermore, the plan is to finalize the financial sustainability study with a focus on identifying impediments, and proposing both short term and medium/long term feasible solutions including listing on the stock market which will save the government the burden for borrowing for generation assets.

Conclusion

In summary, UEGCL has recorded a positive trajectory in her performance amidst a very challenging operational environment with concerted efforts from a number of fronts as highlighted above. On behalf of Management, we appreciate the strategic and oversight guidance accorded to us by the Board of Directors. Our sincere gratitude goes to the UEGCL workforce for their tireless efforts towards the fulfillment of our mandate.

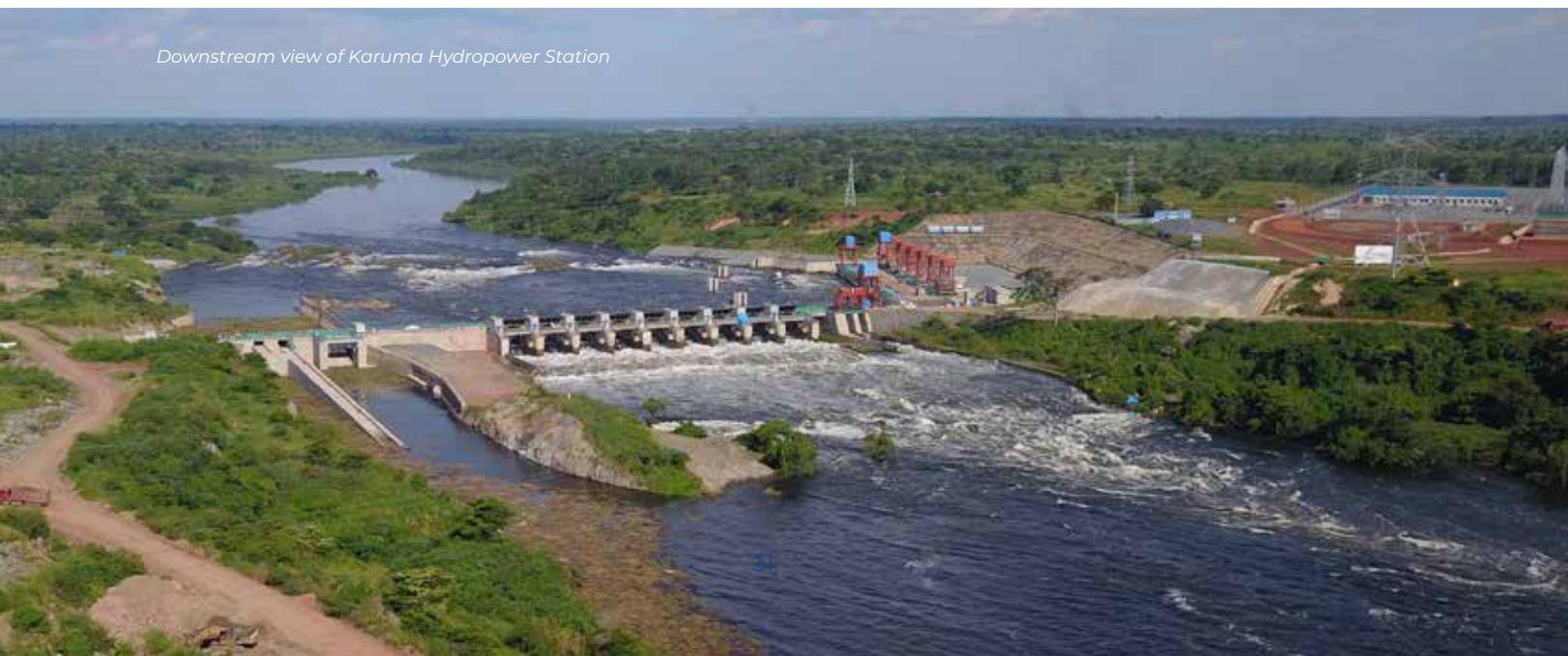
We want to give special thanks to our shareholder the Ministry of Finance, Planning and Economic Development, and our line Ministry of Energy and Mineral Development for policy guidance. Lastly but not least, we acknowledge our success to the support of stakeholders including the; Sector Regulator (ERA), our Development Partners, the Parliament of Uganda, the Project Steering Committee, and the project site communities during the course of the year. Finally and certainly the most important of all, we give all thanks to God and look forward to continued support as we strive to “generate for generations”.



Dr. Eng. Harrison .E. MUTIKANGA
Chief Executive Officer

Generating for Generations

Downstream view of Karuma Hydropower Station



THE BOARD OF DIRECTORS



Eng. Proscovia Margaret NJUKI

Chairperson, Board of Directors

Eng. Proscovia Margaret Njuki is an Electrical Engineer. She holds a Bachelor of Science Degree in Electrical Engineering from University of Nairobi.

Eng. Njuki served the Government of Uganda in the Department of Uganda Television for 28 years and is currently serving as a Director on the Board of Multi Konsults Ltd, Mildmay Uganda and Greenhill Academy.

She is 69 years of age and has served UEGCL as an Independent Non-Executive Member for six years, since 13th November 2013. She has since January 2017 served as the Chairperson of the Board.



Dr. Nixon KAMUKAMA

Director

Dr. Nixon Kamukama is a Certified Public Accountant and holds a Doctorate of Philosophy in Business from Makerere University, a Master's Degree in Accounting and Finance and Bachelor of Commerce (Accounting Option) from Makerere University Kampala.

Dr. Kamukama has served as Professor at Makerere University Business School and is currently the Deputy Vice Chancellor-Academic Affairs at Mbarara University of Science and Technology (MUST)

He is 55 years of age and has served as an Independent Non-Executive Director in UEGCL for six years, since 6th December 2012. He is the Chairperson of the Finance & Audit Committee and is a member of the Governance, Risk and Compliance Committee of the Board.



Eng. Gilbert John KIMANZI

Director

Eng. Gilbert John Kimanzi is a Water Supply, Sanitation and Institutional Specialist with more than twenty seven (27) years of experience in the water and sanitation sector. He holds a MSc in Water and Waste Engineering from Loughborough University, UK and BSc in Civil Engineering from Makerere University.

Eng. Kimanzi has served in various capacities and is currently serving as Assistant Commissioner (Planning and Quality Assurance) at Water for Production at the Ministry of Water and Environment.

He is 53 years of age and has served as an Independent Non-Executive Director in UEGCL for three years since 24th November 2016. He is a member of the Technical Committee and the Human Resources, Compensation and Planning Committee of the Board.



Mr. Zachary Baguma Mosimoson ATWOKI

Director

Mr. Zachary Baguma Mosimoson Atwoki is a Geologist with 31 years of experience in the earth science field. He holds a Masters of Science in Geology from Leningrad Mining Institute (Russia), Post Graduate Diploma in Mineral Exploration from Institute of Aerospace and Earth Science (Netherlands) and Certificate in Management from Uganda Management Institute.

Mr. Baguma is currently the Acting Director at the Department of Geological Survey and Mines, Ministry of Energy and Mineral Development.

He is 60 years of age and has served UEGCL as a Non-Executive Director in UEGCL for three years since 5th May 2016.

He is a member of the Technical Committee and the Human Resources, Compensation and Planning Committee of the Board.



Mrs. Hope BIZIMANA

Director

Human Resource specialist and Consultant with over 32 years of working experience in Human Resource Management, Human Resource Planning and Development and Organizational Development.

She holds a Master's Degree in Human Resource Management from Uganda Management Institute, a Bachelor's Degree in Political Science and Public Administration and Postgraduate Diploma in Human Resource from Makerere University and now a Human Resource Consultant with ABS Consulting Group.

She is 59 years of age and serves as an Independent Non-Executive Director in UEGCL since 13th November 2019. She is the Chairperson of the Human Resource, Planning and Compensation Committee and a member of the Governance, Risk and Compliance Committee.



Mr. Ronald DRAVU

Board Member

Mr. Ronald Dravu is an Auditor and Certified Public Accountant. He holds a Masters of Arts in organizational leadership and a Bachelor of Business Administration from Uganda Christian University. He also holds an Advanced Diploma in Government Accounting Management and audit from East and Southern Africa Management Institute.

Mr. Dravu has served as a Chief Finance Officer, Senior Internal Auditor and Principal Internal Auditor at Ministry of Local Government. He is 67 years of age and has served as an Independent Non-Executive Director in UEGCL for three years since 15th September 2016. He is the chairperson of the Governance, Risk and Compliance Committee of the Board and a member of the Finance and Audit Committee.



Mr. Paul Patrick MWANJA

Director

Economist with over twenty-eight years of experience in Macroeconomics, Project Analysis and Public Investment Management. Holds a Master of Arts Degree in Economic Policy Management from Makerere University, Bachelor of Science in Economics from Makerere University and is an ACCA Affiliate.

Mr. Mwanja has served as a Senior Economist and head of the fiscal policy management section of the macroeconomic policy department, Principal Economist Projects Analysis and Public Investment Management Department and Assistant Commissioner Infrastructure and Social Services all at the Ministry of Finance, Planning and Economic Development.

He is 51 years of age and has served as a Non-Executive Director in UEGCL since 13th November 2019. He serves on the Finance and Audit Committee and the Technical Committee.



A sneak peek into the 600MW Karuma HPP Generator floor

THE MANAGEMENT TEAM



Dr. Eng. Harrison .E. MUTIKANGA
Chief Executive Officer



Mark Martin OBIA
Company Secretary



Joshua KARAMAGI
Chief Finance Officer



David ISINGOMA
Chief Strategy and Business
Development Officer



Joyce NAKALEMA
Chief Human Resource Officer



George Tusingwire MUTETWEKA
Chief Operations Officer



Joseph OKECHO
Chief Audit Officer



Beat NABACWA
Head of Business Performance



Muzafalu KAYONDO, Ph.D
Head Research and Business
Development



Flavia ANYIKO
Risk Manager



Isaac ARINAITWE
Chief Projects Officer



Albert MURUNGI
Head of Information
and Communication Technology



John Kokas OMIAT
Head Procurement and
Disposal Unit

CORPORATE GOVERNANCE STATEMENT

THE BOARD

This Corporate Governance statement has been prepared in accordance with the acceptable Corporate Governance Practices as well as the Corporate Governance Code stipulated under the third schedule, Table F of the Companies Act of 2012.

Composition and Operation of the Board of Directors and Board Committees
UEGCL's BoD is composed of Seven (7) Non-Executive Members of whom are independent.

The composition of the BoD currently stands as follows:

Director	Classification	Skills	Independent
Eng. Proscovia Margaret Njuki (Chairperson)	Non-executive Director	Engineering and leadership	√
Mr. Baguma Zachary M. Atwoki	Non-executive Director	Geology and earth sciences	–
Dr. Nixon Kamukama	Non-executive Director	Finance and Accounting	√
Mrs. Hope Bizimana	Non-executive Director	Human Resources	√
Mr. Paul Patrick Mwanja	Non-executive Director	Economics	–
Mr. Ronald Dravu	Non-executive Director	Accounting and Auditing	√
Eng. Gilbert John Kimanzi	Non-executive Director	Engineering and water resource management	√

Note:

During the Financial Year, two Members retired from the Board following the end of their tenure namely; Ms. Zeridah Zigiti and Mrs. Jennifer Katagyira Lubale.

The Work of the Board

The Board sits at the top of the organizational hierarchy with significant autonomy for accountability to the Shareholders as well as also create the future for the organization by directing investments in viable, and sustainable ventures. The Board also has a responsibility to put in place structures, policies and processes that will ensure the Company's sustainability.

Generally, the BoD provides guidance and plays an oversight role to the Company's Management Team. Articles of Association and Terms of Reference for the respective Committees support the execution of Board roles, duties and responsibilities as well as mechanisms for monitoring and evaluating Board performance. The appointment of Directors is governed by the Company's Articles of Association.

Board and Strategy Effectiveness

The principal responsibility of the BoD is to oversee the management of UEGCL and, in so doing, serve the best interests of UEGCL on behalf of its stakeholders. In ensuring successful execution of the Company's Strategic Plan, the Board tracks the strategy as it is being implemented, detects problems or changes in its underlying premises, and advises on the necessary adjustments. The Board endeavors on focusing on higher level, future

oriented matters of the strategy and policy and it performs the oversight responsibilities in a devoted manner. UEGCL is currently implementing its Strategic Plan for the Period 2018-2023. June 2020 marked the end of the second year of the implementation of the Strategic Plan. Prudent strategic planning and performance management calls for a review of the Strategy and its implementation as well as formulation of a way forward for the next financial year in light of the Company Performance and the environment within which the Company operates.

BOARD TRAININGS AND INDUCTION

New and best practices keep on evolving and Board members needs to keep abreast with these developments through training. Induction is also necessary whenever new Directors are appointed. Board training is considered necessary to ensure the knowledge and understanding needed in order to be effective as a member of any governing Board of Directors.

During the Financial Year, the following direction enhancement programs were identified and undertaken to enhance board effectiveness.

- i. Leading and Managing through Strategic Planning & Innovation.
- ii. Program for Effective Directorship.
- iii. The 26th Annual Africa Corporate Governance Conference (Integration of the Governance functions of Leadership, the Board, ExCo, and the Company Secretary.
- iv. Value Creation for Owners and Directors Program.

Project Visits

As part of its oversight role, the Board is also required to undertake project visits to the sites (Karuma, Isimba, Nyagak & Muzizi and Nalubaale/Kiira Hydropower Plants) on a quarterly basis so as to assess progress of project implementation as well as engage with stakeholders. During the Financial Year, project visits were affected by travel restrictions due to Covid- 19.

CONFLICT OF INTEREST

Members of the Board are required to declare all form of apparent or actual conflict of interest when dealing with matters pertaining to the Company. This is a requirement under the provisions of the Companies Act and the Board Charter. Members declare any conflict of interest before the start of meeting on any matter under consideration and a record of these declarations are maintained by the Company Secretary.

BOARD MEETINGS

The Board holds its ordinary meetings quarterly and the dates for these meetings are reserved under Board Activity Schedule for each quarter to allow members plan accordingly. Special Board meetings are held as and when need arises.

All substantive agenda items are supported by substantive Board Papers to ensure the Directors have sufficient information to enable proper decision making. These BoD Papers are circulated to the Directors in advance for review. This facilitates productivity of meetings as the directors will have ample time to consider the contents of the reports. Board Resolutions are extracted and filed and or registered where necessary in accordance with the Companies' Act of 2012.

The CEO and Company Secretary attend all BoD Meetings while members of the Senior Management Team attend on invitation to provide additional information if required.

Ordinary Board Meetings

The attendance of the Ordinary Board Meetings for the period 1st July 2019 to 30th June 2020 was as follows: -

	9. 08. 2019	5.12.2019	21.02.2020	28.05.2020
Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√
Mr. Paul Patrick Mwanja	NA	√	x	x
Mrs. Hope Bizimana	NA	√	√	√
Dr. Nixon Kamukama	√	x	√	√
Mr. Zachary Baguma	√	x	√	√
Mr. Ronald Dravu	√	√	√	√
Eng. Gilbert Kimanzi	√	√	√	√
Ms. Zeridah Zigiti	√	NA	NA	NA
Mrs. Jennifer Katagyira Lubale	√	NA	NA	NA

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

Extra Ordinary Board Meetings

The attendance of the Extra Ordinary Board Meetings for the period July 2019 to June 2020 is set out in the table below.

	09.09.19	16.09.19	12.11.19	22.11.19	12.12.19
Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√	x
Mr. Paul Patrick Mwanja	NA	NA	NA	x	x
Mrs. Hope Bizimana	NA	NA	NA	√	√
Dr. Nixon Kamukama	√	√	√	√	√
Mr. Zachary Baguma	√	√	x	√	x
Mr. Ronald Dravu	√	√	√	√	√
Eng. Gilbert Kimanzi	√	x	x	√	√
Ms. Zeridah Zigiti	x	√	√	NA	NA
Mrs. Jennifer Katagyira Lubale	√	√	√	NA	NA

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

BOARD COMMITTEES

Following the appointment and replacement of the two Board members during the Annual General Meeting in November 2019, the Board Committees were reconstituted. During the financial year, all Committees held their ordinary meetings and extra-ordinary meetings were held as and when the need arose.

Whereas the Committee Meetings are scheduled in the Annual Board Calendar to ensure that all required corporate governance activities are presented to the Board, special or extra-ordinary meetings are held to consider such urgent matters.

Each of the committee is comprised of at least three (3) members of the Board and is chaired by an Independent Non - Executive Director. The Committees are required to hold quarterly meetings and special committee meetings are held as and when need arises.

(i) Governance, Risk and Compliance Committee

The Board has responsibility to understand the key risks of UEGCL's operations and ensure that through regular reviews and assessments, management has established appropriate systems to identify and manage these risks; and receive regular reports on the management of material risks.

The Committee's composition and attendance of meetings for the Financial Year was as follows;

Director	31.07.19	4.11.19	06.02.20	15.05.19
Mr. Dravu Ronald (Committee Chairperson)	√	√	√	√
Mrs. Jennifer K. Lubaale	√	x	NA	NA
Dr. Nixon Kamukama	x	√	√	√
Mrs. Hope Bizimana	NA	NA	√	√

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

(ii) Finance & Audit Committee

The Finance and Audit Committee provides an oversight role in relation to the financial risk management, recommendation of annual budgetary requirements and performance and the Company's revenue generation among others. The Committee also ensures that the financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles.

The Committee's composition and attendance of meetings for the Financial Year was as follows;

Director	7.08.19	08.11.19	21.11.19 Extra-ordinary Meeting	12.12.19 Extra-ordinary Meeting	06.02.20	15.05.20
Dr. Nixon Kamukama (Chairperson)	√	√	√	√	√	√
Ms. Zeridah Zigiti	√	√	NA	NA	NA	NA
Mr. Ronald Dravu	√	√	√	√	√	√
Mr. Paul Patrick Mwanje	NA	NA	X	X	√	√

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

(i) Technical Committee

The Technical Committee provides an oversight role, reviews, evaluates and makes recommendations to the Board in relation to the Company's performance on the operations of the core business, industry operations and maintenance and concession monitoring, implementation of projects and any other assignment that may be assigned to the Committee from time to time.

The Committee's composition and attendance of meetings was as follows;

Director	30.07.19	29.10.19	07.02.20	13.05.20
Eng. Gilbert Kimanzi (Chairperson)	√	√	√	√
Zeridah Zigiti	x	√	NA	NA
Zachary Baguma	√	x	√	√
Eng. Proscovia M. Njuki (Ex-officio)	√	X	√	√
Mr. Paul Patrick Mwanja	NA	NA	√	√

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

(iv) Human Resource, Compensation and Planning Committee

The Human Resource, Compensation and Planning Committee is responsible for the review the Company structure, salaries and rewards, as well as evaluate and make recommendations to the Board in relation to recruitment, training, development and performance management and planning. The Committee generally provides an oversight role in the Company's strategic planning, performance and human capital framework.

The Committee's composition and attendance of meetings during the financial year was as follows;

Director	26.07.19	29.10.19	05.02.20	14.05.20
Mrs. Hope Bizimana (Chairperson)	NA	NA	√	√
Eng. Gilbert Kimanzi	√	√	√	√
Mrs. Jennifer K. Lubaale	√	√	NA	NA
Mr. Zachary Baguma Atwooki	√	X	√	√

√ = Attendance x= absent with Apology NA= Not Applicable (Not yet or no longer a Board member)

INTERNAL AUDIT

The Internal Audit function primarily gives assurance to the Board and Management of the Company on; governance, risk management, and internal control processes. The Chief Audit Officer makes an independent opinion on the soundness of the Operations and Governance of UEGCL every quarter to the Finance and Audit Committee of the Board.

Internal Audit function helps the organization accomplish its objectives by providing independent and relevant assurances, and contributing to effectiveness and efficiency of governance, risk management and control processes.

RISK MANAGEMENT REPORT

UEGCL remains committed to robust risk management as the key to successfully delivering strategic objective while protecting the interests of stakeholders. The Board through the Governance, Risk and Compliance (GRC) Committee continually reviews the Risk Management system to monitor changes in the risk profile, gain assurance that Risk Management is effective and advise on further action as required.

The COVID 19 Pandemic has tested the Company's ability to sustain operations amidst disruption. UEGCL has been able to ensure continued power generation amidst the National Restrictions by adhering to the Ministry of Health guidelines, facilitating remote working with reliable ICT systems and consistent sensitization of staff on managing the spread of COVID 19. The Board has also approved a Business Continuity Policy to guide the formation of Business Continuity plans to ensure sustainable operations even after disruptions with minimized impacts and enhanced resilience.

The UEGCL Board has revised the risk appetite statement for alignment with the priority risk categories of Reputation, Financial, Operations, Human Resource and ICT. This has facilitated monitoring of the company risk profile against the acceptable tolerances and informed resource allocation, operational and project management decisions.

A dedicated Risk Officer for the Isimba Hydro Power Plant was recruited to support Risk Management initiatives geared towards enhancing efficient operations at the plant. This has improved the quality of decision making through consistent risk assessments, reviews and monitoring of plant operations and maintenance processes as well as risk based asset management. This eventually translates to optimized operations for preservation of value. The Board has ensured a comprehensive framework for the identification, assessment and management of all key risks reported through a Corporate risk register and mitigation plan that is closely monitored by the Board.

Reputational risks

UEGCL operates in a heavily regulated environment with several stakeholders of various interests; this exposes her to a reputational risk in the event of failure to meet stakeholder expectations and needs. The 2019 Brand and Reputation survey revealed a 75% Stakeholder satisfaction rate. To increase stakeholder satisfaction and mitigate reputation risks, UEGCL continually seeks to understand and address the needs of her different stakeholders through planned engagements, proactive communication on COVID 19 and implementation of recommendations from the Reputation and Brand Satisfaction survey.

Financial risks

UEGCL's key Financial risks include currency risks and failure to meet revenue targets arising from an unfavorable regulatory environment. Exposure to the currency risk arises from the foreign currency loans obtained by the Government of Uganda for the construction of the Karuma and Isimba dams. UEGCL seeks to improve

her financial performance through continued engagement with the relevant stakeholders in a bid to obtain favorable tariffs and loan terms and conditions. Despite the limitations in financial resources required for realization of strategic objectives, UEGCL has been able to implement some strategic initiatives through the support of development partners such as AFD and the Norwegian government who have funded capacity building activities, feasibility and financial sustainability studies.

Operational risks

In the implementation of several projects under her mandate, UEGCL faces the risk of non-compliance to time, cost and quality requirements by contractors as stipulated in the Employer's Statement of Requirements. Project delays have become even more imminent with the COVID 19 restrictions. UEGCL continues to reinforce project supervision with support from the Panel of experts for the Karuma and Isimba HPPs. The Board of Directors and Project Steering Committee also regularly visit project sites and play a critical role in addressing escalated matters.

Human Capital Risks

UEGCL has a highly skilled and trained staff base with competencies that are generally attractive to several other employers and is therefore exposed to a staff retention risk. UEGCL is committed to attracting and retaining talent and has made deliberate efforts to implement strategies such as succession planning, internal promotions, knowledge management and competitive/attractive remunerations to improve employee engagement and retention.

ICT Risks

UEGCL's operations are heavily hinged and driven by data and technology which exposes the company to several risks including cyber security and data loss among others, now exacerbated by increased remote working. Several innovations have been initiated to improve connectivity, security and efficiency such as automation of processes, enterprise backup systems and high reliability internet solutions.

REMUNERATION PHILOSOPHY

A Board remuneration survey to benchmark Board members' remunerations with those of peers in the industry was undertaken and this informed the revision of the Board allowances at the start of the financial year.

During the financial year, the Directors were paid a monthly retainer fee and sitting allowance for all meetings as follows:

	CHAIRMAN	NON EXECUTIVE DIRECTORS
Sitting Allowance (UGX) (gross)	800,000	700,000
Monthly Retainer fee (UGX) (gross)	5,000,000	4,000,000

Staff Remuneration

The Board approved a salary structure in 2017. It was noted that Management has since been working towards achieving the approved salary structure.

Structure of Remuneration

Fixed pay: This is normally reviewed annually at the end of the financial year.

Benefits: The Company provides medical cover, insurance and death benefits for staff and dependents.

Retirement Benefits Scheme: As part of the scheme, the Company contributes 25% of each employee's monthly gross salary and the staff each contributes 5% of their monthly gross salary.

Variable pay

Incentives set basing on the Company's overall performance are provided to ensure appropriate reward for good performance. Employees who excel are rewarded bi-annually.

BOARD EVALUATION

Board evaluation provides an opportunity for UEGCL to achieve sustained improvement in Board effectiveness based on an objective assessment of past performance and the Company's changing needs and circumstances. During the financial years, the Board undertook an evaluation process considering the following areas: -

- Board effectiveness
- Board committees' effectiveness
- Directors Peer evaluation
- Company Secretary evaluation
- Chief Executive Officer evaluation

From the findings, it was noted that the average score for Board performance was 87% which was considered to be an excellent score. Areas of improvement and recommendations aimed at further improving the performance of the Board were highlighted to the Board Chairperson.

DELEGATION OF AUTHORITY

Whereas the Board sets the overall tone and direction of the Company, in line with the delegation principle, the Board delegates part of its powers to the Chief Executive Officer (CEO) specifically in relation to the day to day management of the Company for smooth operations and proper implementation of the Company's strategic direction.

UEGCL has a Delegation of Authority Policy which was approved during the financial year. The Policy defines the delegation of authority limits within UEGCL.

INTEGRATED REPORTING & DISCLOSURE

Reporting should be integrated across all areas of performance, reflecting the choices made in the strategic decisions adopted by the Board, and should include reporting on the context of economic, social and environmental issues. The leadership should be able to report forward-looking information that will enable stakeholders to make a more informed assessment of the economic value of the institution as opposed to its book value.

UEGCL ensures the reliability of the Company's integrated reporting. Sustainability reporting and disclosure are integrated with the Company's annual and financial reporting.

COMPANY SECRETARY

The Company Secretary the 'gatekeeper' of corporate governance within the entity. He is responsible for providing guidance and advise to the Board and Management regarding the Company's activities in order to support decision making process.

One of the key roles of the Company Secretary is to ensure efficient administration of the BoD and the Company. The CS has the duty to ensure that the BoD remains cognisant of its roles and obligations. He is also responsible for maintaining Board and Committee records which include registers, minutes, resolutions, key correspondences and storage of the company seal. The CS is also in charge of ensuring dissemination of information from the BoD to Senior Management and Staff.

The Company Secretary is also the legal advisor to the BoD is responsible for ensuring that the correct processes and procedures are applied by the Board in line with the relevant laws. Key to the CS' role is the duty to ensure the BoD is kept abreast of relevant changes in legislation and governance best practices and also ensures that the BoD approves appropriate and adequate policies.

STAKEHOLDER ENGAGEMENT

UEGCL has a wide range of internal and external stakeholders with varying needs and expectations. The Company has a low appetite for not meeting her key stakeholder expectations and for activities that could result in significant loss of confidence by her stakeholders.

The Customer and stakeholder perspective is the ultimate aspiration for UEGCL in the 2018-2023 Strategic Plan. Improving stakeholder satisfaction is therefore a key objective for the Company.

The Company endeavours to maintain regular working relations with its key stakeholders such as the Electricity Regulatory Authority, Uganda Electricity Transmission Company Limited, Eskom Uganda Limited as direct stakeholders. During the financial year the Company undertook a brand and

reputation survey in order to obtain relevant information that will inform the strategic planning and decision making process of UEGCL, while maximizing its presence among key stakeholders.

CODES AND REGULATIONS

UEGCL is required to adhere to good corporate governance standards and practices as by the Company's Act of 2012 and the Public Enterprises, Reform and Divestiture Act, the Board Charter and the International best practices. The Board in fulfilling its oversight and strategic role adheres to corporate governance standards and best practices.

UEGCL also has no appetite for breach of relevant laws, regulations, certifications, licences, and policies among others. Through the audit and compliance function, the Board receives quarterly updates on the status of compliance with the various compliance obligations and on the legislative, regulatory and corporate governance developments that may affect the Company's operations. In particular, The Governance Risk and Compliance Committee is updated on changes in law may have an impact on the business and operations of the Company which informs their decision making.

GOING CONCERN

Having made an assessment of the Company's ability to continue as a going concern and being satisfied that the Company will have adequate resources and is resilient to continue in business for the foreseeable future, it is hereby declared that the Board has sufficient reason to believe that the Company is a going concern and will remain so for at least the next twelve (12) months from the date of this statement.

Stone pitching at Nyagak III HPP



SUSTAINABILITY REPORT 2020



Night view of the Isimba Hydropower station

UEGCL is keen on operating sustainably and ensuring that resources are utilized in a responsible and ethical manner for future generations to come. As we pursue our vision to be one of the leading power producers in the Great Lakes Region, we are cognizant of the fact that our product must not only support industrial development but must as well transform lives/social wellbeing of Ugandans especially those within areas where our projects are based.

UEGCL believes that the United Nations Sustainable Development Goals (SDGs) and the Agenda 2030 on social and economic development which have set goals on; Eradication of poverty, Ending hunger and achieving food security, Good health, Quality education, Minimizing the negative impact of climate change on the environment, Gender equality, Clean water and sanitation, Affordable and clean energy and Social justice can be achieved if all actors in sustainable development play their part.

As a company UEGCL is committed to building a robust business through efficient capital management, investment in renewable energy sources, research and innovation, effective stakeholder relations, corporate social responsibility and through a skilled and motivated workforce.

The sustainability focus is summarized under the following categories:-

- Financial Sustainability
- Environmental & Climate
- Corporate Social Responsibility
- Stakeholder Engagement.
- Human Capital & Innovation



Financial Sustainability

UEGCL's mandate emphasizes the need for the Company to operate on sound business principles. By implication, this presupposes that UEGCL runs her business in a financial sustainable manner covering all its costs including; Operation and Maintenance, Depreciation, and return on investment. In turn, this will enable the Company not only operate efficiently, but also be in a position to finance investments from both its internal sources, and from the financial and capital markets. Indeed, the Strategic Plan of the Company 2018 -2023, has as one of the milestones access to alternatives financing avenues such as Bonds and listing. It should however be noted that this requires UEGCL to have healthy financial statements defined by a positive bottom line on its Profit and Loss Account, a healthy cash flow and Balance sheet statement. This will place the Company at a bankable status defined by the three C's, Cash flow, Character (Debt history and gearing status), and Collateral (Balance sheet).

In this regard, UEGCL has benchmarked its activities with sister Utilities such as KENGEN, which have over years operated on a financially sustainable basis and is seeking to adopt some of the lessons learned through dialogue with the different stakeholders within the Energy Sector, key among which is the Regulator. With the commencement of operations in Isimba, and soon to be commissioned Karuma, financial sustainability will be paramount. Furthermore, given the electricity forecast demands as per the Vision 2040 and NDP III, there will be need for significant resources to finance new generation facilities.

Therefore, UEGCL will continue striving to ensure that it achieves financial sustainability through exploring various modes of financing, and addressing the current impediments to achieving this goal. As a Company we are glad to note that UEGCL already has some of the prerequisites to financial sustainability which include; having a clear long term strategy, well qualified and able management, environmental compliance and having a transparent MIS system and information database

Financial sustainability will also be accompanied by ensuring operational and investment efficiency aimed at keeping unit costs at a minimum thereby ensuring affordable Tariffs to the end users. This will in part be achieved by ensuring that the company's budget is aligned to the company's strategic plan and that goods and services are sourced competitively to ensure value for money.

Environmental & Climate

In pursuit of its vision of being the leading power generation company in the great lakes region, UEGCL is concerned with changes in the catchment, the drivers to this change including degradation by dependent host communities.

The challenges of climate change are being addressed through adequate hydrological studies and climate resilient designs at feasibility and detailed design phases and project implementation, consideration of alternative energy sources and catchment management measures. Dam safety considerations in the designs and monitoring are a key measure considered, with Dam Safety Management and Monitoring systems in place for Karuma and Isimba HPPs. Low flow scenarios for small hydropower projects are being addressed through consideration of thermal and solar hybrids during studies.

UEGCL is also undertaking an Energy Mix Diversification study, with technical support from United States Energy Association (USEA) in

cooperation with U.S. Agency for International Development (USAID). This study will address the risk of dependence on hydropower generation, which currently comprises 80% of energy generation. The study will also include a financially feasible roadmap for the implementation of the Energy Mix diversification strategy that considers the wider sectoral policy, regulatory and stakeholder mandates.

UEGCL Tree planting project

UEGCL has identified Tree Planting as one of its flagship projects with an objective of restoring degraded catchments. UEGCL intends to plant trees in all water reservoir buffer zones of its projects, in liaison with the Ministry of Water and Environment, local authorities, and host communities.

The coverage of the tree planting project is in Kamuli, Kayunga and Jinja Districts in the sub-counties directly affected by the Isimba HPP project, and adjacent communities. The subcounties include Kisozi, Mbulamuti and Magogo in Kamuli, and Busana, Nazigo and Kangulumira in Kayunga Districts. In Jinja District



UEGCL Karuma HPP staff plant a tree as part of the "Running out of trees" campaign by Uganda Breweries Limited.



“
This study will address the risk of dependence on hydropower generation, which currently comprises 80% of energy generation.
”

the affected subcounty is Butagaya.

The Ministry of Water and Environment has developed a catchment Management Plan for Muzizi River. UEGCL was also appointed by the MoWE on the Muzizi River Catchment Management Committee to this effect. The river catchment covers the districts of Mubende, Kibale, Kagadi, Kyenjojo and Kabarole .UEGCL is also engaging NFA and development partners on restoration measures for the Central Forest Reserves, and with MoWE on river bank restoration and protection measures.

Furthermore, UEGCL is to liase with MoWE in the development and implementation of Catchment Management and water source protection plans for small hydropower projects, including Nyagak 3 in Zombo, Maziba in Kabale, Okulachere in Arua and Agbinika in Yumbe district.

Environment Management

Compliance with National Environmental requirements and International Best Practice is one way UEGCL ensures all projects and operations are sustainable. The National Environment Act 2019 now requires not only undertaking ESAs for projects, but also setting up Environmental Management Systems and ensuring compliance as well as monitoring performance of mitigation measures put in place.

We are also targeting ISO 14001 (Environment Management System) and 45001 (Health and Safety Management System) Certification for the Financial Year 2020/2021

UEGCL has been very keen on ensuring compliance with conditions in Certificates of Approval, as well as licenses and permits obtained from the National Environment Management Authority (NEMA),Lead Agencies, and development partner requirements (AfD, KfW, World Bank) including the Environmental and Social Sustainability Standards of IFC, and the Environmental and Social Standards of the World Bank. Land Acquisition for Muzizi HPP is ongoing now at over 80%, while for Maziba, Okulachere, and Agbinika, ESAs and RAP studies are being undertaken, following KfW and AfD requirements, and national standards.

Stakeholder Engagement

Our five-year Strategy is strongly anchored on the satisfaction of our different stakeholders, both internal and external. To gauge our stakeholder’s level of satisfaction, we carried out an entity-wide survey for both internal and external stakeholders. We are pleased to report a 93% internal stakeholder(employee) satisfaction score. The high level of internal stakeholder satisfaction is derived from UEGCL Management’s positive initiatives like presence of learning opportunities, a good reward

Technical inspection of CDAP sites by UEGCL together with officials from Ministry of Health and Ministry of Education and Sports



mechanism and a conducive working environment. Furthermore, our commitment to CSR boosted our external stakeholder satisfaction with the survey finds indicating that most of our external stakeholders were aware of UEGCL's community initiatives towards the improvement of people's liveliness around our areas of operation. To address the recommendations raised by our stakeholders, both internal and external, these have been cascaded down to the different departmental workplans and an annual target set to track closure rate of the recommendations raised in the survey. We believe this will ultimately lead to improvement of our internal processes as we continue to Generate for generations.

Corporate Social Responsibility

Corporate Social Responsibility is more than just a business trend or fad and UEGCL has put its best foot

forward in different CSR initiatives in line with our comprehensive CSR policy. To emphasise our commitment to CSR, a CSR committee chaired by the CEO was set up and this committee ensures that the initiatives undertaken by the company have positive social and environmental effects associated with our business operations.

Some of our notable CSR activities included UEGCL's partnership with Gayaza High School in the production of mathematics text books that were delivered to St. Andrew's Primary School, Kiyunga and Nakatooke Primary School, Kayunga, provision of UEGCL branded face masks to our staff and communities in our areas of operations.

Furthermore, During the outbreak of COVID-19, UEGCL helped to amplify efforts of Ministry of Health to help combat the spread of the pandemic, UEGCL branded face masks were distributed among staff and to the communities in our areas of operations including Kayunga Kamuli etc. printed flyers in different languages i.e. Luganda, English, Runyankore and Luo targeting the different audiences like Nelson Rolihlahla MANDELA said "If you talk to a man in a language he understands, that goes to his head. If you talk to him in his language, that goes to his heart."

Furthermore, a Karuma HPP CSR Project Steering Committee was set up to supervise the construction of the 600MW Karuma HPP CSR projects of Amaji Primary School, Dii Cwinyi Health Centre and Masindi Barracks

Hospital. This committee comprises of teams from UEGCL, Ministry of Health, Ministry of Defence and Veteran Affairs, Ministry of Education and Sports, Ministry of Energy and Mineral Development and EPC Contractor Sinohydro Corporation.

Human capital and staff welfare

For this period the human capital management has been enhanced by the learning and development investment in our teams. Following the training analysis done, we have been able to establish the learning areas at the organizational, department and individual level. We have been able to retain 98% of our staff. The staff retention has been reinforced by the reward model and internal growth opportunities, staff took up 42% of the available growth opportunities. Our staff have exhibited staff satisfaction of 93%, from the entity-wide survey that was conducted, which has grown steadily from 82% over two years. We continue to source for the best talent to run the Hydro Power Stations under our care. We have been able to review our Human Resource Processes and Procedures Manual in order to support our people management operations fully.

Currently we have ensured that our staff are safe and are in position to deliver on their duties amidst the outbreak of the Covid-19 pandemic. We have executed the safety standard operating procedures fully while leveraging on technology.

As a way forward we intend to review and strengthen our talent management strategy, automate the human resource processes, have a more inclusive grievance management process and realign our culture to emergent requirements of our business.

Performance Management

With June 2020 marking the end of the second year of implementation of our 5-year strategic Plan (2018-2023) and with UEGCL having commenced the Operation and Maintenance of one of her flagship projects, the 183MW Hydropower project, the need for a sound performance Monitoring and Evaluation culture has become very key, now more than ever. As a company, we are cognizant of this need and this has seen UEGCL roll out an Operational and Maintenance (O&M) business model that aims at promoting innovation in terms of operational independence by adoption of private sector tenets of management guided by clear targets through internal and external benchmarking and comparative performance analysis, which would further boost efficiencies and lower tariffs through efficiency gains, arising from adept asset management practices as well as creating viable HPPs capable of further mobilizing and leveraging finance for new power developments. In the O&M model and the approved Delegation of Authority Policy under operationalization, clear Key Performance Indicators and targets to be achieved by the Operator (of the power plants) on a regular basis are clearly stated. In the same latitude, they will be tasked with the Monitoring and Evaluation of Operations, Project and Performance Management. This O&M business model was prepared in line with the approved Delegation of Authority policy. The model shall be operationalized in a phased manner; where various key aspects shall be rolled out during each phase with due consideration of on the ongoing Defects Liability activities of the power plants and UEGCL's business maturity.

Research and Innovation

Research and Innovation is a growing part of UEGCL's culture and all activities. Embedded in its mandate, UEGCL is pursuing a research and innovation path that aims at realizing the benefits of applied research, capitalizing on the existing research collaborations with Makerere, CREEC, ICOLD, as well as reaching out to new partnerships in industry and academia, locally and beyond. This is all well-anchored in its rich Research Agenda and Policy framework, that also targets growth of internal capacity for Research and Innovation. Research and Innovation at UEGCL now boasts of a Research and Innovation Advisory Committee, headed by the Head Research and Business Development, to oversee the extent and impact of Research and Innovations at UEGCL. It is expected, and is already evident that this adopted approach will significantly contribute to the achievement of UEGCL's mission of sustainably generating reliable, quality and affordable electricity. The current focus of UEGCL's Research and Innovation strategy is mostly in integrating well-researched concepts and innovations in the day-to-day activities (projects execution, O&M of power plants, and others), cutting across the entire organization. This is already exhibited in the upcoming Research and Innovation Workshop, as well as in the volume of abstracts and papers geared up for the forthcoming Hydro Africa Conference in 2021 to be held in Kampala.



**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF UGANDA ELECTRICITY GENERATION
COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE
2020**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**



LIST OF ACRONYMS

Acronym	Meaning
Bn	Billions
CDAP	Community Development Action Plan
COVID-19	Corona Virus Disease of 2019
DLP	Defects Liability Period
EPC	Engineering, Procurement and Construction
EPCC	Engineering, Procurement and Construction Contractor
ERA	Electricity Regulatory Authority
FY	Financial Year
GOU	Government of Uganda
HPP	Hydro Power Plant
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institution
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance Planning and Economic Development
NDP	National Development Plan
OE	Owners Engineer
O&M	Operations and Maintenance
PAPs	Project Affected Persons
PFMA	Public Finance Management Act
PPA	Power Purchase Agreement
PSC	Project Steering Committee
RAP	Resettlement Action Plan
TAI	Treasury Accounting Instructions
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company
UGX	Uganda Shillings
VAT	Value Added Tax

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**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF
UGANDA ELECTRICITY GENERATION COMPANY LIMITED
FOR THE YEAR ENDED 30TH JUNE, 2020**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Uganda Electricity Generation Company Limited which comprise the statement of Financial Position as at 30th June 2020, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements for the year ended 30th June 2020 present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 30th June 2020 and its financial performance and cash flows for the period then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of Uganda.

Basis for Opinion

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

Key Audit Matter

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

- **Implementation of the approved budget**

Section 15 of the Public Finance and Management Act (PFMA), 2015 requires the Secretary to Treasury to issue an annual cash flow plan of Government based on the plans approved by Parliament, and the Accounting Officer to plan and manage the activities/outputs indicated in the vote policy statement and commit funds based on the annual cash flow plan.

In addition to energy billing to UETCL, and donor funding, the Company receives government funding through the Ministry of Energy and Minerals Development in form of grants from GoU. The Company prepared annual work plans and budgets in addition to its strategic plan. Best practices, require that at the end of the reporting period, institutions should assess their actual performance against planned activities or targets with an objective of identifying variations, the causes for variations, and obtain remedies for the shortcomings.

As reported in my previous year audit reports, Government entities/corporations are still experiencing challenges in implementing planned and budgeted for outputs/activities, which affects service delivery. In the overall office-wide planning, I assessed risks such as inadequate revenue performance, failure to implement planned outputs, failure to undertake budget monitoring and supervision, among others which were likely to result in poor performance of the budget.

Consequently, I developed procedures to address the performance of the budget of the Company and report on the following;

- The extent of implementation of the strategic plan
- Level of revenue performance
- Appropriation of off-budget receipts
- Level of funds absorption
- The extent of quantification of planned activities
- The extent of implementation of planned activities
- Diversion of funds by the entity.
- Preparation and timely submission of annual monitoring reports
- Submission of quarterly performance reports
- Accuracy of the performance reports prepared and submitted.

Based on the procedures performed, I noted that UEGCL is mandated to establish, acquire, maintain and operate electricity generation facilities and to promote research and development in the electricity generation sector while running the Company on sound business principles.

To achieve its mandate, the Company planned to implement a number of both recurrent and development expenditure activities under various the Departments/Business units to achieve certain deliverables. A review of the entity's work plan and budgets revealed that the entity had an approved budget of UGX.310.7Bn, out of which UGX.200.7Bn was realized. The table below shows a summary of the key deliverables of the entity for the financial year 2019/20.

Table: Showing key deliverables for UEGCL for the year

Sn	Category	Key deliverables	Amount Spent (UGX) Bn	Cumulative percentage of Actual expenditure
1	Karuma HPP	<ul style="list-style-type: none"> Monitoring, supervision, recruitment & acquisition of O&M staff and equipment respectively 	26.9	26.7%
2	Isimba HPP	<ul style="list-style-type: none"> Catchment preservation & Dam management Acquisition of O&M equipment, Computerized Maintenance Management system software(CMMS) 	14.9	41.4%
3	Muzizi HPP	<ul style="list-style-type: none"> RAP implementation 	1.1	42.5%
4	Nyagak HPP	<ul style="list-style-type: none"> Monitoring & Supervision of construction activities by OE RAP implementation 	1.7	44.2%
5	Operations & Maintenance- Isimba, Kira & Nalubaale	<ul style="list-style-type: none"> Reduction of energy forced outage hours for Isimba. Develop & implement an operations compliance management matrix, strategic asset management plan and a defects management plan Developing & implementing an energy capacity expansion programme, business growth strategy and a competence framework for staff 	24.7	68.7%
6	Feasibility Studies	<ul style="list-style-type: none"> Rehabilitation feasibility study for Kira & Nalubaale and Small Hydro power projects 	3.8	72.5%
	Total		73.1	

I reviewed the UEGCL performance review report for the FY2019/20 to enable me assess the extent of achievement of company performance targets. I sampled six (6) departments/business units (Karuma, Nyagak, Muzizi, Operations, Corporate, and HSE-Community development) with a total budget of UGX.291.39Bn, representing 95.3% of the total budget for review as summarized in the table below.

Table showing planned and sampled outputs

Total Number of Business units	Number of units sampled	Total budget of the sampled units (UGX) Bn	Actual expenditure of the sampled units (UGX) Bn	% budget allocation of sampled outputs in relation to net budget
15	6	291.39	96.16	95.3%

From the procedures undertaken, I noted the following;

No	Observation	Recommendation																																			
1	<p>Revenue Performance</p> <p>A review of the budgets and management accounts revealed that out of the budgeted revenue of UGX.310.7Bn for the year 2019/20, only UGX.200.7Bn was realized representing performance of 64.5% of the target. The major funding gaps were noted under projects i.e.; Nyagak, Muzizi and Karuma, which received only 56%, 30% and 71.5%, respectively of the anticipated revenue. In addition, only 57% was generated from sale of power from Isimba. The performance of each revenue source is summarized in the table below;</p> <p>Table showing Revenue Performance</p> <table border="1" data-bbox="358 633 1089 1673"> <thead> <tr> <th data-bbox="358 633 456 819">Revenue Centres</th> <th data-bbox="456 633 553 819">Revenue sources</th> <th data-bbox="553 633 651 819">Budgeted revenue (A) UGX Bn</th> <th data-bbox="651 633 748 819">Actual revenue (B) UGX Bn</th> <th data-bbox="748 633 846 819">variances (c) = A-B UGX Bn</th> <th data-bbox="846 633 943 819">Funding gap in % (D)</th> <th data-bbox="943 633 1089 819">Management explanation</th> </tr> </thead> <tbody> <tr> <td colspan="7" data-bbox="358 819 1089 858">Projects</td> </tr> <tr> <td data-bbox="358 858 456 1152">Isimba HPP</td> <td data-bbox="456 858 553 1152">GOU</td> <td data-bbox="553 858 651 1152">28.93</td> <td data-bbox="651 858 748 1152">30.76</td> <td data-bbox="748 858 846 1152">1.83</td> <td data-bbox="846 858 943 1152">6%</td> <td data-bbox="943 858 1089 1152">This was due to funds carried forward of 6.99Bn from prior year</td> </tr> <tr> <td data-bbox="358 1152 456 1407">Karuma HPP</td> <td data-bbox="456 1152 553 1407">GOU</td> <td data-bbox="553 1152 651 1407">30.47</td> <td data-bbox="651 1152 748 1407">21.8</td> <td data-bbox="748 1152 846 1407">(8.67)</td> <td data-bbox="846 1152 943 1407">-28.5%</td> <td data-bbox="943 1152 1089 1407">Release shortfall in Q4 hence unable to carry out planned activities</td> </tr> <tr> <td data-bbox="358 1407 456 1673">Muzizi HPP</td> <td data-bbox="456 1407 553 1673">GOU</td> <td data-bbox="553 1407 651 1673">2.54</td> <td data-bbox="651 1407 748 1673">0.762</td> <td data-bbox="748 1407 846 1673">(1.78)</td> <td data-bbox="846 1407 943 1673">-70%</td> <td data-bbox="943 1407 1089 1673">Release shortfall in Q4 hence unable to carry out planned activities</td> </tr> </tbody> </table>	Revenue Centres	Revenue sources	Budgeted revenue (A) UGX Bn	Actual revenue (B) UGX Bn	variances (c) = A-B UGX Bn	Funding gap in % (D)	Management explanation	Projects							Isimba HPP	GOU	28.93	30.76	1.83	6%	This was due to funds carried forward of 6.99Bn from prior year	Karuma HPP	GOU	30.47	21.8	(8.67)	-28.5%	Release shortfall in Q4 hence unable to carry out planned activities	Muzizi HPP	GOU	2.54	0.762	(1.78)	-70%	Release shortfall in Q4 hence unable to carry out planned activities	<p>I advise the Accounting Officer to liaise with Ministry of Energy and Mineral development to ensure full release of budgeted funds by MoFPED for provision of planned services, and should harmonize the power purchase agreement and generation and sales license to ensure that the budget is realistic.</p>
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	Nyagak III HPP	GOU	3.80	2.12	(1.68)	-44%	Release shortfall in Q4 hence unable to carry out planned activities
	Sub-Total		65.74	55.442	(10.3)	- 16%	
	Isimba O&M						
	Isimba Income	Isimba O&M	223.41	126.42	(96.98)	-43%	Lower than expected because billing is energy based instead of capacity . Variance also attributed to units sold based on demand factor
	Sub-Total		223.41	126.42	(96.98)		
	Concession Budget						
	Concession	Concession Fee	10.77	10.78	0.01	.01%	Budget top up of Ugx 48m for Graduate trainees , Ugx 7m additional approval on Building operational and Communication equipm

							ent. Over billing as a result of Ugx 6m for ground rent which was a one off from a court ruling billed and collected
Sundry Income	Sale of International Bids	0.080	0.009	0.071	-89%		Sale of international bids
Interest Income	Interest from the Escrow account	0.015	0.0211	-0.0061	41%		
Other Income	Disposal proceeds	0	0.0379	-0.0379	0		Not budgeted for
Sub-Total		10.865	10.848	0.017	0.2%		
Norwegian grant Expense	Grant income	6.911	4.2	2.711	-39%		
AFD grant - Feasibility study for Small Hydro	Grant income	0.459	0.459	0	0		
KFW grant Feasibility study for Nalubale	Grant income	3.342	3.342	0	0		

& Kira					
Sub-Total		10.712	8.00	(2.71)	-25%
TOTAL		310.727	200.711	(110.02)	-36%

Source: *Budgets and Management Accounts*

The observed performance was attributed to shortfall in releases and the fact that the Isimba power was billed based on energy consumed instead of capacity.

The failure to release and generate all the budgeted funds affect implementation of the planned activities, which affect service delivery as well.

The Accounting officer explained that, the projects overall funding gap was due to COVID -19 that was not anticipated and had an impact on the entire country. The activities that were mainly impacted included; Isimba Project-Community Development Action Plan activities which were not fully undertaken, Karuma Owner’s Engineer funding, Muzizi and Nyagak III RAP activities and Isimba Future loan repayment. The Norwegian grant is a 5-year grant and Donors argument was that the year was ending and that was the only available funds for the Grant.

2

Under absorption of funds

Out of the total receipts for the financial year of UGX.200.71Bn, UGX.152.55Bn was spent by the entity resulting in an unspent balance of UGX.48.66Bn, representing an absorption level of 76%.

Refer to the table below;

No	Revenue source	Total receipts (UGX'Bn')	Total Expenditure (UGX'Bn')	Unspent (UGX'Bn')	Absorption rate (%)	Management explanation
1	Concession	10.848	9.705	1.143	89%	Movement of 2 staff previously under Concession that had been promoted to managers now under Projects. The new positions

I advise management to expedite execution of outstanding construction works and other unimplemented activities.

							had not been allowed by ERA, impact of COVID 19 and delayed procurements
2	Projects	55.44	44.55	10.89	80%		Pending recruitment of 25 O&M staff-Karuma, Impact of covid19 on travels and trainings and other activities. Pending recruitment of 2 staff for Muzizi, Delayed commencement of Muzizi project. Delayed procurements (e.g. Karuma procurements halted due to extension of commissioning date).
3	O & M Isimba	126.42	93.59	32.83	74%		Delayed recruitment of 9 staff expected in Q1 but were recruited in Q4, Impact of COVID19 on foreign travels and trainings as internal travels, delayed procurements and delayed transfers to the revenue reserve account

4	Other Grants	8.001	4.705	3.801	59%	
TOTAL		200.71	152.55	48.664	76	147.56

Source: Management accounts and budget

Under absorption of released funds results in non-implementation of planned activities. For example construction of Muzizi project, recruitment of Karuma staff, procurement of Karuma O&M items were not undertaken during the year.

The Accounting Officer indicated that the under absorption was majorly due to the effects of COVID-19 as well as late recruitment of staff as noted. The major reason for the grants under absorption was that, it took close to 6 months for MoFPED to clear UEGCL to utilize the Norwegian grant.

3

Extent of Achievement of Entity Performance Targets

I sampled 64 interventions/critical activities implemented under the 6 sampled business units and noted that eight (8) tasks had been fully achieved, thirty seven (37) were partially achieved while nineteen (19) were not achieved at all as summarized in the **table below** and details in **Appendix 1**

The extent of achievement of the annual work plan 2019/20

No	Level of performance by the end of 2019/2020	No of critical tasks	% of total critical tasks
1	Fully achieved	8	12%
2	Partially achieved	37	58%
3	Not achieved	19	30%
Total		64	1

As a result, growth of energy capacity, improved financial performance, and enhanced business portfolio performed below 45%. This has led to delayed service delivery and a possible cost escalation of implementing un-executed activities in future.

The above performance was attributed to the delayed commissioning of Karuma HPP, delayed compensation and

I advise Management to strictly monitor and fast track activities affected by the COVID 19 pandemic.

	<p>construction of Muzizi and Nyagak projects and the impact of COVID 19 on the performance.</p> <p>The accounting officer explained that, the planned activities for 2019/20 were mainly impacted by COVID-19 both operationally and in terms of resources released (budgets).</p>	
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Emphasis of Matter

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

- **Billing of Karuma Concession Fees on ESKOM Concession UGX.4.9 Bn**

Clause 2.4(a) of the Concession and Assignment Agreement (CAA) requires that the concession fees are billed in accordance with Annex E of the same. According to Annex E, the components of the concession fees billed shall be equal to the sum of the debt servicing, Depreciation, return on Equity and Administration fees. However, a review of the concession invoices revealed that Karuma license fees worth UGX.4,994,348,781 were billed as part of ESKOM concession fees. This contravenes the above CAA requirements as the Karuma project has no relationship with Eskom Concession.

Management explained that the UEGCL budget for concession fees does not include the license fees for Karuma, however during approval of the budget; the Electricity Regulatory Authority (ERA) incorporated the component of Karuma license fees as part of the ESKOM concession fees budget.

I advised management to engage MoFPED and MEMD to ensure that the Karuma licence fees are financed through other funding mechanism other than the concession fees under ESKOM.

- **ESKOM Buy-Out Amount: UGX.38.7bn**

Disclosed under Note 26 to the Financial Statements is a Contingent Liability relating to the ESKOM Buyout amount. Clause 11.1 of the Support agreement between Government of Uganda and Eskom Uganda Limited requires the Government to shoulder the risk of paying out any outstanding amounts to Eskom in form of a Buyout Amount comprising the capital investments by ESKOM which will not have been recovered through the capacity price at the end of the concession period in April 2023.

A review of ESKOM (U) Ltd audited financial statements for the year ended 31st December 2019 estimated that capital investments amounting to UGX.38.7Bn had not been recovered through the capacity price as at that date. This liability is expected to escalate further given that ESKOM had made additional investments worth UGX.21.4Bn in the year 2019 which were pending verification by the Electricity Regulatory Agency. This could lead to a significant liability payable by GOU at the end of the concession.

There is a risk that late payment of the buyout amount will bear interest at libor plus 5% from the date, that is, 90 days following delivery of termination notice or resolution of any related disputes, until paid by Government. Additionally, non-payment will give ESKOM the right to continue operating until the amounts are recovered in accordance with clause 11.2(d) of the Government support agreement.

Management stated that, the matter was escalated to the Shareholder, MoFPED, and a response was given that any outstanding obligations will be paid by GOU at the end of the concession in 2023.

I advised Management to continue engaging with the Stakeholder to find a viable solution to the liability before it crystalizes and becomes difficult to settle.

Other Matter

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

- **Loss of Revenue through Foreign Exchange Rate Movements: UGX.483.6M**

Clause 4.3 (a & c) of the Power Purchase Agreement provides that UEGCL shall prepare invoices showing capacity payment in US dollars payable by UETCL to the Company for the preceding month. Payment shall be made in Uganda Shillings at the Average Buy Rate, except that UETCL may make payment required hereunder in Dollars at its option.

A reconciliation of the invoice amounts and the actual receipts related to Isimba generation income revealed that the entity suffered a net foreign exchange loss of UGX.483.6M for the financial year ended 30th June, 2020 resulting from billing by UEGCL in US dollars and receiving payments in Ugandan Shillings from UETCL.

Management explained that Clause 4.3 of the Power Purchase Agreement between UEGCL & UETCL, provides that UEGCL shall invoice UETCL in US dollars by 5th of the month following, and UETCL shall pay for such invoices in Uganda Shillings.

I advised Management to consider reviewing the Power Purchase Agreement with UETCL and other stakeholders for a possibility of using a single currency for both invoicing and payment.

- **Unbilled Concession revenues**

Clause 2.4(a) of the Concession and Assignment Agreement (CAA) requires that the concession fees are billed in accordance with Annex E of the same. According to Annex E, the components of the concession fees billed shall be equal to the sum of the debt servicing, Depreciation, return on Equity and Administration fees.

However, a review of UEGCL's concession budget 19/20 revealed that UGX.111.7Bn in relation to depreciation (28.7Bn) and return on Equity (83Bn) were disallowed and only administration fees of UGX 5.9Bn was allowed by ERA. There is a risk that under billing will affect the ability

of the Company to carryout asset rehabilitation/replacement during and after the useful life of the plant. In addition, UEGCL may not be able to operate as a self-sustaining entity due to a possible reliance on government support to refurbish the plant.

Management explained that, the budget was submitted in line with CAA, but ERA does not approve depreciation and ROI in the spirit of keeping the tariff low.

I advised Management to continue engaging ERA/MEMD with a view of amending the CAA to reflect the Government intention, by excluding debt servicing, ROI and depreciation from the Concession fees.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

Management Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Uganda Companies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Company's management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

Other Reporting Responsibilities

As required by the Companies Act, 2012, I report to you, based on my audit, that:

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and
- The Company's statement of financial position and statement of financial performance are in agreement with the books of account.

Report on the Audit of Compliance with Legislation

In accordance with Section 13 and 19 (1) of the National Audit Act, 2008, I have a responsibility to report material findings on the compliance by UEGCL with specific legislations, agreements and directives. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

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

- **Apparent Penalty on Delayed Payments to EPCC: USD.21,095,655**

Section 43.1 of the General Conditions of the Karuma HPP Contract requires that the employer shall pay the contractor the amounts certified by the project management within 30 days of the date of each certificate. If the employer makes a late payment, the contractor shall be paid interest on the late payment in the next payment. Interest shall be calculated from the date by which the payment should have been made up to the date when the late payment is made at the prevailing rate of interest for commercial borrowing for each of the currencies in which payments are made.

A review of the 4th Quarter report revealed that the EPC submitted interest claim worth USD.21,095,655 on account of delayed payment of interim payment certificates 36-41. This was due to significant delays in release of the payments beyond the contractual time of 30 days after certification by Owner Engineer. This may hinder the EPCC's cash flow and may result into nugatory expenditure to Government.

Management explained that the payment process of interim certificates involves various parties including the OE, UEGCL, MEMD and MoFPED and EXIM BANK, CHINA. The obligations met by the Borrower (GoU) under the Financing Agreement, at times affect timely release of

payments. The MEMD had been notified to mitigate delays in certification of interim payments. They added that the interest amount was under dispute by the Owner’s Engineer and the MEMD was yet to appoint an adjudicator to resolve the disputed amounts with the Contractor.

I advised Management to ensure that timely payments are made to the EPCC within the contractual payment timelines to avoid unnecessary interest expense. In addition, funds should immediately be obtained to settle outstanding certificates.

• **Disputed Variation Orders: USD.47,893,876**

A review of the 4th Quarter Karuma HPP progress report revealed that there were several changes in the project scope which led to both positive and negative variation orders. Of the eight (8) variation orders, only two were processed and six (6) remained outstanding at end of the financial year pending approval from MEMD. This would result in a reduction in project cost by USD.47,893,876 as the increase in project scope was less than the decrease. The table below refers;

Table showing Disputed Variation Orders

SN	Description of Variation	Cost (USD)	Revised Contract Price (USD)	Remark (s)
01	Concrete blocks instead of clay bricks(Ref. VO NO-KHPP-003)	-1,558,715.64	1,397,784,605.36	Pending approval from MEMD
02	Muck Disposal from Adits 8, 9, & 10 (Ref. VO NO-KHPP-004)	-39,686,505.39	1,358,098,099.97	Pending approval from MEMD
03	Change of Spillway Crest Level and Silt Flushing Crest Level (Ref. VO NO-KHPP-005)	-5,807,814.99	1,352,290,284.98	Pending approval from MEMD
04	Change of Class of Shotcrete from C30 to C25 (Ref. VO NO-KHPP-006)	-455,527.93	1,351,834,757.05	Pending approval from MEMD
05	Change of anchor’s bars minimum diameter, material of anchor bars and non-usage of spacers (Ref. VO NO-KHPP-007)	-327,952.59	1,351,506,804.46	Pending approval from MEMD
06	Change of steel dowels minimum diameter and length (Ref. VO NO-KHPP-008)	-57,359.60	1,351,449,444.86	Pending approval from MEMD
	TOTAL	-47,893,876.14		

Source: Karuma HPP 4th quarter progress report June 2020

However, the EPC was not willing to accept negative variation orders on grounds that the contract is an EPCC lump sum contract and hence there is no need to adjust the contract sum downwards despite a reduction in the project scope. Management of UEGCL sought guidance/opinion from the Solicitor General on this matter, but by the end of the financial year, no feedback had been received.

The failure to resolve this matter in good time could lead to delays in completing the remaining scope of works, which will further delay project commissioning. In addition, there is an apparent loss of public funds.

Management explained that UEGCL wrote to MEMD seeking approval of Variation Orders number 3-8 so that these could be pursued with the EPCC. MEMD sought the guidance of the Solicitor General on the contractual implications of making the approvals. The SG’s guidance is awaited to inform the way forward regarding processing the Variations. In line with this, the OE has deducted USD.47,893,876.14 from the Interim Payment Certificate 41 until the matter of Variations is resolved.

I advised the Management to follow up the matter with the Solicitor General, in order to mitigate any further delays to project commissioning, and loss of public.

- **Non- conformance by the Karuma EPCC**

A review of the 4th quarter progress reports, indicated a number of non-conformances (NC) in relation to mechanical and electrical works components of the project as shown in the table below;

Table showing Karuma HPP Non Conformances

S/n	Non- conformities	Consequence
1.0	Mechanical Works	
1.1	Corrosion damages on the blades of the turbine runners Units 2 and 4	Delayed commissioning of the project due to potential replacement of corroded mechanical components. Furthermore the delays will result into increased supervision and monitoring costs
1.2	Corrosion damages of the turbine shafts Units 5 and 6.	
1.3	Contact of turbine guide bearing pads, combined bearing pads, and upper guide bearing pads with turbine shafts.	
2.0	Electrical Works	
2.1	Laid cables are not following approved cable works Lists i.e. Power cables and signal/command cables are not separated, cable trays overfilled, while others remained empty	The aforementioned non-conformities will result into the following issues: Safety concerns e.g. accidents, damages on equipment; Malfunction of equipment; Reliability of plant components; Significant financial impact associated with replacement/repair of damaged/malfunctioning equipment
2.2	Cables laid without cable trays or conduits, undersized & oversized cables, size of the cables changed along the single line, cables not properly organized (laid as a big pile of snakes), using steel wire instead of standard nylon cable straps for bundling the cables,	
2.3	Inappropriate cable glands, untidy works — dirty cables and generator installation — possible corona effect,	
2.4	Inappropriate cable labeling, undersized cubicles, corroded cubicles, no space behind the cubicles for maintenance purposes (space behind the cubicles occupied with cables)	
2.5	Usage of unknown "fireproof mastic" instead of cable glands, huge openings cut on cabinets to insert a bundle of cables without proper sealing/glanding (no dust protection for the	

	equipment inside the cabinet) and running of flanged pipes over live electrical cubicles.	
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Source: Karuma HPP 4th quarter progress report June 2020

Non-conformances impacts on completion of scheduled targets and consequently delays completion of the Project.

Management explained that concerted efforts have been made by UEGCL working with other key project stakeholders including the PSC, MEMD and MoFPED with an aim of resolving the non-conformances to safeguard the safety, reliability and operability of the power plant.

I advised management to expedite the rectification of the identified nonconformities before project commissioning.

- **Delayed Commissioning of Karuma HPP**

GCC 17.1 of the EPC contract provides that the time for Completion of the Project, including time required for creation of construction facilities and Infrastructure Works, shall not exceed 60 months reckoned from the Start Date. Addendum I (Clause II) of the contract provided that the Effective Date shall be August 16, 2013 implying that the initial completion date was 16th/Dec/2018.

However, a review of the fourth quarter progress report revealed that the completion date for the Karuma HPP was extended to 30th November 2020, resulting into a delay of two (2) years from the initial planned commissioning date. This was majorly attributed to delays in land acquisition and the impact of COVID-19.

The delays in project completion may result into increased supervision costs, additional costs arising from claims by the EPCC, and increased commitment fees payable on undrawn balances of the loan, as at 30th June 2020 of which GoU had as a result paid commitment fees amounting to USD.11,916,634.4. Management explained that the Contractor had requested for time extension due to COVID-19 outbreak and the communication was made to MEMD. The Contractor continued to issue schedules that demonstrate he is unable to meet the commercial operations date of November 2020. The MEMD has been requested to expedite the land acquisition process, similarly the ongoing land acquisition challenges have also delayed the completion of Karuma Interconnection Project (KIP) component which is a condition to the commissioning of the Karuma HPP. MEMD/UEGCL/OE have also identified critical nonconformities whose rectification is necessary for commissioning to commence.

I advised management to expedite the construction of the Hydro Power Plant. In addition, management should continue engaging MEMD and relevant stakeholders in order to expedite the process of land acquisition/compensations.

• **Pending Snags & Defects- Isimba Hydro Power Project**

In accordance with Addendum number 4, to the EPC contract, Isimba HPP achieved substantial completion on 31st March 2019. The Taking over certificate (TOC) dated 31st March 2019, was issued to the EPC contractor on 12th April 2019 alongside a list of 775 jointly identified and documented snags and outstanding scope of works which parties to the contract agreed would be completed by 30th September 2019.

A review of the June 2020 status report, revealed that nine (9) months after the planned snag completion date, the progress of works was at 96% and 33 critical snags were still outstanding. Key among these included: installation of floating boom, completion of Operation & Maintenance manuals and As-Built drawings, firefighting system automation, construction of a Visitor’s Centre and Helipad, rectification of the leaking power house roof and furnishing of the infirmary and lobbies. The table below refers;

Table showing Isimba Pending Snags

Section	Snags	Outstanding Items	
		No.	%
UNITS	173	6	3%
BOP	35	7	20%
HM	64	3	5%
SWY+TL	63	3	5%
PH	342	6	2%
DAM	72	6	8%
HSE	23	2	9%
TOTAL	775	33	4%

Source: Isimba DLP report June 2020

This was attributed to absence of the contractor’s key staff who were unable to return to Uganda due to COVID 19 related travel restrictions.

The extended time completion of snags has resulted into:

- Increased time inputs for the owner’s engineer (OE) staff which has put a strain on the OE budget. For instance the shilling component of the OE contract was exhausted in June 2019 and the dollar component stood at 98.42% as of June 2020.
- Reallocation of funds to the OE budget to allow for mobilisation of key staff to ensure closure of outstanding works and snag items.
- Payment of high commitment fees due to undrawn loan amounts from the date of signing the financing agreement, as at 30th June 2020, GoU has so far paid commitment fees amounting to USD 3,451,480.

Management explained that UEGCL has since sent the owners Engineer two claims due to the delays of the Contractor for extension of the defects liability period and additional costs of supervision incurred by GoU. They added that EPC Contractor had mobilized key staff to return to site after receiving Government clearance in regard to COVID-19 travel restrictions. The

Owner’s Engineer had also identified staff to carry out staff supervision of the remaining critical snags.

I await the outcome of management’s action in this regard

• **Unfunded Community Development Action (CDAP) Projects**

The Community Development Action Plan is a Government initiative to mitigate the effects of increased pressure on social amenities during the construction of the hydropower projects with the objective of improving the education, health and hygiene in project-affected communities.

I noted that fourteen (14) CDAP Projects worth UGX.33,919,788,494 remained unfunded as at the end of FY2019/20 despite having a nine (9) months period to the end of the Isimba HPP Defects Liability Period, and the Karuma HPP planned commissioning date of 30th November 2020. The delayed implementation of CDAP activities was attributed to resource constraints.

The delays may escalate supervision costs and negatively impact the communities’ acceptance of the hydro power projects and Government reputation due to delayed anticipated benefits from CDAP activities.

Management explained that, there was an approved budget of UGX 3bn in FY2020/21 to cater for CDAP activities. CDAP implementation has been reprioritized to cover one primary school in each districts of Oyam, Kiryadongo and Nwoya.

I advised Government to prioritize implementation of CDAP activities through timely allocation of resources.

• **Absence of Floating Boom lines**

Boom lines are designed to deflect or retain the floating waterweed and vegetation to prevent debris from blocking power plant intakes, in order to achieve/maintain generation efficiency, and to improve dam safety by preventing plugging of spillways or spill gates.

A review of fourth quarter reports for Karuma, Isimba and Nalubaale HPPs, however revealed the absence boom lines at Kira and Nalubale, and Isimba, while that at Karuma was damaged as shown in the table below;

Table showing Hydro Power Plants without Boom line

SN	Dam	Status of boom line
1	Kira and Nalubaale	No boom line
2	Isimba HPP	No boom line
3	Karuma HPP	Damaged during the 3rd stage river diversion. The pieces of the damaged log boom are not yet retrieved and could cause damage to the dam structures and gates

Source: 4th Quarter progress reports for Concession, Karuma and Isimba

This could be attributed to failure by the concession operator, Isimba and Karuma EPC contractors to recognize the relevance of a boom line.

Without robust boom lines the dams will be affected by the water hyacinth and floating islands which could translate into national blackouts as it was observed on 14th April 2020. Furthermore, the hydraulic structures of the hydro power plants are exposed to serious safety, and revenue loss due to the occasioned blackouts.

Management explained that, the floating boom was part of the project scope at Karuma HPP however; it was damaged due to torsional forces from water rapids during the 3rd stage water diversion in May 2019. The EPCC was instructed to re-design the floating boom with a more robust structure capable of withstanding the different operating/exposure conditions envisaged at the dam. They added that at Isimba the Contractor was installing a floating boom while at Nalubaale-Kiira HPP, it was the role of Eskom (U) Ltd to install a permanent boom line. UEGCL has instructed Eskom (U) to expedite the process of installing a robust boom, which can manage both the regular influx of water hyacinth and a way of managing public safety near the dams.

I advised management to ensure that robust boom lines are installed by the concessionaire and EPC contractors. Meanwhile under the Karuma HPP the boom lines should be installed before commissioning of the dam.

- **Delayed Commencement of the Construction of Muzizi Hydro Power Project**

The Republic of Uganda signed a credit facility agreement with Agence Francaise De Development (AFD) and KFW on 9th December 2016 and 25.11.2016, respectively, to finance the construction of Muzizi Hydro power project with expected completion date of December 2023 as per Schedule 1A of AFD agreement.

I however noted that construction of this project had not commenced after close to 4 years from date of signing the credit facility.

This was attributed to the protracted delay in procurement of the contractor and supervision consultant as at 30th June 2020. It was still uncertain whether the procurements will be concluded soon due to delays in obtaining feedback on request for no objection from the AFD. There was also delayed approval of the RAP report by the lenders, which is among the conditions precedent to the first drawdown.

There is a risk of loss of funding if no extension is granted, given that the final drawdown dates are close (KFW -30 December 2021 and AFD -30th September 2022). In addition, project costs may escalate due to time lag between the cost estimation on signing of the financing agreement and the date of contract commencement. Furthermore, Government may incur high commitment fees due to undrawn loan amounts from the date of signing the financing agreement. As at 30th June 2020, GOU had so far paid commitment fees amounting to EUR 798,750.

Management explained that communication was made to the financiers in regard to the delays in procurement of the OE and EPCC on numerous occasions and KfW had responded and provided guidance on the procurement of the EPCC, and a conditional No Objection for procurement of the OE and reaffirmed their commitment to the project. Compensation of Project Affected Persons (PAPs) was currently ongoing.

I advised management to expedite the process of the extension of the first and final drawdown dates to mitigate potential loss of project funding. In addition, management should fast track the process of securing the contractor, the supervision consultant as well as completion of the RAP process.

- **Amendment of Shareholders' Agreement- Nyagak HPP**

On 30th November 2015, UEGCL and two other firms entered into a Shareholders Agreement (SHA) for the execution of the Nyagak Mini Hydro power Plant. KfW was to extend a grant of EUR 8M as part of GOU contribution. However, on 5th February 2018, KfW terminated its support and subsequently Government committed in May 2018 to finance the project and cover the financing gap left by the donor.

I however noted that the amendment of the Shareholder's Agreement had delayed given that KfW terminated its financial support to the project. Similarly, other amendments suggested included; pledging of assets (land and the power plant facilities) as collateral by SPV/GENMAX to secure debt-financing, revision of shareholding to address the equity and grant financing provided by UEGCL, since SHA does not conclusively address how the grant element should be considered and treated.

Without an amendment to the Shareholder's Agreement, the management of the SPV operations may be distorted in terms of treatment of government funding as well as safety of government property used as collateral to secure debt financing. In addition, with stringent provisions on financial closure the project construction may take long to commence since construction commencement is contingent on attainment of financial closure by the strategic partner as per Generation license.

Management explained that UEGCL Board secured the services of a legal firm to review the Shareholder's Agreement and propose a way forward. The completed report was presented to the Board and has formed the basis for the revision of the Agreement. The Board was advised of the requisite changes that will form the basis of an amended SHA that will be agreed upon by the Shareholders. I advised management to expedite the process of amendment of the shareholders agreement to ensure clarity on the treatment of government contribution, shareholding and sourcing of debt financing by the strategic partner.

- **Delayed commencement of the Construction of Nyagak Hydro Power Project**

A review of the 4th Quarter report revealed that, the strategic partner had failed to attain expected Commercial Operations Date (COD) of 20 April 2019 from the effective date of 10th April 2015 as per the granted generation license. The June 2020 progress report of the

strategic partner indicated progress of 19.3% and the developer had submitted a request to the regulator (Electricity regulatory Authority) to extend the COD by 48 Months from the initial 40 Months ending 20th April 2019.

This was attributed to delays in attainment of financial closure and commencement of construction.

As a result, the Social and economic livelihood of Ugandan citizens are affected and the period to which the asset will revert to Government is extended since the strategic partner is to operate the plant for 20 years after completion.

Management explained that UEGCL had been allocated UGX. 10 billion for the project in the FY 2020/2021, part of this budget was to cover grant/viability funding to the strategic partner as per the SHA. UEGCL Independent Engineer had approved approximately USD 1.1m to be paid to the Contractor for completed milestones/works. They added that UEGCL Management had further made request to MoFPED and MEMD) to provide funding, so that UEGCL could make disbursements/payments to the strategic partner in accordance with the SHA.

I advised management to provide the necessary support to the strategic partner to ensure that the project is commenced.



John F.S. Muwanga
AUDITOR GENERAL

12th November, 2020

Downstream aerial view of Isimba Hydropower Station



UEGCL IN PRESS

6 NATIONAL NEWS Friday, October 30, 2020

THERE WILL BE A DELAY OF ABOUT FIVE MONTHS TO COMPLETE THE PROJECT

EXPERTS RAISE CONCERNS OVER KARUMA DAM DEFECTS

By John Oduyik A joint technical committee on Karuma Hydroproject Project has raised concerns about defects in the electro-mechanical erection works in the project.

The committee said the defects pose a risk to the safety of operators, reliability and operability of the plant and, therefore, must be rectified immediately before commencing any part of the power plant.

The committee, in its report that focuses on defects and non-conformances in the electro-mechanical installation works, said many non-conformances previously identified had not been attended to by the contractor.

Conformance is how well something, such as a product, service or a system, meets a specified standard.

The \$1.4b (sh5.3 trillion) 600MW project is intended to increase Uganda's power generation capacity. However, it has been dogged by a number of challenges since construction commenced in 2013.

The joint technical committee was set up by the permanent secretary of the energy ministry and was headed by Eng. Abdon Awine, the commissioner of electric power department at the energy ministry.

Other members of the committee were Peter Kakeeto, the manager of technical compliance at Electricity Regulatory Commission; and Enock Mwebembezi, the chief engineer at Uganda Electricity Transmission and Distribution Corporation.



Mutikanga



Robert Kasande

AF Consult, the owner's engineer supervising the construction, that on December 18, last year, they stopped Sinohydro Corporation Ltd from carrying out electro-mechanical erection works without their supervision. But Sinohydro Corporation Ltd carried on with construction, insisting that the non-conformances and defects would not compromise the operation and safety of the hydro power plant.

The contractor argued that the defects were corrected during the defects rectification period of two months after completion of the project.

is prudent practice to rectify non-conformances and defects during the construction phase of the plant.

It noted that there was use of communication cables as power cables in the switch yard and mix-up of electrical cables colour coding for the diesel generator in the switch yard.

The technical committee recommended: "Non-conformances or defects that risk the safety of operators, reliability and operability of the plant such as poorly terminated cables due to missing glands, inappropriately installed glands or use of wrong standards, undersized cubicles and cable trays must be rectified immediately before energy part of the power plant."

BETWEEN THE LINES
The sh5.3 trillion 600MW project is intended to increase Uganda's power generation capacity. However, it has been dogged by a number of challenges since construction commenced in 2013.

Immediately before energy part of the power plant." Dr Eng. Harrison Mutikanga chief executive officer of Electricity Generation Company Limited (UEGCL), said it cannot be commissioned with defects have not been corrected by November 30.

"We insist the defects corrected now, not in liability period," Mutikanga said the contractor is for a seven-month extension of the defects and make up during the COVID-19 lock down.

Mutikanga said the cited delayed land acquisition and construction power lines reservoir as the cause of meeting completion date. The committee report rectification of some of the defects require re-design, shipping and installation of equipment.

GOVT WITHHOLDS ISIMBA DAM CONTRACT OVER SHODDY WORK

Government has withheld payment of \$20m to Isimba power station contractor over shoddy work. This was revealed by Harrison Mutikanga...

UEGCL said they engage Sinohydro ensure harmony. The committee and Sinohydro professionally engagements and exchanges. CONTRACTOR SPEAKS Heu Fujang, the manager of Sinohydro said the request to...

defects in time and we pay him the balance," Mutikanga said. He informed Kadaga that it was the contractor's mistake to divide the project into two components. Instead of the dam, like it was initially planned, at Xia Nenghai, the project manager of Isimba Hydro power project, represented Sinohydro. While finance minister Mutebi Kasasa and minister Musinguzi represented the government in the crisis.

work progress. "CWI" made the engineer did in writing certify \$22m payment for work done. UEGCL disputed this other relevant evidence to the contrary. The documents presented by Kadaga indicate how late the work progress. "CWI" made the engineer did in writing certify \$22m payment for work done. UEGCL disputed this other relevant evidence to the contrary. The documents presented by Kadaga indicate how late the work progress.

Chiefdom paid Shs75m to move spirits for Nyagak dam works

The project stalled last year following disagreements over compensation. BY TORREAS JOLLY OWONY

Construction of Nyagak II hydroelectric station in Jinja District has resumed after government agreed to pay Shs75m to compensate for the displacement of the chiefdom. The project is intended to increase Uganda's power generation capacity. However, it has been dogged by a number of challenges since construction commenced in 2013.



State minister for Energy Moses Obunga (left) and staff of the Nyagak II dam project. The project is intended to increase Uganda's power generation capacity. However, it has been dogged by a number of challenges since construction commenced in 2013.

CHINESE BANK ASKS FOR KARUMA DAM LOAN SERVICE

The Export-Import Bank of China has asked Uganda to begin servicing the \$1.7b (sh5.9 trillion) loan for the 600MW Karuma Hydroproject. The bank is in a letter to the finance ministry, expressing concern about the slow pace of completion of the project.

According to the agreement, the available period of the grace expires on December 24, this year, and the commencement period commences, meaning the whether construction of the project is finished or not.

Part of Karuma Dam aimed of commissioning by President Museveni on October 23, this year. The contractor has requested for a seven-month extension, citing delays in land acquisition.

Corporation Ltd, the project's contractor, has expressed concern about the slow pace of completion of the project. The contractor has requested for a seven-month extension, citing delays in land acquisition. The committee has advised the government to ensure that all funds are drawn down prior to the above expiry date.

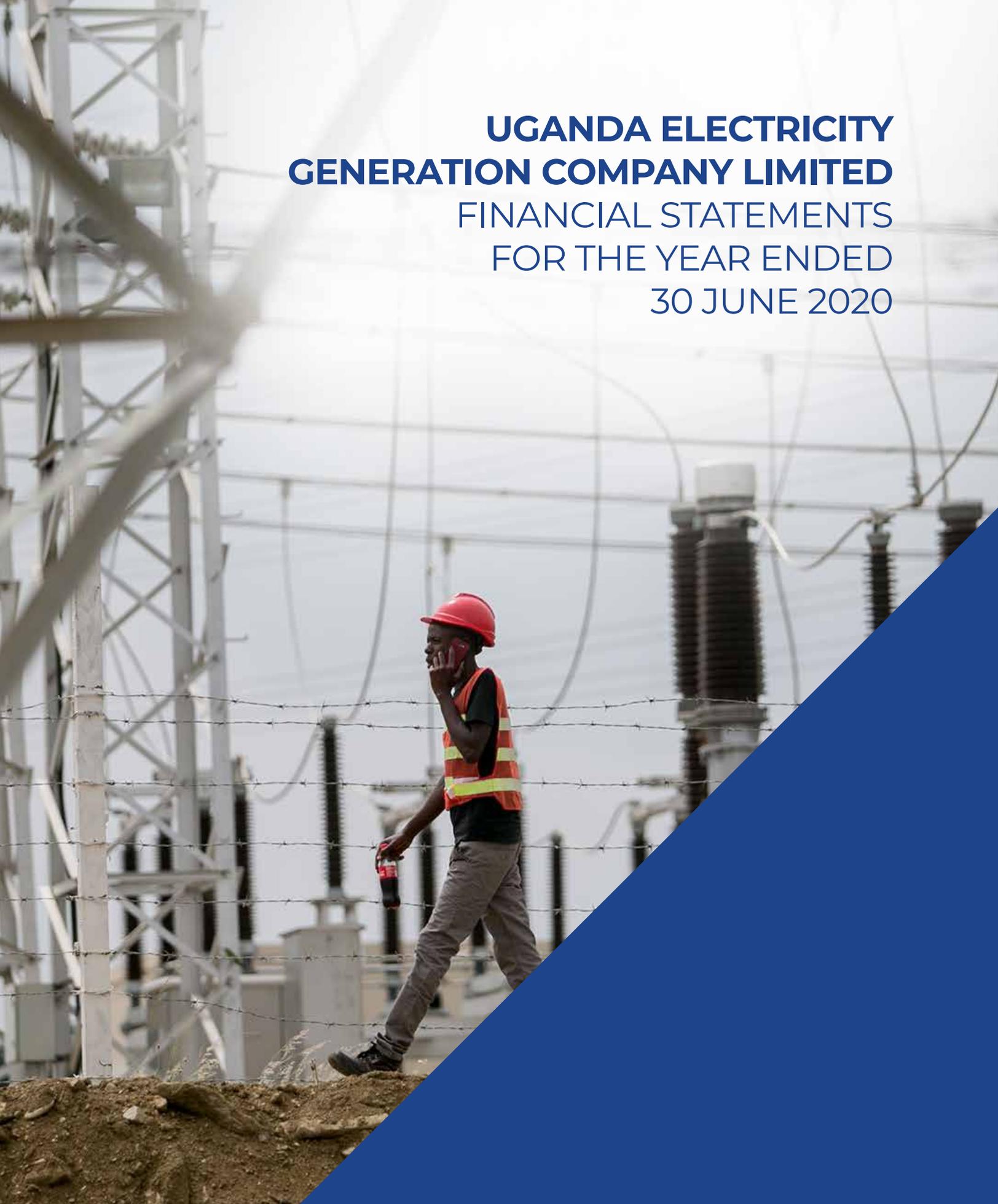
TAKEOVER OF NAMANVE THERMAL PLANT COULD BE

Earlier reports had indicated that UEGCL was ready to take over the plant. The project is intended to increase Uganda's power generation capacity. However, it has been dogged by a number of challenges since construction commenced in 2013.

Reports, however, indicate that Jacobson's concession has since 2014 been receiving a one-year renewal basis upon each expiry, despite the plant's power not often used and that it is a fall back plant in case there is an emergency or a requirement for extra power.

"The extension is aimed at allowing government time to get ready to take over the plant," Wandabwa said in a letter to ERA chief executive, Jacobson managing director Dag Moen said their operation was based on consultations with the energy ministry.

"We have confirmation from the ministry of energy that the IA has been extended by one year and the PPA has been initiated by UETCL and ourselves," Moen wrote in the application. Also attached on the letter from Robert Kasande, the permanent secretary at the ministry that he had written to UETCL managing director, informing him about the need to discuss extension of the power purchase agreement. "The term of the agreement (between government and Jacobson) will expire on September 15, 2020. According to the IA, on expiry of the contract, period, the government is supposed to take over the power plant."



**UGANDA ELECTRICITY
GENERATION COMPANY LIMITED**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

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The Directors submit their report together with the audited financial statements for the financial year ended 30th June 2020 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 (20) 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.

In line with the principal business of electricity generation, UEGCL has been involved in the supervision of GOU flagship projects of Karuma and Isimba Hydro Power Projects. Isimba HPP was completed and successfully commissioned on 31st March 2019. The Isimba Plant is being operated and maintained by UEGCL as stipulated in the Generation and sale license issued by Electricity Regulatory Authority (ERA).

2. RESULTS

The results for the year are set out on page 6. The profit for the period of UGX 3.1 billion (2019: profit: UGX 24 billion).

3. DIVIDEND

The Directors do not recommend payment of a dividend for the period (2019: 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 , provide that the financial statements of the company shall be audited once every year by the Auditor General.

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 sales revenue from Isimba HPP which is meant to cover operations and maintenance of the plant as well as loan repayment from Exim Bank that financed the construction of the plant. This is in addition to the concession fee billed to Eskom Uganda Limited which is expected to cover the company's operating costs at a minimum. In addition, funding for supervision of Karuma, Muzizi and Nyagak III Hydro power projects as well as Isimba Plant (during defects liability period) for the next financial year 2019/20 have been approved by Government. 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 November 2020 and signed on its behalf by:

Eng. Proscovia Margaret Njuki
CHAIRPERSON, BOARD OF DIRECTORS

Mr. Paul Patrick Mwanja
DIRECTOR

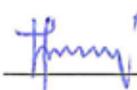
UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020

	Note	30/06/2020	30/06/2019
		UGX '000	UGX '000
Concession fees	3	10,777,810	10,162,065
Isimba Income	4	126,424,924	49,430,703
Other operating income	5	24,679,589	7,034,949
Total income		161,882,323	66,627,717
Staff costs and employee benefits	6	(16,229,016)	(6,412,823)
Administration expenses	7	(34,189,585)	(19,806,245)
Depreciation and amortization charge	8	(62,006,104)	(16,486,135)
Total operating expenses		(112,424,705)	(37,710,854)
Operating profit/(loss)		49,457,618	23,922,514
Interest income	9(a)	21,144	21,078
Interest Expense	9(b)	(30,989,032)	(8,256,418)
Foreign exchange gains/(losses)	10	(15,693,729)	9,096,343
Profit before tax		2,796,001	24,783,518
Income tax expense	11	-	-
Profit for the year		2,796,001	24,783,518
Other comprehensive income		-	-
Total comprehensive income for the period		2,796,001	24,783,518



Eng. Proscovia Margaret Njuki
CHAIRPERSON, BOARD OF DIRECTORS



Mr. Paul Patrick Mwanja
DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2020

	Note	30/06/2020	30/06/2019
		UGX '000	UGX '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,689,903,680	2,750,563,284
Prepaid operating lease rentals	13	412,148	431,775
Land	14	1,976,990	1,973,990
WIP-Projects	15	4,269,310,512	3,859,767,945
Due from Eskom	16	2,146,878	2,146,878
		6,963,750,208	6,614,883,872
Current assets			
Trade and other receivables	17	32,276,208	46,983,800
Cash and bank balances	18	104,516,654	58,141,255
Inventory	19	3,295,432	-
		140,088,294	105,125,055
		7,103,838,502	6,720,008,928
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	105,208,169	105,208,169
Capital contributions	20	554,861,676	554,861,676
Accumulated profits		(190,889,688)	(193,685,690)
Revaluation		271,636,098	271,636,098
		740,816,255	738,020,253
Non-current liabilities			
Deferred Income	21	487,685,029	487,634,869
Karuma on lent Loan	22	3,919,765,306	3,618,501,861
Isimba on lent loan	23	1,576,398,585	1,532,725,193
Interest payable Karuma	22	-	141,732,704
Interest payable Isimba	23	-	76,726,634
Deferred Tax Liability	11	116,415,471	116,415,471
		6,100,264,390	5,973,736,732
Current liabilities			
Trade and other payables	24	8,144,367	8,251,943
Interest payable Karuma	22	220,628,809	-
Interest payable Isimba	23	33,984,681	-
		262,757,857	8,251,943
		7,103,838,502	6,720,008,928
TOTAL EQUITY & LIABILITIES			

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2020

	Issued capital	Capital contributions	Revaluation	Accumulated Profit(losses)	Total
	UGX '000 (Note 17a)	UGX '000 (Note 17b)	UGX '000	UGX '000	UGX '000
At 1 July 2018	105,208,169	554,861,676	388,051,569	(218,469,208)	829,652,206
Profit for the year	-	-	-	24,783,518	24,783,518
Transfer to deferred tax (Revised)	-	-	(116,415,471)	-	(116,415,471)
At 30 June 2019	105,208,169	554,861,676	271,636,098	(193,685,690)	738,020,253
At 1 July 2019	105,208,169	554,861,676	271,636,098	(193,685,689)	738,020,254
Profit for the year	-	-	-	2,796,001	2,796,001
At 30 June 2020	105,208,169	554,861,676	271,636,098	(190,889,688)	740,816,255

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	30/06/2020	30/06/2019
		UGX '000	UGX '000
Operating activities			
Profit/Loss before tax		2,796,001	24,783,518
Adjustments for:			
Interest Income		(21,144)	(21,078)
Interest Expense		30,989,032	8,256,418
Other Income		(721,632)	(605,151)
Depreciation		61,986,477	16,392,740
Amotization of Prepaid lease		19,627	93,394
Gain on disposal		(155,125)	(975)
Un realised exchange loss		15,144,068	-
		110,037,304	48,898,866
Decrease/(increase) in trade and other receivables		14,707,592	(41,189,689)
Increase/(decrease) in trade and other payables		(107,576)	4,853,544
(Decrease)/Increase in stock		(3,295,432)	-
Net cash flows from operating activities		121,341,888	12,562,721
Investing activities			
Purchase of property, plant and equipment		(2,099,216)	(1,956,249,836)
Asset disposal proceeds		316,949	3,360
Expenditure on WIP Projects		(409,542,567)	1,000,595,975
Depreciation on projects Assets		610,520	983,178
Land acquisition		(3,000)	-
Interest Income		21,144	21,078
Net cash flows used in investing activities		(410,696,170)	(954,646,245)
Financing activities			
On lent Borrowings		344,936,837	532,302,456
Deferred income		50,160	391,094,203
Interest payable		110,963,007	64,381,356
Isimba Interest payment		(74,808,855)	-
Interest Expense		(30,989,032)	(8,256,418)
Other Income		721,632	605,151
Un realised exchange loss		(15,144,068)	-
Net cash flows used in financing activities		335,729,681	980,126,749
Increase /Decrease in cash and cash equivalentents		46,375,399	38,043,225
Opening cash and cash equivalentents		58,141,255	20,098,030
At end of period		104,516,654	58,141,255

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 billing for energy dispatched to UETCL and the concession fee billed to Eskom Uganda Limited which is expected to cover the company's operating costs at a minimum. Borrowings for development of Isimba HPP, Karuma HPP and Muzizi HPP have all been guaranteed by Governments 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 (UGX '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.

(i) 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.

(ii) Isimba energy billings to UETCL are based on the generation and sales license issued by Electricity Regulatory authority billed on a monthly basis and are stated net of VAT and discounts.

(iii) Government grants received for the acquisition of long-life assets are recognized by setting up a grant as a liability (Deferred income -government grant).The differed income recognised in the income statement on a systematic and rational basis over the useful life of the asset.

(iv) Norwegian grant received for training staff in preparation for operations and maintenance of Karuma & Isimba Hydro Power projects is recognised as a liability by setting up a grant liability as deferred grant income. The deferred income is being recognised in the income statement on a systematic basis over the period of the grant.

(v) Government assistance (grants) for construction of long lived assets are recognised as deferred grant income. The deferred grant income is recognised in the income statement on a systematic basis over the life of the plants.

c) Interest income and expenses

Interest income comprises of income on funds from the escrow account held at Stanbic bank. Interest income is recognised as it accrues in profit or loss, 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 and on concession loans for construction projects during the construction period.

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 hydropower 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.

f) **Property, plant and equipment**

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets.

Concession assets and Head Office Land and Building are subsequently carried at a revalued amount, based on regular valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings

Impairment

Property, plant, equipment is reviewed for impairment at the end of every reporting date when there are indications that future earnings cannot justify the carrying value. The recoverable amount is calculated to consider whether an allowance for impairment must be made. The recoverable amount is the higher of the asset's

fair value less costs to sell and its value in use. Value in use is calculated as future expected cash flows discounted by using a required rate of return equal to the market's required rate of return for corresponding assets in the same industry. Provision for decommissioning is not included in the value in use calculation. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 of, 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%
Power Station (Turbines & Generators)	2.50%
Power Station (Transformers)	3.30%
Power Station (Others)	4%
Power Station (Oil tanks, forklift,w/kshp content)	10%

Isimba HPP

Civil (buildings & structures)	1.25%
Water turbine sets	2.5%
Generator sets	2.5%
Transformers & other	3.3%
Cranes & hoists	2%
Other p&e	3.3%
Firefighting equipment	4%

Other office PPE

Furniture and fittings	12.5%
Office machinery and equipment	20%
Computers	20%
Buildings	2.5%
Motor vehicles	20%
Tools and equipment	12.5%

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) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts.

j) 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.

k) Provision

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.

l) 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.

m) 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.

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.

n) *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.

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.

o) 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.

p) Employee benefits

Retirement Benefit Scheme

With effect from 1 April 2014, a new retirement benefit scheme was set up where members of staff contribute 5% of their gross monthly salary and the Company contributes 25% of the gross monthly salary for each month worked for the contract staff. The scheme was registered as a defined benefit contribution with the Uganda Retirement Benefits Regulatory authority.

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.

3. CONCESSION FEES

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Administration component	10,777,810	10,162,065

UEGCL, under the Concession and Assignment agreement (CAA), has the right to bill Eskom for Debt service, Depreciation, Return on Equity and Administrative costs. Due to the tariff structure approved by Electricity Regulatory Authority (ERA) UEGCL only billed ESKOM for Administrative costs.

4. ISIMBA INCOME (based on energy billing)

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Administration component	126,424,924	49,430,703

UEGCL billed UETCL based on energy generated and dispatched to the grid from Isimba power plant (July to June 2020). The power purchase agreement between UEGCL and UETCL for Isimba HPP provides that UEGCL bill power sales on the basis of capacity. However, the generation and sales license issued by ERA stipulates that UEGCL bills on energy sold and not capacity. The difference between energy and capacity billing for the period amounted to UGX 89billion (2019 UGX. 8.1billion)

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Sundry Income	8,950	6,359
Grant Income Nyagak (GOU)	1,665,434	1,401,680
Norwegian Grant Income	903,511	3,871,714
Grant Income Isimba (GOU)	17,385,229	463,319
Grant Income Karuma (GOU)	721,632	605,151
Grant Income Muzizi (GOU)	800	56,763
AFD Grant (O&M Staff training)	-	628,553
Other Income	37,849	1,410
AFD Grant (feasibility study for small hydros)	459,448	-
KFW Grant for feasibility study of the complex	3,341,610	-
Gain on Disposal	155,125	-
	24,679,589	7,034,949

The GOU grants represent government contribution towards supervision of various projects. The UGX 17billion under Isimba HPP is the current year amortisation of grants deferred during construction. KfW grant utilised for feasibility study for repair of Kiira and Nalubaale amounted to UGX 3.3billion while AFD grant for feasibility of small hydro power plants utilised was UGX 459million.

6. STAFF COSTS AND EMPLOYEE BENEFITS

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Salaries	9,060,474	4,109,869
Company contributions to NSSF and other funds	2,966,123	1,341,326
Other staff benefits and allowances	4,202,419	961,628
	16,229,016	6,412,823

The staff costs is for both concession staff as well as operations and maintenance staff for Isimba plant. The average number of persons employed by the company during the period ended 30th June 2020 was 198 (2019: 194). During the year ended 30th June 2020, project employee costs and benefits directly related to the construction of Karuma, and Muzizi Hydropower projects were capitalised as work in Progress (WIP) in accordance with IAS 16 Property Plant and Equipment.

7. ADMINISTRATION EXPENSES

Transport expenses	614,640	176,392
Project administration Exps (Nyagak III)	1,665,434	1,401,680
Operational expenses	3,954,123	1,291,825
Audit and related expenses	-	16,239
Directors' allowances	223,973	114,083
Directors' expenses	558,249	298,364
Consultancy fees	3,804,837	3,275,717
Legal fees	318,536	111,949
Norwegian Grant Expense	903,511	3,871,714
AFD grant Expense	-	628,553
Karuma expense	721,632	605,151
Isimba expense	-	56,763
Muzizi Expense	800	-
CDAP	4,914,589	928,817
Insurance	6,433,310	1,753,917
Licenses and permits	1,280,544	280,731
KfW grant Expense for feasibility study of the complex	3,341,610	-
AFD Grant expense (Feasibility study of small hydros)	459,448	-
	29,195,236	14,811,896

Operational expenses of 4billion relate to various administrative costs (security, utilities, publicity, advertising, catering services, Protective gears among others for both concession and O&M Isimba), consultancy of 3.8billion relates to payment for supervising owners engineer and Panel of experts for Isimba HPP. In addition, the significant amount of the UGX 6billion incurred on insurance was for Isimba HPP plant assets, license fees paid to the regulator (ERA) during the year ended 30th June 2020.

8. DEPRECIATION, AMORTISATION CHARGE

Depreciation and amortisation charge

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Depreciation (Concession Assets)	16,369,187	16,369,187
Depreciation (Isimba HPP Assets)	45,617,290	45,617,290
Amortization (Nalubaale & Kiira)	19,627	19,627
Depreciation & Amortization	62,006,104	62,006,104
Depreciation projects	610,520	610,520
	62,616,624	62,616,624

Depreciation on assets used for supervision of ongoing construction of hydro power projects (HPP) of UGX 611million have been capitalised to the respective (HPP) under work in progress. Isimba HPP was valued at 30th June 2019 by D.K & Co. Certified Public accountants. The year ended 30th June 2020 is the first year of depreciation for the Isimba HPP.

9(a) INTEREST INCOME

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Interest	21,144	21,078

Interest income for the period relates to the income received from the UEGCL/ESKOM escrow account.

9(b) INTEREST EXPENSE

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Interest Expense	30,989,032	8,256,418

This relates to Isimba HPP Loan interest incurred during the financial year ended 30th June 2020. Periods during construction, interest was capitalised.

10. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Net foreign exchange gains/(losses)	(15,439,421)	9,096,343

The net foreign exchange loss for the period of 15 billion (2019: gain of UGX 9 billion) arose mainly from revaluation of the onlent loan in USD for the construction of Isimba HPP as well as translation of other monetary transactions, assets and liabilities denominated in foreign currencies.

11. INCOME 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 (ITA) (Cap 340) of Uganda.

a) *Current Income Tax*

During the year ended 30th June 2020 no current income tax has been recognised because the company had accumulated tax losses of UGX 190billion (UGX 193billion 2019). The tax losses will be carried forward and utilised against future taxable profits in accordance with the Income Tax Act of Uganda.

b) *Deferred Income Tax*

Deferred Income tax is calculated on all temporary differences using the liability method at a principal tax rate of 30%. During the year ended 30th June 2020, deferred income tax has not been recognised in the financial statements due to uncertainty of its recovery.

12) FIXED ASSET MOVEMENT SCHEDULE

Cost	Plant & Machinery	Buildings	Furniture & fittings	Computers & Software	Tools & Equipment	Motor Vehicles	Office Machinery	Total
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
At 30 June 2019	2,756,546,890	8,514,455	603,450	1,368,729	953,922	5,749,700	519,191	2,774,256,337
Additions	-	-	57,999	424,209	-	1,436,702	180,306	2,099,216
Disposal	-	-	(4,050)	(4,500)	(148,490)	(884,650)	(3,961)	(1,045,651)
At 30th June 2020	2,756,546,890	8,514,455	657,399	1,788,438	805,433	6,301,752	695,536	2,775,309,902
Depreciation & Amortisation								
At 30 June 2019	15,909,619	1,696,242	282,951	871,220	905,229	3,675,354	352,438	23,693,052
Depn charge for the period	61,146,956	210,278	66,252	200,645	31,591	886,873	54,403	62,596,997
Write down			(4,050)	(658)	(148,490)	(726,669)	(3,961)	(883,827)
At 30th June 2020	77,056,575	1,906,520	345,153	1,071,207	788,330	3,835,558	402,880	85,406,222
Net Carrying Value								
At 30th June 2020	2,679,490,315	6,607,935	312,246	717,231	17,103	2,466,193	292,657	2,689,903,680
At 30th June 2019	2,740,637,271	6,818,213	320,499	497,509	48,694	2,074,346	166,753	2,750,563,284

Testing of the complex assets for impairment

During the year ended 30th June 2018, a comprehensive asset verification was conducted, for Nalubaale and Kiira hydroelectric power plants in Jinja and the Head Office building at Kamwokya, Kampala. The outcome of this exercise was an updated fixed asset register in relation to Nalubaale and Kiira power plants. Overall, as a result of the revaluation and impairment assessment of the power Plants, there was a net revaluation surplus of UGX 388,051,569,257 in relation to the two power plants. The results of the asset verification was fully incorporated in the financials statement as at 30th June 2018 including the write down for impairment.

As at 30th Jun 2020, after accounting for depreciation there was no indication of possible impairment from the previously assessed amounts in 2018 for the Nalubaale and Kiira power plants.

	30/06/2020	30/06/2019			
	UGX '000	UGX '000	Nalubaale	Kiira	Total
			UGX '000	UGX '000	UGX '000
Cost					
At 1 July 2019	2,023,114	2,023,114	1,581,924	441,190	2,023,114
Additions	-	-	-	-	-
At 30 June 2020	2,023,114	2,023,114	1,581,924	441,190	2,023,114
Amortization					
At 1 July 2019	1,591,339	1,497,945	1,417,348	173,989	1,591,339
Charge for the year	19,627	93,394	15,347	4,280	19,627
At 30 June 2020	1,610,966	1,591,339	1,432,695	178,269	1,610,966
Net carrying amount	412,148	431,775			
Net carrying value					
At 30 June 2020	149,229	262,921	149,229	262,921	262,921
At 30 June 2019	337,615	94,160	337,615	94,160	94,160

At inception, 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.

14. LAND

Depreciation and amortisation charge

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Nyagak III SHPP	424,090	424,090
Head office	1,549,900	1,549,900
Isimba Sign Post	3,000	-
	1,976,990	1,973,990

The Government of Uganda (GOU) through the Ministry of Energy and Mineral Development (MEMD) with the support of the Federal Republic of German developed a programme "Efficient and Sustainable Energy Supply in Uganda". The Germany Government, through Kreditanstalt für Wiederaufbau (KfW), earmarked funds for the financing of selected investments in the fields of renewable energy and energy efficiency.

One of the projects being supported under this programme is the construction of Nyagak III Small Hydropower Project (SHPP) in Zombo District to which KfW allocated a grant of 8 million Euros and these funds were channelled to UEGCL through a Channelling Agreement between MEMD and UEGCL of 13th December 2011. One of the obligations of UEGCL under the Channelling Agreement is acquisition of land for the project.

The project is to be developed as a Public Private Partnership (PPP) by a Special Purpose Vehicle (SPV), Genmax Nyagak Ltd, formed between UEGCL and the procured Private Sector Partner, a consortium of Hydromax Ltd and Dott Services Ltd. UEGCL with support from KfW procured International Finance Corporation (IFC) as Transaction Advisors to assist with the procurement of the Private Sector Partner. The procured Private Partner shall be in charge of the design, construction, and operation of the power plant for a period of 20 years after which the plant shall revert to UEGCL.

The Nyagak land balance at 30 June 2020 of UGX 424 million relates to land acquisition costs for the Nyagak Hydro Power Project in respect of the project affected people's verification, disclosure activities and the land valuation.

The original shareholders agreement will be reviewed in the following financial year ending 30th June 2021 to agree on a new financing arrangement between the shareholders.

15. WORK IN PROGRESS FOR PROJECTS

	Nalubaale	Muzizi	Isimba Staff Houses	Total WIP
	UGX '000	UGX '000	UGX '000	UGX '000
Opening balance	3,851,501,734	8,266,211	-	3,859,767,945
Additions	407,713,960	1,052,687	775,919	409,542,567
Total	4,259,215,694	9,318,898	775,919	4,269,310,512

This amount relates to project costs so far incurred on Karuma, Muzizi Hydro Power Projects and Isimba staff housing. This includes supervision costs being incurred by UEGCL in ensuring that the Karuma, Muzizi Projects come to life. The costs incurred to date mainly consist of civil works, staff costs and project management consultants.

FOREX LOSSES/(GAINS) ON BORROWINGS FOR HYDRO POWER PROJECTS UNDER CONSTRUCTION

<i>Project</i>	30/06/2020	30/06/2019
	UGX '000	UGX '000
Karuma	43,898,236	156,293,600
Isimba	-	71,242,195
Total	43,898,236	227,535,795

Forex losses (gains) on borrowings for hydro power projects during construction have been capitalised on the projects in accordance with IAS 23. The gains and losses are adjustment to interest costs due to interest rate differential on the concession borrowing rate of 2% and what UEGCL would have incurred if the borrowing was in its functional currency.

The Karuma HPP is still under construction and Isimba plant was commissioned on 31st March 2019. Uganda Electricity Generation Company Limited (UEGCL) is the nominated Government agency to oversee implementation and operations and maintenance on completion. Accordingly Isimba is now complete and under commercial operations under UEGCL (As per the General Notice No 572 of 2014, issued as Policy Direction to ERA by MEMD). The Land acquired by MEMD for the HPPs have not yet been transferred to UEGCL for ownership.

16. DUE FROM ESKOM (U) LTD

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Inventory Debt	2,146,878	2,146,878
Total	2,146,878	2,146,878

17. TRADE AND OTHER RECEIVABLES

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Trade receivables-Eskom	3,707,753	3,707,753
Trade receivables-UETCL	26,852,321	26,852,321
Trade receivables-Sinohydro	2,000	2,000
Withholding tax recoverable	889,484	889,484
Staff debtors	23,967	23,967
Prepayments	800,683	800,683
	32,276,208	32,276,208

Receivable from Eskom UGX 3.7billion, invoices billed for May and June 2020 while receivable from UETCL UGX 26.8billion is for electricity sale to UETCL for May and June 2020. Prepayments of UGX 800 million is mainly advance payment for staff houses Isimba UGX 370 million, fuel for July 2020 UGX 31 million and advance payment for online platform that facilitates board affairs UGX 17million.

18. CASH AND BANK BALANCES

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Cash at bank (Concession and Projects balances)	44,912,669	30,898,942
Stanbic Bank Uganda Limited Escrow Account	8,345,842	8,249,838
Isimba Sales Collection Account	51,257,287	18,992,236
Cash at hand	856	240
Total	104,516,654	58,141,255

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 30 June 2020, the balance on this account was **UGX 8,345,841,992** equivalent to **USD 2,234,298**

Isimba sales collection account

The account receives revenue from UETCL for invoices billed based on energy dispatched to the grid. The revenue from the account is for loan repayments and, operations and maintenance (O&M) of the plant. The account is denominated in Uganda Shillings.

19. INVENTORY

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Inventory	3,295,432	-
	3,295,432	-

During the financial year, the EPC contractor delivered stocks of spares worth UGX 3.1billion as was provided for in the EPC contract.

20. ISSUED CAPITAL AND CAPITAL CONTRIBUTIONS

a) Share capital

Authorised, issued and fully paid ordinary shares of UGX 500 each:

At 1 July 2019

Conversion of Government of Uganda loans to equity

At June 2020

	Number of shares	Number of shares
	2	1
	210,416,338	105,208,168
	210,416,340	105,208,169
	30/06/2020	30/06/2019
	UGX '000	UGX '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.

21. DEFERRED INCOME.

	Karuma	Isimba	Isimba Stocks	Muzizi	Nyagak	Norwegian	Total
	UGX '000	UGX '000		UGX '000	UGX '000	UGX '000	UGX '000
Opening balance	84,014,364	389,454,470		10,554,261	1,912,936	1,698,839	487,634,869
Additions	12,970,890	23,726,162	3,097,396	762,203	281,291	8,396,697	49,195,612
Amortization	(721,632)	(16,774,762)	(610,468)	(800)	(1,665,434)	(903,511)	(20,676,606)
Loan Adjustments		(28,507,873)					(28,507,873)
Total	96,263,622	367,897,997	2,486,928	11,315,664	528,793	9,192,025	487,685,029

These amounts relate to Government contribution to supervision of Hydro Power Plants under construction as well as the Norwegian grant recognised as deferred grant income in accordance with IAS 20, accounting for Government grants and disclosure of Government assistance.

22. KARUMA ON LENT LOAN

The amounts represent outstanding loan disbursements by the Export – Import Bank of China to the Government of Uganda; which in turn the Government has on lent to UEGCL. The outstanding loan balance as at 30 June 2020 was UGX 3,919,765,306,694 equivalent to (USD 1,049,375,907); 2019 (UGX 3,618,501,861,081 equivalent to USD 977,896,830) while the outstanding interest amount was UGX 220,628,810,434 equivalent to (USD 59,065,413); 2019 (UGX 38,303,134 equivalent to USD 38,303,134). The outstanding interest has been reclassified to current liabilities as at 30th June 2020 in line with repayment demands from MoFPED



Outstanding loan

30 June 2020

UGX 3,919,765,306,694

USD 1,049,375,907

30 June 2019

UGX 3,618,501,861,081

USD 977,896,830

Outstanding Interest

30 June 2020

UGX 220,628,810,434

USD 59,065,413

30 June 2019

UGX 38,303,134

USD 38,303,134



By the Preferential Buyer Credit (PBC) Agreement dated the 24th Day of November 2014 and the Buyer Credit Loan (BCL) Agreement dated February 20, 2015; the Export – Import Bank of China lent to the Government an amount of United States Dollars Seven Hundred and Eighty Nine Million Three and Thirty Seven Thousand Two Hundred and Seventy Five and Thirty Six Cents (US \$ 789,337,275.36) from the PBC Financing Agreement plus another United States Dollars Six Hundred and Forty Five Million Eight Hundred and Twenty One Thousand and Four Hundred and

Seven and Twelve cents two (US \$ 645,821,407.12) from the BCLA Financing Agreement respectively. Under the provisions of Article 6 Section 6.12 (1) of the PBC Financing Agreement, and Article 16 Section 16.1 (3) of the BCLA Financing Agreement, the Government is required to enter into On - Lending Agreements with UEGCL and UETCL (as borrowers') for the purpose of on lending the full amount of the Credit to UEGCL and UETCL respectively upon the terms and conditions therein stated and for the purposes of implementing the 600 MW Karuma Hydropower Dam and Associated Transmission Works and Sub Stations Project.

The Government agreed to on lend to UEGCL as Borrower, and to the extent that, such amount have been made available to the Government by the BANK, an amount not exceeding United States Dollars Six Hundred and Fifty Three Million Eight Hundred and Six Thousand and Five Hundred and Eighty Four and Eighty Three Cents (US \$ 653,806,584.83) from the PBC Financing Agreement plus another United States Dollars Five Hundred and Thirty Four Million Nine Hundred Thirty Two Thousand Six Hundred and Sixty and Thirty Two Cents (US \$ 534,932,660.32) from the BCLA Financing Agreement respectively and all totalling United States Dollars One Billion One Hundred and Eighty Eight Million Seven Hundred Thirty Two thousand Two hundred and Forty Five and Fifteen Cents (US \$ 1,118,739,245.13) as a "Subsidiary Loan".

Subsidiary Loan bears the following terms

- a. *Loan Amount* - *Us \$ 1,118,739,245.13*
- b. *Maturity Period* - *20 years including 5 years of grace*
- c. *Interest rate* - *2 % p.a on disbursed and outstanding amounts*

23. ISIMBA ON LENT LOAN

The amounts represent outstanding loan disbursements by the Export – Import Bank of China to the Government of Uganda; which in turn the Government has on lent to UEGCL. The outstanding loan balance as at 30 June 2020 was UGX 1,576,398,584,590 equivalent to (USD 422,023,913); 2019 (UGX 1,532,725,192,595, equivalent to USD 414,217,586) with records from MoFPED. The outstanding interest amount was UGX 33,984,681,361 equivalent to (USD 9,098,174), 2019 (UGX 76,726,634,106 equivalent to USD 20,735,303). The outstanding interest has been reclassified to current liabilities as at 30th June 2020 inline with repayment demands from MoFPED.

By the Preferential Buyer Credit (PBC) Agreement dated the 24th Day of November 2014; the Export – Import Bank of China lent to the Government an amount of United States Dollars Four Hundred and Eighty Two Million Five Hundred and Seventy Eight Thousand and Two Hundred (US \$ 482,578,200) from the PBC Financing Agreement.

Under the provisions of Article 6 Section 6.12 (1) of the PBC Financing Agreement, and Article 16 Section 16.1 (3) of the BCLA Financing Agreement, the Government was required to enter into On - Lending Agreements with UEGCL and UETCL (as borrowers') for the purpose of on lending the full amount of the Credit to UEGCL and UETCL respectively upon the terms and conditions therein stated and for the purposes of implementing the 183 MW Isimba Hydropower Dam and the Isimba- Bujagali interconnection Project.

The Government agreed to on lend to UEGCL as Borrower, and to the extent that, such amount have been made available to the Government by the BANK, an amount not exceeding United States Dollars Four Hundred and Fifty Two Million One Hundred and Forty Seven Thousand and Nine Hundred and Forty Six (US \$ 452,147,946) as a "Subsidiary Loan".

Subsidiary Loan bears the following terms:

- a. *Loan Amount* - *Us \$ 452,147,946*
- b. *Maturity Period* - *20 years including 5 years of grace*
- c. *Interest rate* - *2 % p.a on disbursed and outstanding amounts*

24. TRADE AND OTHER PAYABLES

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Trade and other payables	4,217,234	5,172,767
Taxes payable (WHT & VAT)	3,167,567	2,444,487
Payroll deductions (PAYE, NSSF & LST)	759,566	634,689
	8,144,367	8,251,943

Included in the taxes payable is Withholding tax that relates to an assessment of penal interest from Uganda Revenue Authority (URA) of UGX 814 million. The penal interest resulted from late payment of WHT for the period 2001-2009. The principal WHT was paid in 2010.

25. 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 carried out with related parties and the balances due to/from related parties:

i) Transactions with directors

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Fees for services as directors	782,222	412,447
	782,222	350,903

ii) Amounts due from related Parties

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Eskom	3,707,753	1,806,823
	3,707,753	1,806,823

	30/06/2020	30/06/2019
	UGX '000	UGX '000
UETCL	26,852,321	32,994,016
	26,852,321	32,994,016

26. CONTINGENT LIABILITIES

Outstanding legal cases

i) Henry Kyarimpa V. AG, Sinohydro Corporation Ltd, China International Water and Electricity Corporation Ltd, Export and Import Bank of China, Uganda Electricity Generation Company Ltd and Energy Infratech Ltd

This case was filed by the Complainant in Uganda to domesticate the decision of the East African Court of Justice having found that the procurement of Karuma Hydro Power project by the Government of Uganda was in breach of the rule of law and good governance principles. The Complainant's claim is that it is necessary and in the public interest to subject the activities of both Karuma Hydro Power Project and Isimba Hydro Power project to scrutiny through an engineering, financial and value for money audit to assess the public finances expended on the projects, the quality of works and economic value of the projects to Ugandans.

UEGCL's case in the suit is that the Company is lawfully implementing the Karuma and Isimba Hydro Power Projects as the implementing agency pursuant to agreements with the Government of Uganda and denies the Plaintiff's allegations of corruption or compromise on its part.

There is no contingent liability in this case as the plaintiff is not seeking damages or compensation but a declaration on assessing the value for money of the projects. More so, UEGCL is an implementing agency thus any liability would be borne by the government of Uganda.

ii) Hellen Labeja & 59 Others V. AG & UEGCL

In this suit UEGCL was jointly sued with the Attorney General (AG), and Energy Infratech Private Ltd (EIPL) by the Plaintiffs who claim to be land owners displaced by the construction and development of Karuma Hydropower Project.

The AG was sued in its capacity as the legal representative of Government which is the owner of the project, EIPL as the consultant contracted by the Ministry of Energy and Mineral Development (MEMD) to implement the Resettlement Action Plan (RAP) particularly managing the compensation payment to the land owners and UEGCL in its capacity as the project implementation agency of Government for Karuma Hydropower Project.

There is no contingent liability for UEGCL in this case as implementation of RAP was the responsibility of MEMD. It is therefore the Government of Uganda that would bear any liability arising from this case. However there are costs involved in regard to attending Court in Masindi for the hearing of the case.

iii) John Eric Mugyenzi Vs. UEGCL

The claimant, Engineer John Eric Mugyenzi the former CEO of UEGCL instituted a claim seeking damages amounting to Ugx. 449,252,148/= for unlawful dismissal from office. The Claimant's suit was dismissed on grounds that that it was time barred and he appealed to the Court of Appeal against that decision and the

Court of Appeal ruled in his favor and ordered that the matter be fixed and heard on its merits. Currently, the case is back to the industrial court

The Claimant has since amended his total claim from Ushs 929,252,148 (previously) to Ushs. 8,815,456,881.92. The case is coming up for next hearing on the 16th of September 2020.

This is a contingent liability and depending on the judgement, UEGCL stands a risk of paying costs and damages with interest accrued to Eng. Mugenzi for unlawful termination of employment.

iv) AGABA MARTIN M, BUYINZA MICHEAL & 70 ORS Vs UEGCL

The 72 former employees of UEB, claim they are entitled to pension of **Ugx.6,286,913,950/=** in accordance with the UEB Act, 1999 and the UEB- Non- Contributory Retirement benefits /Pension Scheme Standing Instructions of 1992.

The parties met on the 6th March, 2018, agreed to substantiate the basis of the former UEB employees. In a letter dated 26th June, 2018, the former UEB employees submitted letters spelling out terms of service under which UEB employees were transferred to UEGCL, the UEB standing Instructions and the decision of court in the case of Mavunwa Edison & Ors vs UEGCL to support their claim for pension. UEGCL could not retrieve information regarding the pension entitlements of all former employees of UEB to enable it verify the claim. A letter was written to the Registrar General to provide UEGCL with copies of documents relied on in verification of the staff benefits that were paid out during the liquidation of UEB. To date UEGCL has not received sufficient information to substantiate this claim by the former UEB employees.

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.

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 and energy 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:

<i>Project</i>	30/06/2020	30/06/2019
	UGX '000	UGX '000
Trade receivables	32,530,516	46,983,800
Staff advances and loans	13,375	37,664
Bank balances	104,516,654	58,141,255
	137,060,545	105,162,719

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

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 2.23million (2019: USD 2.23 million) on its US Dollar Escrow Account in order to pay for obligations that are denominated in that currency.

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

	30/06/2020	30/06/2019
	UGX '000	UGX '000
Financial assets		
Stanbic Bank Uganda Limited Escrow Account	8,345,842	8,249,838
Stanbic Projects Account	10,238,343	2,647,789
Net currency exposure	18,584,185	10,897,627

During the year ended 30th June 2020, UEGCL received the Norwegian grant worth UGX 8billion on the Projects USD account.

The following significant exchange rates applied during the year:

	Report date spot rate		Average Rate	
	2019	2020	2019	2020
US\$:UGX	3,735.33	3,700.29	3,717.49	3,739.68

Interest rate risk

The company has exposure to interest rate risk as the company has interest bearing borrowings from EXIM Bank through GOU for the construction of Karuma and Isimba.

a) 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.

30-Jun-20	Carrying amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
Financial assets				
Trade and other receivables	32,530,516	32,530,516	-	-
Cash and bank balances	104,516,654	85,932,470	10,238,343	8,345,842
	137,047,170	118,462,985	10,238,343	8,345,842
Financial liabilities				
Trade and other payables	8,144,367	8,144,367	-	-
Interest Expense	254,613,491	-	-	-
	262,757,858	8,144,367	-	-
Net liquidity gap	-125,710,688	110,318,619	10,238,343	8,345,842
30-Jun-19	Carrying amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
Financial assets				
Trade and other receivables	46,983,800	46,983,800	-	-
Cash and bank balances	58,141,255	49,891,418	-	8,249,838
	105,125,055	96,875,218	-	8,249,838
Financial liabilities				
Trade and other payables	8,251,943	8,251,943	-	-
Interest Expense	8,251,943	8,251,943	-	-
Net liquidity gap	96,873,112	88,623,275	-	8,249,838

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 and the on lending agreements with MoFPED for construction of Isimba HPP and Karuma HPP.

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. Corporate risk register has been developed based on departmental risk registers. Actual and potential risks are reviewed regularly and proper systems are put in place to avoid and reduce such uncertainties.

PURPOSE STATEMENT:

To sustainably generate reliable, quality, and affordable electricity for socio-economic development

STRATEGIC THEMES

- Operational Excellence**
- Stakeholder & Reputational Management**
- Sustainable Growth**
- Engaged Work force**

CORE VALUES

- Integrity**
We embrace honesty in everything we do & we are determined to adhere to ethical business principles and good corporate governance at all times.
- Innovation**
We continuously develop and apply creative solutions towards-improved service delivery.
- Accountability**
We are committed to a performance-based culture & teamwork where all of us are accountable for our actions and results
- Safety**
We collectively embrace a safety culture in all our projects & operations
- Sustainability**
We commit to generate electricity that meets the needs of the present without compromising the future. This also caters for the concerns of the environment.

KEY ENTERPRISE LEVEL INITIATIVES

- Stakeholder Relationship building**
- Resourcing Strategy**
- Business Sustainability Business Process Re-engineering**
- Asset Care**
- Human Capital Focus**

Long Term Strategic Goals 2023

- * 80% Stakeholder Satisfaction
- * 1300 MW Installed Capacity
- * 97% Plant Availability
- * 99% Plant Reliability
- * Achieve Profitability
- * ISO 55000 & ISO 45001 Certification
- * Engaged Staff



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