



**UEGCL**  
*Generating for Generations*

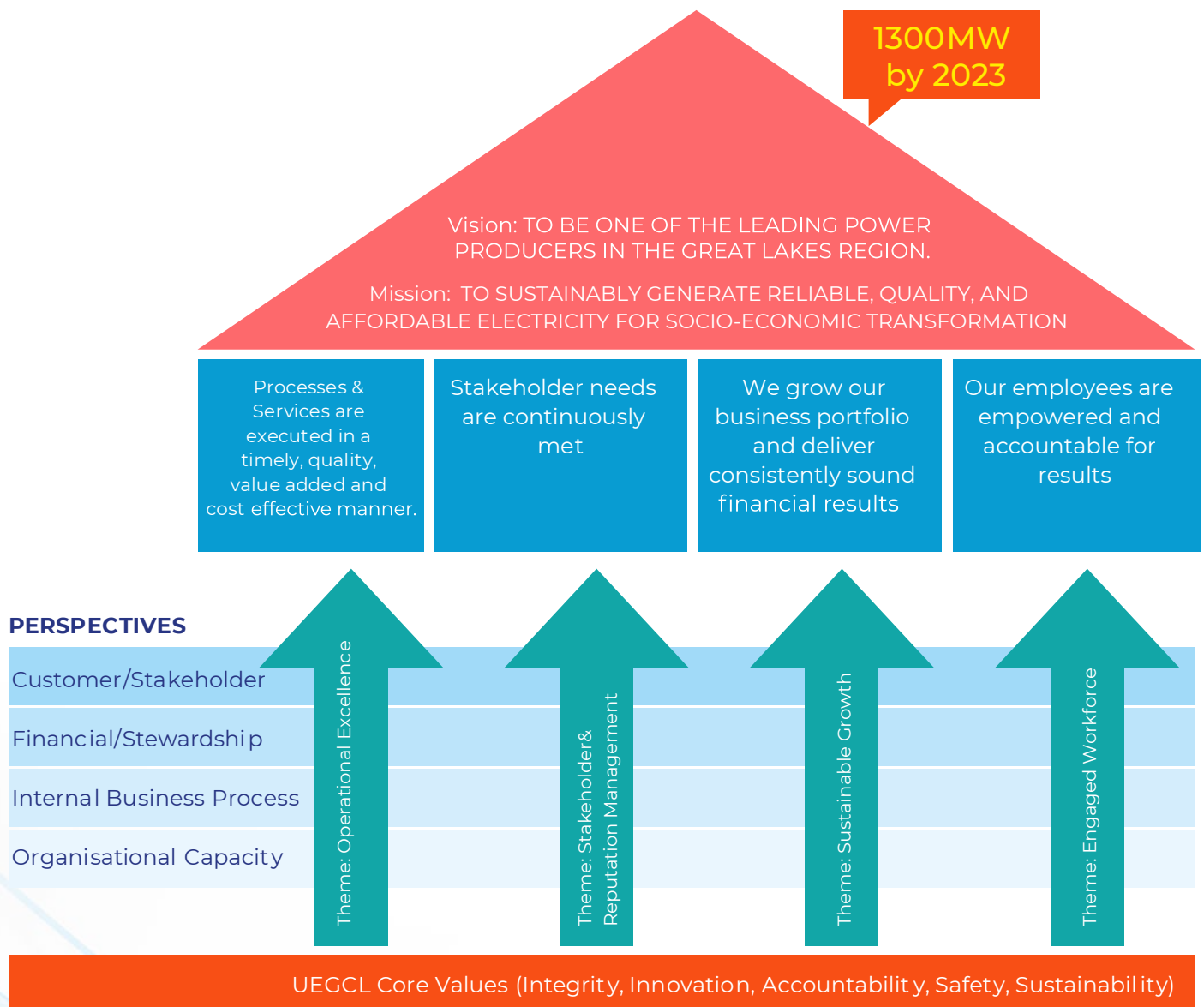
# ANNUAL REPORT

**FOR THE PERIOD  
ENDED 30 JUNE 2021**



**Roadmap**  
**1300**

# Schematic Presentation of UEGCL Strategic Plan (2018-2023)





# We are UEGCL

'Bird's eye' view of the 6 units in the main underground powerhouse at Karuma (600MW) Hydropower Project. Each unit has an installed capacity of 100MW.



## 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  
Safety  
Sustainability  
Innovation  
Accountability



## 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





Karuma (600MW) Hydropower Project switch yard and substation.

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The Board of Directors.

# Corporate Information

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

## 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 (Ceased to be a Director as of 6 <sup>th</sup> July, 2021.)	Director
Dr. Nixon KAMUKAMA	Director
Mrs. Hope BIZIMANA	Director
Eng. Gilbert John KIMANZI	Director
Mr. Ronald DRAVU	Director
Mr. Paul Patrick MWANJA	Director
Eng. Julius Namusanga WAMALA (Appointed a Director effective 6 <sup>th</sup> July, 2021)	Director

### CHIEF EXECUTIVE OFFICER

Dr. Eng. Harrison .E. MUTIKANGA

### COMPANY SECRETARY

Mr. Martin Mark OBIA  
Victoria Office Park, Plot 6-9,  
Okot Close – Bukoto Kampla –  
Uganda

## Registered office and principal places of business



### Head Office

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



### OTHER OFFICES

#### Jinja Office

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

**Isimba Hydropower Station Office,**  
Nampanyi Village, Busaana Sub-county  
Kayunga District, Uganda

#### Karuma Hydropower Project Office

Karuma Cell, Karuma Town Council,  
Kibanda North, Kiryandongo District - Uganda.

#### Nyagak III Hydropower Project Site Office

Awondekai Village, Paidha  
Sub-County, Zombo District, Uganda.

### BANKER



#### 1. Stanbic Bank Uganda Limited

17 Hannington Road  
Crested Towers  
P.O. Box 7131  
Kampala – Uganda



UEGCL Board of Directors led by Eng. Proscovia M. NJUKI on a site inspection at Isimba HPP accompanied by Dr. Eng. Harrison E. MUTIKANGA – CEO, UEGCL.

# 2021 Performance Highlights

## PAT

3182% ↑

2.8  
Billion

91.9  
Billion

FY2020

FY2021

## EBITDA

97% ↑

95.8  
Billion

188.4  
Billion

FY2020

FY2021

## TOTAL ASSETS

1.4% ↓

7.1  
Trillion

7.0  
Trillion

FY2020

FY2021

## REVENUE

5% ↑

161.9  
Billion

169.7  
Billion

FY2020

FY2021

## EQUITY

12% ↑

741  
Billion

833  
Billion

FY2020

FY2021

## PBT

3295% ↑

2.8  
Billion

95.05  
Billion

FY2020

FY2021

### KEY

PAT - Profit After Tax

PBT - Profit Before Tax

EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation.



# UEGCL at a Glance

## 1.0 Background

UEGCL was incorporated as a Limited Liability Company on 26th March 2001 under the Companies Act and in conformity with the Public Enterprises Reform and Divestiture Act and the Electricity Act, 1999 and started operation on 1st April 2001.

### 1.1 UEGCL Mandate, Vision, and Mission Mandate

The mandate of UEGCL is 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.

### Vision

The Vision of UEGCL is to “Be One of the Leading Power Producers in the Great Lakes Region”.

## Mission

UEGCL's Mission is to “Sustainably Generate Reliable, Quality and affordable Electricity for Socio- Economic Development”.

## 2.0 Current Operations

- Current Number of Employees is 207; (Male= 153, Female 54)
- UEGCL oversees and monitors the operations of the Kiira 200 MW and Nalubaale 180 MW under the concession with ESKOM (U) Ltd.
- UEGCL is carrying out Operations and Maintenance (O&M) of the Isimba (183 MW) power plant. There will be need to ensure continued efficient operation of the plant as has been demonstrated by UEGCL over the last 2 years. Since commencement of operations in March 2019, revenue generation is being utilized for O&M and Debt- Servicing of the loans on-lent by government to UEGCL for the construction of the power plant.



Sneak peek into the Isimba HPP main control room.





Aerial view of the recently commissioned Isimba Public Bridge.

### 3.0 Project Implementation

In regard to projects, UEGCL is currently undertaking the following projects;

- a) The Karuma Hydro Power Project (600 MW) is in the final stages of construction completion and is due to be commissioned by June 2022. Project completion activities will therefore be going on for the next one year, and this will evolve into operations and maintenance in the subsequent years. Key among the project activities will be managing the defects liability period which extends from 2022 – 2027.
- b) The Isimba HPP (183 MW) was commissioned and taken over by the company in March 2019. The 2 year defects liability period (DLP) ended in March 2021, but due to numerous defects and non-conformances, DLP has been extended till March 2022.
- c) The Muzizi Hydropower Plant (48MW) is due to commence construction in the year 2021/22. UEGCL will be responsible for the execution of the project. Currently, procurement of the EPC Contractor is on-going.
- d) The Nyagak III HPP (6 MW) and the Maziba

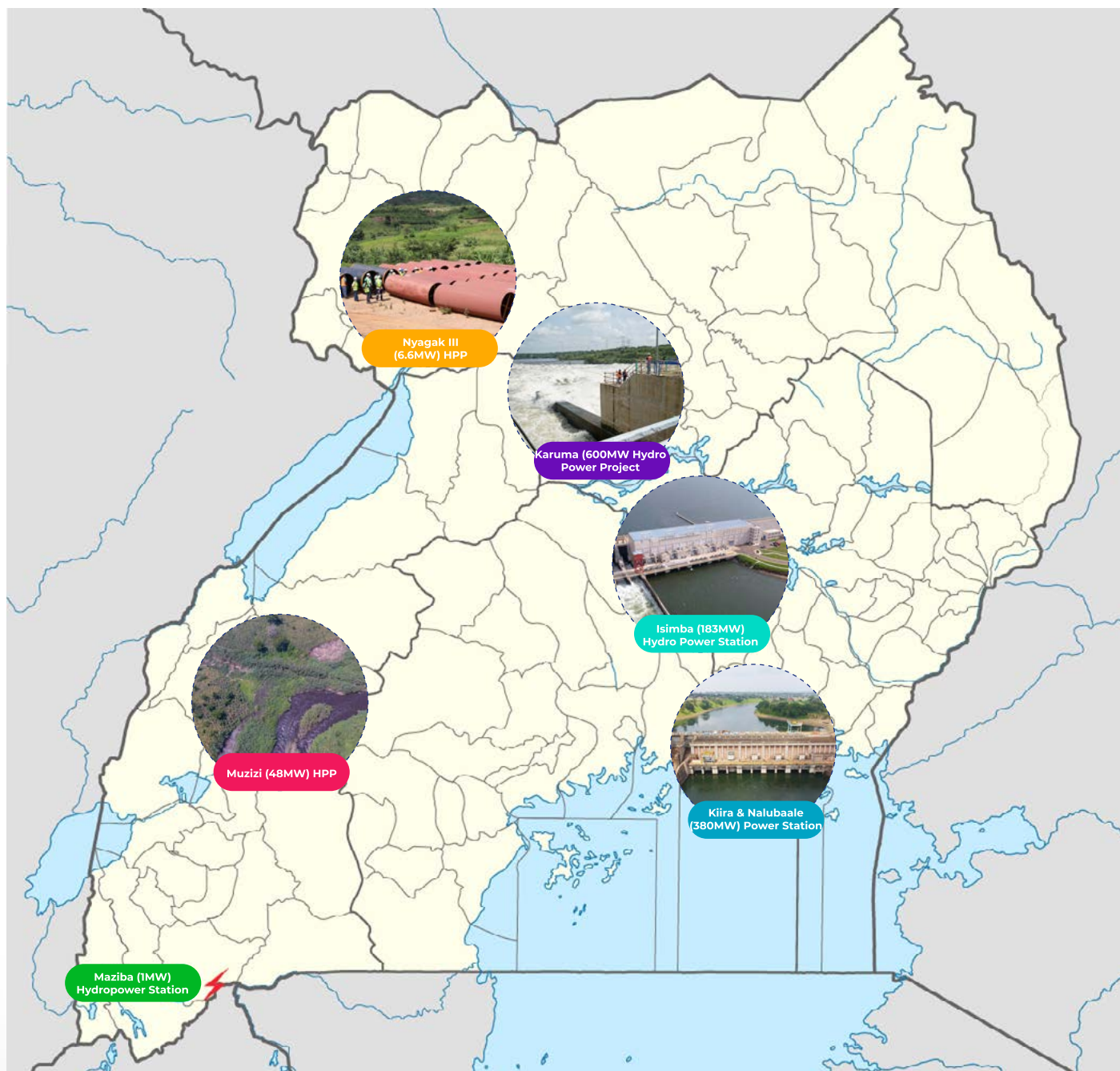
HPP (1 MW) are projects which are also being undertaken by UEGCL. Nyagak III has commenced implementation, while funds are being sourced for Maziba HPP rehabilitation.

### 4.0 Planned Activities

- a) Rehabilitation of the Kiira & Nalubaale HPP (380 MW) is due to commence in 2023. This follows the completion of a feasibility study which points to the need for a major overhaul of the power plant. It is envisaged that UEGCL will take lead in the rehabilitation of the Plant.
- b) Namanve (HFO) 50 MW handover process which will be completed in December, 2021 after settlement of all outstanding liabilities due to Jacobssen Elektro AS the former owner and operator of the plant.
- c) Research and Development: UEGCL is in the process of conducting a feasibility study for the piloting a Floating Solar Project as part of the Company's Energy Mix Strategy



# A Map Of Uganda Showing **UEGCL** Footprint





# Outlook

It should be noted that the financial year 2020/2021 marked the third year of the implementation of the UEGCL five year strategy (2018- 2023). Suffice it to say that UEGCL is on track to achieving its five year outlook up to the year 2023. However, given that during the planning period 2018- 2023, a new National Development Plan for the Country NDP III (2020 -2025) was launched, UEGCL, will continue aligning its futuristic vision and activities to the Government aspirations. The key outlooks for the Company upto the year 2023 and beyond include the following;

## a) Generation Capacity

The current Electricity Generation capacity within the country is about 1,270 MW as opposed to the NDP III target of 3500 MW by 2025. Therefore, UEGCL's focus will aim at ensuring that this gap is bridged, commencing with the completion of the on-going projects of Karuma, Nyagak, and commencement of Muzizi and Maziba hydropower plants. Coupled with this, UEGCL envisages to play a greater role in the development of a number of pipeline projects which are currently under the jurisdiction of the Ministry of Energy and Mineral Development. These include among others the Ayago, Kiba, and Oryang HPP's.

## b) Takeover of the Kiira/Nalubaale (380 MW) and Namanve HFO (50 MW) Plants

The concession with ESKOM (U) Ltd expires in March, 2023 is envisaged that UEGCL will take over direct operations of the complex from April, 2023. As H.E. Yoweri Kaguta MUSEVENI – President of the Republic of Uganda has time and again reiterated we should strive to indigenize operations of the country's power plant as a way forward as is already the case at Isimba (183MW) Hydropower Power Plant. This will be coupled with the takeover of the Namanve HFO Plant which is already in high gear. It is planned that the Kiira/Nalubaale complex will be rehabilitated thereafter be operated within the Business framework of performance Contracts.

## c) Energy Mix Strategy

UEGCL has formulated an Energy Mix Strategy to explore other sources of Energy including Hydro, Solar, Geothermal and Thermal. This will help in diversifying from the current high dependency on hydropower and improve the Energy Security of the Country. The company has already signed an agreement with the Swedish Government to to

undertake a floating solar feasibility study.

## d) Operational Efficiency

UEGCL futuristic aspirations aims at operating the Karuma, Isimba and the Kiira/Nalubale hydropower complex plants as semi-autonomous Operation and Maintenance Business entities as opposed to the conventional Concession monitoring dispensation. The cardinal pillars of which are to ensure; availability, reliability, affordability and the delivery of quality electricity services to the people of Uganda.

## e) Financial Sustainability

UEGCL with support from AfD carried out a Financial Sustainability study. Futuristically, UEGCL plans to commence activities leading to its eventual Listing on Stock Exchange. In the short run, UEGCL aims at ensuring that it has sufficient resources to plough back for purposes of investment in both existing and new assets. Prerequisites to Listing include, restructuring of the UEGCL Balance Sheet, ability to bill for full costs recovery in accordance with the Concession and Assignment Agreement (CAA), and finally, the build-up of a history (not less than 3 years) of profitability and credit worthiness.

## f) Hydropower Resource Centre

UEGCL plans to establish a Hydropower Resource Centre as a Centre of excellence for hydropower. The Centre will ensure continuous and cost-effective capacity building for Operations & Maintenance (O&M). This will support government initiatives of providing employment to the youth and will not only serve UEGCL, but will also provide capacity-building services to the Independent Power Producers (IPPs) and serve as a regional Hydropower Training Hub. The resource center will also cater for coordinated research, innovation, benchmarking, training and best practice sharing. It is envisaged that the Centre will eventually be self-sustaining offering practical insights and best practices in hydropower development and management.

## g) Automation of Services

A number of initiatives are also under way to automate the operations of the Company. Currently the Computerized Maintenance Management System (CMMS) a software designed to efficiently manage power plants is under installation, and the Company has plans to automate a number of its functions. Key functions include Asset Management, Dam Safety and Cyber Security. In line with this, the coming years will focus on acquisition of software tools required to support asset management and dam safety and build capacity in data analytics.

# Project Overview

## 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.

#### 1.3 TECHNICAL DATA



Type of Plant :  
**Run-of-River Plant**



Construction Cost :  
**Approx. USD 1.7 Billion**



Expected date of  
completion :  
**June, 2022**



Installed Capacity :  
**6x100 MW Vertical  
Francis Turbine Units**

#### 1.2 STATUS

Physical progress is currently at 98.5%. Project was originally scheduled for commissioning in November 2020 but due to project implementation challenges, extension of time was awarded to the contractor Sinohydro Corporation Ltd to allow for completion of rectification and correction of Electro-Mechanical non conformities. The project is now scheduled for commissioning in June, 2022.

#### 1.4 SUMMARY OF PROGRESS

No	Component	Percentage
1	Civil	99.15
2	Electro-Mechanical (EM)	96.30
3	Hydro-Mechanical (HM)	98.48

#### 1.5 MAIN PROJECT FEATURES AND PARAMETERS

Gross head: 70m, Design discharge: 1098m<sup>3</sup>/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.

Water spilling through the spillways at the Karuma HPP dam section.

## 2. 48MW Muzizi Hydropower Project

### 2.1 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 bank 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 from 44.7MW.

### 2.2 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) Design flow: 12m<sup>3</sup>/s, ecological flow: 0.69m<sup>3</sup>/s Turbine: 3 Pelton turbines, Transmission voltage: 132Kv

### 2.3 PROJECT 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



### 2.4 PROJECT STATUS

#### Plant and Design Build Contractor;

Procurement of a Plant and Design Build Contractor is in progress with contract negotiations with the Best Evaluated Bidder (BEB) will soon be concluded.

#### Owner's Engineer

Procurement of an Owner's Engineer (Construction Supervision Consultant) commenced in 2020 and is currently at bid evaluation stage.

#### Land Acquisition/ Resettlement Action Plan

Compensation payments to Project Affected Persons (PAPs) is in progress with approximately 40% of the total compensation value paid.



## 6.6MW Nyagak III Small Hydro Power Project

### 3.1 BACKGROUND

The proposed 6.6 MW Nyagak III Small Hydropower Project (SHPP), located in Paidha Sub-County Zombo District, 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 SPV, Genmax Nyagak Ltd, was registered under the Laws of Uganda in March 2015 with UEGCL having 30 % equity shareholding and the remaining 70% belonging to the Strategic Partner.

The Strategic Partner is 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.

### 3.2 STATUS/PROJECT PROGRESS

The Project SPV GENMAX Nyagak Limited reported a progress of 35.57% on the Civil and Penstock Works Contract by end of 30<sup>th</sup> May 2021. The construction and manufacturing works on other fronts namely Transmission Line, EM and HM works was yet to commence by end of June 2021. Whereas initially 40 months were allowed by the regulator Electricity Regulatory Authority (ERA) to achieve Commercial Operations Date (COD) from the effective date (as per the Generation License) of 10th December 2015, the developer has been granted an additional 48 Months (up to April 2023) to achieve COD.

### 3.3 RESETTLEMENT ACTION PLAN

According to the amended and Restated Shareholders Agreement between UEGCL (public

partner) and Hydromax Ltd and Dott Services Ltd (jointly as the private/strategic partner) UEGCL is mandated with both land acquisition and compensation for all the land needed for the project including the Transmission Line. The Resettlement Action Plan (RAP) for the Generation Facility (Power House, Dam, Pipe Conduit etc.) is complete. RAP for Transmission Line has commenced with the RAP Consultant already procured. It is anticipated that the RAP for the transmission line will be completed by end of June 2022 to pave way for construction of Transmission Line in July 2022. Additionally, regarding the Community Development Action Plans and Livelihood Restoration Plans for Project Area, part of the RAP Consultant's scope of Work includes developing Needs Assessment for Community Development Action Plan and Livelihood Restoration. CDAP Projects will commence in FY 2022/2023.

### 3.4 PROJECT FUNDING

UEGCL was able to disburse USD 1.6million in Q4 of FY 2020/2021, which was availed in the FY 2020/2021. The outstanding disbursements (for grant and equity) amount to USD 6.5 million. This will be partly covered by USD 1.8 million provided under current budget FY2021/22. This will necessitate budget allocations amounting USD 4.7m for the next FY 2022/2023. By end of June 2021, the pending amounts UEGCL Funding Request submitted by GENMAX Nyagak Limited was approximately USD 2,968,957.00. The Ministry of Finance, Planning and Economic Development and the Ministry of Energy and Mineral Development were requested to further prioritize releases over the of FY 2021/2022 to facilitate disbursements to the developer GENMAX Nyagak Limited and payments to the independent engineer, GOPA Intec.

The strategic partner (consortium of Hydromax Ltd and Dott Services Ltd) is yet to achieve financial close to complete the financing package for the project. Whereas the project requires the developer to find debt funding, progress has been painfully slow in this regard. The Strategic Partner is required to ensure that the SPV/GENMAX Nyagak Limited is fully funded at all times to perform its obligations under the Power Purchase Agreement and Generation License. During the period, GENMAX Management communicated that AfriExim Bank had commenced the due diligence exercise that is critical for financial closure.

### 3.4 TECHNICAL DATA



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



Commencement Date:  
**May, 2019**



Installed capacity:  
**6.6MW**



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



Steel Pipes for the Pipe Conduit and Penstock for the Nyagak III (6.6MW) Hydropower Station.

## 4. Maziba Dam

Following the takeover of the Maziba Gorge (1 MW) Small Hydro Power Plant from Uganda Electricity Distribution Company Limited (UEDCL), UEGCL undertook studies for rehabilitating which were completed and concluded that the plant was viable. UEGCL is currently in the process of mobilising funds to undertake the rehabilitation.



# Operations & Maintenance Overview



## 1. 183MW Isimba Hydropower Station

### 2.1 BACKGROUND

Isimba HPP is a run-of-the-river type power station with an installed capacity of 183.2MW located in Busaana Sub County, Kayunga District 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.

The technical specifications of the hydropower station include the following:

- Water Retaining Dams composed of the Left Bank Earth-Rock Dam (LED) and Right Bank Earth- Rock Dam (RED), Gravity Dam GD1, Gravity Dam GD2.
- Spillways are composed of Bottom Outlet Spillway SP1 or Crest Spillway SP2.
- 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.

Isimba Hydropower station was commissioned on 21st March 2019. The power station is the third largest hydro power plant in Uganda and contributes about 14.4% of the now installed power capacity with total annual energy production of about 962.899GWh.

UEGCL has successfully undertaken operations and maintenance of the power station since its commissioning and the staff have demonstrated a high capacity in hydro power plants operations. To date, no safety incidents has been registered since the commercial operations date.

## 2.2 TECHNICAL DATA



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



Turbine type:  
**4 Vertical  
Kaplan turbines**



Installed capacity:  
**183.2MW**

## 2. Namanve Thermal Power Station

On 13<sup>th</sup> April 2007, Government of Uganda (GoU) and Jacobsen Elektro AS Norway, an independent Norwegian power production company entered into a Build Operate and Transfer (BOT) Implementation Agreement (IA) for a term of thirteen (13) years. Wherein Jacobsen Elektro undertook to build, operate, and maintain a 50 MW Heavy Fuel Oil (HFO) Thermal Power Plant worth Euro 66 Millions at Kiwanga Village, Nantabulilwa parish, Goma sub-county, Mukono Municipality in Uganda.

The plant is commonly known as Namanve Thermal Power Plant (NTPP) and has seven (7) generating sets (Wartsila W18V32 Engine) each rated at 7.285MW thus giving a total plant installed capacity of 50MW. On 26<sup>th</sup> July 2007, Jacobsen Elektro AS Norway assigned in full the Implementation Agreement to Jacobsen Uganda Power Plant Company Limited (JUPPCL) a limited liability company incorporated under the laws of Uganda to undertake operation and maintenance of the Thermal Power Plant. The plant was

commissioned on 5<sup>th</sup> November 2008 by H. E. the President of the Republic of Uganda.

Upon expiry of the Implementation Agreement, in September 2020, Government was supposed to take over the power plant. The takeover did not happen due to a delay to undertake a due diligence of the power plant which was necessary to establish the status of the power Plant and any liabilities associated with it before it is transferred. Therefore, Jacobsen was granted an extension of one year which expired on the 15<sup>th</sup> September 2021. The due diligence has now been completed by the Auditor General and the Ministry of Energy and Mineral Development will settle outstanding Government's obligations in December 2021.

The Electricity Regulatory Authority (ERA) has already approved the Power Purchase Agreement and awarded a Generation License for UEGCL to undertake the Operation and Maintenance of Namanve Thermal Power Plant.





Hon. Ruth NANKABIRWA - Minister of Energy and Mineral Development with a delegation from the Ministry of Energy & Mineral Development and UEGCL on a site inspection of the Namanve Thermal Power Plant.



### 3. Nalubaale- Kiira (380MW) Power Complex

Nalubaale Power Station (NPS), formerly known as Owen Falls Dam, is a hydroelectric power station across the White Nile near to its source at Lake Victoria. The station comprises of the main dam, a concrete gravity dam with a maximum height of approximately 30 m and 345 m length, with a central structure of six low level sluices (220 m<sup>3</sup>/s capacity each at flood peak) in the old river bed over the water fall, the concrete gravity intake structure, maximum height approximately 25 m and 160 m length, with the downstream located separate power house for 10 Kaplan turbines on the elevated right bank of the water fall, the east headrace concrete gravity dam between the intake dam and the main dam and the west headrace concrete gravity dam. The first two turbines, 1 and 2 were commissioned in April 1954 and the last 2 turbines, 9 and 10 were commissioned in 1967/1968. The original capacity of 15 MW for each of the turbines was uprated between 1990 and 1998 to be 18 MW and the total installed capacity became 180MW.

Kiira Power Station (KPS) was constructed between 1997 and 2000 with the commissioning of the first turbine in 2000. It is located on the east bank of the Owen Falls, approximately 800 m downstream from the

NPS. The power station is being fed by a canal leading from the head pond above the old power station to the new power station with a length of approximately 1.6 km, 150 m width and 20 m depth, excavated into the left riverbank. The rated capacity of each of the five fixed-blade propeller turbines is 40 MW with total installed capacity of 200MW. The intake/powerhouse has a length of 210 m. The height of the intake above foundation is 32 m. On the left side adjacent to the intake structure is a three bays spillway (opening 10 m x 10.35 m) with radial gates of 41 m total length.

The NPS and KPS are operated and maintained by Eskom Uganda Limited (EUL), a wholly owned subsidiary of Eskom Enterprises SOC Limited of South Africa. EUL took over the operation and maintenance of the two power stations on a 20-year Concession and Assignment Agreement, commencing on 1 April 2003. The Uganda Electricity and Generation Company Limited (UEGCL) remains the owner of the asset.

Upon expiry of the concession agreement on 31<sup>st</sup> March 2023, the Government of Uganda through UEGCL will take over the operations and maintenance of both Nalubaale and Kiira power stations.







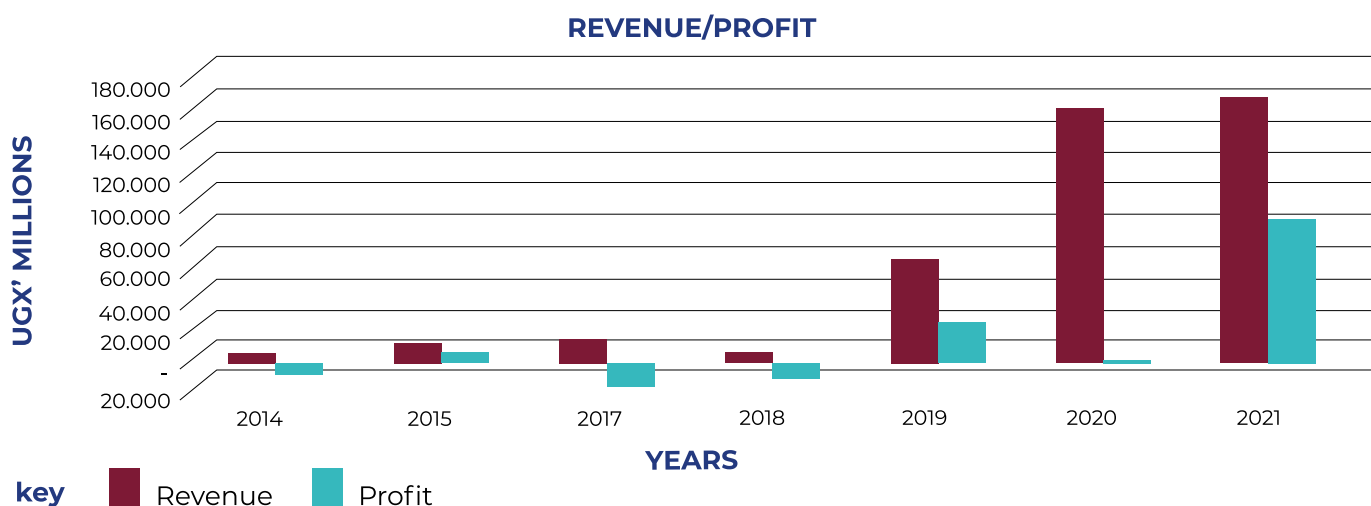
Kiira Power Station

Aerial view of the Nalubaale & Kiira (380MW)  
Hydropower Complex located in Jinja, Uganda.

FINANCIAL STATISTICS	30 <sup>th</sup> June 2021	30 <sup>th</sup> June 2020
	UGX '000	UGX '000
<b>For the year</b>		
Concession Fees	7,518,457	10,777,810
Isimba Income	139,142,515	126,424,924
Other Income	23,082,614	24,679,589
Operating profit/Loss	54,676,622	49,457,618
Earning before interest, depreciation and tax	188,405,053	95,769,993
Profit/loss for the year	<b>91,932,287</b>	<b>2,796,001</b>
<b>At year-end</b>		
Total Assets	6,963,172,717	7,103,838,502
Shareholder's Equity	832,748,542	740,816,255
Outstanding interest bearing debt	5,210,150,764	5,496,163,890
Cash flow data		
Net cashflows from operating activities	118,071,628	121,341,888
Net cashflows used in investing activities	64,482,266	(410,696,170)
Net cashflows from / (used in) financing activities	(193,339,675)	335,729,681
<b>Operating and other statistics</b>	<b>FY 2021</b>	<b>FY 2020</b>
Total number of customers(Concession- Eskom/ UETCL )	2	2
Total number of employees	205	200
Exchange rate: US Dollar to Uganda Shilling (at year end)	3,559	3,735
Exchange rate: US Dollar to Uganda Shilling (average for the year ended)	3,696	3,717



# Financial and Operational Charts



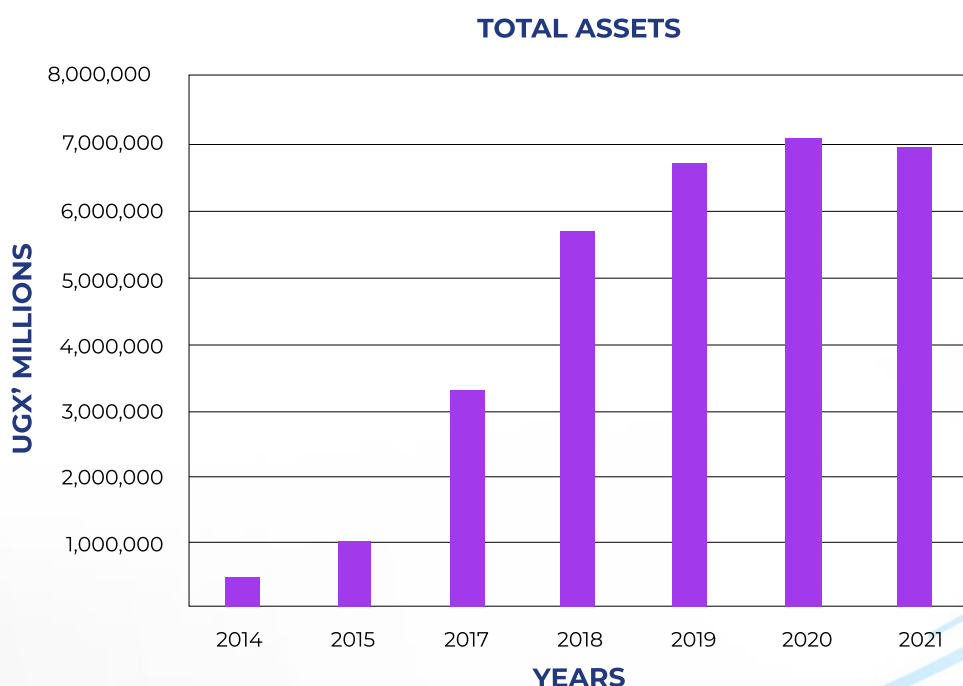
## REVENUE

Revenue grew by 4.8% (UGX 161.9bn to UGX169.7bn). This was mainly due to scheduled outage for the other generation plants, to the effect Isimba HPP had to pick up more load.



## PROFIT

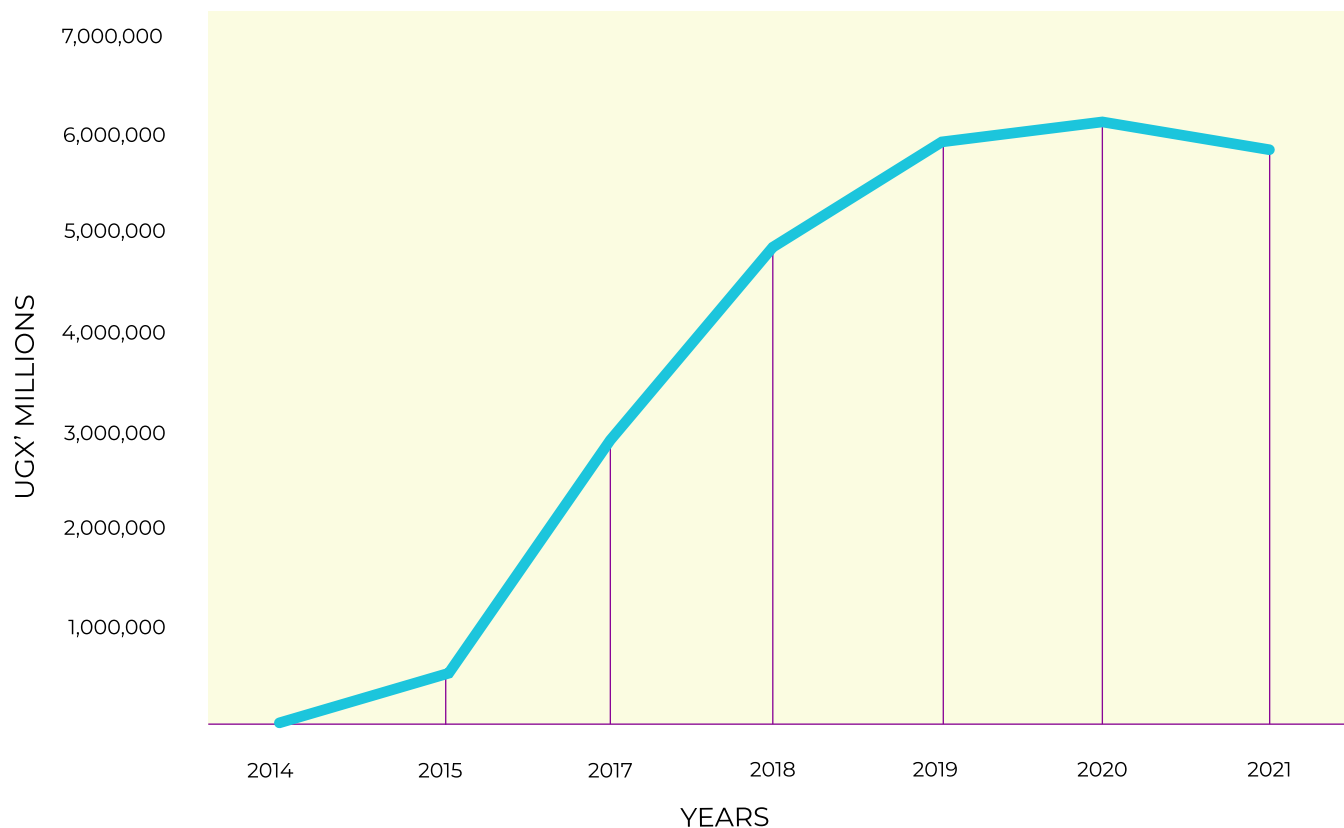
Increase in profitability to UGX 92bn (2020:UGX 2.79bn). UGX 20bn of the profits was from operations while foreign exchange gains on Isimba HPP loans accounted for UGX 71bn.



**Total Company assets are UGX 7.0tn compared to UGX 7.1tn the previous year (1.4% drop)**

The drop was due to revaluation gain on the Karuma HPP loan which reduced work in progress by UGX 58 Billion as well as depreciation charge for the year of UGX 63 Billion.

## NON CURRENT LIABILITIES



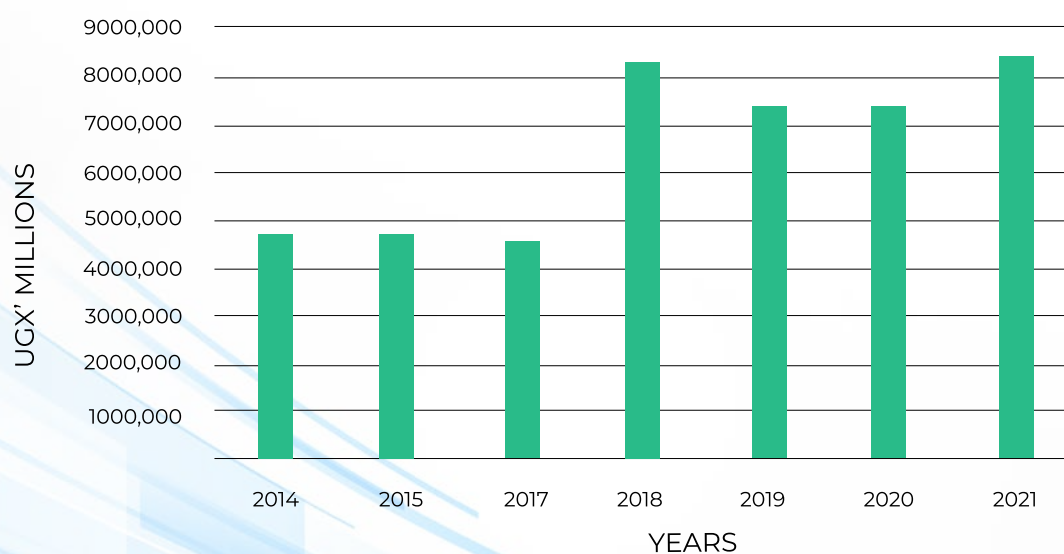
Total non current liabilities has significantly grown from UGX 532 billion in 2015 to UGX 5.8 trillion in 2021 due to the loans borrowed for Karuma & Isimba HPPs.

A decrease in Non-current liabilities from UGX 6.1trillion in FY2019/20 to UGX 5.8trillion FY 2020/2021 (4%) is due to the payment of initial instalment of Isimba HPP loan.



**Total non current liabilities has significantly grown from 2015-UGX 532 billion to UGX 5.8 trillion**

## SHARE HOLDERS EQUITY



### POSITIVE EQUITY

The Company as at 30<sup>th</sup> June 2021, is solvent with positive equity of UGX 832 Billion. Net profit is UGX 92bn (2020:UGX 2.8bn).





UEGCL staff in a brainstorming session during a Strategy and Business Development workshop.





# Events calendar



Dr. Eng. Harrison E. MUTIKANGA – CEO, UEGCL receives the grant document from H.E Maria HÅKANSSON – Swedish Ambassador to Uganda worth 6 million Swedish Krona (Approx. UGX 2.5 billion) from Swedfund to undertake analytical studies for floating solar development in Uganda.



ERA Board of Directors led by Dr. Sarah Wasagali KANAABI during a site inspection of the progress of works at Karuma HPP



UEGCL Women in a group photo after the first ever UEGCL Women's Gathering as part the Women's Day celebrations



Rt. Hon. Prime Minister Robinah NABBANJA in a group photo with Bunyoro Members of Parliament and UEGCL staff after a meeting on Nyagak III HPP at the Office of the Prime Minister.



Hon. Ruth NANKABIRWA - Minister of Energy & Mineral Development lays the foundation during the Community Development Action Plan (CDAP) groundbreaking ceremony at Purongo Primary School, Nwoya District.



Michael Elimu ESIIMU - Generation Manager, Isimba HPP explaining to Hon. Ruth NANKABIRWA - Minister of Energy & Mineral Development the operations of Isimba HPP during her maiden visit to the plant.





Hon. Ruth NANKABIRWA - Minister of Energy & Mineral Development with a delegation from the Ministry of Energy Mineral Development and UEGCL for a site inspection of the Namanve Thermal Power Plant



Dr. Eng. Harrison E. MUTIKANGA - CEO, UEGCL (L) and Ms. Lilly AJAROVA - CEO, Uganda Tourism Board during the UEGCL & Uganda Tourism Board MoU signing ceremony at Isimba HPP



UEGCL Board of Directors led by Eng. Proscovia NJUKI and management in a group photo during a site inspection at Isimba HPP



Dr. Eng. Harrison E. MUTIKANGA - CEO, UEGCL (L) receives a hamper from Mr. Don WANYAMA - CEO, Vision Group after a courtesy call



Dr. Eng. Badru KIGGUNDU - Chairperson, Project Steering Committee (C) inspects the progress of works in the underground power house at Karuma HPP during the steering committee's project supervision visit



Electricity Supply Chain heads during a panel discussion at the electricity Baraza on 1<sup>st</sup> October, 2021 at Serena Hotel. From L-R, Mr. Valentine KATABIRA Deputy CEO, UETCL, Selestin BABUNGI - Managing Director, UMEME, Eng. Ziria WAAKO - CEO, ERA, Mr. Paul MWESIGWA - MD, UEDCL and Dr. Eng. Harrison E. MUTIKANGA - CEO, UEGCL.

# Chairperson's Message

**Eng. Proscovia Margaret NJUKI**  
Chairperson board of Directors

*It is with great pleasure that I present to you the Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup> June 2021.*



As at the close of the year, the Company was solvent with positive equity of

**UGX. 832 Billion**

Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern to be able to realize its assets and discharge its liabilities in the normal course of business.

used to revalue the loans at the reporting date and the commencement of the repayment of the outstanding loan for the development of the Isimba Hydropower plant.

As at the close of the year, the Company was solvent with positive equity of UGX. 832 Billion. Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern to be able to realize its assets and discharge its liabilities in the normal course of business.

While the Company was profitable, the quality of earnings was greatly influenced by the appreciation of the UGX against the USD, consequently, UGX 71 Billion comprising the greatest portion of the earnings are unrealised foreign exchange gains which is unsustainable while only UGX 20 Billion constitutes profit from operations. In this regard, the Board is working with the Ministry of Finance, Planning, and



## FINANCIAL OVERVIEW

Revenue grew by 4.8% to UGX. 169.7 Billion from UGX 161.9 Billion in 2019/2020 attributed to the increased income from the sale of electricity generated at the Isimba hydropower plant.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased 97% to UGX 118.4 Billion from a loss of UGX 95.7 Billion largely due to an unrealised foreign exchange gain of UGX 71 Billion resulting from the depreciation of the USD against the UGX due to the volatility of exchange rates caused by having a large debt denominated in foreign currency (USD).

Profit after tax increased to UGX 91.9 Billion from 2.79 Billion thus increasing shareholders equity by 12% to UGX 832 Billion from 740 Billion.

Total assets decreased by 1.4% from UGX 7.1 trillion in 2019/2020 to UGX 6.96 trillion. The decrease is due to the depreciation of the Isimba Hydropower Plant which has been in operation since March 2019 and a drop in valuation of the Karuma hydropower project (still under construction) WIP following the appreciation of the UGX against the USD.

Non-current liabilities (borrowings) dropped by 4% from UGX 6.1 trillion to UGX 5.8 trillion. This is because of the fall in the UGX to the USD exchange rate that was



Economic Development to mitigate the currency risk and has also approved a Dividend policy to guide its decisions on the utilization of the profits available for distribution to the Shareholders.

## OPERATING ENVIRONMENT

The year was a challenging one with operations having to be carried out amidst the restrictions, including lockdowns, and standard operating procedures imposed by the Government to control the spread of the COVID-19 Pandemic, this was exacerbated by the second national lockdown that was imposed in June 2021 to control the rise in infections of COVID-19 that negatively impacted the sector and the country at large. However, the Company has remained resilient in these unprecedented times through the use of technology, remote working, the implementation and observance of strict procedures to protect staff from infection to sustain business continuity and other initiatives.

During the period, there was an intense and prolonged rainfall season in the country which caused a general rise in water levels in the lakes and river to unusually high levels not reached since 1964 and lead to flooding. The rise in water levels is particularly critical as all the generation plants owned and operated by the Company rely on hydropower and the rising water levels represent a key dam safety risk, risk of erosion of river banks causing silting of the reservoirs and floating debris which can disrupt production. Mitigation measures were instituted and implemented through key stakeholder engagement.

The key legal framework under which the Company was established prescribes that in the determination of policies, operational issues and plans of public enterprise, the Directors and Managers shall be guided by the commercial objectives of the enterprise, the need for financial self-sufficiency of the enterprise, the developmental strategies of the Government, international and regional obligations of Uganda, inducement for Ugandan and foreign investment and participation in business by the general public.

Our commitment to these considerations is reflected in our strategic plan which is formulated in congruence with the National Development Plan (NDP), the government manifesto and the Vision 2040 of the Country to drive the national agenda to increase installed capacity to support the socio-economic development and industrialization of the Country.

Finally, due to the lockdown and the restrictions on opening certain sectors of the economy, the growth of electricity demand has been constrained by the slowdown in sectors of the economy. Additionally, because of the need for the Government to direct funding to critical areas such as vaccination of

the population, mitigation of the effects of the lockdowns etc, funding has been constrained for the implementation of Government projects for which the Company is the implementing agency.

## STRATEGY

The Company completed the third year of implementation of its five (5) year 2018-2023 strategy. A review of the performance and the strategy in the face of the changing operating environment has necessitated changes which have been incorporated in a revised strategy and a corporate scorecard for the financial year 2021/2022.

However, the COVID-19 pandemic and the measures taken by Government including the national lockdown have accelerated the Company's digital transformation with innovation and agility top on the agenda to adapt to the changing environment. In this regard, we have been able to smoothly transition into a remote working practice with all the Board meetings held virtually and staff working using a mix of remote and in-person work to limit numbers at the office premises. Notwithstanding the challenges, the ability to operate remotely created a largely uninterrupted business continuity to support our operations and enable us to deliver on our strategy. With the built-in resilience, we remain focused to achieve further growth through the increase of generation capacity by the completion of ongoing projects, particularly the Karuma hydropower project, improvement of operations and maintenance efficiency, revenue growth and sustainability, stakeholder satisfaction, improving organizational capacity and business process efficiency.

## GOVERNANCE

Mr. Zachary Baguma Mosimoson ATWOOKI exited the Board following his retirement from the Ministry of Energy and Mineral Development and was replaced by Eng. Julius Namusanga WAMALA, a non-executive Director. On behalf of the Board, I would like to extend the gratitude of the Board to Mr. Zachary Baguma Mosimoson Atwooki for his diligent service during his tenure on the Board. Inversely, the Board welcomes Eng. Julius Wamala Namusanga to the Board and wishes him the best during his tenure

In line with its policy for continuous and consistent enhancement of its capabilities and improvement of its effectiveness, the Board evaluated its effectiveness for the year under review. The outcomes and recommendations from the evaluation will form the basis for an action plan for improvement.



## CORPORATE CITIZENSHIP

As a good corporate citizen, the effective execution of our strategy is the lead avenue through which we aim to achieve our commitment to create value for our shareholders and positively impact our environment and society within which we operate.

We also remain committed to managing our operations in a transparent, responsible and ethical manner as we work hand in hand with our stakeholders towards ensuring value creation and growth of the energy sector.

## FUTURE OUTLOOK

We are very optimistic that the Company will continue to grow despite the challenges in the operating environment and the macroeconomic conditions that are likely to persist in the short to medium term. In this regard;

1. In the short term, as the implementing agency of the Government of Uganda, we are working towards attaining the commissioning and commercial operation of the 600 MW Karuma hydropower project under the best conditions possible by the close of the financial year 2021/2022 which will add 600MW of electricity to the national grid to support the country's aspirations under the National Development Plan.

The ongoing large hydropower projects will further be augmented by the development of new small hydropower plants.

2. The Company is sourcing financing for the proposed refurbishment of the Nalubaale and Kiira Hydropower plants whose feasibility was completed with a portion on flood control pending completion. The refurbishment will increase the plant's economic life and resolve the challenges associated with the ageing structure, improve flood control which is key for dam safety given the unusually high water levels experienced in 2020 and 2021 as well as to improve the efficiency of the plants which are the least cost generation power Plants with a tariff of at 1 US Cent per Kwh.
3. We are preparing for the retransfer and operations and maintenance of the of the Nalubaale and Kiira hydropower plants whose concession to Eskom (U) Ltd expires on 13 March 2023.
4. The Company is preparing for the rationalisation and merger of the government agencies in the value chain of the electricity supply industry in the Country.

5. The Company is ready for the anticipated acquisition of the 50 MW heavy fuel oil-fired Thermal Plant at Namanve which was built and operated under a Build, own operate and transfer (BOOT) between the government of Uganda and Jacobsen Elektro an independent power producer and is due to be transferred to Government in September 2021 after the expiry of the Implementation between the Government and the independent power producer.

While the acquisition of the thermal power plant expands our business portfolio to include thermal power, introduces an energy mix by reducing our total dependence on hydropower, and presents an opportunity for staff to grow professionally and improve talent. It also uses fossil fuels to generate electricity which causes the emission of greenhouse gases and other air pollutants when fuel is burned. However, this plant is crucial to the energy security of the country and will primarily be a standby plant. Additionally, all measures will be taken to ensure compliance with the environmental and safety regulations to mitigate the effects of the plant on the environment.

We shall continue to be guided by our Vision, Mission and to live by our Values and we are confident that the strategy we shall have put in place shall guide us in the right direction.

## CONCLUSION

I thank my fellow Directors, our staff, shareholders, customers, business partners, the Government, and other stakeholders for their continued support to the Company. The continued support of our stakeholders is key and we are confident that if we work together we shall transform the Company, the electricity sector and the country. I thank the shareholders for trusting us to spearhead the Company and we are confident that with your continued support, only the sky shall be the limit.



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**Eng. Proscovia Margaret NJUKI**  
Chairperson board of Directors

*Generating for Generations*





# CEO's Statement

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

## INTRODUCTION

We yet again congratulate ourselves upon the completion of another financial year, in which, despite the continued COVID 19 disruptions, we were able to make headway as a company. The year marked our third year in the implementation of our Strategic Plan (2018 -2023) and overall, we were able to keep on track with the implementation of the Plan. This however came with a few challenges mainly related to project implementation which are enumerated further within this statement.

## FINANCIAL PERFORMANCE

On the financial front, UEGCL continued to exhibit bottom line profits mainly buoyed by the revenues from Isimba which account for about 82% (UGX 139 billion) of our income. The concession income accounted for about 4.4% (UGX 7.5 billion), while other incomes accounted for 13.6% (UGX 23 billion). Our profit for the year increased from UGX 2.8 billion to UGX 92 billion. However, it is worth noting that the profitability included UGX 71 billion which was from foreign exchange gains on Isimba HPP loans. This would therefore imply that our profits, exclusively from operations increased from UGX 2.8 billion to UGX 21 billion, a growth of 750%. Once again, UEGCL was able to service its debt

obligations on Isimba to the tune **UGX 171 billion as at June 2021**. In the same year, UEGCL, with the support from the French Development Agency (AFD) undertook a Financial Sustainability study to further reinforce its pursuits of financial resilience. Several recommendations of the study are on the radar for implementation. These will be pursued in the financial year 2021/22.

## PROJECT IMPLEMENTATION

During the reporting period, overall physical progress at Karuma was 98.5%. However, due to implementation challenges mainly related to the non-conformities of the electrical/mechanical systems, the project completion date was extended to June 2022. The completion of the Karuma project will add about 600 MW to the grid, which will significantly contribute to the Governments efforts of ensuring increased provision of affordable, quality and reliable electricity services.

In regard to the Isimba project, out of a total of 440 snags about 58% (259) of the snags remain outstanding. The outstanding snags which include; electrical cabling, leakages in the power house concrete, incomplete documentation including O&M Manuals, and the absence of a floating boom, but to mention a few, are very critical to the safety

of the dam and safe operation of the Isimba power plant and are therefore of great significance to the operation of the Plant. It is very unlikely that the contractor will have all outstanding snags completed prior to the end of the Defects Liability period (DLP) now slated for March 2022. Therefore, there is a likelihood that the DLP could be extended by another year, to allow for effective remedial works on the defects.

During the reporting period, UEGCL, with the support of the Government of Uganda, commissioned a number of Community Development Action Plan (CDAP) projects in both Kamuli and Kayunga. It will be recalled, the purpose of the CDAP projects is to mitigate the increased pressure on local infrastructure, social services, livelihoods and natural resources, arising in the neighbouring communities from the implementation of the **Isimba and Karuma** Hydropower projects. Facilities commissioned ranged from; Classroom blocks, General and Maternity Wards, VIP Latrines, Staff/Teachers houses, and a Workshop block. These facilities were constructed in the areas of; Nakandulo, Mbulamuti, Bulya, Lwanyama, Busaana, Nakakandwa, Kasana and Namusaala parishes but to mention a few.

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

During the year, the procurement for the works contractor for the **Muzizi (48 MW)** hydropower plant progressed, but the award of the contract was not concluded due to cost and financing challenges. These are being reviewed with the objective of re-scoping the project and ensuring that the project is financed within the coming financial year. On the other hand, works on the **Nyagak III (6.6 MW)** have progressed to 35.57%. It is however noted that

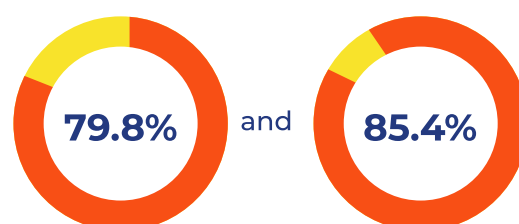
the project is behind schedule due to a number of factors, and the regulator issued a modification to the developer (GENMAX Nyagak limited) in which the commercial operations date was extended by 48 months. Therefore the new scheduled date for completion of the project is April 2023.

In regard to the development of small hydro power plants, UEGCL is currently at the stage of sourcing for funding for the **Maziba (1 MW)** plant. This will significantly benefit the people of the south west Uganda who are currently faced with intermittent supply of electricity.

#### OPERATIONAL PERFORMANCE



The financial year 2020/21 marked the second year of operations of the 183 MW Isimba HPP. On average, the plant operated with a plant availability and reliability of



respectively. The average declared capacity was

**144.1 MW per hour**

and the average actual dispatch was

**103.2MW per hour,**

resulting into a plant factor of

**56.4%**

Key Performance Indicator	Q1	Q2	Q3	Q4	Average
Declared capacity (MW)	165.38	137.91	145.30	127.95	144.135
Actual dispatch (MW)	108.81	91.32	108.82	103.79	103.185
Plant availability (%)	89.38	75.51	85.86	68.31	79.765
Plant reliability (%)	90.18	79.45	91.93	79.88	85.36



The low availability and reliability values resulted from unit outages that were required by the EPCC for snags closure before the expiry of the defects liability period. Quarter Q4 was mainly affected due to the coinciding of Unit 01 forced outage with the Unit 04 planned outage; Unit 01 forced outage was caused by failure of the Generator Circuit Breaker isolator whose restoration was delayed by over 4 months by the contractor.

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, the feasibility study for the refurbishment of the complex was expanded to include aspects of water resources, flood control, and dam safety.

Following receipt of the **5 year grant from the Norwegian Government** code-named **“Hydropower Operation & Maintenance Excellence (HOME) program”**, we are glad to note that during the year, various procurements related to the programme advanced, and it is envisaged that full scale operationalization of the support will commence in the financial year 2021/22. Key among these was the procurement of the **O&M support advisory Team**.

## BUSINESS DEVELOPMENT

Our Business Development objective is to ensure that as a going concern, UEGCL is able to sustainably operate buttressed on a diversified portfolio of business ventures. During the year, UEGCL **finalized the Energy Mix Diversification Strategy study for UEGCL with support from USAID/USEA**. One of the recommendations of the study was increase capacity in renewable energy development in the short-term. Following up on the recommendations of the study, UEGCL is currently pursuing developments in Solar PV, and during the year, the Swedfund Financial Agreement for the **Floating Solar project was finally signed, and the procurement of the consultant to undertake the feasibility study commenced**. It is envisaged that the consultant will be on ground by the end of the calendar year 2021.

In the same year, additional support in the form of **Capacity Building program for Floating Solar technologies** was secured from the International Council of Swedish Industry. The Furnishing and Establishment of the Hydropower Resource Centre through the Norwegian Hydropower Operation and Maintenance Excellence (HOME) program is in advanced stages

with the modification of the training space expected to be finalized in 2022 upon handover of the facilities in Karuma.

During the year, the maiden **UEGCL Research and Innovation Workshop took place** and generated new ideas as well as several recommendations for the improvement of company business. Research and Innovation has continued to form a strong pillar of process improvement at all levels of organisational activities. During the year, the planned **Hydro Africa 2021 Conference** that was scheduled to take place in Kampala was postponed due to the dangers posed by the COVID pandemic at the time. It has once again been scheduled for 2022 in Kampala.


## HUMAN RESOURCE DEVELOPMENT

As at June 2021, the staff count stood at 205 compared to 200 as at June 2020. During the year, UEGCL rationalized its Organization Structure and optimized the staff numbers from 302 to 295 (reduction by 07 numbers). Overall, there is an increment of 18% from the 251 staff of the current structure. The increase in the number of staff is mainly driven by the need to support the business expansion through acquisition of the Namanve Thermal Power Plant, commencement of operations at Karuma Hydropower Plant and strengthening of the safety, health, environment and quality function.

## BUSINESS RE-ENGINEERING

UEGCL is in its 5th year of implementing the ISO 9001-2015 (Quality management systems) having successfully been recertified in the year 2020. The certification comes with annual surveillance audits conducted by a certified external auditor. The surveillance audit for 2021 was completed with only minor non conformities highlighted and opportunities for improvement. The minor non conformities were all closed out the opportunities for improvement are under implementation. In the pipeline is the road map for the implementation of ISO 55000-Asset management and ISO 45001-Occupational Health and Safety.

During the year, UEGCL embarked on the development of Business Continuity Plans and recovery strategies which included the Crisis Management and Communications plan, ICT Disaster Recovery Plan and the Head Office Emergency Preparedness plan. These plans have since been tested and approved by the Board to enhance UEGCL resilience and capacity for



continuity in the event of a major disruption or disaster.

During the year, an Asset management committee was established to develop the Asset Management Policy and Strategic Asset Management Plan. These documents were approved by Top management and board and are operational. In addition, two asset management officers were recruited to implement asset management activities and as a result, UEGCL asset maturity level is constantly increasing currently at 2.1 out of 3 as per the independent evaluation by EDF- the Isimba O&M support. Currently the Asset Management team is working with site staff to develop asset management plans, asset register and documents for different asset classes.

### CHALLENGES FACED BY THE UEGCL

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

- a) **Project Implementation** challenges still remain persistent, and this has affected the functionality of the Isimba HPP, and also delayed the commencement and completion of the Karuma, Nyagak III, and Muzizi HPPs. Challenges have included snags in Isimba and quality of works in Karuma, and inadequate funding for Nyagak III and Muzizi. All efforts are being undertaken to ensure that the projects are fast tracked for purposes of smooth implementation.
- b) **Financial resource constraints** have continued to curtail UEGCL's ability to effectively carry out all its planned activities. These include interventions in the ongoing projects and also for the planned generation projects. Key activities hampered were the CDAP activities in Karuma, and the staff housing project in Isimba.
- 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) **The COVID-19 pandemic** has continued to slow down implementation of a number of activities, and therefore delayed the implementation of the Company's strategy. Key among these have been the growth in new business ventures.
- f) **Uncertainty over the transfer process of Namanve HFO** (50 MW) has hampered the smooth takeover of the plant despite Governments clear directive on this matter. This has delayed the takeover process, and caused loss of time, effort, and delayed realization of savings in the operation of the plant.
- g) **The sector mergers** which have been approved as a policy matter by Government are affecting work productivity mainly due to the uncertainties that arise about the fate of the staff. This has dampened moral, and may lead to speculative loss of talent.



### FUTURE OUTLOOK

Our activities for the financial year 2021/22 will be guided by the **UEGCL five year strategy (2018-2023)**, and the Government NDP III (2020 -2025). The key activities that the company will undertake in the financial year 2021/22 are as follows:

**Generation Capacity:** The current Electricity Generation capacity within the country is about 1,252 MW as opposed to the NDP III target of **3500 MW** by 2025. Therefore, UEGCL's focus will aim at ensuring that this gap is bridged, commencing with the completion of the on-going projects of Karuma, Nyagak, and commencement of Muzizi and Maziba hydropower plants. Coupled with this, UEGCL envisages to play in greater role in the development of a number of pipeline projects which are currently under the jurisdiction of the Ministry Of Energy and Mineral Development. These include among others the Ayago, Kiba, and Oryang HPP's.

**Takeover of the Kiira/Nalubaale (380 MW) and Namanve HFO (50 MW) Plants:** The **ESKOM concession expires in 2023**, and it is envisaged that UEGCL will take over direct operations of the complex from that point. UEGCL





will therefore implement the takeover road map which is already in place. This will be coupled with the takeover of the Namanve HFO Plant which is already in high gear. It is planned that the Kiira/ Nalubaale complex will be rehabilitated thereafter be operated within the Business framework of performance Contracts.

**Energy Mix Strategy; During the year 2020/21,**

UEGCL formulated an Energy Mix Strategy that will see UEGCL explore other sources of Energy including Hydro, Solar, Geothermal and Thermal. This will help in diversifying from the current high dependency on hydropower and improve the Energy Security of the Country. The company has already signed an agreement with the Swedish Government to undertake a Floating Solar Study.

**Operational Efficiency:** UEGCL futuristic aspirations aims at operating the Karuma, Isimba and the Kiira/ Nalubaale hydropower complex plants as semi-autonomous Operation and Maintenance Business entities as opposed to the conventional Concession monitoring dispensation. The cardinal pillars of are to ensure; availability, reliability, affordability and the delivery of quality electricity services to the people of Uganda.

**Financial Sustainability:** UEGCL with support from AfD carried out a Financial Sustainability study. In the short run, UEGCL aims at ensuring that it has sufficient resources to plough back for purposes of investment in both existing and new assets. Prerequisites financial sustainability include, restructuring of the UEGCL Balance Sheet, ability to bill for full costs in accordance with the Concession and Assignment Agreement (CAA), and finally, the build-up of a history (not less than 3 years) of profitability and credit worthiness.

**CONCLUSION**

As we edge forward with the implementation of our five year Strategy, we are confident that we shall achieve the targets we had set for the year 2023.

Indeed significant strides have been achieved across the company right from financial to operational gains, and these have propelled to Company forward. We can comfortably state that as a result of directly operating the Isimba HPP, we have been able to realize savings which have in turn led to lower end user costs, and availability of cash flow for effective operational and maintenance of our assets.

Once again, 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*

# Board of Directors



## **Eng. Proscovia Margaret NJUKI** **Chairperson**

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

She 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 70 years of age and has served the Company as an Independent Non-Executive Director for seven years, since 13 November 2013, the last four of which have been as the Chairperson of the Board.



## **Professor Nixon KAMUKAMA (Ph.D.)** **Director**

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

He 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 56 years of age and has served as an Independent Non- Executive Director in UEGCL for seven years, since 6 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 Master's Degree in Water and Waste Engineering from Loughborough University, UK, and a Bachelor of Science in Civil Engineering from Makerere University.

He has served in various capacities and is currently serving as Commissioner Water for Production at the Ministry of Water and Environment.

He is 54 years of age and has served as an Independent Non-Executive Director in the Company for four years since 24 November 2016.

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



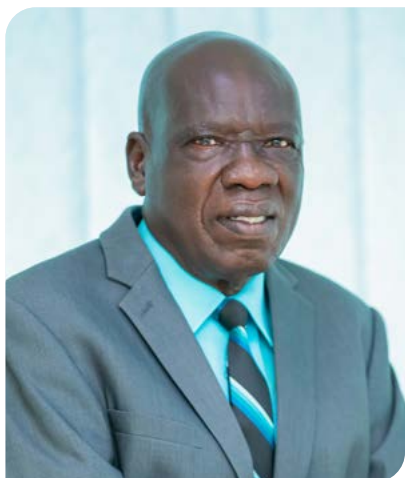
#### **Mrs. Hope BIZIMANA** **Director**

Mrs. Hope Bizimana is a Human Resource specialist and consultant with over 32 years of working experience in Human Resource Management, Planning, and Organizational Development.

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

She is 59 years of age and has served as an Independent Non-Executive Director in the Company for two years since 13 November 2019.

She is the Chairperson of the Human Resource, Compensation, and Planning 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 Master's of Arts in Organizational Leadership and a Bachelor's Degree in Business Administration from Uganda Christian University. He also holds an Advanced Diploma in Government Accounting Management and Audit from the East and Southern Africa Management Institute (ESAMI).

He has served as a Chief Finance Officer, Senior Internal Auditor, and Principal Internal Auditor at the Ministry of Local Government and is currently serving as the Chairman Public Accounts Committee Arua City.

He is 68 years of age and has served as an Independent Non-Executive Director in the Company for five years since 15 September 2016. He is the Chairperson of the Governance, Risk, and Compliance Committee and a member of the Finance and Audit Committee.



### **Mr. Paul Patrick MWANJA** **Director**

Mr. Mwanja is an Economist with over twenty-one years of experience in Macroeconomics, Project Analysis, and Public Investment Management. Holds a Master's of Arts Degree in Economic Policy Management, a Bachelor of Science Degree in Economics both 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 the Company for two years since 13 November 2019.

He is a member of the Technical and Finance and Audit Committees of the Board.



### **Eng. Wamala Julius NAMUSANGA** **Director**

Eng. Wamala is an Electrical Engineer with over 16 years of experience in occupational safety, policy formulation, energy planning & management, project financing, and resource mobilization, monitoring and evaluation, power generation and systems analysis, and information security. He holds a Master of Science in Energy and Power Systems from the University of Liverpool, UK, a Masters of Science in Computer Science from the University of Pune, India, a Bachelor of Science (Electrical Engineering) from Makerere University, and a Post Graduate Diploma in Project Planning and Management from Uganda Management Institute.

Eng. Wamala has served as a General Safety Inspector at the Ministry of Gender, labour and Social Development and in other roles at the Ministry of Energy and Mineral Development where he is currently the Assistant Commissioner, Electrical Generation.

He is 42 years of age and has served as a Non-Executive Director in the Company since 6 July 2021 and he is a member of the Technical Committee and the Human Resources, Compensation, and Planning Committee of the Board.



UEGCL Management Team led by Dr. Eng. Harrison E. MUTIKANGA – CEO host a delegation from the Swedish Embassy led by H.E Maria HÅKANSSON – Swedish Ambassador to Uganda at UEGCL Head Offices during the handover of a grant to undertake analytical studies for floating solar development in Uganda.



# The Management Team



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



**David ISINGOMA**  
Chief Strategy and Business  
Development Officer



**Eng. George Tusingwire  
MUTETWEKA**  
Chief Operations Officer



**Joyce NAKALEMA**  
Chief Human Resource  
Officer



**Joseph OKECHO**  
Chief Audit Officer





**Eng. Isaac M. ARINAITWE**  
Chief Projects Officer



**Joshua KARAMAGI**  
Chief Finance Officer



**Mark Martin OBIA**  
Company Secretary

## Heads of Units



**Enock K. KUSASIRA**  
Head Communication and  
Corporate Affairs



**Beat NABACWA**  
Head of Business Performance



**John Kokas OMIAT**  
Head Procurement and  
Disposal Unit



**Albert MURUNGI**  
Head of Information and  
Communication Technology



**Flavia ANYIKO**  
Head of Risk



**Muzafalu KAYONDO, Ph.D**  
Head Research and Business  
Development



# Corporate Governance Statement

## THE BOARD

This statement has been prepared in accordance with the stipulations in the Code of Corporate Governance contained in the third schedule to the Companies Act No.1 of 2012 and the Electricity (Corporate Governance) Guidelines 2019 issued by the Electricity Regulatory Authority (ERA).

### Composition, Operation of the Board of Directors, and Board Committees

The Company's Board of Directors ("the Board") is composed of **seven (7)** non-executive Directors who are appointed by the shareholders at the Annual General Meeting of the Company for three (3) year terms and are eligible for reappointment provided the shareholders approve.

Five Directors are independent non-executive directors while two Directors are non-executive Directors represent the Ministries of Finance, Planning and Economic Development and Energy and Mineral Development.

Night view of the Isimba (183MW) Hydropower Station switch yard



The composition of the Board is summarised in the table below:

No	Director	Classification	Skills
1.	Eng. Proscovia Margaret NJUKI (Chairperson)	Independent non-executive Director	Engineering and Leadership
2.	Eng. Wamala Julius NAMUSANGA	Non-executive Director	Engineering, Electrical Power Systems and Project Management
3.	Dr. Nixon KAMUKAMA	Independent non-executive Director	Finance and Accounting
4.	Mrs. Hope BIZIMANA	Independent non-executive Director	Human Resources
5.	Mr. Paul Patrick MWANJA	Non-executive Director	Economics and Budgeting
6.	Mr. Ronald DRAVU	Independent non-executive Director	Accounting and Auditing
7.	Eng. Gilbert John KIMANZI	Independent non-executive Director	Engineering and Water Resource Management

**Note:**

- i) The prefix “Eng.” denotes an Engineer registered by the Engineers Registration Board, the body responsible for regulating and controlling the engineering profession in Uganda.
- ii) An executive director is a director involved in the day-to-day management or is employed by the Company or its subsidiaries
- iii) A non-executive director is a director who is not an executive director as defined in (ii) above and;
- iv) An independent director is a non-executive director who does not represent or is not nominated by a major shareholder, was not employed by the Company in the past 3 financial years, is not an immediate family member of a person who is, or was in the past 3 financial years, employed in an executive capacity, is not a professional advisor to the company, is not a significant supplier to, or customer of the Company has no significant contractual relationship with the Company and is free from any business or other relationship, which could materially interfere with his or her ability to act independently.
- v) Mr. Zachary Baguma Mosimoson Atwoki exited Board following his retirement from the Ministry of Energy and Mineral Development and was replaced by Eng. Wamala Julius NAMUSANGA effective 6<sup>th</sup> July 2021.

**Functions of the Board**

The key function of the Board is the proper governance and effective stewardship of the Company by setting out the overall strategy and direction of the Company and monitoring its implementation. In this regard, the Board has stipulated matters which are specifically reserved for its approval and has through a Delegation of Authority Policy delegated the day to day management of the Company to the Chief Executive Officer who is assisted by the senior management team who are accountable to the Board and report quarterly.

The Board has also through the Board Charter

established four committees to assist it in the discharge of its responsibilities. The Committees include; the Technical Committee, the Human Resources, Compensation and Planning committee, the Governance, Risk & Compliance Committee and the Finance and Audit Committee.

The Board has delegated specific responsibilities to its Committees to more effectively deal with complex or specialised issues efficiently. The Committees make recommendations for action to the full Board, which retains collective responsibility for decision making. In this regard, the Board Charter and Terms of Reference for the Committees contain agreed reporting procedures and a written scope of authority.



## Strategy Execution for 2020/21

During the period under review, the Company undertook the annual review of its five (5) year 2018-2023 Strategic Plan and formulated a revised strategy and Corporate Scorecard for the financial year 2021/2022 which is under implementation. Despite the disruptions caused by the COVID-19 pandemic, there was a marginal improvement in the overall strategy execution and corporate performance from 76.65% in the financial year 2019/2020 to 78% for the period under review.

The gap in the performance was mainly due to limitations arising from the project execution challenges as well as the negative impact of the COVID-19 pandemic throughout the period under review. This led to schedule delays on the Nyagak III, Isimba and Karuma hydropower projects, implementation of the Resettlement Action Plan for the proposed Muzizi hydropower project and the Strategic Asset Management Plan in line with ISO 55000. However, we have instituted strategies to resolve the challenges to strategy execution which if effectively executed will enable the Company to meet its goals and objectives.

We note that there have been improvements made in the execution of the strategic objectives to enhance the business portfolio and improve knowledge skills and abilities, which were underachieved in the previous year. This is mainly attributed to the major strides undertaken by Management in rolling out the Talent Management Framework and implementing the business activities aimed at improving the business portfolio of UEGCL including but not limited to the completion of the 5-year investment plan for the Company and obtaining funding to commence the feasibility study for a proposed floating solar power plant in the reservoirs of the hydropower plants owned and operated by the Company

### Board Enhancement

Whilst it is the policy of the Board to improve its capacity and competency to provide effective stewardship of the Company by having a culture of continuous and consistent learning. The Board enhancement programme and related activities have been greatly disrupted by the COVID-19 pandemic. The Board has endeavoured to keep abreast with key developments relating to the industry. However, while the use of technology and other online tools was convenient and useful for business continuity in the face of the COVID-19 pandemic, the interaction with systems has also served to undermine relationships by severely limiting in-person contact. In this regard, The Board will consider periodically

meeting in-person to enhance its relationships and improve dynamics but with the appropriate precautions in place.

### Board Evaluation

The annual evaluation of the effectiveness of the Board for the period under review was conducted with the assistance of an impartial and independent external facilitator. As the effective functioning of the Chief Executive Officer and senior management is key to the effectiveness of the Board, the evaluation for this year has included a limited 360-degree that will allow the Board to receive feedback from the senior management.

The Board will gradually implement a 360-degree online assessment tool that allows it and individual directors to get a more comprehensive view of themselves through feedback from their colleagues, the senior management of the Company and other stakeholders including the shareholders, the line Ministry responsible for setting the policy in the sector, regulators, and other policy makers in its future evaluations through a multi-source leadership assessment.

Additionally, the implementation of the recommendations from the last evaluation will be assessed during the evaluation for the period under review. A proper and effective evaluation should contribute significantly to the effectiveness and improvement of the performance of the Board and that of the Company

### Conflict of Interest

Directors are required to and do individually declare whether or not they have an actual conflict of interest when dealing with matters about the Company. Directors are also required to avoid even the appearance of a conflict of interest as this could impugn the integrity of the Board and the Company. A conflict of interest declaration is made before the start of each meeting concerning all matters under consideration and the Company Secretary maintains a record of the declarations. These actions are per the requirements of the Companies Act, the Leadership Code Act and the Board Charter.

### Project Monitoring

As part of its oversight role and given the significance of effective project execution for the growth of the generation capacity of the Company and the country at large, the Board has had a policy of periodic physical monitoring and verification of projects to assess the progress of implementation as well as



engage with the key stakeholders. However, due to the restrictions imposed to limit the spread of the COVID-19 pandemic including the standard operating procedures, the quarterly field visits to the ongoing project sites to the sites at Karuma, Isimba, Nyagak III HPP, and the Generation facilities at Nalubaale Kiira was conducted only once during the year. This was the only activity where the Directors interacted in person during the year.

## Stakeholder Engagement

The Company's key stakeholders include our shareholders the Minister of Finance, Planning and Economic Development and the Minister of State for Finance (Privatisation and Investments) who hold the shares on behalf of the Government of Uganda, the Ministry of Energy and Mineral Development which sets the policy for the energy and electricity sector, the Ministry of Water and Environment and the National Environment Authority which regulate water usage and environmental management respectively, the Electricity Regulatory Authority which regulates the operations of the electricity sector, Uganda Electricity Transmission Company Limited which operates the electricity grid and is the only buyer of the net electrical output produced from the generation plants operated by the Company, Development Partners, Eskom (Uganda) Limited which is the concessionaire for the Nalubaale (180 MW) and Kiira (200 MW) hydropower plant owned by the Company. Other direct stakeholders include contractors, consultants, suppliers and service providers.

The Company aims at achieving the satisfaction of its stakeholders while maintaining a good Company reputation. In this regard, several positive engagements were carried out during the period under review. However, due to the effects of the COVID-19 pandemic, a lot of these engagements have been virtual, or a mix of both in-person and virtual.

## Board Meetings

The Board of Directors' ordinary meetings are scheduled through a bi-annual activity calendar and held quarterly. Extraordinary meetings are held as and when the need arises.

Due to the need to observe the COVID-19 restrictions, lockdowns and standard operating procedures regarding the holding of meetings and the exercise of prudence, all Board meetings held during the period under review were held virtually over the Cisco Webex application and the Diligent Board books application which the Board adopted and has utilised for all its meetings since 2015.

The Chief Executive Officer and Company Secretary attend all 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 2020 to 30th June 2021 is summarised below;

Year		2020		2021	
Date		12.08	13. 11	11. 02	14.05
No	Name of Director				
1.	Eng. Proscovia Margaret NJUKI (Chairperson)	√	√	√	√
2.	Mr. Paul Patrick MWANJA	√	√	√	√
3.	Mrs. Hope BIZIMANA	√	√	√	√
4.	Dr. Nixon KAMUKAMA	√	√	√	√
5.	Mr. Zachary Baguma Mosomoson ATWOKI	√	√	x	o
6.	Mr. Ronald DRAVU	√	√	√	√
7.	Eng. Gilbert John KIMANZI	√	√	√	√

√ = Attendance      x= absent with Apology

o = Member opted not to attend following the withdrawal of his nomination after he retired from the Ministry of Energy and Mineral Development.

## Extraordinary Board Meetings

The attendance of the extraordinary meetings for the period 1st July 2020 to 30th June 2021 is summarised in the table below.

No	Year	2020							2021			
	Date	15.07	03.11	09.11	09.11	01.11	04.12	14.12	26.02	30.03	18.05	30.06.
	Name of Director											
1.	Eng. Proscovia Margaret NJUKI (Chairperson)	√	√	√	√	√	√	√	√	√	√	√
2.	Mr. Paul Patrick MWANJA	√	√	x	√	√	√	√	√	√	√	√
3.	Mrs. Hope BIZIMANA	√	√	√	√	√	√	√	√	√	√	√
4.	Dr. Nixon KAMUKAMA	√	√	√	√	√	√	√	√	√	√	√
5.	Mr. Zachary Baguma Mosimoson ATWOKI	√	√	√	√	√	√	√	x	x	o	o
6.	Mr. Ronald DRAVU	√	√	√	√	x	√	√	√	√	√	√
7.	Eng. Gilbert John KIMANZI	√	√	√	√	x	√	√	√	√	√	√

√ = Attendance      x = Absent with apology

o = Member opted not to attend following the withdrawal of his nomination after he retired from the Ministry of Energy and Mineral Development.

### Note:

The extraordinary meetings in November and December 2020 were necessary to review and amend the Shareholders Agreement, restructure the project and related documentation for the Development of the Nyagak III hydropower project in West Nile following the cancellation of grant funding initially available to the project to enable Strategic Partner to attain financial close and avoid undue project delay.

### Board Committees

During the period under review, all the Board Committees held their ordinary and extra-ordinary meetings virtually in the same manner and employed the same tools as the Board meetings. Each committee is composed of three (3) members

of the Board and is chaired by an independent non-executive Director. Detailed analysis of Committee meetings and attendance during the period under review are reported below:-

- (i) Governance, Risk and Compliance Committee  
The Committee assists the Board with its responsibility for oversight of enterprise risk management, Governance and Compliance management through the regular reviews of the effectiveness of the systems established to manage these aspects and report to the Board on material issues.

The composition and record of attendance of meetings of the Committee for the period under review is summarized in the table below.



No	Year	2020		2021	
	Date	03.08	30.10	01.02	29.04.
	<b>Name of Director</b>				
1.	Mr. Ronald DRAVU (Chairperson)	√	√	√	√
2.	Mrs. Hope BIZIMANA	√	√	√	√
3.	Dr. Nixon KAMUKAMA	√	√	x	√

√ = Attendance    x = Absent with apology

#### (ii) Finance & Audit Committee

The Committee assists the Board in the discharge of its responsibilities regarding the monitoring of the integrity of the financial statements of the Company, monitoring, reviewing and reporting on the Company's performance against the Company's priorities and approved budgets. Monitoring and reviewing the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and reporting to the Board on significant issues.

The Committee's composition and attendance of meetings for the period under review is summarized below;

No	Year	2020		2021			
	Date	06.08	30.10	02.02	30.04	25.06*	30.06*
	<b>Directors Names</b>						
1.	Dr. Nixon KAMUKAMA (Chairperson)	√	√	√	√	√	√
2.	Mr. Ronald DRAVU	√	√	√	√	√	√
3.	Mr. Paul Patrick MWANJA	√	x	√	√	√	√

√ = Attendance    x = Absent with apology    \*= Extraordinary Meeting

#### (iii) Technical Committee

The Technical Committee provides an oversight role, reviews, evaluates and makes recommendations to the BoD in relation to the Company's performance on the 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;

	Date	04.08.2020	02.11.2020	29.01.2021	28.04.2021
No.	Name of Director				
1.	Eng. Gilbert KIMANZI (Chairperson)	√	√	√	√
2.	Zachary BAGUMA	√	√	√	NA
3.	Eng. Proscovia M. NJUKI (Ex-officio)	√	√	√	√
4.	Mr. Paul Patrick MWANJA	√	X	√	√

#### (iv) Human Resource, Compensation and Planning Committee

The Human Resource, Compensation and Planning Committee assists the Board with its oversight over the Company's structure, remuneration and rewards, recruitment, training, development, performance management, and strategic planning.

	Year	2020			2021	
	Date	29.07	28.10	07.12*	28.01	26.04
No.	Director Names					
1.	Mrs. Hope BIZIMANA (Chairperson)	√	√	√	√	√
2.	Eng. Gilbert John KIMANZI	x	√	√	√	√
3.	Mr. Zachary Baguma Mosimoson ATWOOKI	√	√	√	√	x

√ = Attendance    x = absent with Apology    \* = Extraordinary Meeting

#### Internal Audit

The Internal Audit function provides independent assurance that the Company's risk management, governance and internal control processes are operating effectively. In this regard, the Chief Audit Officer is mandated to and does provide to the Board through Finance and Audit Committee an independent quarterly report and opinion based on the approved risk-based annual audit work plan and other matters as may be instructed by the Board and Management.

To guarantee the independence and objectivity of the function, The Chief Audit Officer reports functionally and directly to the Board and administratively to the Chief Executive Officer.

#### Risk Management

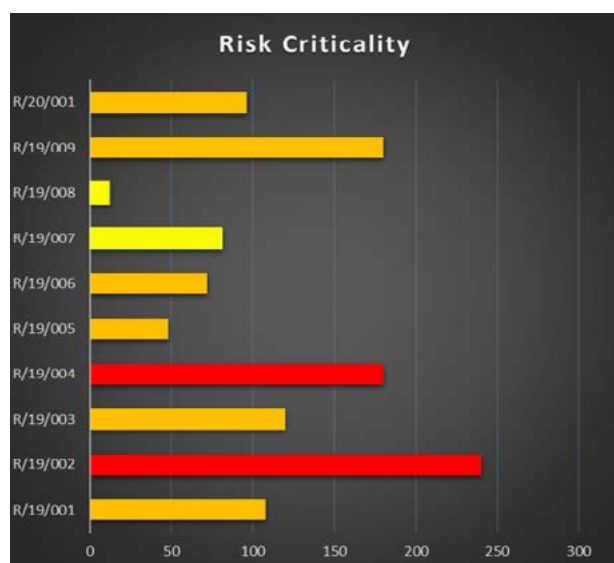
The Company's risk profile is reviewed quarterly by the Board through the Governance and Risk Committee of the Board.

#### Risk Highlights

During the period under review, the risk of business disruption due to the COVID-19 pandemic materialized affecting the Company's operations. Just before the end of the period, a second wave of the pandemic gripped the country and a second lockdown was instituted that resulted in further disruption to the Company operations. To ensure continuity of operations, the Company is increasingly reliant on remote working and the virtual environment which is more susceptible to ICT risks of cybersecurity and data fraud. Project delays, financial and ICT risks ranked high for UEGCL's key risks as indicated below in the risk criticality graphs:



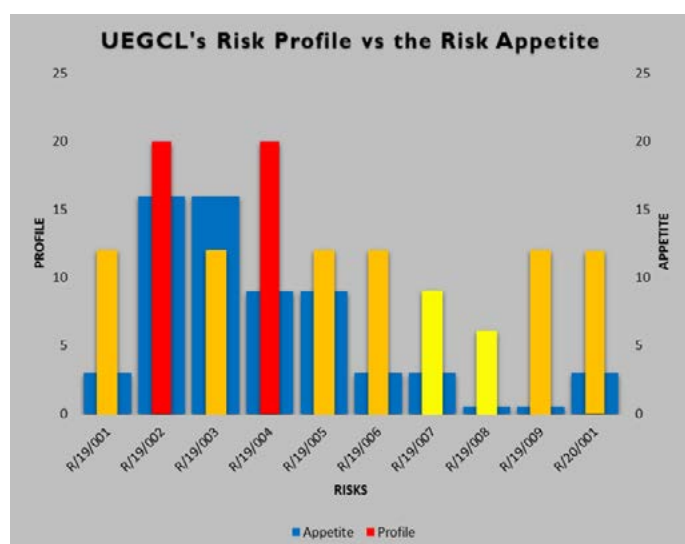
**Figure 1: UEGCL Risk Criticality ranking**



*Risk Score =Likelihood\* Impact*

Risk No.	Risk Description
R/19/001	UEGCL unable to meet stakeholder expectations
R/19/002	Failure to meet Loan Obligations
R/19/003	Currency Risk
R/19/004	Project Delays
R/19/005	Third Party Risk
R/19/006	Production loss
R/19/007	Staff Retention Risk
R/19/008	Unutilised leave days
R/19/009	Data security
R/20/001	Significant disruption of company operations

**Figure 2: UEGCL Risk Profile against the Risk Appetite**



*Risk Score =Likelihood\* Impact*

Risk No.	Risk Description
R/19/001	UEGCL unable to meet stakeholder expectations
R/19/002	Failure to meet Loan Obligations
R/19/003	Currency Risk
R/19/004	Project Delays
R/19/005	Third Party Risk
R/19/006	Production loss
R/19/007	Staff Retention Risk
R/19/008	Unutilised leave days
R/19/009	Data security
R/20/001	Significant disruption of company operations

As shown in the figure above, the Company's risk profile has been out of the defined risk appetite range calling for more concerted efforts to ensure treatment of risks to acceptable levels and also revision of the risk appetite statement in relation to changes in the operational environment and the Company's internal capacity to manage risk.

### Reputational Risks

The Company operates in a heavily regulated environment with several stakeholders of various interests which exposes it to reputational risk in the event of failure to meet stakeholders' expectations and needs. The availability of funding particularly concerning the implementation of CSR and CDAP activities across the project sites of the government

flagship projects at Karuma and Isimba has been a major challenge.

### Financial Risks

The two key financial risks for UEGCL have been the currency risk and the risk of failure to meet the Company's loan obligations.

The currency risk exposure is the result of the USD denominated loans on-lent to the Company by the Government of Uganda for the construction of the Karuma & Isimba hydropower projects. Mitigation of this risk remains out of the control of the Company as the foreign exchange markets experience volatility. However, the Company is working with the Government to mitigate this risk through the redenomination of the on-lent loans to UGX.

The Company seeks to improve its financial performance by ensuring that the revenue targets are met by limiting forced outages at its generation plants and striving to meet the availability and reliability targets that ensure revenue growth to meet its loan obligations to the Government. The Company is also in continuous engagement with the relevant stakeholders in a bid to obtain favourable dispatch regimes to avoid default on these loans.

In a bid to improve its financial performance and sustainability, a financial sustainability study was concluded and UEGCL has embarked on sharing the findings and recommendations from this study with relevant stakeholders for collaborative implementation and eventual improvement in financial performance.

### Operational & Project Risks

The production loss and project delay risks are outside the Company's acceptable risk levels and the challenges in mitigating these risks are being addressed by strengthening project supervision with the support of the Ministry of Energy and Mineral Development, the Karuma and Isimba Project Steering Committee and Panel of Experts for the various projects and limiting operational outages at the running plants.

UEGCL has secured the support of experts in the Operations & Maintenance of hydropower plants to enhance the Company's capacity in O&M activities and is committed to training her staff to have the competencies to ensure smooth operations. The

COVID-19 pandemic has however disrupted these capacity-building activities and UEGCL continues to rely on a virtual environment to ensure the same goals are still achieved.

UEGCL is capable and has made considerable efforts to secure the virtual work environment that is a key resource for efficiency and remote working amidst the pandemic through upgrades to the ICT infrastructure. However, more investment in ICT is required to enhance its capability for Business Continuity in the face of any disruption, due to the constraints in funding and capital intense nature of the investment required, and the need to "get it right" The Board has committed to and is implementing this in a phased manner.

The Company also commenced the development and implementation of a Business Continuity Management System to enhance resilience in the face of disruption of any kind and is the final stages of testing and validating the Business Continuity Plans, Crisis Management and Communication Plan, Emergency Response Plan and IT Disaster Recovery Plan that were developed to ensure continuity of operations in the event of any disruption, emergency or disaster.

### Directors Remuneration

During the period under review, the Directors were paid a monthly retainer fee and sitting allowance for all meetings as follows:

Allowance	Chairperson	Directors
Sitting Allowance (UGX) (gross)	800,000	700,000
Monthly Retainer fee (UGX) (gross)	5,000,000	4,000,000
Mileage Allowance	1800 per Kilometer (KM)	
Subsistence Allowance	250,000 per night or full board	



## Staff Remuneration

The Staff remuneration structure is designed to enable the Company to attract and retain skilled and competent staff as well as ensure that the Company's competitive in the labour market. In this regard, the Company set up the following remuneration and benefits for its staff

The Company has an approved salary structure in place with a mechanism to provide for an adjustment for inflation for each financial year.

The Company also pays bi-annual performance incentives based on the Company's overall performance to reward good performance to staff who excel are rewarded bi-annually.

The Company provides medical insurance cover for staff and a minimum of dependants and has sponsors a staff retirement benefits scheme in which it contributes 30% of each employee's monthly gross salary and the staff contribute a corresponding 5% of their monthly gross salary.

## Integrated Reporting & Disclosure

The Board has adopted integrated reporting and includes in addition to the traditional financial reporting includes reporting and disclosures on other aspects in the operating environment, policies and procedures and systems and commitments to the following to social, ethical, safety, and environmental considerations.

## Company Secretary

The Company Secretary is responsible for providing guidance and advice to the Board and Management regarding the Company's activities to support the decision-making process.

The Company Secretary is a legal advisor to the Board and is responsible for ensuring that the correct processes and procedures are applied by the Board in line with the relevant laws. He ensures that the Board is abreast with the relevant changes in legislation, governance practices and ensures that the Board approves appropriate policies.

## Codes and Regulations

The Company has instituted mechanisms to ensure adherence to good corporate governance standards and practices as provided under the different legal frameworks. The principal guiding laws relating to the governance of the Company include the Companies Act of 2012, the Public Enterprises, Reform and Divestiture Act and regulations made thereunder as well as the Board Charter. While fulfilling its oversight, the Board adheres to corporate governance standards and best practices.

Concerning the core business of the Company, which is electricity Generation and project implementation the key legal frameworks are the Electricity Act, the Water Act, the National Environment Act, the Occupational and Safety Act and the regulations made thereunder. Concerning these, a compliance framework has been set up which follows up on compliance.

During the period under review, the Board approved the following Policies

The Data Management Policy provide for the proper and consistent management of data in accordance with acceptable data management practices and provide direction for the institution of data analytics and business intelligence as a basis for critical decision making in the Company.

Grant Management Policy to streamline the sourcing, implementation, and management of grants which are a key strategy to source additional revenue to complement the execution of the Company's strategy as well as improve the efficiency and impact of programs and initiatives funded through grants. The Talent Management Framework to ensure business continuity through the appropriate identification and management of talent before and after recruitment as well as to adequately build a highly skilled talent pool for continuity in leadership through succession planning.

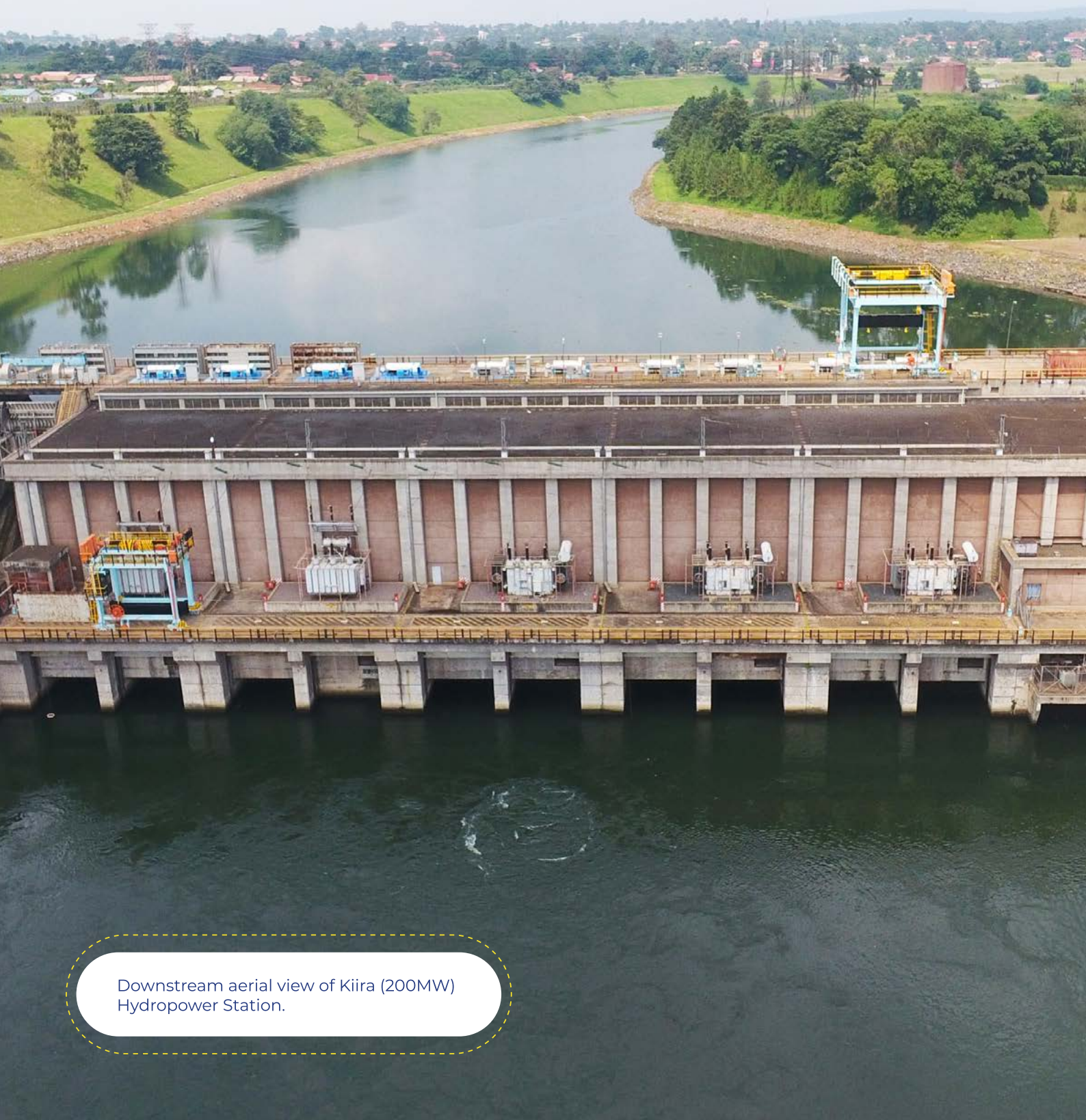
The Business Continuity Policy to develop and institutionalise business continuity management within the Company as part of the enterprise risk management framework to provide mechanisms for the Company's business continuity capabilities in the aftermath of a major business disruption. Changes to the Quality Manual to improve the suitability of UEGCL's Business Processes as well as ensure compliance to the requirements of the ISO 9001:2015.

The Company's Five Year Investment Plan stipulates the investment requirements needed to meet the energy supply targets of the Country in the short, medium and long term and the financing options

## Going Concern

Having assessed 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, The Board declares that it 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.

# Sustainability Report 2021



Downstream aerial view of Kiira (200MW)  
Hydropower Station.



## SUSTAINABILITY REPORT 2021

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

Financial sustainability remains one of the cardinal goals that UEGCL aims to achieve as a going concern. During the Financial year 2020/21, UEGCL undertook a Financial Sustainability Study which identified the bottlenecks and proposed a number of recommendations which the company is going to pursue.

Among the key issues identified were the regulatory framework which needs to address the sustainability aspects of not only UEGCL, but all the players in the electricity value chain. This includes aspects of ensuring a return to the companies and ensuring cost reflective tariffs, which will enable UEGCL service not only its O&M, but also debt and future generation costs. On another note the report also recognizes the

need for UEGCL to build a history of profitability and long term diversification through listing based on leverage of its asset base.

However, it is worth noting that as a result of the commencement of operations, specifically at the Isimba HPP, UEGCL has been able to post bottom line profits on its profit and loss account for the last three financial years. This is significant as it marks a turnaround in the financial health of UEGCL.


It is envisaged that this position will further be enhanced with the commissioning of Karuma in 2022.

In summary therefore, UEGCL is committed to ensuring that its services are sustainably provided to the current and future generations at least cost, and through a guaranteed and diversified stream of revenue inflows. This will be facilitated by a favorable regulatory framework and internal reforms which will ensure efficiency in service delivery. One of the key reforms being pursued is the adoption of Performance Contracts as a management tool for all the hydropower plants that will be under the jurisdiction of UEGCL. This will promote a competitive environment for internal efficiency gains on key performance indicators.

### Environment and social Governance

UEGCL has continued to implement its projects in line with national environmental and social requirements and safeguard policies. Key activities for UEGCL have been mainly centered around land acquisition and resettlement for the 600MW Karuma reservoir, 48MWMuzizi and 6.6MW Nyagak hydropower projects. These activities have been done in collaboration with the concerned government agencies for example the Department of Culture in the Ministry of Labor, gender and Social Development, and the office of the central Government Valuer.

As UEGCL continues to Operate and Maintain the 183MW Isimba HPP, compliance to environmental and social aspects of the plant continues to be critical. As such, UEGCL has engaged a consultant to undertake an environment audit. As part of the audit, an environmental management system will be developed and all required environmental management and monitoring plans will be developed and updated, including the biodiversity monitoring plants, and the aquatic resources



monitoring plans. Furthermore, the cumulative impacts of hydro-peaking due to the cascade of power plants in this section for the Nile will be addressed, and interventions proposed.

Compliance Management remains one of UEGCL's critical focus areas. As such, we are committed to continuous adherence to existing environmental laws and regulations as well as to new ones for example the New Environmental legislations that came into force including the National Climate Change Act of 2021, the National Environment (Audit) Regulations of 2020, the National Environment (Waste management) Regulations of 2020, and the National Environment (Environment and Social Impact Assessment) Regulations of 2020.

During the reporting period, the International Hydropower Association also came up with the Hydropower sustainability standard, and the Hydropower Sustainability Assurance System. The World Bank is also implementing the Environmental and Social Sustainability Standards. These compliance requirements once adopted will enhance UEGCL sustainability efforts and access to funding for future projects.

### Climate Change

UEGCL has been keen on catchment restoration to limit erosion and reservoir siltation due to increased rainfall intensity, and enhance carbon sequestration. UEGCL completed planting of 125 acres along the Isimba reservoir with local community participation. An additional 125 acres is to be planted in partnership with NFA in FY 2021/2022, making a total of 40,000 trees.

Furthermore, KfW is supporting UEGCL in undertaking studies at Nalubaale and Kira Power plants to establish impacts of climate change, and additional flood discharge requirements. Going forward, for all hydropower plants, the designs will have to take into consideration the risks brought about by climate change and have to be assessed for climate resilience.

UEGCL has also completed an Energy Mix Diversification Strategy study supported by USAID, with candidate technologies being solar, wind and geothermal. These energy alternatives provide options that will help in climate change mitigation. UEGCL will be undertaking feasibility studies for

floating solar at Isimba, the first of its kind in the East African region. All these initiatives also directly contribute to UEGCL's energy portfolio strategy.

### Health and Safety


Safety is one of UEGCL's core values, thus Management recognizes and values safety at the workplace. In terms of Governance and Leadership, under the new organization structure, a new Department of SHEQ (safety, health, environment, quality) was created to provide leadership and promote the safety culture in the organization. Furthermore, UEGCL is focusing on building a safety culture with programs focused on shaping employee beliefs, attitudes, and commitment to achieve safe behavior at all our work places and foster the belief that all incidents and injuries are preventable. Safe environments start from safe designs and construction of our facilities. The UEGCL Projects team is also ensuring that all UEGCL facilities are built in compliance with international safety standards.

UEGCL also continues to emphasize compliance with national requirements and international best practice, specifically the OSH Act of 2006 and the Electricity (Safety Code) Regulations of 2020. UEGCL is also actively pursuing the ISO 45001 Certification for our Health and Safety Management System. Furthermore, UEGCL continues to liaise with the OSH department for regular inspections, identification and closure of risks, including those being addressed under the Defects Liability Period, and functionality of equipment such as lifts, cranes and firefighting systems.

As part of our Corporate Social Responsibility (CSR) component, UEGCL donated maternity delivery beds, adult patient hospital beds and mattresses to Buluya and Nakandulo Health centres: Two adult hospital beds and 2 mattresses were donated to Buluya Health Centre II. Three adult hospital beds, one specialized maternity bed and 4 mattresses were donated to Nankandulo Health Centre IV. It is important to note that all these activities were successfully done and the facilities were handed over to the users.

The extension and renovation of Masindi Barracks Health Centre IV was commissioned on 16th April, 2021 by Hon. Dr. Mary Kitutu – Former Minister of Energy and Mineral Development. This is one of the three main CSR activities supervised by UEGCL





as the Karuma HPP government implementing agency. This CSR project has greatly benefited the Masindi Field Artillery UPDF Barracks located in Masindi town as well as the local community. The project comprised of a new laboratory, surgical ward, theatre, mortuary, 2 Nurses' Houses and a doctors' House as agreed upon by all project stakeholders at the conceptualization stage in addition to the already existing seven (7) buildings. Works at the two other CSR sites; Amaji Primary School and Dii-Cuinyi Health Centre are also progressing well.

In May 2021, UEGCL went ahead to partner with Gayaza High School (GHS) and extended mathematics revision books project to pupils of Okwece Primary School. Gayaza High school has always had a program that enables the learning institution give back to the community through providing revision books to the neighboring primary schools; these books help the pupils improve on their learning. GHS sought help from UEGCL to take part in publishing of more books that would benefit less privileged primary schools. Given the fact that the program is line with UEGCL's tagline of "Generating for Generation," the program was gladly taken on by UEGCL through the Communication and Corporate Affairs Unit.

Some of UEGCL's CSR activities have however been impacted by the Covid-19 impact for example MTN Marathon, Rotary Cancer Run and Corporate Games due to the Ministry of Health Standard Operating Procedures (SOPs) which to-date restrict public gatherings.

### **Stakeholder Engagement**

UEGCL holds its stakeholders in high regard. This philosophy is guided by intentional commitment to ensure consistent stakeholder satisfaction. As such, UEGCL is still actively addressing the recommendations from the external stakeholder satisfaction survey for example strengthening the company CSR activities, expanding and strengthening visibility in local communities in regard to issues of public interest. UEGCL will continue rolling out feedback surveys to ascertain the level of satisfaction of her key stakeholders as well as obtain areas of improvement.

UEGCL also continues to actively carry out strategic stakeholder engagements as a way of creating synergies for effective media relations for

example our Chief Executive Officer paid courtesy visits to the New Vision CEO and the new Energy Minister. UEGCL also reached out to the Team of Government Citizens Interaction Centre, GCIC which has in turn helped boost UEGCL web-based platforms as well as enabling us to reach out to more stakeholders. UEGCL also actively engaged with various political leaders in Kayunga and Kamuli districts and carried out follow-up visits to institutions that benefited from CDAP projects.

Most of the planned stakeholder engagements continue to be restricted by the Covid-19 pandemic. However, UEGCL will continue to find innovative ways of reaching out to its various stakeholders.

### **Human capital and staff welfare**

Some of the key factors that greatly increase organizational performance are Talent management and culture. It is in this regard and in line with UEGCL's five (5) year strategic plan (2018 – 2023) that HR/A department decided to focus on Talent Management and Culture redefinition in 2021.

#### **UEGCL Talent Management**

The UEGCL Talent Management Framework has been developed to build organizational capacity through improved knowledge, skills and abilities with focus on talent acquisition, engagement through reward and recognition, development at entry, specialist and leadership levels and finally optimization towards off boarding. The objective of the UEGCL Talent Management framework is to ensure that the right personnel are hired, their performance managed while at UEGCL, promote knowledge management for organizational learning and career growth, and proactively respond to market threats as a means of ensuring business continuity at all times.

The framework goes ahead to lay great emphasis on succession planning for all leadership and critical roles in the organisation to ensure that the organization maintains leadership oversight and that it can continue its operations amidst change and disruptions. The successors comprise of UEGCL staff who are technically skilled, self-starters, good performers and with a potential and willingness to learn. These will be developed through formal training, job rotations,



Dr Eng. Harrison E. MUTIKANGA - CEO, UEGCL (L) receives a hamper from Mr Don WANYAMA - CEO/MD, Vision Group after a courtesy call at Vision Group Offices in Kampala.

attachments, mentorship and coaching. Leaders will be developed at Top Management, Middle Management and emerging leader levels, while technical development will focus on internship, graduate traineeship and specialist levels.

The framework also focusses on Organisational, technical and behavioural competency development, competence assessment and talent

segmentation on the 9-box grid.

### Culture

To further enhance the organization's performance, HR will focus on establishing UEGCL's current culture and harmonizing it to enable her achieve the desired results. It will also focus on building the desired culture which will



support her achieve the desired performance. The culture will also create uniformity across the organization and define the behaviors that represent the UEGCL brand.

### **Performance Management.**

June 2021 marked the end of the third year of implementation of our 5-year strategic Plan (2018-2023). As such, UEGCL is undertaking an independent review of her Strategy and Performance Management System (hinged on the Balanced Scorecard Framework, the Institute Way). This independent review of UEGCL's strategy and performance management system seeks to evaluate how the company's strategy implementation has accomplished the intended results. It also seeks to assess how well the strategy and performance management system has improved the communication, integration in other management systems and performance of the organisation and make appropriate recommendations for improvement.

UEGCL is also actively rolling out the approved Operation and Maintenance (O&M) business model and the Delegation of Authority Policy. This 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. The operationalization of the O&M Business Model will further boost efficiencies and lower tariffs through efficiency gains, arising from adept asset management practices as well as creating viable Power Plants capable of further mobilizing and leveraging finance for new power developments. UEGCL is in her final stages of rolling out the Isimba HPP Internal Performance Contract and its corresponding schedules and this will become fully operational in 2022. This will see Isimba HPP signing an Internal Performance Contract, a contract between the Isimba Management team and UEGCL Headquarters. The underlying principles of this Performance Contract is that Isimba-Management shall be given sufficient autonomy to manage the operations of Isimba Plant in a rigorous and enterprising manner, exercise and balance this autonomy within the agreed mandate and a framework of effective accountability.

### **Research and Innovation.**

As the impacts of Covid-19 continue to sweep across the globe, Research and Innovation have increasingly become critical elements of any company success. UEGCL is cognizant of this and has continued to build its internal research culture through the rollout of a robust internal research program. This program has seen novel events like the UEGCL Research and Innovation Workshop take place where internal brainstorming sessions tackling different aspects of the business were held. The proceedings from the workshop will see an improvement in UEGCL's internal processes. Furthermore, as part of the internal research program, UEGCL will be participating in the Hydro Africa conference that will take place next year. Some of the UEGCL staff will be presenting papers during this workshop.

UEGCL has also continued to capitalize on the benefits of research with the development of a pilot Floating solar project, the first of its kind in Uganda. With support from Swedfund and the National Council of Swedish Industry (NIR), UEGCL is currently exploring the development of a floating solar project. This novel project/concept in Uganda is aimed at utilizing the already existing energy infrastructure projects while assisting in Climate Change mitigation by provision of Renewable Energy that sustains economic growth without increasing Greenhouse Gas emissions. Some of the hydropower reservoirs UEGCL has identified include; Nalubaale (NPS)/Kiira (KPS), 183MW Isimba HPP and 600KarumaHPP. The reservoirs are all in a cascade along the Nile River. This pilot project also feeds into UEGCL's long term aspirations of diversifying its energy portfolio.

We have also continued to build strong partnerships with strategic partners while upholding the old ones. Some of our key strategic partners include the University of Texas at Austin geology research centre. This strategic partnership will see UEGCL carrying out a Flood Forecasting and Climate Change Analysis on Hydropower which is one of the key priority areas on UEGCL's agenda list. We have also renewed our MoU with the Centre for Research in Energy and Energy Conservations and this will see UEGCL tackling impediments to power generation like the water hyacinth



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF UGANDA ELECTRICITY  
GENERATION COMPANY LIMITED FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2021**





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## **LIST OF ACRONYMS**

<b>Acronym</b>	<b>Meaning</b>
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
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
OE	Owners Engineer
O&M	Operations and Maintenance
PAPs	Project Affected Persons
PPA	Power Purchase Agreement
PSC	Project Steering Committee
RAP	Resettlement Action Plan
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company
UGX	Uganda Shillings
VAT	Value Added Tax



**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS  
OF UGANDA ELECTRICITY GENERATION COMPANY LIMITED FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2021**

**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 30<sup>th</sup> June 2021, 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 2021 present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 30th June 2021 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**

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.

I am aware that the Covid-19 Pandemic continues to significantly affect the implementation of several activities. Consequently, a number of activities were not implemented due to budget cuts and lockdown measures instituted to control the spread of the pandemic. It is against this background that the implementation of the budget was

again considered a key audit area during the office-wide planning for the current audit year.

To achieve this mandate, UEGCL planned to implement and achieve a number of both recurrent and development deliverables under various programmes. A review of the entity's work plan and budgets revealed that the entity had an approved budget of UGX 173,967,687,000 inclusive of off-budget receipts, out of which UGX 169,743,586,000 (98%) was realized. The table below shows a summary of the key deliverables of the entity for the financial year 2020/21.

**Table: Showing key deliverables for UEGCL for the year**

Sn	Category	Budget (UGX) "000"	Cumulative percentage share of the total approved budget
1	Karuma HPP	26,700,601	15.42%
2	Muzizi HPP	1,506,826	16.29%
3	Nyagak HPP	10,000,000	22.06%
4.	Isimba Project	21,585,021	34.52%
5.	Isimba Dam- Operations & Maintenance, CAPEX, Loan Interest and other costs	49,218,645	62.94%
6.	Nalubaale & Kiira Dam	6,122,845	66.47%
	<b>Total</b>	<b>115,133,938</b>	

UEGCL planned to accomplish its budgetary objectives by implementing activities in its eleven (11) departments/business units with a total approved budget of UGX. 173,967,687,000. I reviewed all outputs worth UGX.115,133,938,000 representing 66.4% of the total approved budget.

From the procedures undertaken, I noted the following;

No	Observation	Recommendation										
1.1	<p><b><u>Revenue Performance</u></b></p> <p>A review of the budgets and management accounts revealed that out of the budgeted revenue of <b>UGX 173,967,687,000</b> for the year 2020/21, UGX <b>169,743,586,000</b> was realized representing performance of <b>98%</b> of the target. The performance of each revenue source is summarized in the table below.</p> <p><b><u>Table showing Revenue Performance</u></b></p> <table><tr><th>Source</th><th>Budget(000)</th><th>Actual(000)</th><th>% variance</th><th>Management explanation</th></tr><tr><td>Concession fee</td><td>7,456,151</td><td>7,518,457</td><td>101%</td><td>* Billed the 7.5bn Concession fees * Ugx 2.5bn of Karuma Licence Fees now recognised as</td></tr></table>	Source	Budget(000)	Actual(000)	% variance	Management explanation	Concession fee	7,456,151	7,518,457	101%	* Billed the 7.5bn Concession fees * Ugx 2.5bn of Karuma Licence Fees now recognised as	Management is commended for the good performance in revenue collection and advised to ensure donor funds are released in line with the budgets
Source	Budget(000)	Actual(000)	% variance	Management explanation								
Concession fee	7,456,151	7,518,457	101%	* Billed the 7.5bn Concession fees * Ugx 2.5bn of Karuma Licence Fees now recognised as								



				Income
<b>Sundry Income</b>	80,000	72,097	90%	Sale of international bids
<b>Grant Income Isimba</b>	17,618,413	12,793,469	73%	Amortised Deferred Income for Isimba from Jul 20 to Jun 21 and Isimba grant income from GoU. * Average performance given the low absorption on OE Isimba and CDAP. *Average performance also attributed to ongoing procurements on various activities under Isimba O&M
<b>Grant Income Karuma</b>	-	210,912		Expenses incurred that don't qualify to be capitalised e.g. training, subscription, staff welfare
<b>Other income</b>		33,472		VAT on supply of meals from Food Platz previously not claimed and insurance payment on lost laptop
<b>Grant Income Nyagak</b>	8,649,999	8,329,529	96%	Pay out to Genmarx as per the shareholder's agreement as part of Gov't contribution
<b>Norwegian Grant Income</b>	13,800,000	77,600	1%	The budget is for Technical support for O&M for Karuma and Isimba HPP. A request for no objection for a contract worth 6.25million USD has been sent to the Norwegian embassy. Thereafter it will be forwarded to the solicitor general for clearance before commencement of the service.

	Isimba Sales Income	126,348,124	139,142,515	110%	<ul style="list-style-type: none"> <li>• 10% above expected revenue majorly due to the high revenue in Q1 and Q3</li> <li>• limited disruptions in the water levels in Q1</li> <li>• Scheduled outages in Bujagali, Kira and Nalubaale in Q3 thereby Isimba picking up the load</li> </ul>	
	Grant income Muzizi (GOU)	-	3,690	-		
	KFW Grant for feasibility study of the Complex	1,548,469	1,548,469	100%		
	Gain on Disposal	-	13,376	-		
	<b>Total Income</b>	<b>173,967,687</b>	<b>169,743,586</b>			
	<p><b>Source:</b> <i>Budgets and Management Accounts</i></p> <p>Over performance in some revenue sources was majorly attributed to the energy sales from Isimba Hydro Power Plant and exchange gain on revaluation given the depreciation of the dollar in Quarter 1, Quarter 2 and Quarter 4.</p>					
<b>1.2</b>	<p><b><u>Under absorption of funds</u></b></p> <p>Out of the total receipts for the financial year of UGX. <b>169,743,586,000, UGX 144,312,201,660</b> were spent by the entity resulting in an unspent balance of <b>UGX 25,431,384,340</b> representing an absorption level of 85 %.</p> <p>Under absorption of released funds was partly due to covid-19 restrictions and On - going procurements on material budget lines under Isimba Operations &amp; Maintenance, as a result, there was non-implementation of planned activities like staff trainings and Isimba O&amp;M items</p>					<p>I advised management to expedite execution of outstanding construction works and other unimplemented activities</p>



**1.3****Extent of Achievement of Entity Performance Targets**

I sampled 92 interventions/critical activities implemented under the 11 departments and noted that out of the ninety two (92) key interventions under the eleven (11) departments, twenty nine (29) (32%) critical tasks had been fully achieved, Sixty one (61) (66%) were partially achieved while two (2) (2%) were not achieved as summarized in the **table below** and details in **Appendix 1**

<b>No</b>	<b>Level of performance by the end of 2020/2021</b>	<b>No of critical tasks</b>	<b>% of total critical tasks</b>
<b>1</b>	Fully achieved	29	32%
<b>2</b>	Partially achieved	61	66%
<b>3</b>	Not achieved	2	2%
	<b>Total</b>	<b>92</b>	<b>100</b>

The Accounting officer explained the following;

**Muzizi HPP**

- ✓ The funding gap request had been submitted to MEMD.
- ✓ Supplementary funding request submitted to conclude payment of the PAPs

**Nyagak III HPP**

- ✓ GOU had so far released 1.6million USD out of 7.1 GOU grant. Balance to be received in the FY21/22 & FY22/23.
- ✓ The financial closure by the private partner expected to be achieved by March 2022 following due diligence by Afri-Exim Bank and amendment of the implementation agreement.

I advised the Accounting Officer to liaise with the respective funding agencies to ensure release of funds so as to fast track execution of construction works under Nyagak and Muzizi projects.

**Emphasis of Matter**

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

- **Long Outstanding Payable: UGX. 814,000,000**

Included in the trade payables is an amount of UGX.814,000,000 relating to penal interest charged by Uganda Revenue Authority, resulting from late payment of withholding tax on consultancy services for the period 2001-2009.

There is a risk that further delay in settling the matter may attract more interest charges.

The Accounting Officer explained that the principal tax was paid, however the outstanding amount was the penal interest charged by URA. The company made a

request to the Ministry of finance Planning and Economic Development (MoFPED) seeking for a waiver and was yet to receive a response.

I advised the Accounting Officer to continue engaging the relevant stakeholders to ensure that either the liability is settled or written off to avoid accumulation of interest.

- **Accumulation of Interest Payment on Karuma-HPP: UGX.284,942,245,000**

Article 2 of the On-lending Agreement between Government of Uganda (GoU) and UEGCL of 2014 stipulates that GoU shall lend an amount not exceeding US \$653,806,584.83 from PBC Financing Agreement and US \$534,932,660.32 from BCLA Financing Agreement, totalling to US \$1,118,739,245.13 for the construction of Karuma HPP and that the loan shall have a maturity period of 20 years including 5 years grace period and at an interest rate of 2% p.a on disbursed and outstanding amounts.

I noted that the loan repayment has accumulated interest of UGX.284,942,245,000 disclosed under Note 22 to the financial statements as at 30th June, 2021, resulting from an outstanding loan amount of UGX.3,761,994,556,583 (US \$1,057,002,126), which remained undisbursed due to the slow progress on completion of the dam..

There is risk of further accumulation of loan interest if the utilization of the loan and the completion of the dam are not fast tracked.

Management explained that the accumulated interest is driven by the disbursements based on the approved certificates (IPCs) and not loan repayment date. In addition, the commissioning date for Karuma HPP is tentatively scheduled for June 2022 that will enable UEGCL generate revenue to meet the loan obligations.

I advised the management to liaise with the relevant stakeholders to ensure that completion of Karuma dam is expedited, to avoid unnecessary interests on outstanding loans.

### **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;

- **Delayed Commissioning of Karuma HPP**

According to the 4th Quarter Progress Report, I noted that the completion date for Karuma Dam was extended to 15th June 2022, resulting in a delay of 3 years and 6 months from the initial planned completion date due to unfinished works such as spillway rehabilitation among others.

It was further noted that, completion of land acquisition/RAP activities for the 132kV Karuma-Lira T-Line and Karuma Dam reservoir by UTECL and MEMD, respectively remains outstanding. This is a breach of the Employer's obligations under the EPC Contract with significant risk to the overall project completion.

The delays in Project completion are likely to result in increased supervision costs, additional costs arising from claims by the EPCC, and increased commitment fees payable on undrawn balances of the loan, of which GoU had already paid commitment fees amounting to UGX. 2,898,675,672 as at 30th June 2021. It also reduces the period between commissioning, commercialisation and payback which may have implications on the tariff structure.

Management explained that Rectification of electromechanical non-conformances and defects started in February 2021 with Unit 3 and Unit 2 substantially completed. Rectification works on other units and auxiliary systems/equipment was ongoing although rate of progress remains a concern. Strategies to ensure timely project completion include review of EPCC submittals, increase in EPCC manpower and of quality control monitoring.

I advised the Accounting Officer to ensure that the rectification of pending works under the various construction components is expedited. In addition, liaise with relevant stakeholders to enable Project completion and commissioning of the Karuma Dam.

- **Non-Conformances by EPCC - Karuma**

A review of the 4th Quarter Progress Report, revealed a number of non-conformances (NC) in relation to electrical, mechanical and civil works components that required rectification before commissioning of the dam.

The Key Non-conformities include; 11kV switchgears installation, Units 1 to 6 ring gate leakage oil sump control box, severe damages on the various 400kV cables, damaged conic sealing surfaces, repair of the oil water separator unit, prolonged spillway operation, Outgoing Line Yard – cracks in the Control Building and absence of a Floating Boom.

There is a risk that the non-conformities will result to damages, malfunction of equipment, unreliable plant components, significant impact on working life duration and high operation and maintenance costs as well as negative environmental impact. This is likely to further affect the timely and successful commissioning of the Karuma Dam.

Management explained that Coordination meetings between UEGCL, OE and EPCC are ongoing to resolve outstanding design and construction issues. Majority of replacement materials and equipment have been delivered and installed at the site. The EPCC and OE have been directed to deploy requisite staff to ensure smooth progress of rectification works to correct the non-conformances and defects in accordance with the contract technical specifications and applicable engineering standards.

I advised the Accounting Officer to closely supervise the Owners Engineer and EPCC to ensure rectifications of the above identified non-conformities are expedited before Project commissioning.

- **Rectification of Defects on the Isimba dam**

A review of the June 2021 Status Report revealed that the Isimba Dam Defects Liability Period (DLP) has continuously been extended due to the various snags and defects that were detected after the dams commissioning on March 2019. The DLP was extended for one year from 1st April 2021 to 31st March 2022.

The Key Defects included; Power House concrete cracks and roof drainage, Embankment Dams, installation of floating boom, leakages in power house roof, power firefighting system automation, Tail water systems, cabling in Power house and switchyard, Platform to access spiral casing, Unit 3 oil leakage, Standby generators, Elevators and Lifts Lower Radial gates with defective hydraulic hoists causing leakages of oil into the river.

There is a risk of escalation of Project costs and loss of revenue due to unit outages.

Management explained that a new resident Project Manager for the OE has reported on site to enhance supervision of the EPC and in addition UEGCL has submitted a claim notice for additional costs incurred during supervision up to the end of the defects liability period (DLP) which is likely to be extended for another one year. The MoFPED has written to Exim Bank of China to extend the loan disbursement period of the DLP to cover for additional costs during the extension.

I advised management to closely supervise the operations of the Contractor and Owners Engineer, to ensure that rectifications of the defects and snags are expedited, for the proper functioning of the Dam and avoid payments of additional costs to the Contractor and loan commitment fees.

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

I reviewed the Quarterly Progress Report for Muzizi as at March 2021 and noted despite the expected completion date of December 2023 as per Schedule 1A of the AFD Agreement, negotiations were still on going with best evaluated bidder for design and build contract to reduce the bid price to fit within the Project Budget Estimates. In addition, the bids for procurement of a construction supervision consultant were undergoing technical evaluation.

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, and may result in escalation of Project costs and payment of high commitment fees by Government, of which GoU had already paid commitment fees amounting to UGX.503,461,881, as at 30th June 2021.

The Accounting Officer explained that the Best Evaluated Bidder for the Works Contract had a total bid price which was significantly higher than the arranged financing for the Project. Therefore, UEGCL was unable to conclude the contract and commence construction works, unless additional finances were allocated to the Project. Engagement between various stakeholders have commenced with a view of mobilising the additional funds so the contract can be concluded. Accordingly UEGCL will write to MoFPED to commit formerly to meet the funding gap.

I advised management to expedite the process of obtaining additional funding in order to access the donor funding which is at a risk of being withdrawn due to delayed implementation of the Project.

- **Compensation of Project Affected Persons(PAPs) Muzizi**

A review of the June 2021 Muzizi HPP Monthly Progress Report revealed that a total of UGX.1,769,227,282 corresponding to approximately 36.41% of the total compensation value UGX.4,858,711,140 has been paid to PAPs. However, I noted delays in payment of compensations by an average of 40 days.

Completion of land acquisition for the Project could be hampered by the lack of funds estimated at UGX.3,089,483,858 to compensate PAPs. In addition, completion of the RAP Implementation has been extended from February 2021 to February 2022.

The inadequate funding coupled with delayed payments to PAPs could lead to right of way restrictions and escalation of compensation costs.

The Accounting Officer explained that the low compensation rate attributed to inadequate funding was being addressed through a supplementary budget request to complete the entire RAP process. Further delays were attributed to the lengthy internal review and verification of PAPs against the approved valuation report from CGV. In the meanwhile, extension of time for completion of the RAP Implementation services at no additional cost was granted by UEGCL at the request of the RAP Implementation Consultant.



I advised management to expedite the compensation process such that implementation of the Project is commenced and completed within the set timelines to avoid the unnecessary time and cost variations.

- **Failure to undertake Remedial Works and Investment Projects –Nalubaale and Kiira Dam**

From the review of Quarter 4 Concession Report, I noted that recommendations were made by an Independent Engineer in 2019, for remedial works to be undertaken by Eskom. I however noted that less than 50% of the remedial works have been carried out with a few months to end of the concession.

Similarly, I noted that there was slow progress in the refurbishment of the blade servo system at unit 10, the unit has been out of service since 2014.

I further observed that 49 investment projects related to the modification of the complex at Nalubaale and Kiira HPP, were planned in the financial year 2020/21. However, only 8 (16%) of the investment Projects were completed, leaving 41(84%) of the Projects not implemented.

There is a risk that some of the remedial works may not be completed, hence compromising the integrity of the structures. As a result, the Nalubaale and Kiira Hydro Power Complex may not be in proper working condition when handed back to UEGCL at the end of the Concession in 2023.

Management explained the unsupplied energy and reduction in spinning reserve due to the lack of Unit 10 denies Government an opportunity to ensure maximum availability of power generation from the facilities. Nonetheless, the refurbishment of unit 10 commenced in 2019 and the expected completion date is June 2022. There is good progress on the works however Eskom has experienced significant delays to acquire spares due to Covid-19 which slowed down procurement. As mitigation, UEGCL is undertaking a feasibility study to rehabilitate the Power Plants at the end of the Concession Contract and has embarked on the process of Re-transferring the Nalubaale-Kiira Complex.

I advised the Accounting Officer to closely monitor operations by Eskom Uganda Limited and ensure that all the remedial works as recommended by the Independent Engineer have been performed, such that the dams are in good working condition at the end of the concession. In addition, the refurbishment at Unit 10 should be expedited to ensure maximum availability of power generation.



John F.S. Muwanga  
**AUDITOR GENERAL**

**Appendices**

**Appendix 1: Extent of Achievement of Entity Performance Targets- Summary of Performance of Strategic Performance Objectives**

Sn	Strategic Objective	Initiatives/Interventions (Critical tasks)	Target (Jun2021)	Weighted target (Jun2021)	Target Achievement	Variance	Implementation status (by sample)	BUDGETARY PERFORMANCE (UGX)			Status report
								Planned	Utilized	Variance	
1	Communication and Corporate affairs	Monthly budget compliance monitoring in line with approved budget	100%	100%	81%	-19%	p				
									1,083,748,669	1,058,109,332	98% Budget absorption of low areas include other allowances, Duty Travel Inland and CSR. The Low absorption is mainly attributed to Covid-19 pandemic
		◆Undertake campaign to make Ge-News magazine self-sustaining • Plan meetings with all the responsive subscribers	20%	100%	100%	80%	I				◆For issues 8 of the Gnews, Calls were sent out to companies and space orders confirmed for Cafe Pap, Clean Rite, CWE, and Sinohydro. UGX 9M has been secured













affairs										8,625,766,828	7,763,122,107	%	
Improve Financial Performance	◆Optimize Legal & Board Affairs Department Costs	100%	100%	100%	90%	-10%	p			•90% Budget Absorption Areas of low budget absorption •Subscription to Professional Bodies; CPD programs and membership activities by ULS halted by Covid-19 •Duty travel (inland); effects of COVID-19 Pandemic which have restricted free movement in the country.			
Improve Legal Research	◆Develop and implement a mechanism to check the quality of Advisory recommendations	60%	100%	100%	92%	32%	I			◆55% of advisory recommendations adopted. •Legal Opinion on MEMD Report on non-Conformities and defects with Karuma HPP • Legal opinion on Ground Rent Payment for Jinja Application of performance security in consultancy contracts • Legal Opinion on delegation of duties by the Contractor's Project Manager at KHPP			
Improve Quality of Legal and Board	◆ Implement L&BA Quality of Service Strategy;	100%	100%	100%	50%	-50%	p			◆50% Quality of Service Score •54% Risk Mitigation Effectiveness •No			

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												potential of floating solar on the UEGCL dam reservoirs •Joint proposal with the University of Texas for Climate Change Impact studies on Hydropower on the Nile Cascade and L. Victoria submitted to NASA – also targeting funding from USAID •In-house forecasting tools for the power plants – data collection phase completed and model development ongoing •Continuous Engagement with University students and Faculty (Locally and internationally) •Flood Forecasting: Development of a Nile river water resources optimization tool for the UEGCL/ Power Sector – concept and proposal for grant request to AFD.
												<ul style="list-style-type: none"> <li>◆ 62% strategy effectiveness index attained</li> <li>◆ Strategic budgeting: Worked with the Finance department to support</li> </ul>
	Enhance Strategic Planning & Alignment	◆Implement the annual planning and Alignment processes a per the approved roadmap	75%	100%	83%	8%	I					





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										Sessions for teams such as the Staff at Karuma, Finance, ICT & Risk that had earlier been planned are rescheduled for future date
										♦ 83% implementation of the annual Audit Stakeholder Engagement Plan
										♦The Auditor issued an unqualified opinion on UEGCL's Financial Statements for the FY 2019/20 A Key Audit Matter was raised on Implementation of Approved Budget. Management attributed this to the impact of the COVID-19 and budget releases.
										♦ 52% Quality of Service Score was attained
										• 63% Closure rate of non-conformities raised through internal and external audits.
										• 82.1% Risk Management score
										• Risks materialized not clearly documented. (Impacts on COVID-19 on the Audit programme)
										• 100% rate of execution of Board
Improve Financial Performance	♦Develop and implement Audit program	100%	100%	100%	100%	100%	0.00%	I		
	Attain Quality of Service	100%	100%	52%	-47.94%	p				
Improve process efficiency										















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r collaborati on	engagement plan • Create and periodically update a stakeholder engagement matrix reflective of objective and outcome (Assess effectiveness of stakeholder engagements ) • Implementati on of recommenda tions to close gaps to increase satisfaction levels	100%	100%	100%	78%	-22%	p				engagements were held with MEMD, MoFPED, KfW and AFD to close financing gaps.
	Strengthen Project compliance Management	Monitor adherence to the Muzizi compliance/ regulatory requirements contained in ESIA certificates of approval, permits and licenses • Update compliance matrix (Acquisition of permits and licenses for the	100%	100%	78%	-22%	p				<ul style="list-style-type: none"> <li>♦ 78% reporting compliance attained 63% reporting compliance to MEMD and 100% reporting compliance to the Board.</li> <li>♦ Compliance to Regulatory Requirements: <ul style="list-style-type: none"> <li>• Application for renewal of water abstraction permit also made to DWRM.</li> <li>• Engagements with UETCL and ERA to ensure that PPA and Generation license</li> </ul> </li> </ul>



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Improve customer and stakeholder satisfaction	<ul style="list-style-type: none"> <li>◆ Conduct a customer satisfaction survey amongst project stakeholder and track implementation of recommendations from survey results.</li> <li>◆ Conduct stakeholder meetings and engagements with the Project Affected Persons (PAPs) and Zombo District Local Government.</li> <li>◆ Participate in Catchment Management Meetings and forums organized by Zombo District Local Government.</li> </ul>	100%	100%	80%	-20%	p	0			The Budget Absorption as at 30th June 2021 was 98% for Total Staff Costs. For the Total Administrative Expenses, absorption was at 75 %.
Optimize project management cost	<ul style="list-style-type: none"> <li>◆ Track budget expenditures/ absorption on a monthly basis.</li> <li>◆ Do budgeting and cost re-allocations (if</li> </ul>	80%	100%	88%	8%	I				





Electricity Regulatory Authority (ERA) on 12th May 2021, the regulator highlighted the policy guideline indicating that for transmission lines exceeding length of 5Km, the Uganda Electricity Transmission Company Limited (UETCL) and or Rural Electrification Agency (REA) are mandated to develop such transmission lines.									
Strengthen Risk management	<ul style="list-style-type: none"> <li>Develop and implement a project risk management system</li> <li>Conduct a situation analysis /conduct Project risk baseline survey</li> <li>Develop/Update a risk matrix and index</li> <li>Implementation of risk mitigation measures</li> </ul>	90%	100%	77%	-13%	p	<ul style="list-style-type: none"> <li>76.8% Risk Mitigation Score</li> <li>on the updated risk register we looked at the emerging financing risk, design risks, renegotiation risk, Construction risk, early termination risk etc.</li> <li>Some risks in the register don't have mitigations.</li> </ul>		
Improve project schedule management	Implement a project schedule management manual/Fram	100%	100%	36%	-64%	p	The Project GENMAX Limited reported a progress of		



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Support Project Development and Implementation	Contracts.	50%	100%	0%	-50%	x	During the period, we commenced procurement for the RAP Consultant for the Transmission Line. This was the following of the finalization of the Terms of Reference. The scope of work includes updating the RAP to reflect the current status along the proposed transmission line. The number of PAPs will depend on the updating of the RAPs.
		◆Implementat ion of the Resettlement Action Plan (RAP) for the generating facility, pipe conduit and access roads. ◆Develop TORs for the RAP for the Transmission Line. ◆Update the RAP Valuation Report for the Transmission Line. ◆Implement RAP for the Transmission Line. ◆Implement Catchment Management Plan including tree planting, radio sensitizations, cross border engagements. ◆ Implement Compensation for Cultural Sites and develop a master plan for a tourism / cultural center.					

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been taken by the Project Management team to fast track the closure of these NCs; among them was the withdrawal of the certification of 10% of total certified amount for Electro-Mechanical Works (USD 23.7M), accepting EPCC's EoT request for 18.5 months so as to grant them enough time to rectify all the NCs prior to commissioning, engagements with Sinohydro Top leadership in China, MEMD, PSC and the President of the republic of Uganda, release of the withdrawn 10% certification for the EM works to facilitate positive cash flows so the EPCC can continue with the outstanding rectification and defect repair works, among others. However, whereas we acknowledge that EPCC has made some progress towards rectifying the non-conformances, the prevailing lack of EPCC site leadership might render further progress futile and



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9		Participate in the Development of the UEGCL Project Management manual.	80%	100%	0%	-80%	x						the plant
			98%	100%	79%	20%	79%					• Table of contents approved by Management and work plan leading to the development and approval of the Project Management Guidelines in place	
	ICT												
	Increase user and stakeholder satisfaction	◆Conduct employee satisfaction survey •Submit ICT Survey Questions for the internal entity wide survey	80%	100%	90%	10%	I				85%	◆ Both incident and periodic surveys carried out with users. Aggregated online survey results from total 128 responses. Score was 72% as at 30th June 2021. 85% satisfaction level for incident surveys as at 27 May 2021 and 67% for satisfaction level for periodic surveys the period. Key Findings: poor internet speeds at Isimba, Requests for more automation, Slow laptop and Satisfactory service, Good services provided etc.	
		◆Ensure availability of critical business services. 1. Telephony	100%	100%	93%	-7%	p					◆ Overall availability is 93.1% • 90% availability for the period for Internet services to HQ/Jinja and 98%	



Strengthen ICT security, Compliance and Risk management	◆Develop an ICT Compliance Assessment framework/Criteria ●Undertake an ICT Compliance Assessment	100%	100%	100%	22%	-78%	p	The Cyber Capability Maturity Model framework, an Electric sector standard, was adopted and a maturity assessment was carried out against its 10 different domains. An overall rating of 22% was attained. The Risk Management domain scored highest with a 61% rating while the rest of the domains obtained a rating of 37% or less. Information Sharing & Communication and Situational Awareness scored least with ratings of 8% and 3% respectively. 22% will be a baseline for the FY21/22, but target achievement not considered in assessment for FY20/21 as it is premature.
	◆Align business goals with ICT goals ●Establish links to bridge gap between ICT and other departments ●Eliminate	100%	100%	60%	-0.4	p	◆ Proactively adopted the principles of the COBIT framework as the team awaited the procurement of the COBIT consultant. ◆ Emphasis on alignment of IT	





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Improve quality of ICT services	<ul style="list-style-type: none"> <li>Implement Quality of Service Strategy;</li> <li>Implementation of ICT SOPs in line with QMS Guidelines</li> <li>Implementation of Board Resolutions</li> <li>Implementation of ICT Risk Mitigations(&amp; Implementation of the Disaster recovery and Business Continuity systems).</li> <li>SLA Effectiveness</li> <li>Closure rate of Non-conformities raised through Internal and External Audits</li> <li>Timely ICT Appraisal and submission</li> <li>Effective Contract Management</li> <li>Reporting</li> </ul>	100%	100%	100%	70%	-30%	p	<p>project on two-way radio communication devices prepared and submitted.</p> <ul style="list-style-type: none"> <li>70.1% Quality of Service score attained</li> <li>60% IPA and appraisal submission rating</li> <li>82.6% risk management score</li> <li>Planning and network redundancy management not addressed.</li> <li>Register should capture phishing attempts that materialized.</li> <li>68 % status report submission score</li> <li>73% implementation of Board resolutions</li> <li>83% Closure rate of non-conformities raised through internal and external audits</li> <li>External SLAs being monitored</li> </ul>

Improve ICT Infrastructure and Technologies	Effectiveness (SBP)	100%	100%	80%	-0.2	p					<ul style="list-style-type: none"> <li>◆ Several process improvements completed and ongoing during the period including:               <ul style="list-style-type: none"> <li>• Audio communication process</li> <li>- Implementation and extension of telephony services to Isimba and Head Office complete at 100%. Total 74 pcs delivered with 32 assigned to Isimba and 39 to Head Office and 3 to Jinja</li> <li>• Human Resource Management process</li> <li>-HRMIS under development with processes such as Leave request and management, Grievance management, exit management, being customized for effective management and monitoring. (100%)</li> <li>Post implementation reviews on-going to close all identified gaps</li> <li>• Integration of Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and the business ERP for issuance of e-</li> </ul> </li> </ul>

					<div>invoices and e-receipts</div> <ul style="list-style-type: none"><li>Attendance management process improvement with automatic notifications and capture of staff access details.</li></ul> <div>Integration of systems so as to enable centralized monitoring from single source.</div> <ul style="list-style-type: none"><li>Budget commitment process improvement design and deployed onto the live environment. User testing to commence following Top Management approval in August..</li></ul> <div>Previous cycle goal achievement was to have 100% staff have access to a computing device. New target for the period is to replace old computing devices. Total number replaced 18 users. Continuous process with plan to replace another 15 more during the nest period</div> <ul style="list-style-type: none"><li>Revamp of network equipment i.e. switches for all sites. Off-site backups to be</li></ul>
					100%
					100%
					80%
					-20%
					p





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# UGANDA ELECTRICITY GENERATION COMPANY LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2021







The radiator units at the Namanve (50MW) Heavy Fuel Oil (HFO) Power Plant.

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## 1 DIRECTORS

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

NAME	DESIGNATION
Eng. Proscovia Margaret NJUKI	Chairperson
Mr. Zachary Baguma M. ATWOKI (Ceased to be a Director as of 6 <sup>th</sup> July, 2021.)	Member
Dr. Nixon KAMUKAMA	Member
Eng. Gilbert John KIMANZI	Member
Mr. Ronald DRAVU	Member
Mr. Paul Patrick MWANJA	Member
Mrs. Hope BIZIMANA	Member
Eng. Wamala Julius NAMUSANGA (Appointed a Director effective 6 <sup>th</sup> July, 2021)	Member

## 2 CHIEF EXECUTIVE OFFICER

Dr. Eng. Harrison .E. MUTIKANGA

## 3 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

### Jinja Office

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

### Isimba Hydropower Station Office,

Nampanyi Village, Busaana Sub-county  
Kayunga District, Uganda

### Karuma Hydropower Project Office

Karuma Cell, Karuma Town Council, Kibanda North,  
Kiryandongo District - Uganda.

### Nyagak III Hydropower Project Office

Awondekai Village, Paidha Sub-County,  
Zombo District, Uganda.

## 4 COMPANY SECRETARY

Mr. Martin Mark OBIA  
Victoria Office Park  
Plot 6-9, Okot Close – Bukoto  
Kampala – Uganda

## 5 BANKERS

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



The Directors submit their report together with the audited financial statements for the financial year ended 30<sup>th</sup> June 2021 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 2020. 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 92billion (2020: UGX 2.8 billion).

## 3. DIVIDEND

The Directors do not recommend payment of a dividend for the period (2020: 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.

## 5. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on. \_\_\_\_\_ 2021.

By order of the Board,

\_\_\_\_\_  
Company Secretary

\_\_\_\_\_  
2021

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 2021/22 have been approved by Government. There is an arrangement to merge some government business entities; however this process is not expected to be completed in the next one year. 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 \_\_\_\_\_ 2021 and signed on its behalf by:



**Eng. Proscovia Margaret NJUKI**  
Chairperson board of Directors



**Dr. Nixon KAMUKAMA**  
Director

	Note	30/06/2021	30/06/2020
		UGX '000	UGX '000
Concession fees	3	7,518,457	10,777,810
Isimba Income	4	139,142,515	126,424,924
Other operating income	5	23,082,614	24,679,589
<b>Total income</b>		<b>169,743,586</b>	<b>161,882,323</b>
Staff costs and employee benefits	6	(20,570,577)	(16,229,016)
Administration expenses	7	(32,059,705)	(34,189,585)
Depreciation and amortization charge	8	(62,436,682)	(62,006,104)
<b>Total operating expenses</b>		<b>(115,066,964)</b>	<b>(112,424,705)</b>
<b>Operating (profit)/loss</b>		<b>54,676,622</b>	<b>49,457,618</b>
Interest income	9(a)	20,754	21,144
Interest Expense	9(b)	(30,936,258)	(30,989,032)
Foreign exchange (gains)/losses	10	71,291,751	(15,693,729)
<b>Profit before tax</b>		<b>95,052,867</b>	<b>2,796,001</b>
Deferred tax expense	11	(3,120,580)	-
<b>Profit for the year</b>		<b>91,932,287</b>	<b>2,796,001</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>91,932,287</b>	<b>2,796,001</b>

Eng. Proscovia Margaret NJUKI  
Chairperson board of Directors

Dr. Nixon KAMUKAMA  
Director

	Note	30/06/2021	30/06/2020
		UGX' 000	UGX' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	2,631,684,091	2,689,903,680
Prepaid operating lease rentals	13	399,713	412,148
Land	14	2,200,820	1,976,990
WIP	15	4,200,435,929	4,269,310,512
Due from Eskom	16	2,146,878	2,146,878
		<b>6,836,867,431</b>	<b>6,963,750,208</b>
<b>Current assets</b>			
Trade and other receivables	17	28,937,135	32,276,208
Cash and bank balances	18	93,730,872	104,516,654
Inventory	19	3,637,279	3,295,432
		126,305,286	140,088,294
<b>TOTAL ASSETS</b>		<b>6,963,172,717</b>	<b>7,103,838,502</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			

Issued capital	20(a)	105,208,169	105,208,169
<b>Capital contributions</b>	20(b)	554,861,676	554,861,676
Accumulated profits		(98,957,401)	(190,889,688)
Revaluation		271,636,098	271,636,098
		<b>832,748,542</b>	<b>740,816,255</b>
<b>Non-current liabilities</b>			
Deferred Income	21	508,652,571	487,685,029
Karuma on lent Loan	22	3,761,944,557	3,919,765,306
Isimba on lent loan	23	1,448,206,207	1,576,398,585
Deferred Tax Liability	11	119,536,051	116,415,471
		<b>5,838,339,386</b>	<b>6,100,264,390</b>
<b>Current liabilities</b>			
Trade and other payables	24	<b>7,142,544</b>	<b>8,144,367</b>
Interest payable Karuma	22	284,942,245	220,628,809
Interest payable Isimba	23	-	33,984,681
		292,084,789	262,757,857
TOTAL EQUITY & LIABILITIES		6,963,172,717	7,103,838,502
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>7,098,805,128</b>	<b>6,715,014,579</b>



**Eng. Proscovia Margaret NJUKI**  
Chairperson board of Directors



**Dr. Nixon KAMUKAMA**  
Director



	Issued	Capital	Revaluation	Accumulated	Total
	capital	contributions		Profit(loss)	
	UCX '000	UCX '000	UCX '000	UCX '000	UCX '000
	(Note 20a)	(Note 20b)			
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
At 1 July 2020	105,208,169	554,861,676	271,636,098	(190,889,688)	740,816,255
Profit for the year				91,932,287	91,932,287
At 30 June 2021	105,208,169	554,861,676	271,636,098	(98,957,401)	832,748,542

	Note	30/06/2021	30/06/2020
		UGX' 000	UGX' 000
<b>Operating activities</b>			
Profit/Loss before tax		95,052,867	2,796,001
<b>Adjustments for:</b>			
Interest income		(20,754)	(21,144)
Interest Expense		30,936,258	30,989,032
Other income		(33,472)	(721,632)
Depreciation		<b>62,424,247</b>	<b>61,986,477</b>
Amotization of Prepaid lease		12,435	19,627
Gain on disposal		(15,415)	(155,125)
Unrealised exchange gain (loss)		(72,279,941)	15,144,068
		<b>116,076,224</b>	<b>110,037,304</b>
Decrease/(increase) in trade and other receivables		3,339,073	14,707,592
Increase/(decrease) in trade and other payables		(1,001,822)	(107,576)
Decrease/(Increase) in stock		(341,847)	(3,295,432)
<b>Net cash flows from operating activities</b>		<b>118,071,628</b>	<b>121,341,888</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(4,686,256)	(2,099,216)
Asset disposal proceeds		16,967	316,949

Expenditure on WIP Projects	68,874,583	(409,542,567)
Depreciation on projects Assets	480,048	610,520
Land acquisition	(223,830)	(3,000)
Interest income	20,754	21,144
<b>Net cash flows used in investing activities</b>	<b>64,482,266</b>	<b>(410,696,170)</b>
<b>Financing activities</b>		
On lent Borrowings	(286,013,127)	344,936,837
Deferred income	20,967,542	50,160
Interest payable	30,328,755	110,963,007
Isimba Interest payment	-	(74,808,855)
Interest Expense	(30,936,258)	(30,989,032)
Other Income	33,472	721,632
Unrealised exchange gain (loss)	72,279,941	(15,144,068)
<b>Net cash flows used in financing activities</b>	<b>(193,339,675)</b>	<b>335,729,681</b>
Increase /Decrease in cash and cash equivalents	(10,785,782)	46,375,399
Opening cash and cash equivalents	104,516,654	58,141,255
<b>At end of period</b>	<b>93,730,872</b>	<b>104,516,654</b>

## 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. There is an arrangement to merge some government entities; however this process is not expected to be completed within the next 12 months. 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) Electricity sales Revenue is based on the monthly energy billings to UETCL in relation to the generation and sales license issued by Electricity Regulatory authority and are stated net of VAT and discounts.
- (iii) Grant Income is recognised when there is entitlement to the grant, certainty that it will be recovered and the amounts are measurable. Unspent grants are shown on the balance sheet as deferred grants.
- (iv) 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

Interest income is recognised using the effective interest rate method.

**d) Translation of foreign currency transactions and balances**

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

#### 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%

<b>Isimba HPP</b>	
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%

<b>Other office PPE</b>	
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) 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% (changed to 30% from 1st July 2021) 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

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Administration component	5,021,507	5,783,461
License fees-Karuma HPP	2,496,950	4,994,349
	<b>7,518,457</b>	<b>10,777,810</b>

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. In addition, ERA approved UGX 2.5 billion which was billed and collected in respect of Karuma HPP licensed fees for a period of six months compared to twelve months in 2020.

### 4. ISIMBA REVENUE (BASED ON ENERGY BILLING)

	30/06/2021	30/06/2020
	UGX '000	UGX '000
	139,142,515	126,424,924
<b>Sales revenue</b>	<b>139,142,515</b>	<b>126,424,924</b>

UEGCL billed UETCL based on energy generated and dispatched to the grid from Isimba power plant (July 2020 to June 2021). The power purchase agreement between UEGCL and UETCL for Isimba HPP provides that UEGCL bill power sales based on 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 57 billion (2020 UGX. 89billion).

## 5. OTHER OPERATING INCOME

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Sundry Income	72,097	8,950
Grant Income Nyagak (GOU)	8,329,529	1,665,434
Norwegian Grant Income	77,600	903,511
Grant Income Isimba (GOU)	12,793,469	17,385,229
Grant Income Karuma (GOU)	210,912	721,632
Grant Income Muzizi (GOU)	3,690	800
Other Income	33,472	37,849
AFD Grant (feasibility study for small hydros)	-	459,448
KFW Grant for feasibility study of the complex	1,548,469	3,341,610
Gain on Disposal	13,376	155,125
	<b>23,082,614</b>	<b>24,679,589</b>

The GOU grants represent government contribution towards supervision of various projects. The UGX 13billion under Isimba HPP is the current year amortisation of grants deferred during the construction period. The UGX 8billion for Nyagak III relates majorly to GOU contribution towards the construction of the project made to GENMAX for which no return is expected (Government grant)

## 6. STAFF COSTS AND RELATED BENEFITS

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Salaries	12,207,196	9,060,474
Company contributions to NSSF and other funds	4,157,914	2,966,123
Other staff benefits and allowances	4,205,467	4,202,419
	<b>20,570,577</b>	<b>16,229,016</b>

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 2021 was 205 (2020: 198). During the year ended 30th June 2021, 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

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Transport expenses	537,671	614,640
Project administration Exps (Nyagak III)	8,329,049	1,665,434
Operational expenses	4,266,623	3,954,123
Directors' allowances	290,728	223,973
Directors' expenses	207,358	558,249

Consultancy fees	4,003,286	3,804,837
Legal fees	56,367	318,536
Norwegian Grant Expense	77,600	903,511
Karuma expense	210,912	721,632
Muzizi Expense	3,690	800
Community Development Action Plant (CDAP)	1,774,955	4,914,589
Insurance	6,270,629	6,433,310
Licenses and permits	4,482,368	6,274,893
KFW grant Expense for feasibility study of the complex	1,548,469	3,341,610
AFD Grant expense (Feasibility study of small hydros)	-	459,448
	<b>32,059,705</b>	<b>34,189,585</b>

The UGX 8.3 billion Nyagak III expense relates to GOU grant support towards the project construction, land is capitalised towards the construction of Nyagak III. The project is being implemented as a public Private Partnership.

Operational expenses of UGX4.3billion relate to various administrative costs (security, utilities, publicity, advertising, catering services, Protective gears among others for both concession and O&M Isimba), consultancy of 4billion relates to payment for supervising owners engineer and Panel of experts for Isimba HPP. In addition, UGX 6.3billion was incurred on insurance costs for Isimba HPP plant assets and license fees of UGX 4.5billion paid to the regulator (ERA) during the year ended 30th June 2021.

## 8. DEPRECIATION, AMORTISATION CHARGE

### Depreciation and amortisation charge

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Depreciation (Concession Assets)	16,378,525	16,369,187
Depreciation (Isimba HPP Assets)	46,045,722	45,617,290
Lease Amortization (Nalubaale & Kiira)	12,435	19,627
<b>Depreciation &amp; Amortization</b>	<b>62,436,682</b>	<b>62,006,104</b>
Depreciation projects (Capitalized)	480,048	610,520
	62,916,730	62,616,624

Depreciation on assets used for supervision of ongoing construction of hydropower projects (HPP) of UGX 480million have been capitalised to the respective (HPP) under work in progress.

## 9. INTEREST

### (a) INTEREST INCOME

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Interest	20,754	21,144
	20,754	21,144

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



## (b) INTEREST EXPENSE

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Interest	30,936,258	30,989,032
	<b>30,936,258</b>	<b>30,989,032</b>

This relates to Isimba HPP Loan interest incurred during the financial year ended 30<sup>th</sup> June 2021.

## 10. Net foreign exchange gains / losses

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Unrealized foreign exchange (gains) / losses	(72,279,941)	15,144,068
Realized foreign exchange gains/(losses)	988,197	549,661
<b>Net foreign exchange (gains) / losses</b>	<b>(71,291,744)</b>	<b>15,693,729</b>

The net foreign exchange gain for the period of UGX71 billion (2020: loss of UGX 15.7billion) arose mainly from revaluation of the on-lent loan in USD for the construction of Isimba Plant as well as translation of other monetary transactions, assets and liabilities denominated in foreign currencies.

## 11. 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.

No current income tax has been recognised in the financial statements because the company had accumulated tax losses of UGX 499 billion as at 30<sup>th</sup> June 2021 (2020: 504 billion). The tax losses will be carried forward and utilised against future taxable profits in accordance with the Income Tax Act of Uganda.



Downstream view of the Isimba HPP intake section.

**a) Reconciliation between the income tax expense and the product of accounting profit and the tax rate**

	30/06/2021	30/06/2020
	UGX '000	UGX '000
<b>Profit before tax</b>	<b>95,052,867</b>	<b>2,796,001</b>
Tax at 30% (2021: 30%)	28,515,860	838,800
Tax effect of expenses not deductible	214,276	2,667,890
Deferred income tax charge	28,730,136	(3,506,690)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

**b) Current Income tax Provision**

At 1 <sup>st</sup> July 2020	-	-
Provision for the year	-	-
<b>At 30<sup>th</sup> June 2020</b>	<b>-</b>	<b>-</b>

**c) Deferred Income Tax**

Deferred Income tax is calculated on all temporary differences using the liability method at a principal tax rate of 30%. As at 30<sup>th</sup> June 2021, the company had a deferred tax liability of UGX 119.5 billion (2020: UGX 116billion). The deferred tax asset is attributable to the following;

	At 1 July 2020	Movement for the year	At 30 June 2021
	UGX' 000	UGX' 000	UGX' 000
<b>Deferred income tax (Asset) / Liability</b>			
Accelerated tax depreciation	127,416,935	6,515,050	133,931,985
Net unrealized foreign exchange (losses)/(gains)	(1,820,284)	21,683,982	19,863,698

Tax losses carried forward	(151,206,207)	531,104	(150,675,103)
Deferred income tax Liability			
Revaluation Surplus	116,415,471	-	116,415,471
Total Deferred tax Liability	116,415,471	-	119,536,051

30-Jun-20

	At 1 July 2019	Movement for the year	At 30 June 2020
	Ushs' 000	Ushs' 000	Ushs' 000
<b>Deferred income tax asset</b>			
Accelerated tax depreciation	1,812,174	(830,251)	981,923
Net unrealized foreign exchange losses	158,931	2,728,903	2,887,834
Tax losses carried forward	(41,212,702)	8,226,698	(32,986,004)
<b>Deferred tax Asset / (Liability)</b>	<b>(39,241,597)</b>	<b>10,125,350</b>	<b>(29,116,247)</b>
<b>Deferred income tax Liability</b>			
Revaluation Surplus	-	116,415,471	116,415,471
	-	<b>116,415,471</b>	<b>116,415,471</b>



## 12) FIXED ASSET MOVEMENT SCHEDULE

Cost	Plant & Machinery	Buildings	Furniture & fittings
	UGX' 000	UGX' 000	UGX' 000
<b>At 30<sup>th</sup> June 2020</b>	<b>2,756,546,890</b>	<b>8,514,455</b>	<b>657,399</b>
Additions	-	1,968,946	172,087
Disposal	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	<b>2,756,546,890</b>	<b>10,483,401</b>	<b>829,486</b>
<b>Depreciation &amp; Amortization</b>			
At 30 <sup>th</sup> June 2020	77,056,575	1,906,520	345,153
Charge for the period	61,146,956	226,686	79,348
Write down	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	<b>138,203,531</b>	<b>2,133,206</b>	<b>424,501</b>
<b>NET CARRYING VALUE</b>			
<b>At 30<sup>th</sup> June 2021</b>	<b>2,618,343,359</b>	<b>8,350,195</b>	<b>404,984</b>
<b>At 30<sup>th</sup> June 2020</b>	<b>2,679,490,315</b>	<b>6,607,935</b>	<b>312,246</b>



Computers & Software	Tools & Equipment	Motor Vehicles	Office Machinery	Total
UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000
<b>1,788,438</b>	<b>805,435</b>	<b>6,301,752</b>	<b>695,536</b>	<b>2,775,309,905</b>
344,017	-	956,978	1,244,228	4,686,256
(8,270)	-	(103,100)	-	(111,370)
<b>2,124,185</b>	<b>805,435</b>	<b>7,155,630</b>	<b>1,939,764</b>	<b>2,779,884,791</b>
1,071,207	788,330	3,835,558	402,880	85,406,223
271,042	11,493	936,641	232,129	62,904,295
(6,719)	-	(103,100)	-	(109,819)
<b>1,335,531</b>	<b>799,823</b>	<b>4,669,099</b>	<b>635,009</b>	<b>148,200,700</b>
788,655	5,612	2,486,531	1,304,755	2,631,684,091
<b>717,231</b>	<b>17,103</b>	<b>2,466,193</b>	<b>292,657</b>	<b>2,689,903,680</b>

### Testing of the complex (Kiira & Nalubaale dams) for impairment

During the year ended 30<sup>th</sup> 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 30<sup>th</sup> June 2018 including the write down for impairment.

Review of the carrying amounts of the complex for the financial year ended 30<sup>th</sup> June 2021, indicated no impairment.

### 13. PREPAID OPERATING LEASE RENTALS

	30/06/2021	30/06/2020
	UGX '000	UGX '000
<b>Cost</b>		
At 1 <sup>st</sup> July 2020	2,023,114	2,023,114
Additions	-	-
At 30 <sup>th</sup> June 2021	2,023,114	2,023,114
<b>Amortization</b>		
At 1 <sup>st</sup> July 2020	1,610,966	1,591,339
Charge for the year	12,435	19,627
At 30 <sup>th</sup> June 2021	1,623,401	1,610,966
<b>Net carrying amount</b>	<b>399,713</b>	<b>412,148</b>

	Nalubaale	Kiira	Total
	UGX' 000	UGX' 000	UGX' 000
<b>Cost</b>			
At 1 <sup>st</sup> July 2020	1,581,924	441,190	2,023,114
Additions	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	<b>1,581,924</b>	<b>441,190</b>	<b>2,023,114</b>

<b>Amortization</b>			
At 1 <sup>st</sup> July 2020	1,433,760	177,206	1,610,966
Charge for the period	11,067	1,368	12,435
<b>At 30<sup>th</sup> June 2021</b>	<b>1,444,827</b>	<b>178,574</b>	<b>1,623,401</b>

<b>Net carrying value</b>			
<b>At 30<sup>th</sup> June 2020</b>	337,615	94,160	431,775
<b>At 30<sup>th</sup> June 2021</b>	137,097	262,616	399,713

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

	<b>30/06/2021</b>	<b>30/06/2020</b>
	<b>UGX '000</b>	<b>UGX '000</b>
Head office	1,549,900	1,549,900
Nyagak III SHPP	647,920	424,090
Isimba Sign Post	3,000	3,000
	<b>2,200,820</b>	<b>1,976,990</b>

One of the projects being supported by the Government is the construction of Nyagak III (6.6MW) Small Hydropower Project in Zombo District to which Government of Uganda through MoFPED and MEMD has committed to providing both equity and grant funding amounting to USD 8.1 million. This follows the exit of KfW from the project in 2018. The funding commitments are part of the Shareholders' Agreement between UEGCL and the Strategic Partner (A consortium of DOTT Services Limited and HydroMax Limited). Additionally, one of the obligations of UEGCL (as Public Partner) under the Shareholders' Agreement and Implementation Agreement is acquisition of land for the project (both the transmission line and generating facility) and the

deployment of an Independent Engineer.

The project is currently under construction phase, being 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. The private partner is a consortium of Hydromax Ltd and Dott Services Ltd. UEGCL with support and financing from GoU procured GPA Intec (in association with Zollet Ingegneria) as Independent Engineer to assist with the monitoring and supervision of the project in accordance with requirements and obligations under the Shareholders Agreement and Power Purchase Agreement.

The developer GENMAX Nyagak Limited is responsible for the financing, design, construction, and operation of the power plant for a period of 20 years after which the plant shall revert to UEGCL.

The UEGCL board approved the project financing approach to be adopted by the developer GENMAX Nyagak Limited. The developer GENMAX Nyagak Limited contracted Dott Services Limited and Tata

Consulting Engineers as Construction Contractor and Design Engineer respectively in accordance with the FIDIC Red Book Construction Contract. The Nyagak land balance at 30 June 2021 of UGX 648million 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.

## 15. WORK IN PROGRESS

	Karuma	Muzizi	Staff Houses & HRIMs	Total WIP
	UGX '000	UGX '000	UGX '000	UGX '000
At 1 <sup>st</sup> July 2020	4,259,215,694	9,318,898	775,919	4,269,310,512
Additions	-	1,236,597	-	1,236,597
Capitalization / Write down	(69,345,598)	-	(765,582)	(70,111,180)
<b>At 30<sup>th</sup> June 2021</b>	<b>4,189,870,096</b>	<b>10,555,495</b>	<b>10,337</b>	<b>4,200,435,929</b>

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.

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

Project	30/06/2021	30/06/2020
	UGX '000	UGX '000
Karuma	(196,943,609)	43,898,236
Total	(196,943,609)	43,898,236
<b>Total</b>	<b>43,898,236</b>	<b>227,535,795</b>

Forex losses (gains) on borrowings for hydropower 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.

## 16. DUE FROM ESKOM (U) LTD

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Inventory Debt	2,146,878	2,146,878
	<b>2,146,878</b>	<b>2,146,878</b>

The inventories receivable of UGX 2.1 billion relates to critical inventories that were transferred to Eskom Uganda Limited at commencement of the concession period. Eskom Uganda is contracted to hand over stock at the end of the concession period that can run the plant for three months.

## 17. TRADE AND OTHER RECEIVABLES

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Trade receivables-Eskom	1,817,263	3,707,753
Trade receivables-UETCL	25,495,434	26,852,321
Trade receivables-Sinohydro	-	2,000
Withholding tax recoverable	892,597	889,484
Staff debtors	78,539	23,967
Prepayments	620,720	800,683
Inventory receivable	32,582	-
	<b>28,937,135</b>	<b>32,276,208</b>

Receivable from Eskom UGX 1.8billion, invoices billed for May and June 2021 while receivable from UETCL UGX 25billion is for electricity sale to UETCL for May and June 2021.



## 18. CASH AND BANK BALANCES

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Stanbic bank (Concession and Projects balances)	42,886,952	44,912,669
Stanbic Bank Uganda Limited Escrow Account	7,969,174	8,345,842
Isimba Sales Collection Account	42,873,003	51,257,287
Cash at hand	1,743	856
<b>Total</b>	<b>93,730,872</b>	<b>104,516,654</b>

### 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<sup>th</sup> June 2021, the balance on this account was UGX 8billion equivalent to USD 2,239,117

### 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

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Inventory	3,637,279	3,295,432
	<b>3,637,279</b>	<b>3,295,432</b>

## 20. ISSUED CAPITAL AND CAPITAL

a) Share capital	Number of	Amount
	shares	UGX '000
Authorised, issued and fully paid ordinary shares of UGX 500 each: At 1 July 2020	2	1
Conversion of Government of Uganda loans to equity	210,416,338	105,208,168
<b>At June 2021</b>	<b>210,416,340</b>	<b>105,208,169</b>

b) Capital contributions	30/06/2021	Amount
	UGX '000	30/06/2020
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 Stock	Muzizi	Nyagak	Norwegian	Total
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
1 <sup>st</sup> July 2020	96,263,622	367,897,997	2,486,928	11,315,664	528,793	9,192,025	487,685,029
Additions	17,496,950	9,000,000	311,843	1,500,000	10,000,000	4,105,425	42,414,218
Amortization	(210,912)	(12,773,719)	(19,749)	(3,690)	(8,329,529)	(109,078)	(21,446,676)
<b>30<sup>th</sup> June 2021</b>	<b>113,549,660</b>	<b>364,124,278</b>	<b>2,779,022</b>	<b>12,811,974</b>	<b>2,199,264</b>	<b>13,188,372</b>	<b>508,652,571</b>

These amounts relate to Government contribution towards 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 2021 **was UGX 3,761,994,556,583 equivalent to (USD 1,057,002,126); 2020 (UGX 3,919,765,306,694 equivalent to USD 1,049,375,907) while the outstanding interest amount was UGX 284,942,244,546 equivalent to (USD 80,060,871); 2020 (UGX 220,628,810,434 equivalent to USD 59,065,413).**

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

- Loan Amount - US \$ 1,118,739,245.13
- Maturity Period - 20 years including 5 years of grace
- 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 2021 **was UGX 1,448,206,207,000 equivalent to (USD 406,905,794); 2020 (UGX 1,576,398,584,590, equivalent to USD 422,023,913).**

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:

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

## 24. TRADE AND OTHER PAYABLES

	30/06/2021	30/06/2020
	UGX '000	UGX '000
Trade and other payables	3,171,882	4,217,234
Taxes payable (WHT & VAT)	3,063,084	3,167,567
Payroll deductions (PAYE, NSSF & LST)	907,578	759,566
	<b>7,142,544</b>	<b>8,144,367</b>

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	30/06/2021	30/06/2020
	UGX '000	UGX '000
Fees for services as directors	498,087	782,222
	<b>498,087</b>	<b>782,222</b>



ii) Amounts due from related Parties	30/06/2021	30/06/2020
	UGX '000	UGX '000
Eskom	1,817,263	3,707,753
	<b>1,817,263</b>	<b>3,707,753</b>

	30/06/2021	30/06/2020
	UGX '000	UGX '000
UETCL	25,495,434	26,852,321
	<b>25,495,434</b>	<b>26,852,321</b>

## 26. CONTINGENT LIABILITIES

### A) ESKOM BUY-OUT 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. I.e. 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. The actual amount will be established at the end of the concession.

### B) OUTSTANDING LEGAL CASES

#### I) 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 6<sup>th</sup> 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:



	30/06/2021	30/06/2020
	UGX '000	UGX '000
Trade receivables	28,937,135	32,530,516
Staff advances and loans	78,539	13,375
Bank balances	93,730,872	104,516,654
	<b>122,746,546</b>	<b>137,060,545</b>

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 (2020: 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.

	30/06/2021	30/06/2020
	UGX '000	UGX '000
<b>Financial assets</b>		
Stanbic Bank Uganda Limited Escrow Account	7,969,174	8,345,842
Stanbic Projects Account	13,478,843	10,238,343
<b>Net currency exposure</b>	<b>21,448,017</b>	<b>18,584,185</b>

During the year ended 30<sup>th</sup> June 2021, UEGCL received the Norwegian grant worth UGX 4billion on the Projects USD account.

The following significant exchange rates applied during the year:

	Report date spot rate		Average Rate	
	2021	2020	2021	2020
US\$:UGX	3,559.07	3,735.33	3,696.91	3,717.49

## 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-21	Carrying Amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
<b>Financial assets</b>				
Trade and other receivables	28,937,135	28,937,135	-	-
Cash and bank balances	93,730,872	85,761,698	-	7,969,174
	<b>122,668,007</b>	<b>114,668,473</b>	<b>-</b>	<b>7,969,174</b>
<b>Financial liabilities</b>				
Trade and other payables	7,142,544	7,142,544	-	-
Interest Expense	284,942,244	284,942,244	-	-
	292,084,788	292,084,788	-	-
<b>Net liquidity gap</b>	<b>(169,416,782)</b>	<b>(177,416,315)</b>	<b>-</b>	<b>7,969,174</b>

30-Jun-20	Carrying Amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
<b>Financial assets</b>				
Trade and other receivables	32,530,516	32,530,516	-	-
Cash and bank balances	104,516,655	96,170,813	-	8,345,842
	<b>137,047,171</b>	<b>128,701,329</b>	<b>-</b>	<b>8,345,842</b>
<b>Financial liabilities</b>				
Trade and other payables	8,144,367	8,144,367	-	-
Interest Expense	254,613,490	254,613,490	-	-
	262,757,857	262,757,857	-	-
<b>Net liquidity gap</b>	<b>(125,710,686)</b>	<b>(134,056,528)</b>	<b>-</b>	<b>8,345,842</b>

#### 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 and the on lending agreements.

#### 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.





UEGCL women in a group photo after the first ever UEGCL Women's Gathering as part the Women's Day celebrations at Skyz Hotel, Naguru.








# Connect with us





**Uganda Electricity Generation Company Limited,**

Block C, Victoria Office Park | Plot 6-9, Okot  
Kiwanuka Close, Bukoto | P.O Box 75831, Kampala, Uganda  
Tel: +256 312 372 165 | Email: [info@uegcl.go.ug](mailto:info@uegcl.go.ug)

     UEGCL  0312372165  [www.uegcl.com](http://www.uegcl.com)