



**UEGCL**

*Generating for Generations*



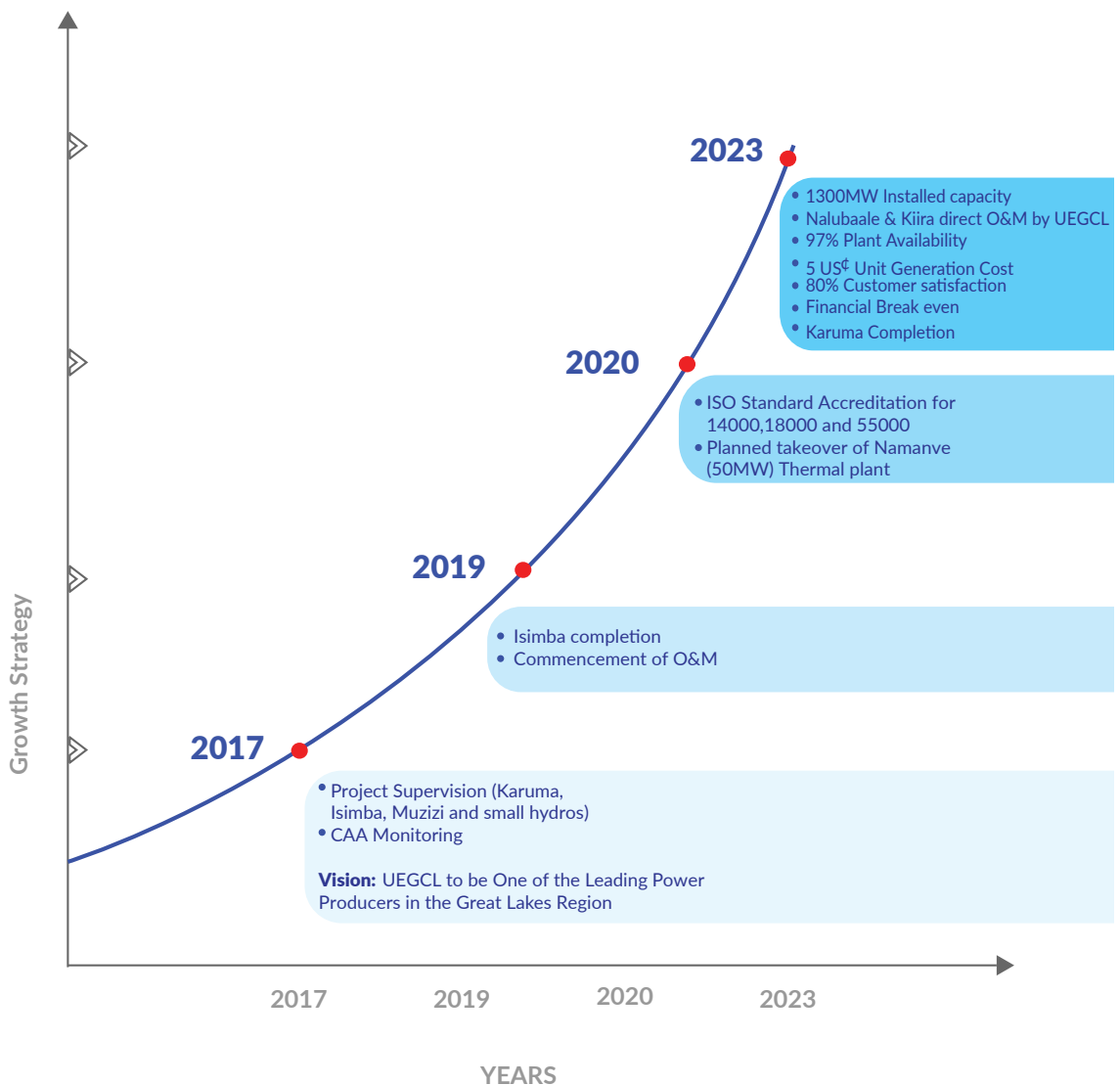
*Roadmap*   
**1300**

# ANNUAL REPORT

 FOR THE YEAR ENDED  
**30TH JUNE 2022**



## UEGCL GROWTH STRATEGY 2018 -2023

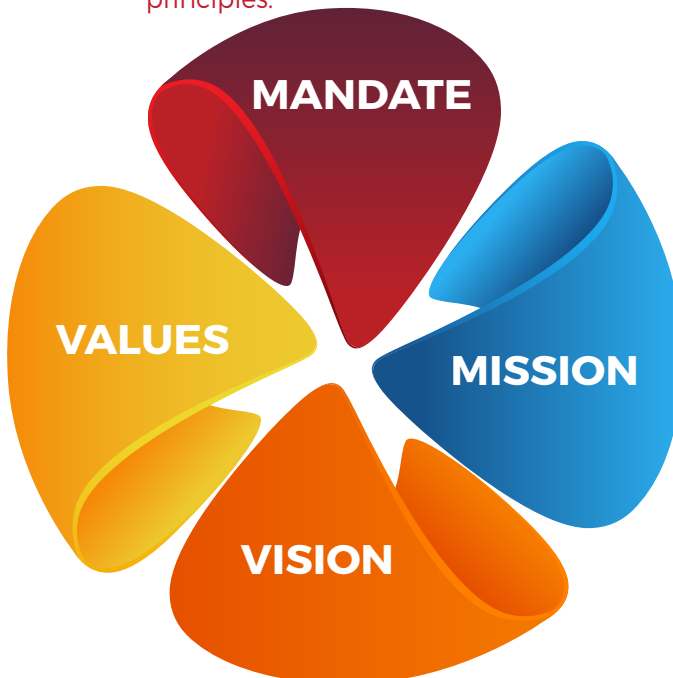


*The Karuma (600MW) Hydropower Project Unit #2  
Head Race Tunnel (HRT) feeding into the spiral case*

# We are UEGCL

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.

- \* Integrity
- \* Safety
- \* Sustainability
- \* Innovation
- \* Accountability



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

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





*Part of the diversion at Nyagak III (6.6MW)  
Hydropower Project*

 **INSIDE**





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*UEGCL Board of Directors as at June 2022*

# Corporate Information

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

## DIRECTORS

Eng. Proscovia Margaret NJUKI	Chairperson
Eng. Wamala Julius NAMUSANGA	Director
Prof. Nixon KAMUKAMA	Director
Mrs. Hope BIZIMANA	Director
Eng. Gilbert John KIMANZI	Director
Mr. Ronald DRAVU	Director
Mr. Paul Patrick MWANJA	Director

**CHIEF EXECUTIVE OFFICER**  
Dr. Eng. Harrison .E. MUTIKANGA

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



## Registered office and principal places of business



### Head Office

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



### 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.

#### Namanve Thermal Power Plant Office

Kiwanga Village, Namanve  
Wakiso District, Uganda.

#### Maziba Hydropower Plant

Nyakigugwa village, Maziba sub-county,  
Kabale District.

### BANKER



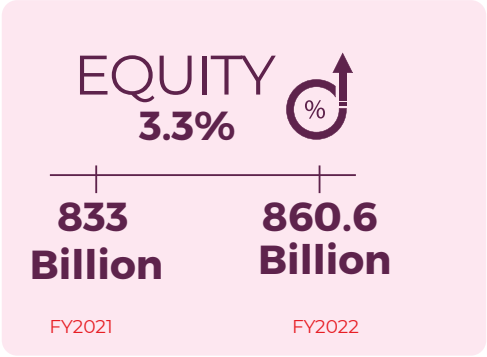
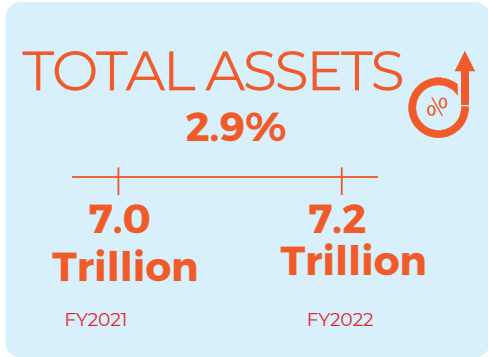
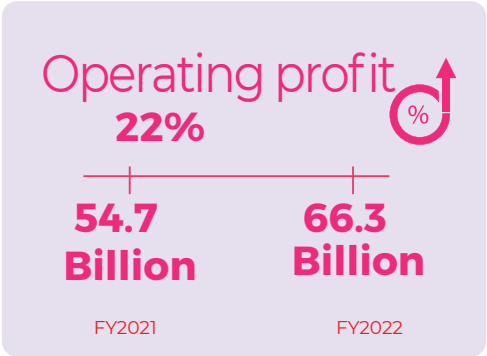
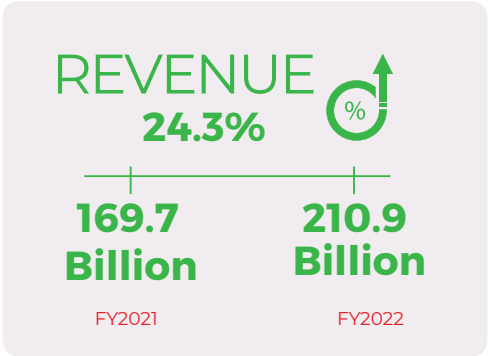
#### Stanbic Bank Uganda Limited

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



*Aerial front view of the UEGCL Offices at Karuma  
(600MW) Hydropower Plant.*

# 2022 Performance Highlights







Stakeholders' meeting on Isimba (183MW) Hydropower Project convened by H.E Yoweri Kaguta Tibuhabwe MUSEVENI at State House Entebbe in October 2022.





*Dr. Eng. Harrison E. MUTIKANGA – CEO, UEGCL hands over the signed Internal Performance Contract (IPC) to Esimu Michael ELIMU – Generation Manager, Isimba HPP during the IPC signing ceremony at Isimba.*

# 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.

The electricity Act was amended in 2022 with the majority shareholding of UEGCL shifting from Ministry of Finance and Economic Development to Ministry of Energy and Mineral Development.

## 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

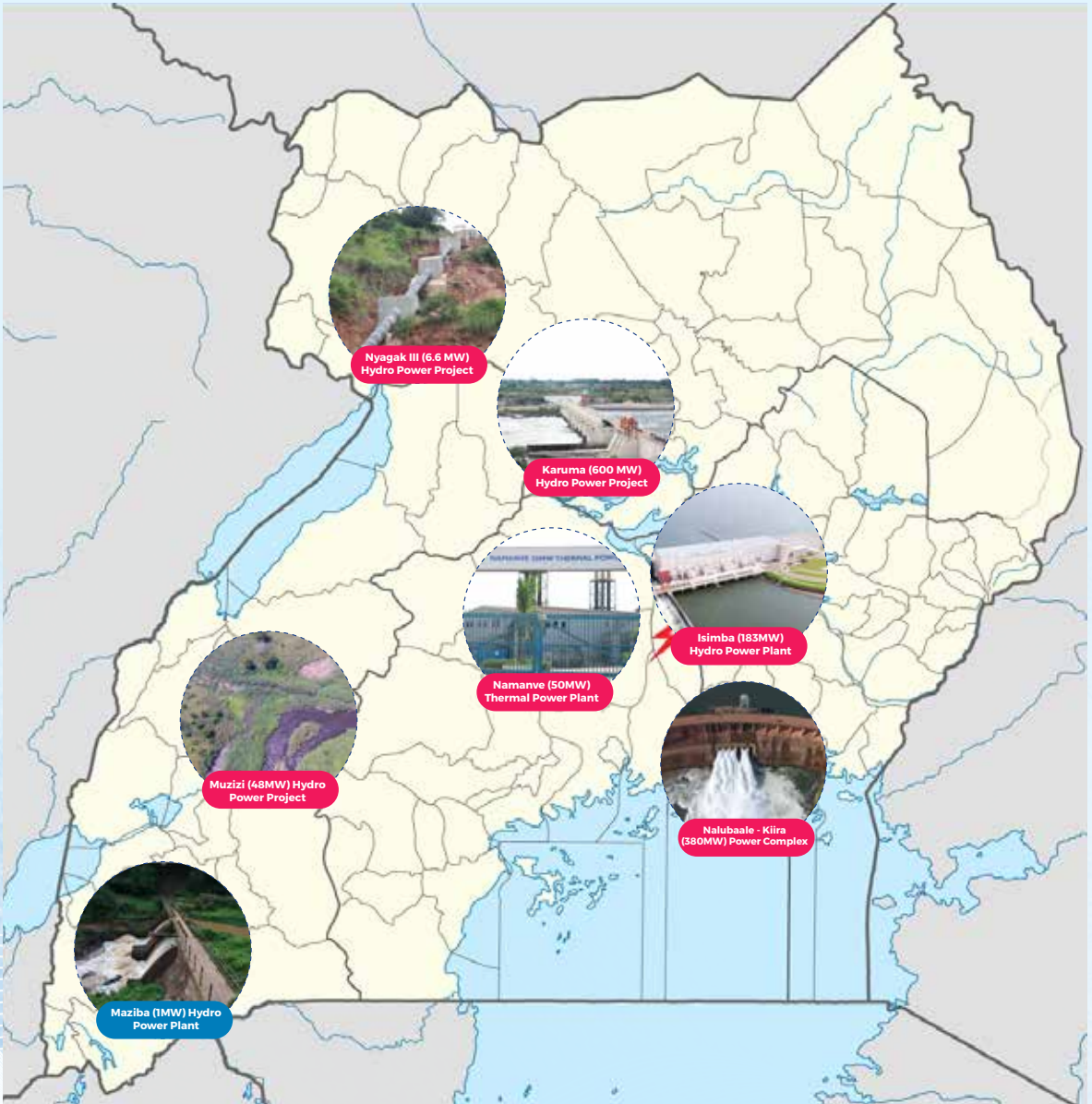
UEGCL's Mission is to “Sustainably Generate Reliable, Quality and affordable Electricity for Socio-Economic Development”.

## 2.0 Current Operations

- Current Number of Employees is 244; (Male= 184, Female 60)
- Total installed capacity is 613 MW with the addition of Namanve HPP in February 2022. This accounts for 45% of the Generation Capacity within the Country.
- UEGCL oversees and monitors the operations of the Kiira 200 MW and Nalubaale 180 MW under the concession with ESKOM (U) Ltd.
- UEGCL operating and maintaining the Isimba (183 MW) power plant under the approved O&M Business model.
- The 50MW Namanve Thermal power plant was transferred back to Government in February 2022 now under the operations and maintenance of UEGCL.
- UEGCL is due to commence operations of the Karuma HPP after commissioning.



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





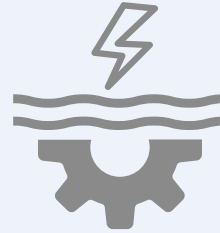
# Outlook

The financial year 2021–2022 marked the fourth year of implementation of UEGCL five-year Strategy (2018– 2023). Suffice it to say that UEGCL is on track to meet its five-year goals and targets by June 2023. As a futuristic activity therefore, UEGCL will commence planning for the next five year cycle 2023 – 2028. The plan will be anchored to the aspirations of the NDP III/IV and the Government's Vision 2040. Alignment will also be sought to the Governments Manifesto goals.

Key among the policy direction and outlook for the next five year period will be the following;

## a) Operational Efficiency

UEGCL's operations are envisaged to expand from the current **Isimba (183 MW)** and **Namanve (50 MW)** to also cover **Karuma (600 MW)**, and **Nalubaale/Kiira (380 MW)**, which UEGCL will take over during the financial year 2022/23. UEGCL will also be poised to take over any other plants that will be handed over to it, based on the skills and capacity that it has built over the years. These Plants will be managed within the auspices of the UEGCL **O&M Business Model**, which gives priority to the indigenous management of the plants, with a focus on empowerment, self-governance, and autonomy. It is envisaged that this will present an opportunity for the internal benchmarking between the power plants, which will ultimately improve operational efficiency.



# 613 MW

*UEGCL current installed capacity.*

## b) Energy Mix Strategy

UEGCL developed an energy mix strategy, which it intends to operationalize in a phased manner. The energy mix will support the country's energy security and reduce the overdependence on hydropower. Key among the first steps are capacity building for purposes of empowering the staff in handling different technologies for electric power generation. This will be followed by exploits in different renewable energy sources covering Solar, Geothermal, wind, and possibly nuclear. This is in line with the Generation Strategy, which has been developed for Uganda up to the year 2050. Internally, UEGCL has already commenced feasibility studies for the floating solar project, which is being carried out by an Independent Consultant.

## c) Generation Capacity

Uganda currently has an Electricity Generation Installed capacity of 1,346.7MW



compared to the NDP III target of 3500 MW by 2025. Of the current installed capacity, UEGCL accounts for 613 MW equivalent to 45% of the installed capacity. It is however projected that the UEGCL share of the installed capacity will increase by 606.6 MW with the completion of the 600 MW Karuma Hydropower project and the 6.6 Nyagak SHPP in the financial year 2022/23. This will increase the total installed capacity to 1,952 MW. As will be noted, this still falls short of the NDP III target of 3500 MW by 2025. Therefore, UEGCL will concentrate on bridging this deficit in partnership with the various stakeholders in the sector. This will be in line with the Generation Strategy for the country for the period up to 2050.

### **e) Financial Sustainability**

Financial sustainability remains at the core of UEGCL's Strategic Goals. In line with this, UEGCL under-took a financial sustainability study aimed at identifying the impediments to UEGCL's financial sustainability. Some of the recommendations implemented so far include the conversion of the UEGCL USD debt into Uganda shillings. This is mainly because of the exchange rate losses impact on both the balance sheet and the Profit & Loss of the company. Other initiatives to be undertaken to improve the financial sustainability of the Company is the quest to allow for depreciation and a return on assets. This will allow UEGCL to sustainably operate its plants through covering both O&M and investment costs.

### **f) Business Diversification (Non-Core)**

As part of its growth initiatives, UEGCL plans to diversify its activities through the operationalisation of the Karuma and Isimba Tourism potential, and also start up a Professional Services Unit. Both these ventures will ensure diversified revenue streams to the Company, while at the same time improve and expand the productivity of staff who will be able to multi-skill. UEGCL will work with key stakeholders like the Uganda Tourism Board and Uganda Wildlife Authority to implement the Tourism Potential and tap into infrastructure tourism that is embraced globally. On the other hand, the professional Services Unit will entail using the skills attained by the UEGCL staff in offering services to other Utilities, and at the same time Internally carry out tasks that were hitherto done by consultants.

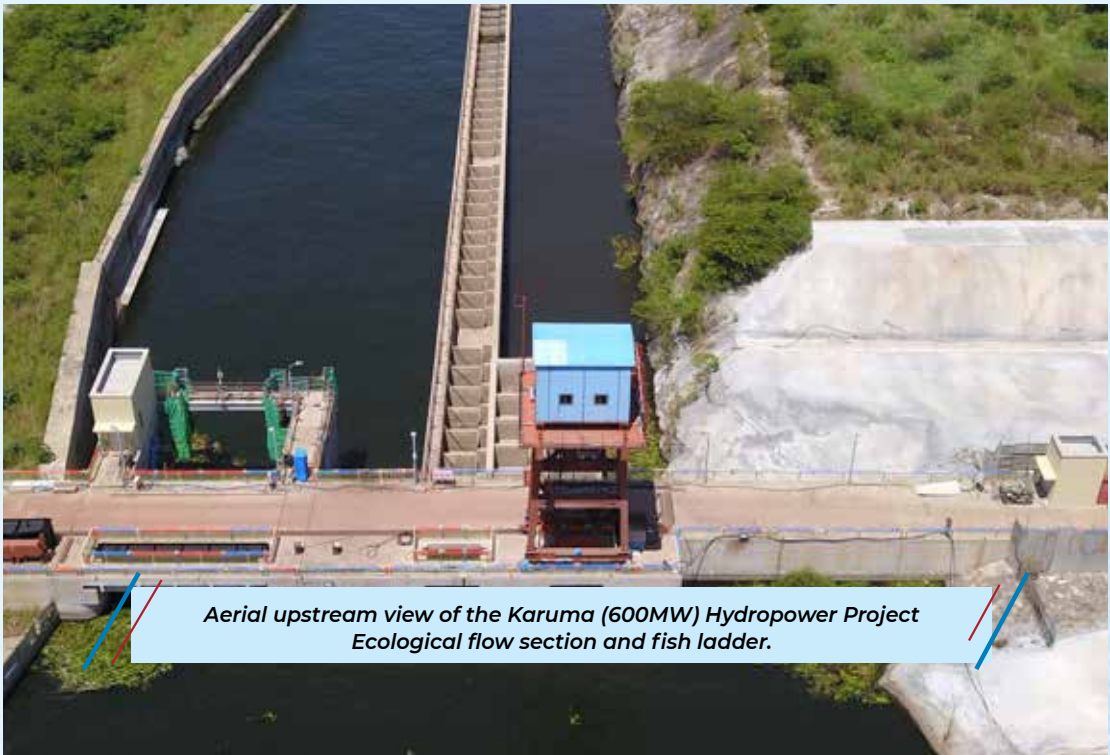
### **g) Digital Transformation**

In today's world, digital transformation and automation of services is the way to go. In this regard, a number of initiatives are already underway to automate the operations of the Company. Currently, the Computerized Maintenance Management System (CMMS), has been installed, and this will help optimize the utilization and availability of our Assets. Areas of focus for UEGCL will include; Data Management, analytics and business intelligence, Cyber security, Data modelling, and ICT Governance.

# Project Overview

## 1. Karuma (600MW) Hydropower Project

The Karuma HPP overall physical progress of works was 99.9%. The project completion date of 15th June 2022 was not achieved because of the significant completion delays due to the rectification and correction of Electro-Mechanical non-conformities coupled with the impact of Covid-19 that constrained the global manufacturing and supply chains. As such, the EPCC, OE and UEGCL have been engaged in discussions aimed at accelerating rectification works on plant systems with an aim of realizing the commissioning of the 1<sup>st</sup> generating unit by the end of 2022 and the other subsequent units by end of March 2023.



*Aerial upstream view of the Karuma (600MW) Hydropower Project  
Ecological flow section and fish ladder.*

## 2. 48MW Muzizi Hydropower Project

The 48MW Muzizi HPP is one of the projects that has for a long time been on our radar for implementation, but due to funding and design challenges, there has been a need to rescope and repackage the project. Currently, activities are being implemented for the restructuring and different parties are being engaged to ensure that the project is restored for implementation.





*The Nyagak III (6.6MW) Hydropower Project contractor gives a detailed account to the UEGCL board and management on the project progress during a site inspection.*

### 3. Nyagak III (6.6MW) Small Hydro Power Project

#### **PROJECT UPDATE**

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 strategic Partner (Consortium of Hydromax Ltd and Dott Services Ltd). Civil works on the Nyagak III (6.6 MW) have progressed to 80%. However, the

Commercial Operations Date was extended to March 2023 due to funding constraints, Covid 19 disruptions with many lockdowns in Uganda and India, the manufacturer of turbines, Supply chain disruptions due to increase in fuel prices and fuel crisis etc. The Nyagak III plant remains an important strategic asset which will alleviate the woes of power supply in the north eastern region of Uganda.





*The Nyagak III (6.6MW) Hydropower Plant penstock leading to the main power house.*

## 4. Maziba (1MW) Dam

The Maziba plant is a small hydropower plant that was handed over to UEGCL from UEDCL in 2016. The plant has undergone detailed studies for rehabilitation, and what remains are the Environmental and Social Impact Assessment (ESIA) studies, which remain unfunded. UEGCL is pursuing the project for inclusion on the PIP, this being a strategic asset for power supply in the south western region of Uganda.



# Operations & Maintenance Overview



A UEGCL Electrical engineer during routine plant maintenance at Isimba HPP.

## ISIMBA (183MW) HYDRO POWER STATION

The financial year 2021/22 marked the third year of operations of the 183 MW Isimba HPP. On 10<sup>th</sup> March 2022, Isimba HPP **Internal Performance Contract** was finalized and signed between the **Isimba Operator (Isimba Staff & Management)** and the **Asset Holder (UEGCL Head Quarters)**.

This is the UEGCL operational management framework by which a partnership is established between the principle (**Asset holder**) and the Agent (**Operator**) through **internal performance contracting** with the primary objective of promoting operational

efficiency.

The O&M Business model operates on two main business principles that is; the **Delegation of Authority (DoA)**, a mechanism that allows appointed staff to act on behalf of the Accounting Officer, easing decision-making and ultimately promoting operational efficiency and **Internal Performance contracting** which is a commitment to the partnership between the Asset Holder and Operator with well-defined performance obligations, rewards and consequence management

guidelines. The Isimba IPC also includes a 3 year Business Plan that is reviewed on an annual basis.

### Isimba Plant Performance for FY 2021/22

On average, the Isimba plant operated with a plant availability and reliability of **85.08%** and **99.74%** respectively. The average declared capacity was **154.44 MW per hour** and the average actual dispatch was **117.81MW per hour**, resulting into a plant factor of **64.15%** as shown in the table below;

Key Performance Indicator	Q1	Q2	Q3	Q4	Average
Declared capacity (MW/hr)	116.30	155.43	170.66	175.38	154.44
Actual dispatch (MW)	94.71	116.38	133.27	126.88	117.81
Plant availability (%)	64.34	86.18	93.86	95.96	85.08
Plant reliability (%)	99.94	99.65	99.40	99.98	99.74
Plant factor (%)	51.3	63.33	72.62	69.33	64.15

Table showing KPIs for Isimba (183MW) Hydropower Station 2021/2022.

## 2. Namanve (50MW) Thermal Power Station

During the year, UEGCL took over Operation and Maintenance of the 50MW Thermal power plant in February 2022. This was in line with Government policy of infrastructure assets under the BOOT (Build Own Operate Transfer) reverting back to government after the expiry of the license period. The seamless re-transfer to UEGCL led to proficiency in operations with no underlying issues. This also led to an increase in UEGCL's installed capacity from 563 MW in the last financial year, to the current level of **613MW**. The re-transfer also contributed towards one of our key strategic objectives of enhancing UEGCL's business portfolio. The 50MW Namanve TPP remains a critical asset in the energy mix as a backstop during power outages.



Eng. Irene BATEBE – Permanent Secretary, MEMD hands over instruments of takeover to Dr Eng. Harrison E. MUTIKANGA – CEO, UEGCL at the Namanve Thermal Plant takeover in the presence of Hon. Dr Ruth Nankabirwa SSENTAMU - Minister of Energy and Mineral Development





*Downstream aerial view of the Kiira (200MW) Hydropower Plant.*

### 3. KIIRA/NALUBAALE (380MW) HYDROPOWER COMPLEX

During the year, UEGCL also continued monitoring the Concession with Eskom (U) Limited at Kiira/Nalubaale Complex. Upon the expiry of the concession agreement on 31st March 2023, the Government of Uganda through UEGCL will take over the operations and maintenance of both Nalubaale and Kiira power stations. In line with the retransfer of the complex back to the Government, PPA negotiations between UEGCL and UETCL were completed; the Audit of the Buyout amount, Legal and environmental components is also ongoing. Feasibility studies are also currently ongoing for purpose of rehabilitation of the plant.

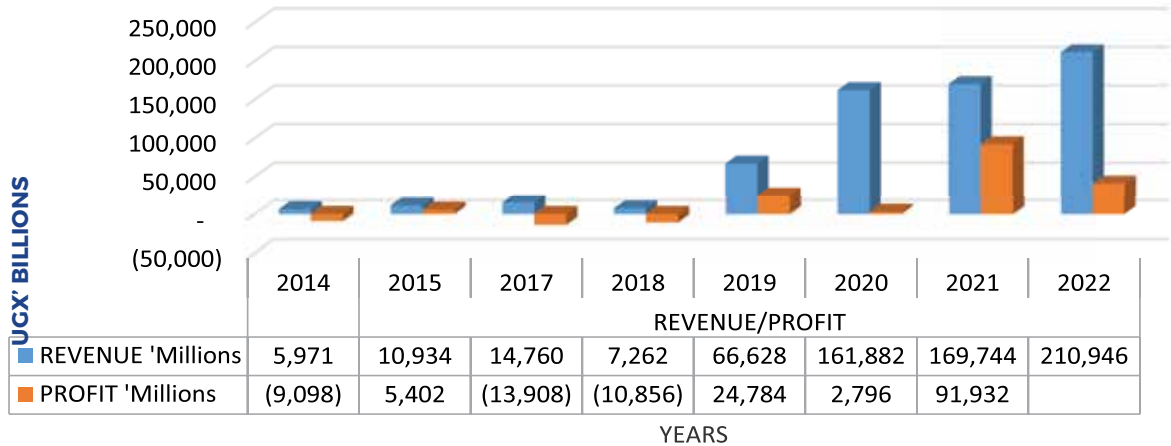
# Financial statistics

AS AT	30 <sup>th</sup> June 2022	30 <sup>th</sup> June 2021
	UGX '000	UGX '000
<b>For the year</b>		
Concession Fees	10,467,665	7,518,457
Isimba Income	151,344,928	139,142,515
Namanve Income	17,580,226	
Other Income	31,553,217	23,082,614
Operating Profit/Loss	66,316,151	54,676,622
Earnings Before Interest, Tax, Depreciation and Amortisation.	133,993,641	188,405,053
<b>(Profit)/loss for the year</b>	<b>27,862,753</b>	<b>91,932,287</b>
<b>At year-end</b>		
Total Assets	7,244,715,079	6,963,172,717
Shareholder's Equity	860,611,295	832,748,542
Outstanding interest bearing debt	5,227,807,371	5,210,150,764
<b>Cash flow data</b>		
Net cashflows from operating activities	98,878,274	118,071,628
Net cashflows used in investing activities	(326,878,960)	64,482,266
Net cashflows from / (used in) financing activities	204,437,124	(193,339,675)
<b>Operating and other statistics</b>	<b>FY 2022</b>	<b>FY 2021</b>
Total number of customers (UETCL)	1	1
Total number of employees	244	205
Exchange rate: US Dollar to Uganda Shilling (at year end)	3,759	3,559
Exchange rate: US Dollar to Uganda Shilling (average)	3,591	3,696



# Financial & Operational Charts

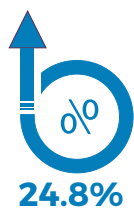
## REVENUE/PROFIT



■ REVENUE 'Millions

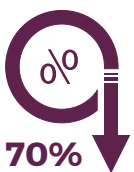
■ PROFIT 'Millions

27,863



### REVENUE

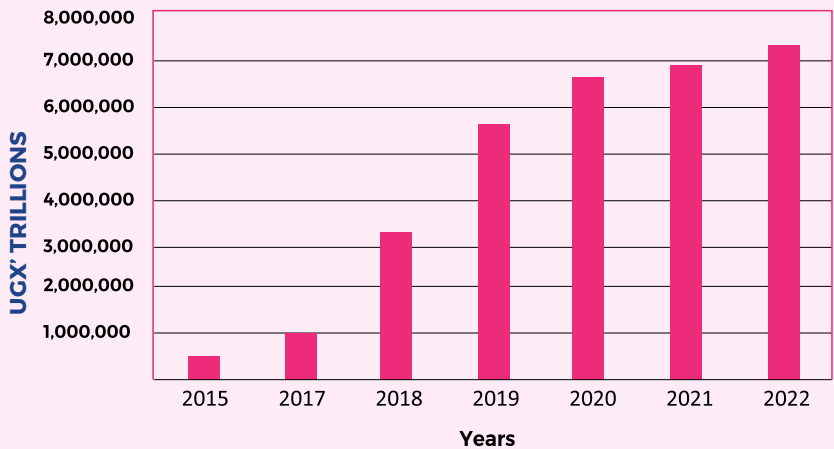
- Revenue grew by 24.8% (UGX 161.9bn to UGX210.9bn). This was mainly due to higher electricity dispatch to UETCL as compared to FY2021.
- In abid for the regulator to keep the tariff low;
- No depreciation and return on equity allowed on Kiira / Nalubaale.
- Isimba is continuously being billed on energy instead of capacity.



### PROFIT

Decrease in profitably by 70% (UGX 92bn to UGX 27.9 bn). Main reason being no foreign exchange gain/loss on Isimba HPP loans due to loan conversion to UGX effective July 2021 which accounted for forex gain of UGX 71bn in FY2021.

## TOTAL ASSETS

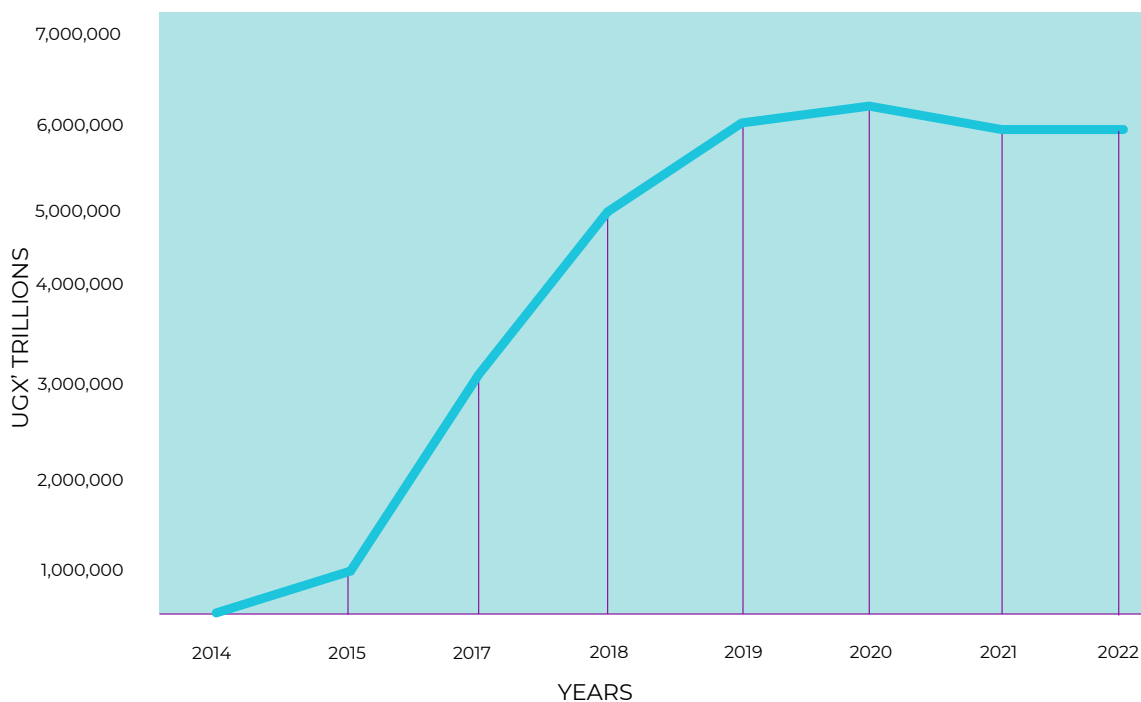


**Total assets UGX 7.2 tn**

**2.9%**

- Total Company assets are UGX 7.2tn compared to UGX 6.9tn the previous year (2.9% Increase) due to addition of Namanve TPP plant assets worth UGX 119bn.
- Karuma is still under construction. The expected completion date is December 2022.

## NON-CURRENT LIABILITIES

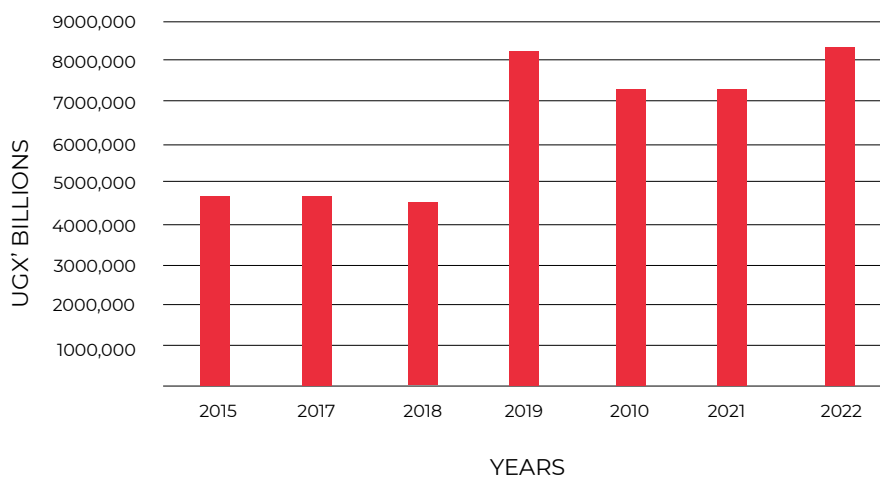


- Total non current liabilities has significantly grown from 2015-UGX 532 billion to UGX 5.9 trillion FY2022 due to the loans borrowed for Karuma & Isimba HPPs.
- Very insignificant non current liabilities increase of 0.3% in 2022 from UGX5.8tn to UGX5.9tn



**Total non current liabilities UGX 5.9 Tn**

## SHARE HOLDERS EQUITY



### POSITIVE EQUITY

The Company as at 30th June 2022, is solvent with positive equity of UGX 861 Billion. Net profit is UGX 27.9bn (2021:UGX 92bn).



One of the classroom blocks recently commissioned under the Karuma HPP  
Community Development Action Plan (CDAP) at Purongo Primary School, Nwoya  
District.



# EVENTS

March



*Irene BATEBE – Permanent Secretary, MEMD hands over instruments of takeover to Dr Eng. Harrison E. MUTIKANGA – CEO, UEGCL at the Namanve Thermal Plant takeover in the presence of Hon. Dr Ruth Nankabirwa SSENTAMU - Minister of Energy and Mineral Development*

April



*Dr. Eng. Harrison E. MUTIKANGA – CEO, UEGCL signs the Internal Performance Contract (IPC) together with Esimu Michael ELIMU – Generation Manager, Isimba HPP during the IPC signing ceremony at Isimba.*

May



*Dr. Eng. Harrison E. MUTIKANGA, UEGCL CEO leads H.E Elin Østebø Johansen - Norwegian Ambassador to Uganda on a site visit to the Isimba Hydro Power Plant.*



# CALENDAR

June



*Dr. Eng. Harrison E. MUTIKANGA – CEO, UEGCL leads Hon. Dr Ruth Nankabirwa SSENTAMU - Minister of Energy and Mineral Development on an inspection to the newly constructed staff houses at Diima Primary School under CDAP.*

October



*Stakeholder's meeting on Isimba (183MW) Hydropower Project hosted by H.E Yoweri Kaguta Tibuhaburwa MUSEVENI at State House Entebbe in October 2022. H.E Zhang Lizhong - Chinese Ambassador to Uganda was also in attendance.*

November



*Stakeholders in a group photo after the launch of the Uganda Committee On Large Dams (UCOLD) at Serena Hotel, Kampala*



# Board Chairperson's Message

**Eng. Proscovia M. NJUKI**



## Shareholder's Equity



***"In line with the National Development Plan, government manifesto and Vision 2040, the Company's strategy continues to prioritize increased installed capacity to support generation of affordable electricity for socio-economic development."***



## ***Dear Shareholders and Stakeholders***

On Behalf of the Board of Directors of Uganda Electricity Generation Company Ltd ("Company"), I am pleased to present the 2022 Annual Report & Audited Financial Statements of the Company for the twelve months ended 30<sup>th</sup> June 2022.

## **Financial Overview**

During the Financial Year, the Company achieved a meaningful and sustainable financial performance driven primarily by the operations of the Company and not economic factors beyond our control as was the case during the Financial Year 2021/2022. This change is mainly due to the mitigation of the exposure to foreign exchange risk following the redenomination of the loans on-lent to the Company from the Government for the development of the 180 MW and 600 MW Isimba and Karuma Hydropower projects respectively from United States Dollars (USD) to Uganda Shillings (UGX).

**The summary of the performance is as follows;**



Revenue grew by 24.2% to UGX. 210.9 Billion from UGX 169.7 Billion in 2020/2021 attributed to increased sales of electricity generated from the Isimba Hydropower Plant and the 50 MW Heavy Fuel Oil-Fired Namanve Thermal Power Plant which the Company acquired in Q3 of the period under review.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 25% to UGX 144.6 Billion from UGX 115 Billion due to interest expense, depreciation and amortization, and an unrealized foreign exchange gain of UGX 3.5 Billion resulting from the depreciation of the USD against UGX and volatility of exchange rates with project loans which are denominated in USD.

Profit before tax was UGX 40.7 Billion which was a decline from last year's profit of 95 Billion, UGX 70 Billion of which was from unrealized forex exchange gains and therefore unsustainable. However, the Shareholder's equity increased by 3.36 % to UGX 860.6 Billion from UGX 832 Billion.

Total Assets increased by 4% to UGX 7.24 Trillion from UGX 6.96 Trillion in 2021 due to the acquisition of the 50 MW Heavy Fuel Oil-Fired Namanve Thermal Power Plant, an increase in valuation of WIP at the Karuma Hydropower Project, and increased equity investment in the Nyagak III Hydropower Project.

Non-current liabilities (borrowings) increased by 0.31% to UGX 5.85 Trillion from UGX 5.83 Trillion. The increase was due to the exchange rate used to revalue the loans at the reporting date.

The Company's financial results and segmental performances are further detailed in the Management Discussion & Analysis section of this Annual Report.

As at the close of the period, the Company was solvent with positive equity of UGX. 860.6 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.

## Operating environment

The year witnessed an increase in economic activities when containment measures for the COVID-19 pandemic were progressively relaxed as daily new infections trended downwards. As the economy continues to recover and aggregate demand is expected to rise, the Company is strengthening its business resilience strategies to expand its earnings base and expand into other income streams

Despite the ongoing global challenges, the Company's strategy continues to prioritize increased installed capacity to support the generation of affordable electricity for socio-economic development, in line with the National Development Plan, the Government manifesto and the Uganda Vision 2040. However, funding constraint remains a key bottleneck to the full implementation of the Company strategy and the Company's ability to meet various stakeholder expectations.

## Strategy

The Financial Year saw the completion of the fourth year of the Company's 5-year 2018-2023 Strategic Plan, a comparative performance trend over the 4 years indicates continuous improvement in the overall Company performance with a 77% target achievement on the corporate performance in the period under review. Some of the key strategic goals attained during the period include inter alia the

acquisition and commencement of the operation of the 50MW Heavy Fuel Oil-Fired Namanve Thermal Power Plant, the roll-out of performance contracts between the Head office and the generation plants which mirror private sector tenets, stakeholder partnerships that yielded both financial and social value as well as the effective implementation of the core business of power generation and the pursuit of noncore business ventures such as the tourism potential for the Karuma and Isimba Hydropower Project and the Professional Services Unit

We remain focused on achieving the completion and commissioning of ongoing hydropower projects at Karuma and Nyagak, Improving operational and maintenance efficiency, revenue growth, Stakeholder satisfaction, improved organizational capacity, and business process efficiency.

In conclusion, we are formulating a new five-year (2023-2028) strategy which will be launched in May 2023 to replace the five-year strategy that the Company has implemented since 2018.

### **Governance**

The Company has consistently practiced good Corporate Governance, reflecting our belief that robust governance practices, processes, and culture are fundamental to ensuring long-term shareholder value, protecting Stakeholders' interests and inspiring investors' confidence. This is in alignment with the Code of Corporate Governance in the Companies Act 2012 and other new best practices.

The Board will continue to focus further on improving Board policies and practices, strengthening oversight of sustainability risks and opportunities, integrating

sustainability goals with business strategy and operations, and promoting meaningful engagement with our Stakeholders.

### **Corporate Citizenship**

As a responsible corporate citizen, the Company acknowledges the need to balance its operations and performance with responsible environmental and social considerations which emphasises the Company's sustainable development practices. As we continue our sustainability journey, our ultimate aim is to deliver good performance whilst ensuring long-term value creation for all our Stakeholders.

It is in this context that the Company is committed to adopting and implementing an Integrated Reporting framework within the next year as a crucial step towards better governance and an ideal tool to create value for our stakeholders. This will enable us to clearly articulate our strategy and business model, better identify risks and opportunities, and improve internal processes leading to a better understanding of the business and improved decision-making. More importantly, it will enable us to think in an integrated and holistic manner to address sustainability issues, which encompasses environmental, social, and governance ("ESG"), which is central to our continued ability to operate.

### **Future Outlook**

#### **We look to the future with hope**

While the COVID-19 pandemic has fundamentally changed the business environment in which we operate, and we have to constantly anticipate, adjust, adapt and strategise in response. The Company remains very focused on executing its business resilience strategy centered on four (4) strategic drivers, namely; Diversification, Technology Improvement & Innovation and



Research, and Cost & Operational Efficiency and Improved Organizational Effectiveness, to grow and maximise long-term value creation for our Stakeholders.

The Board approved a Data Management and Business Intelligence Framework intended to transform UEGCL into a data-driven entity which is to be implemented over ten years and we look forward to improvements to the business from this area.

As the Government seeks to revive the economy after the COVID-19 pandemic with prospects for economic growth in the medium-term projected at 6.5 per cent per annum. The Company is optimistic about its future prospects given the strong fundamentals, track record, and demonstrated capability, dedication and team spirit of our employees, Management and Board.

Moving forward, the Board is confident of delivering sustainable growth and building a stable earnings stream. We are very optimistic that the Company will continue to grow despite the challenges in the operating environment which are likely to persist in the short and medium term. The areas of focus for the next year include;

1. Commissioning and commencement of commercial operations of the 600MW Karuma Hydropower Project which will add 600MW of electricity to the national grid.
2. The takeover of possession and commercial operations of the Nalubaale and Kiira Hydropower plants effective 1st April 2023 after the expiry of the 20-year concession and Assignment Agreement with Eskom (U) Limited on 30th March 2023.
3. The Company has planned for a

refurbishment of ageing dam structures at the Nalubaale and Kira Hydropower plants to ensure the posterity of the assets to meet future power needs at reasonable tariffs.

4. Work towards ISO accreditation for 45001 for Occupational Safety and Health and 14001 for Environment through the Company's established Safety, Health, Environment and Quality (SHEQ) function dedicated to handling all safety and environmental issues.
5. The completion of the construction of the Nyagak III Hydropower Project and commencement of commercial operations.
6. The Company continues to prepare for the rationalization and merger of government agencies in the electricity supply value chain projected to be implemented by the end of the Financial Year 2022/2023.

### Acknowledgement

On behalf of the Board of Directors, I would like to express our gratitude to the Government, the Regulator, Development and Business partners and clients for their steadfast cooperation and trust in the Company. My appreciation to my esteemed colleagues on the Board for their perceptive insights and wise counsel which truly helped the Company steer through the challenges while paving the way for our further growth and success. Last but not least, I would like to thank our dedicated and hardworking Management team and Staff for their resilience in the face of adversity and their tireless commitment to excellence.

I sincerely thank the Shareholders for trusting us to spearhead the Company and we pledge our unreserved commitment to see this Company go to greater heights.



# CEO's Statement

**Dr. Eng. Harrison E. MUTIKANGA**



Net Profit of  
**UGX. 27.9 Billion.**

“

*The Company remained profitable during the year, posting a net profit of UGX 27.9 billion. This time around, the profit did not include any foreign exchange volatility factors, as the UEGCL dollar-denominated loans were converted to Uganda Shillings.*

”

## Introduction

I am delighted to present the UEGCL Annual Report for the period ended June 2022. The year saw us move from a COVID to a post-COVID period, in which several lessons and coping mechanisms were learned. The year, therefore, presented itself as part of the continued growth trajectory, as we implemented the second-last year of our strategic plan (2018 – 2023). The performance for the year is summarized below.

## Financial Performance

From the financial perspective, UEGCL, for the fourth year running, continued to exhibit bottom-line profits, with Isimba continuing to be the cash cow of the Company. It should, however, be noted that during the year, an additional revenue stream of Namanve Thermal Power Plant (TPP) was added, and this further boosted the income of the Company.



Together, Isimba and Namanve accounted for 80% (UGX 169 billion) of our income. The concession accounted for about 5% (UGX 10.5 billion), while other incomes accounted for 15% (UGX 31.5 billion). As earlier mentioned, the Company remained profitable during the year, posting a net profit of UGX 27.9 billion. This time around, the profit did not include any foreign exchange volatility factors, as the UEGCL dollar-denominated loans were converted to Uganda Shillings. The conversion was a major milestone for us, as a company, since we are now shielded from the volatility of the foreign exchange rate, and its impact on our bottom line. It should be noted that the conversion was also one of the recommendations of a financial sustainability study that was undertaken by UEGCL with support from AfD (French Government). On the other hand, our operating profit (earnings before Interest) increased from UGX 54.7 billion to UGX 66.3 billion—a growth of 21%.

Once again, UEGCL was able to service its debt obligations on Isimba to the tune of **UGX 129.8 billion (Principal and Interest)**.

### Project Implementation

During the year, the Karuma (600 MW) HPP overall physical progress of works increased by **0.15%** from **99.45%** to an estimated **99.60%**. The project completion date of 15<sup>th</sup> June 2022 was not achieved because of the significant completion delays in the activities regarding the rectification of Electro-Mechanical (EM) works. Internal stakeholder discussions with the contractor and consultant have now rescheduled the commissioning of project before end of this financial year.

Regarding the **Isimba project (183 MW)**, the overall progress of completion of the snags and defects as of June 2022 stood at **98%** (763 of the 776). However, there are a number of snags still pending that

are fundamental to the smooth and reliable operation of the Plant. These include the installation of a floating boom, completion of O&M manuals and As-Built drawings, and recommissioning of corrected critical plant systems such as the excitation system and trash rack cleaning machine, in accordance with the Contract. It is envisaged that the contractor will have all outstanding snags completed before the end of the Defects Liability Period now slated for March 2023.

The second phase of the Isimba HPP Community Development Action Programme (CDAP) commenced with priority placed on the multipurpose storied building at St. Peter's Kibuzi secondary school in Kayunga. The contract execution for grid extension and electricity reticulation in Kayunga and Kamuli districts is also underway. The project will cover 49 villages in Kayunga and 08 villages in Kamuli. In the same latitude, under the Karuma HPP CDAP, UEGCL prioritized the construction of Primary School facilities in the three host districts of the project. The schools included Diima Primary School in Kiryandogo, Purongo Primary School in Nwoya district and Nora primary school in Oyam district.

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, UEGCL embarked on repackaging the Muzizi HPP project into **a bankable and feasible project** and a number of development partners have been engaged on the same. There is a need to **reinstate the Muzizi project** on the Public Investment Plan

(PIP) to complete the Resettlement Action Plan (RAP), and access funds for **compensation** as well as **re-scoping** of the project.

On the other hand, **civil works on the Nyagak III (6.6 MW) HPP** progressed to **75%**. However, due to funding constraints **and** COVID-19 disruptions, the Commercial Operations Date (COD) was extended to March 2023.

The **Maziba (1 MW) HPP** which is a strategic asset for power supply in the southwestern region of Uganda, has undergone detailed studies for rehabilitation, and what remains are the Environmental and Social Impact Assessment (ESIA) studies. These, however, remain unfunded, and UEGCL is pursuing the project for inclusion on the PIP.

### Operational Performance

The financial year 2021/22 marked the third year of operations of the 183 MW Isimba HPP. During the year, and in line with the approved Operation and Maintenance model, the Isimba HPP **Internal Performance Contract** was finalized and signed on 10<sup>th</sup> March 2022 between the **Isimba Operator (Isimba Staff & Management)** and the **Asset Holder (UEGCL Head Quarters)**. On average, the plant operated with plant availability and reliability of **85.08%** and **99.74%** respectively. The average declared capacity was **154.44 MW per hour** and the average actual dispatch was **117.81 MW per hour**, resulting in a plant factor of **56.4%**.

As part of the support towards operation and maintenance, an **O&M Technical (OMT) Advisor** was procured as part of the five-year Norwegian Hydropower Operation and Maintenance Excellence (HOME) program. The OMT Advisor,

**Hydro Operations International (HOI)** in a Joint Venture with TBEA Uganda and CNR, a French company, commenced their work in April 2022 at both the Isimba and Karuma HPPs.

During the year, UEGCL took over the Operation and Maintenance of the **50MW Namanve Thermal power plant** on 24<sup>th</sup> February 2022. This led to an increase in UEGCL's installed capacity from **563MW** in 2021 to **613MW** in 2022. The retransfer also contributed towards one of our key strategic objectives of enhancing our business portfolio.

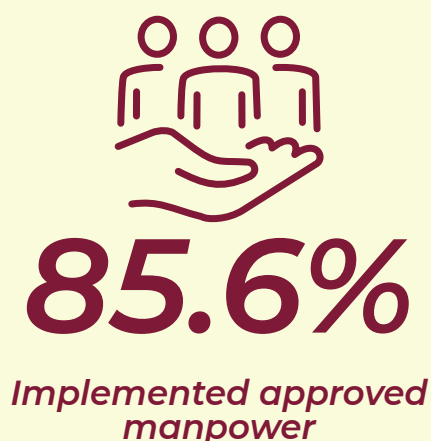
Additionally, UEGCL also continued monitoring the Concession with Eskom (U) Limited at Kiira/Nalubaale Complex. In line with the retransfer of the complex back to the Government, envisaged to take place in March 2023, **PPA negotiations between UEGCL and UETCL** were also completed. The audit of the buyout amount, legal and environment components was still ongoing by the close of the year.

### Business Development

Our Business Development Objective remains to ensure sustainable operations hinged on a diversified portfolio of business ventures. During the year, UEGCL finalized the contract for the feasibility studies of the Floating Solar project. The contract was awarded and the study is envisaged to commence in the first quarter of the financial year 2022/23. Furthermore, in preparation for the feasibility studies, capacity building for UEGCL staff on the Floating Solar technologies was carried out with support from the International Council of Swedish Industry (NIR). The training ranged from policy regulation, finance, financial modelling, environment and social training, and a benchmarking visit to the 400MW Bui hydropower station in Ghana that already has floating



solar implemented. The different capacity-building sessions were aimed at positioning UEGCL to adequately implement the floating solar project as well as knowledge transfer from the experts.



### Human Resource Development

As of June 2022, **85.6%** of the approved manpower plan had been implemented, an improvement from the 80.8% implementation at the end of last year. The 4.8% increment is attributed to the takeover of the 50MW Namanve Thermal plant in February 2022, with the staff count increasing from 202 staff to 244 staff. It is envisaged that the implementation of the manpower plan will further be enhanced with the retransfer of the 380MW Kiira/Nalubaale Complex back to the Government in March 2023.

### Business Re-engineering

During the year, the Board approved the **Department of Safety, Health, Environment and Quality** to uplift the profile and the relevance of safety as a core value at UEGCL. The department will be in charge of the Quality

Management System (QMS); Dam Safety; implementation of the SHE & Social Safeguards aspects i.e. Occupational Health & Safety System ISO 45001:2018, Environmental Management System ISO 14001:2018.

During the year, we also engaged key stakeholders including the Ministry of Energy and Mineral Development, the Ministry of Finance Planning and Economic Development and the Solicitor General on some of the key risks that are outside UEGCL's risk appetite. These risks, for example, the foreign exchange risk, dam safety risk and project completion risk, threaten UEGCL's profitability and sustainability. Suffice it to say that we have now achieved the critical milestone of the conversion of the UEGCL Debt from dollars to shillings.

During the year, UEGCL's Asset Management (AM) level increased from 2.1 in FY2020/21 to 2.53 in FY2021/22. The 0.43 increment is attributed to, among other things, the clear definition of Asset strategies for the different assets at Isimba HPP; progress towards the operationalisation of the **Computerised Maintenance Management System (CMMS)** which will help optimise the utilisation and availability of our Assets; establishment of the operational governance of the AM with the rollout of the **O&M Business model** where each plant will be run as a semiautonomous unit.

### Challenges Faced by the UEGCL

Despite the positive strides attained by the Company, a number of challenges were faced during the year, as highlighted below.

**a) Project Implementation** challenges remain persistent, and this has affected the functionality of the

Isimba HPP, and also delayed the commencement and completion of the Karuma, Nyagaka, and Muzizi HPPs. The challenges have included snags in Isimba and the quality of work in Karuma. 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 efforts to resource its strategy, especially in the area of project development. Key projects/activities hampered were the Muzizi HPP, Maziba HPP, CDAP activities in Karuma, and the staff housing project in Isimba.
- c) Policy and Regulatory Framework** which limits the ability of UEGCL to operate financially sustainably with a reasonable return on investment.
- d) The impending sector mergers and rationalization of MDAs** is affecting current operations mainly due to the uncertainties that arise about the fate of the staff. This has dampened morale, and may lead to speculative loss of talent.

## Future Outlook

**Strategy Development:** UEGCL will commence planning for the next five-year cycle (**2023 – 2028**). The new plan will be anchored to the aspirations of the NDP III/IV, and the Government's Vision 2040. Alignment to the Government's Manifesto goals will also be sought. Key in the policy direction and outlook for the next five-year period will be the following:

**Operational Efficiency:** UEGCL's operations are envisaged to expand from the current **Isimba (183 MW)** and **Namanve (50 MW)** to also cover **Karuma (600 MW)**, and **Nalubaale/Kiira (380 MW)**, which UEGCL will take over during the financial year 2022/23. These Plants

will be managed within the auspices of the UEGCL **O&M Business Model**.

**Generation Capacity:** Uganda currently has an electricity generation installed capacity of 1,346.7MW as compared with the NDP III target of 3500 MW by 2025. With the completion of the Karuma (600 MW) HPP and the Nyagak SHPP (6.6 MW), the total installed capacity will increase to 1,952 MW. This still falls short of the NDP III target of 3500 MW by 2025. Therefore, UEGCL will concentrate on bridging this deficit in partnership with the various stakeholders in the sector.

**Energy Mix Strategy:** UEGCL developed an energy mix strategy that it intends to operationalize in a phased manner. The energy mix will support the country's energy security and reduce the overdependence on hydropower. Diversification will target different renewable energy sources: solar, geothermal, wind, and possibly nuclear.

**Financial Sustainability:** Financial sustainability remains at the core of UEGCL's Strategic Goals. In line with the financial sustainability study recommendations, UEGCL will continue pursuing different initiatives including the quest to allow for depreciation and a return on assets. This will allow UEGCL to sustainably operate its plants by covering both O&M and investment costs.

**Business Diversification (Non-Core):** As part of its growth initiatives, UEGCL plans to diversify its activities by harnessing the Karuma and Isimba tourism potential, and also start up a Professional Services Unit. Both these ventures will ensure diversified revenue streams for the Company, while at the same time improving and expanding the productivity of staff who will be able to multi-skill.

**Digital Transformation:** In today's world, digital transformation and automation of services are the way to go. In this regard, a number of initiatives are already underway to automate the operations of the Company. Currently, the Computerized Maintenance Management System (CMMS) has been installed, and this will help optimize the utilization and availability of our assets. Areas of focus for UEGCL will include data management, analytics and business intelligence, cyber security, data modelling, and ICT governance.

### Conclusion

As we commence the implementation of the final year of our **five-year strategy (2018-2023)**, we are confident that we shall achieve the targets we had set for the year ending June 2023, with the commissioning of the **600MW Karuma HPP** and the retransfer of **Nalubaale/Kiira Complex** being some of the key milestones.

Indeed, significant strides have been made across the company, right from financial to operational gains, and these have propelled the 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 operation and maintenance of our assets.

Once again, on behalf of Management, we appreciate the strategic guidance and oversight accorded to us by the Board of Directors. Our sincere gratitude goes to the UEGCL workforce for their tireless efforts towards the fulfilment of our mandate.

We want to give special thanks to our shareholders, the Ministry of Energy and Mineral Development and the Ministry

of Finance, Planning and Economic Development, for the policy and strategic guidance.

Last but not least, we acknowledge the support of our stakeholders, who have supported our business operations including the Sector Regulator (ERA), our Development Partners, the Parliament of Uganda, the Project Steering Committee, and the project site communities. 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"**.



# 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 Ltd.

She is 71 years of age and has served the Company as an Independent Non-Executive Director for eight years, since 13 November 2013, the last five of which have been as the Chairperson 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 55 years of age and has served as an Independent Non-Executive Director in the Company for five 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.



**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 57 years of age and has served as an Independent Non- Executive Director in UEGCL for eight 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.



**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 60 years of age and has served as an Independent Non-Executive Director in the Company for three 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.

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

Eng. Wamala is an Electrical Engineer with over 16 years of experience in occupational safety, project design and management, and electricity generation. He holds a Master's of Science in Energy and Power Systems from the University of Liverpool, UK, a Master's 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 43 years of age and has served as a Non-Executive Director in the Company since 6 July 2021 and is a member of the Technical Committee and the Human Resources, Compensation, and Planning Committees of the Board.

### **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 three years since 13 November 2019.

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

### **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 six 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.



*UEGCL operations and maintenance staff at Namanve Thermal Power Plant cleaning one of the fuel injection valves.*



# UEGCL Management



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



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



**Joyce NAKALEMA**  
Chief Human Resource  
Officer



**Dr. Mary AKURUT**  
Chief Safety, Health, Environment  
and Quality Officer



**Joseph OKECHO**  
Chief Audit Officer



**Mark Martin OBIA**  
Company Secretary



# Team



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



**Joshua KARAMAGI**  
Chief Finance Officer



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

## Heads of Units



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



**Beat NABACWA**  
Head Strategy and Business  
Performance



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



**Albert MURUNGI**  
Head Information and  
Communication Technology



**Flavia ANYIKO**  
Head Risk



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



# Corporate Governance Statement

## THE BOARD

This statement is prepared in accordance with the Code of Corporate Governance Code (Table F) in the Third Schedule of the Companies Act No.1 of 2012 and the Corporate Governance Guidelines of 2019 issued by the Electricity Regulatory Authority (ERA).

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

The Company's Board of Directors is composed of Seven (7) Non-Executive Directors (NED) appointed by the Shareholders at the Annual General Meeting of the Company for three-year terms and are eligible for re-appointment subject to the Shareholders' approval.

Two of the seven Directors are non-independent NED's by virtue of their nomination and appointment to represent the Shareholders' Ministries namely; the Ministry of Finance, Planning and Economic Development and the Ministry of Energy and Mineral Development while the rest are independent NED's. The composition and skills of the Board of Directors are summarised in Table 1 below;

**The composition of the BoD currently stands as follows:**

	Director	Classification	Skills
1.	Eng. Proscovia Margaret Njuki (Chairperson)	Independent non-executive Director	Engineering and Leadership
2.	Eng. Julius Wamala 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 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.
- 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 and 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.

**Functions of the Board**

The Board's key role is to ensure proper governance, effective articulation of the Company's Strategy and monitoring of its implementation. While there are matters reserved for the Board, the day-

to-day implementation of the Company's Strategy is delegated to the Chief Executive Officer and the Senior Management who provide quarterly accountability reports to the Board.

Further, the Board discharges its responsibilities through the following Board Committees:-

- i. Governance, Risk and Compliance
- ii. Finance and Audit
- iii. Technical and;
- iv. Human Resources, Compensation and Planning,

The Committees receive and consider quarterly reports and other business from Management for scrutiny and make recommendations to the Board for a decision.

In addition to the Companies Act, the Memorandum and Articles of Association of the Company, the Board Charter gives guidance on the roles and responsibilities of the Board as well as the procedures and coordination of the Board and its Committees.

## **BOARD AND STRATEGY EFFECTIVENESS**

The Board is very pivotal in the development, implementation and monitoring of the Company's Strategy. In this regard, the Board receives quarterly and annual reports on Strategy implementation. Additionally, the Company is implementing the final year of its 5-year 2018-2023 Strategic Plan and has commenced the development of the next five-year (2023-2028) Strategic Plan in which the Board is actively involved.

A comparative performance trend over the last four (4) years indicates continuous improvement in the overall

Company performance with a 77% target achievement on the corporate performance in the Financial Year 2021 – 2022 mainly attributed to the realization of some key strategic goals.

## **BOARD ENHANCEMENT AND TRAINING**

The Board has had to continuously improve and upgrade its knowledge, competencies and skills to enable Directors adequately carry out their duties and functions including providing effective leadership to oversee the Company's strategic objectives and operational performance targets.

In this regard, the enhancement and training needs of Directors are determined through an assessment of their needs using the outcomes from the Board Evaluation, the assessment of previous enhancement programs and the assessment of the individual Directors. The Board endeavours to keep abreast with developments in the industry and governance and in this regard members undertook a bespoke Board excellence programme which covered a breadth of subjects relevant to the Directors.

## **BOARD EVALUATION**

In accordance with the Code of Corporate Governance, best practices and the Board Charter, the Board undertakes an annual evaluation of its effectiveness and its Committees. However, for the Financial Year 2021/2022, the Board deferred the evaluation to the end of the financial year 2022/2023 to allow for the implementation of the recommendations from the last evaluation which are being progressively implemented and without which the outcome of the evaluation for the period 2021/2022 was unlikely to be assessed differently.



## CONFLICT OF INTEREST

A declaration of conflict of interest is a requirement under the Companies Act, the Leadership Code Act and the Board Charter. In this regard, the Directors individually declare whether or not to the best of their knowledge, belief or information they have a conflict of interest regarding any matter or issue before them before consideration of any matters.

## PROJECT MONITORING

Given the need to ensure effective project implementation of the generation facilities under development by the Company, the Board undertook physical visits to the project sites to verify and assess the progress of project implementation and to engage with other stakeholders such as the Contractors and Project Management Teams. During the year, the Board made visits to Karuma and Nyagak III Hydropower Projects and to the generation facilities at Isimba Hydropower Plant, the 50 MW heavy Fuel Oil Fired Namanve Thermal Power Plant and the Nalubaale & Kiira Hydro Power Plants.

## STAKEHOLDER ENGAGEMENT

One of the key improvement areas in the last Board Evaluation Report was stakeholder engagement, to this end, the Board is committed to engaging with its stakeholders in a proactive and ongoing basis. In this regard, the Board is committed to the following objectives.

- i. To position stakeholder engagement as one of the core business activities by facilitating the Company's ability to understand stakeholder concerns and interests and incorporate them into the business processes and activities.
- ii. To improve the way the Company

communicates and engages with our stakeholders, including enhancing the clarity, accessibility, relevance and timeliness of its communication throughout the engagement processes.

- iii. To build stakeholders' trust and confidence in the Company, its mandate, decisions and activities
- iv. Ensure a customised and coherent approach to stakeholder engagement across all Company operations and
- v. Improving the quality of engagement. .

## BOARD MEETINGS

The Board holds quarterly ordinary meetings that are scheduled in a bi-annual activity calendar. Extraordinary meetings are held as and when the need arises. As the Company continued to adjust to the new environment business environment, a majority of the Board meetings during the year were held virtually through digital applications.

However, the Board notes that while the use of technology and other online tools was convenient and useful for business continuity to continue in the face of COVID-19 and other challenges, the over-interaction with systems could undermine relationships leading to social exclusion. In this regard, The Board has decided to meet more in-person during the next year to enhance its relationships and improve Board dynamics.

Papers to the Board are circulated in advance to give the Board sufficient time to go through the reports and prepare for the meetings. Through these meetings, the Board is able to offer guidance and direction to Management after which the Board resolutions are extracted for Management's action.

The Chief Executive Officer and Company Secretary attend all Board meetings while members of the Senior Management Team attend on invitation to provide additional information when required.

### Ordinary Board Meetings

The attendance of the Ordinary Board Meetings for the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022 was as follows: -

YEAR	2021		2022	
DATE	13.08	12.11	11.02	13.05
Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√
Mr. Paul Patrick Mwanja	√	√	√	x
Mrs. Hope Bizimana	√	√	√	√
Prof. Nixon Kamukama	√	√	√	√
Mr. Ronald Dravu	√	√	√	√
Eng. Gilbert Kimanzi	x	x	√	x
Eng. Julius Wamala	√	√	√	√

√ = Attendance    x = absent with Apology

*All meetings were held virtually except the meeting of 13/05/2022 which was a hybrid meeting consisting of both in-person and virtual attendance*

### Extra Ordinary Board Meetings

The attendance of the Extraordinary Board Meetings for the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022 is set out in the table below.

YEAR	2021			2022	
DATE	26.08	8.10	30.11	10.02	23.02
Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√	√
Mr. Paul Patrick Mwanja	√	√	√	√	√
Mrs. Hope Bizimana	√	√	√	√	√
Prof. Nixon Kamukama	√	√	√	√	√
Mr. Ronald Dravu	√	√	√	√	√
Eng. Gilbert Kimanzi	√	x	√	√	√
Eng. Wamala Julius Namusanga	√	√	√	√	√

√ = Attendance    x = absent with Apology

*All meetings were held virtually except the meeting of 13/05/2022 which was a hybrid meeting consisting of both in-person and virtual attendance*

## BOARD COMMITTEES

During the year, all the Committees held ordinary and extraordinary meetings. Most of these meetings were held virtually as this mode proved a safe and convenient way in the wake of the COVID-19 pandemic.

Each Committee is made up of three (3) members of the Board with two members forming a quorum and chaired by an Independent Non-Executive Director. The detailed analysis of Committee meetings and attendance during the period of reporting was as follows:-

### i. Governance, Risk and Compliance Committee

The Committee supports the Board in understanding the enterprise risk management, governance and compliance management concerning the Company's operations and also ensures that through regular reviews and assessments, management has established effective systems to identify and manage material risks. The Committee's composition and attendance of meetings was as follows;

*Table 4: The Record of attendance for meetings of the Governance, Risk and Compliance Committee*

YEAR	2021		2022	
DATE	29.07 (v)	28.10 (v)	28.01(v)	28.04 (v)
Mr. Dravu Ronald (Committee Chairperson)	√	√	√	√
Mrs. Hope Bizimana	√	√	√	√
Prof. Nixon Kamukama	√	√	√	x

√ = Attendance    x= absent with Apology

*All meetings of the Committee were held virtually.*

### Finance & Audit Committee

The Committee provides an oversight role in monitoring (i) the reliability of the Financial Statements of the Company, (ii) the Company's performance against the approved budgets, and reviewing the performance of the internal audit function. The Committee ensures that the financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles.

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

*Table 5: The Record of attendance for meetings of the Finance and Audit Committee*



YEAR	2021					2022			
DATE	30.07	29.10	10.09*	1.11*	27.11*	31.01	21.02*	29.04	27.06
Dr. Nixon Kamukama (Chairperson)	√	√	√	√	√	√	√	√	√
Mr. Ronald Dravu	√	√	√	√	√	√	√	√	√
Mr. Paul Patrick Mwanja	x	√	√	√	√	√	x	√	√

√ = Attendance    x = absent with Apology

\* Denotes Extraordinary Committee Meetings

All meetings of the Committee were held virtually save for the meeting of 27/06/2022 which was held in person.

### Technical Committee

The Technical Committee provides an oversight role, reviews, evaluates and makes recommendations to the Board concerning the technical performance of the Company on monitoring the concession of the Nalubaale and Kiira Hydro Power Plants to Eskom Uganda Ltd, Operations and Maintenance of the generations plants operated by the Company, Project Implementation as well as health, safety, and environment management.

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

Table 6: The Record of attendance for meetings of the Technical Committee

YEAR	2021		2022		
DATE	28.07	2.11	27.01	18.02*	26.04
Eng. Gilbert Kimanzi (Chairperson)	√	√	√	√	√
Eng. Proscovia M. Njuki (Ex-officio)	√	√	√	√	√
Mr. Paul Patrick Mwanja	√	√	√	√	√
Eng. Julius Wamala	√	√	√	√	√

√ = Attendance    x = absent with Apology

\* Denotes Extraordinary Committee Meetings

All meetings of the Committee were held virtually

### Human Resource, Compensation and Planning Committee

The Human Resource, Compensation and Planning Committee supports the Board in its responsibility of reviewing Company structure, remuneration, rewards, recruitment,

training and development, succession planning, performance management and strategic planning

The Committee's composition and attendance of meetings during the financial year are summarized in table 7 below;

*Table 7: The Record of attendance for meetings of the Human Resources, Compensation and Planning Committee*

YEAR	2021				2022		
DATE	26.07	19.08*	14.10*	26.10	25.01	25.04	14.02*
Mrs. Hope Bizimana (Chairperson)	√	√	√	√	√	√	√
Eng. Gilbert Kimanzi	X	√	x	√	√	√	√
Eng. Julius Wamala	√	√	√	√	√	√	√

√ = Attendance    x= absent with Apology

\* Denotes Extraordinary Committee Meetings

*All meetings of the Committee were held virtually*

## INTERNAL AUDIT

The Company has an Internal Audit function which provides assurances to the Board and Management on the effectiveness of the Company's governance, risk management, and internal control systems. In this regard, The Chief Audit Officer provides the Board with a quarterly report and audit opinion based on the approved risk-based annual audit work plan and the status of corrective actions from past audits and as well as from other assurance providers.

To ensure the independence of the internal Audit function, the Chief Audit Officer reports functionally and directly to the Board and administratively to the Chief Executive Officer.

## RISK MANAGEMENT

The Company is committed to robust risk management as one of the key factors for the successful delivery of its Strategic Objectives while protecting the interests of stakeholders. The Board through the Governance, Risk and Compliance (GRC) Committee plays an oversight role in the institution of the Enterprise Risk Management Program. As such, every quarter the Board reviews the Risk Management system to monitor changes in the Company's risk profile versus the risk appetite and advises on the necessary mitigation strategies to bring and/or maintain the Company's various risk exposures within acceptable levels.

The Company is also constantly reviewing its Risk Management Framework to ensure continuous improvement and embedding of risk management in the business systems,

processes and projects to ensure that risk responses are dynamic and effective.

During the year, the Company's Risk Appetite Statement was reviewed and updated by the Board to reflect the changes in the environment in which the Company operates and the Company's risk treatment capabilities.

Additionally, a comprehensive impact analysis of all critical processes and activities was completed this year as part of the Company's Business Continuity Framework. This was followed by the development and validation of various Business Continuity Plans as risk response measures for risks that were deemed to potentially have a material impact on the Company's operations.

Underpinned by its robust risk management program and business continuity plans, the Company is well-positioned to deliver good results despite the current macroeconomic context of high inflation, damage to businesses from the COVID-19 pandemic, and climate change-related risks.

**DIRECTORS REMUNERATION**

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

	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 whichever is lower	

**STAFF REMUNERATION**

The Company's salary structure is benchmarked within the electricity sector and it offers competitive and attractive packages for skilled and competent employees.

**Structure of Remuneration**

- i. Fixed pay:** The basic salary is subject to annual inflationary adjustments subject to the approval of the Sector Regulator. A Dividend Policy to guide the determination and payment of dividends.
- ii. Benefits:** The Company provides Medical Insurance Cover, Group Personal Accident Insurance, which includes inter alia death benefits for Staff and dependents.
- iii. Retirement Benefits Scheme:** The Company operates a retirement benefits scheme for its staff and contributes 30% of each employee's monthly gross salary while the staff contributes 5% of their monthly gross salary.



**iv. Variable pay:** The Company pays bi-annual performance incentives based on the Company's overall performance and employees who excel are also rewarded bi-annually.

## **INTEGRATED REPORTING & DISCLOSURE**

The Company's annual reporting has advanced beyond financial reporting and considers reporting and disclosures on other important aspects of the operating environment such as policies and procedures, strategy, governance and commitments to social, ethical, safety and environmental concerns. However, there is room for improvement through the adoption of an appropriate sustainability framework to enhance the reporting that the Company is working to resolve.

## **COMPANY SECRETARY**

The Company Secretary is a Chartered Secretary and provides sufficient guidance and advice to the Board and Management regarding the Company's activities to support the decision-making process.

The Company Secretary provides legal advice on correct processes and procedures by the Board in line with applicable and relevant laws, advises on any changes in laws, Corporate Governance practices and ensures that the Board approves appropriate policies. He is also responsible for maintaining Board and Committee records which include registers, minutes, resolutions and the Company seal.



## **CODES AND REGULATIONS**

There are instituted mechanisms to ensure compliance with corporate governance standards and practices, laws and regulations under the different legal frameworks. The principal guiding laws relating to the governance of the Company include the Company's Act of 2012, the Public Enterprises, Reform and Divestiture Act Cap 98 and regulations thereunder as well as the Board Charter. The board in fulfilling its mandate ensures adherence to corporate governance standards and best practices.

There are other key laws and regulations that govern the business and operations of the Company in the electricity generation sector and these include the Electricity Act, the Water Act, the National Environment Act, Occupational Safety and Health Act, and the regulations made thereunder. Compliance with obligations created by these laws is monitored under the Corporate Compliance program approved by the Board annually. Management reports to the Board on compliance quarterly.

During the financial year 2021/2022, the Board approved the following policies:-

- i. A Dividend Policy to guide the determination and payment of dividends.
- ii. A revised Risk Management Policy and Procedures Manual & the Risk Appetite Statement to adequately address the emerging risks within the Company's operating environment and maintain a framework for risk management, increase staff awareness of risks and ensure collective responsibility for the management of Company risks.
- iii. An Alternative Work Arrangements Policy and Procedures to support flexible time, flexible place and remote working post-COVID-19 and adaptation to the new norms of work.
- iv. A Records and Data Management Policy to guide the consistent and overall management of all Company documents/records.

## **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, it is hereby declared that the Board has sufficient reason to believe that the Company is a going concern and will remain so for at least the next twelve (12) months from the date of this statement.



*The radiator units at Namanve (50MW) Thermal Power Plant.*





UEGCL Namanve Thermal Power Plant staff carrying out an analysis of the generators' net energy and temperature parameters from the Plant's SCADA control and monitoring system in the main control room.

# Sustainability Report 2022



“

***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.***

”



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 at the core of UEGCL's aspirations. In line with this, UEGCL under-took a financial sustainability study aimed at identifying the impediments to UEGCL's financial sustainability. Some of

the recommendations implemented so far include the conversion of the UEGCL USD debt into Uganda shillings. This is mainly because of the impact of the exchange rate losses on both the balance sheet and the Profit & Loss of the company. Other initiatives to be undertaken to improve the financial sustainability of the Company are the quest to allow for depreciation and a return on assets. This will allow UEGCL to sustainably operate its plants through covering both O&M and investment costs.

We are however happy to note that with the commencement of operations in Isimba in 2019, UEGCL has over the past four years posted profits. This has in part been enabled through the revenue streams of Isimba, and now also with the conversion of the UEGCL debt from Dollars to Shillings. This is positive for UEGCL as a going concern. What now remains is to ensure that this profit is not only sustainable, but also translates into uninterrupted O&M activities, and also contributes to the future development of new projects.

Based on the Government projected electricity Generation targets, there is an urgent need to ensure timely availability of financing for new projects. One of the options for financing is the use of internally generated cash flows, which can leverage additional financing from different sources, including commercial sources. As a strategy therefore, UEGCL envisages the use of a cocktail of funding for future project development which will include the conventional Government backed development finance, supplemented by own resource mobilization efforts.

As we enter into the process of developing the new strategic plan for the period 2023-2028, one of the key thematic areas will be that of Financial sustainability with an emphasis on harnessing the low hanging fruits of leveraging finance from the commercial markets.



### **Health and Safety**

UEGCL is committed to ensuring Safety of our Staff, Contractors, Stakeholders, Suppliers, Visitors and the public that access our facilities. UEGCL aims to provide a safe and environmentally friendly work place for its operations while complying with the relevant regulations and legal frameworks. Safety is one of UEGCL's core values and a new Department of SHEQ (Safety Health Environment and Quality) was created to that effect. UEGCL also has safety committees in place that implements and reviews its Health & Safety Policy while promoting the SHEQ Culture at UEGCL in line with the OSH Act of 2006 and the Electricity (Safety Code) Regulations of 2020. We are committed to ensuring Zero Lost Time Injuries (LTI) as well as learning from our past incidents to improve Safety of Projects and Operations within UEGCL.

The SHEQ Department is implementing a SHEQ Integrated Management System

(IMS) with an overarching role to ensure Certification of UEGCL for (ISO 9001,14001 & 45001) in order to improve efficiency and effectiveness of operations and projects while ensuring safety of staff and environment. We continues to liaise with the OSH department of the Ministry of Gender, Labour and Social Development for regular inspections, identification, closure of risks, and functionality of equipment such as lifts, cranes and firefighting systems.

### **Climate Change**

UEGCL continues to implement Water Source Protection Plans for its host sites and to this effect, Catchment Restoration Activities have been on going. By June 2021, UEGCL had planted over 50 Hectares of different tree species in the Isimba Reservoir with active community involvement to limit catchment degradation and reduce sediment load in its reservoir. By September 2022, UEGCL had received an additional 10,000 Seedlings from NFA to



*Primary Seven pupils of Diima Primary School reading the mathematics books distributed by UEGCL in partnership with Gayaza High School.*

foster forestation activities within Isimba Reservoir.

UEGCL also received a grant from AFD to develop a Nile Water Resources Optimization Tool for the power sector that will incorporate Climate Change effects on power production along the Nile. The Tool is already under Development and is anticipated to start operation in March 2023. The Company is on course to obtain Carbon Credits for its generation assets and hopes to increase its finances by at least USD 2M per year.

### Corporate Social Responsibility

UEGCL strives to be a socially responsible corporate company in order to improve stakeholder satisfaction and organisational reputation. UEGCL undertook the **“Isimba Sanitary Pad Project”** initiative to support school going girls around Isimba HPP, specifically, Kayunga and Kamuli districts. The main objective of this CSR project was to lay a foundation for alleviating

Period-Poverty as one of the causes of the current school girl dropout rates in the Uganda. In phase one of the project, 635 students from Busaana SS, St. Peters Kibuzi SS and Buzaaya SS benefited from this CSR initiative where they received reusable sanitary pads.

In order to raise our profile and visibility in causes that promote healthy living, UEGCL supported and participated in this year's cancer run under the Theme **“Together Again”** after a hiatus of two years of covid-19. This helped to support our brand visibility and awareness since Rotary Cancer Run is an avenue for many companies to showcase their brand and the different services that they offer.

As part of the continuation of the Gayaza Mathematics book Project, UEGCL extended support to Nora Primary School in Oyam, Diima Primary school in Kiryandongo and Purongo Primary school in Nwoya



*Enock Kusasira – Head of Communication and Corporate Affairs (UEGCL) engages community leaders of Purongo village, Nwoya District.*



District. This program is aimed at inspiring young people in school to pursue a science career that will eventually produce great engineers that will further the agenda of “Generating for Generations”.

### **Stakeholder Engagement**

To ensure effective stakeholder engagement and in a bid to keeping the company’s stakeholder satisfaction levels high, UEGCL embarked on strengthening collaboration with the energy sector by organizing a get together for sectors’ communication persons. In September 2022, communication teams for the energy sector of government (UETCL, UEDCL, ERA, ESKOM, UMEME and MEMD) held a one day meeting at Isimba HPP to chart a way forward for strengthened collaboration on matters pertaining harmonized sector communication.

The CCA team continued to engage the Local leadership of Oyam, Nwoya and Kiryandongo districts as a way of reducing their negativity towards the CDAP projects. Indeed, the Local Council 5 chairpersons and other technical teams graced the commissioning functions of the CDAP schools in Kiryandongo and Nwoya.

As part of its communication strategy, UEGCL intensified media engagement efforts to proactively tell the success stories of the company. The Communication and Corporate Affairs team mobilized select media to cover the commissioning of the CDAP schools in Kiryandongo and Nwoya Districts. Consequently, UEGCL received positive media coverage in both print and electronic media. This was preceded by the visit of the Executive Director of Uganda Media Centre, Mr. Ofwono Pondo to Karuma HPP.

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

The number of staff at UEGCL is two hundred forty four (244) deployed at

the different UEGCL areas of operation.

### **UEGCL TALENT MANAGEMENT**

The UEGCL Talent Management Framework was developed to drive UEGCL towards improvement of performance and to support talent through the employee lifecycle. As part of achieving this, the following key factors highlight a brief of the success throughout the year:

#### ***Leadership Development***

During the year, the leadership development program commenced with the training of Middle Managers and Emerging leaders by Strathmore University. The staff that participated in the training are part of the company’s succession plan. The training was aimed at equipping the participants with leadership skills and ensuring a continuous flow of leaders to sustain the operations of UEGCL. Talent segmentation was rolled out as well as the competence management model – this will inform the staff development plans.

During the year, the UEGCL Mentorship Programme was launched. Under the Mentorship program, the first cohort of twenty five (25) mentees commenced a six months program supported by in house mentors who had been trained as part of the Female Future Leadership Program (FPP). This was aimed at guiding and supporting the female staff towards personal and career development and to support them deliver towards the UEGCL mandate.

In addition, Delegation of Authority (DoA) for Isimba Hydro Power Plant which led to the signing of the Internal Performance Contract (IPC).

### **CULTURE**

The UEGCL Culture management strategy was developed. The current dominant culture is a combination of the market



culture and hierarchy culture while the preferred is the market culture. The identified gap between the current and preferred culture was ascertained and a roadmap and action points to close this gap and implement the desired culture was developed, and implementation commenced.

With all the above initiatives, staff retention of 99% has been achieved.

## ORGANISATIONAL STRUCTURE REVIEW

The organizational structure was reviewed to support the successful implementation of UEGCL's mandate. During the year, the Namanve (50MW) Thermal Power Plant structure was approved following its re-transfer to Government. Preparations have also commenced to acquire staff for the Kiira/Nalubaale (380M) complex following the end of the Eskom concession in March 2023. Furthermore; a Safety Health Environment and Quality (SHEQ) department was approved to spearhead SHEQ related activities in the company.

### Performance Management.

June 2022 marked the end of the fourth year of implementation of the UEGCL 5-year strategy (2018-2023). During the year, UEGCL had an independent review of its strategy and performance management system. This independent review sought to assess how well the strategy and performance management system has improved the communication, alignment and performance of the organisation and propose appropriate recommendations for improvement. The recommendations that covered areas of alignment, strategy execution and communication will be incorporated in the successor 5-year strategy (2023-2028).

During the year, UEGCL also rolled out the **O&M business model** with the signing of the **Internal Performance Contract, IPC for Isimba HPP** on 10<sup>th</sup> March 2022. Work

is in progress to operationalize the IPCs in Namanve TPP, Karuma HPP and Nalubaale/Kiira HPPs. Furthermore, the company's Strategy Maturity level improved to 3.83 from the 3.23 maturity that was recorded in the previous financial year. This 0.6% improvement is attributed to, among other things; an improvement in alignment and integration of strategy with the company's key processes like budgeting, and risk management, improved participation of Management and staff in Strategic Planning, etc.

With the major strides UEGCL has made in the implementation of the 5-year (2018-23) strategy, the successor plan (**2023-2028**) presents a unique opportunity for UEGCL to reposition itself having adopted a unique performance management system coupled with the indigenous O&M business management model.

### Research and Innovation.

During the year, UEGCL put in place **research programs** spanning its core and non-core business lines. Through the different research programs, several activities have been launched targeting both internal and external research for example, under **the Climate Change Impacts and Mitigation Strategies (CCIMS) program**, UEGCL launched an external research for the development of a water flow monitoring system for its waterways. The main purpose of the research is to improve efficiency in production planning and Dam safety. In addition, in line with **Water Weed Management (WWM) program**, UEGCL is collaborating with the Centre for Research in Energy and Energy Conservation, CREEC, to develop bioethanol from water hyacinth. It is envisaged that UEGCL will pioneer a pilot bioethanol processing plant from water hyacinth solving the water hyacinth problem on its reservoirs. During the period, UEGCL also participated in the **AFD Digital Energy challenge** where funding was secured for

the **Development of a Nile River water resources optimization tool for the power sector**. UEGCL will receive an integrated decision support tool that will enable its staff to plan and optimize hydropower generation on the Nile River, reduce flood, and dam safety risks.

Lastly, during the period, UEGCL continued to build partnerships with various key

stakeholders and universities both in and outside Uganda Locally; we signed research MoUs with Busitema and Kyambogo Universities. Internationally, discussions with Delft University of Technology in the Netherlands and Curtin University, Australia were also initiated and potential areas of collaboration have already been mapped out and implementation of some research activities is already ongoing.

*Hon. Okaasai Sidronius OPOLOT – Minister of State for Energy in a group photo with UEGCL staff after closing the 5-day USEA & USAID Executive Exchange program on Hydropower Best Practices for UEGCL.*







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 2022**

**OFFICE OF THE AUDITOR GENERAL UGANDA**





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## LIST OF ACRONYMS

Acronym	Meaning
Bn	Billions
CDAP	Community Development Action Plan
COVID-19	Corona Virus Disease of 2019
DLP	Defects Liability Period
EPC	Engineering, Procurement and Construction
EPCC	Engineering, Procurement and Construction Contractor
FY	Financial Year
GOU	Government of Uganda
HPP	Hydro Power Plant
INTOSAI	International Organization of Supreme Audit Institutions
ICT	Information Technology
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, 2022**

### **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 2022, 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 30<sup>th</sup> June 2022 present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 30<sup>th</sup> June 2022 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 matter described below to be a key audit matter communicated in my report.

- **Implementation of the Approved Budget**

I have noted that over the years the performance of the Company in regard to compliance with the laws and delivery of services has improved. However, there are still challenges



which continue to affect the budget performance of the Company. I am also aware that the Company continued to face the effects of Covid-19 which affected its performance.

It is against this background that an evaluation of the budget performance of the company for a period 2021-2022 was considered as a key audit matter during the year.

UEGCL is mandated to establish, acquire, maintain and operate electricity generation facilities and to promote research and development in the electricity generation sub-sector while running the company on sound business principles. The Company had an approved budget of UGX. 259,262,819,814 out of which UGX. 210,946,036,000 was realized (81.4%). The Company's key deliverables for the financial year under review were;

**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	35,401,692	13.70%
2	Muzizi HPP	1,775,693	14.30%
3	Nyagak HPP	10,936,718	18.60%
4	Isimba Project	36,589,145	32.70%
5	Isimba Dam- Operations & Maintenance, CAPEX, Loan Interest and other costs	132,010,372	83.60%
6	Nalubaale & Kiira Dam- capital expenditure and License fees	5,054,201	85.50%
	<b>Total</b>	<b>221,767,821</b>	

I reviewed the implementation of the approved 2021/2022 budget by the entity and noted the following;

No	Observation	Recommendation																												
1	<p><b><u>Revenue Performance</u></b></p> <p>The Company budgeted to receive UGX.259.3Bn in revenue in the financial year 2021/2022. Out of the planned revenue, the Company realized UGX.210.9 Billion representing a performance of 81.4% of the target.</p> <p>The company had significant underperformance on the budgeted performance of Namanve TPP and Projects Budget as indicated below;</p> <table><thead><tr><th></th><th>Budget Amount</th><th>Actual Amount</th><th>Variance</th></tr></thead><tbody><tr><td>Namanve Budget</td><td>27,701,061,731</td><td>22,075,792,000</td><td>5,625,269,731</td></tr><tr><td>Projects-GoU</td><td>67,286,081,000</td><td>55,676,400,000</td><td>11,609,681,000</td></tr></tbody></table>		Budget Amount	Actual Amount	Variance	Namanve Budget	27,701,061,731	22,075,792,000	5,625,269,731	Projects-GoU	67,286,081,000	55,676,400,000	11,609,681,000	I advised the Accounting Officer to ensure that revenue is collected as planned.																
	Budget Amount	Actual Amount	Variance																											
Namanve Budget	27,701,061,731	22,075,792,000	5,625,269,731																											
Projects-GoU	67,286,081,000	55,676,400,000	11,609,681,000																											
2	<p><b><u>Un – implemented activities/Projects of UGX. 522,000,000</u></b></p> <p>Review of releases to the entity from MEMD revealed that, UEGCL received funding to implement the following activities. However, some activities were not implemented at as at June 2022 despite the funding. See details below.</p> <table><thead><tr><th>Project Name/ Details</th><th>Funding Source</th><th>Specific activities to be implemented</th><th>Amount Budgeted</th><th>Amount released</th><th>Amount paid</th><th>Remarks</th></tr></thead><tbody><tr><td>Nyagak III HPP</td><td>GoU</td><td>Community Boreholes</td><td>150,000,000</td><td>122,000,000</td><td>0</td><td>Not implemented</td></tr><tr><td></td><td>GoU</td><td>Construction Community Hall under RAP</td><td>400,000,000</td><td>400,000,000</td><td>0</td><td>Not implemented</td></tr><tr><td></td><td></td><td>Total</td><td>550,000,000</td><td>522,000,000</td><td>0</td><td></td></tr></tbody></table> <p>Non implementation of funded activities may affect service delivery.</p> <p>Management explained that the Boreholes contract was signed. Performance guarantee documents of the contractor are being reviewed and the contractor will commence works after the review.</p>	Project Name/ Details	Funding Source	Specific activities to be implemented	Amount Budgeted	Amount released	Amount paid	Remarks	Nyagak III HPP	GoU	Community Boreholes	150,000,000	122,000,000	0	Not implemented		GoU	Construction Community Hall under RAP	400,000,000	400,000,000	0	Not implemented			Total	550,000,000	522,000,000	0		I advised the Accounting Officer to expedite implementation of the planned and funded projects.
Project Name/ Details	Funding Source	Specific activities to be implemented	Amount Budgeted	Amount released	Amount paid	Remarks																								
Nyagak III HPP	GoU	Community Boreholes	150,000,000	122,000,000	0	Not implemented																								
	GoU	Construction Community Hall under RAP	400,000,000	400,000,000	0	Not implemented																								
		Total	550,000,000	522,000,000	0																									



3

**Delayed implementation of projects****Isimba HPP**

At the time of audit (October 2022), the project was expected to be 100% complete. However, by June 2022, it stood at 99.5% physical completion and financial progress at 94.7%. The initial 2-year defects liability period (DLP) ended without the Contractor completing the remaining snags, defects and outstanding scope of works. Due to delays by the Contractor to complete the remaining issues within the initial DLP, negotiations held between the Employer and the Contractor on 26th March 2021, agreed to extend the DLP by 12 months from 31 March 2021 to 31 March 2022. This was necessary to allow the Contractor complete his contractual obligation of addressing all remaining snags, defects and outstanding scope of works. However, new defects were noted, prompting the proposal to have another DLP of up to March 2023.

Management explained that a two-months, Change Order extending the DLP by two months to 30 November 2022 was signed between the EPC Contractor and Employer. The purpose of the Change Order is to enable continuation of technical discussions on the critical issues as well as the overall six months DLP extension to 31 March 2023 determined by the Owner's Engineer.

**Karuma HPP**

At the time of audit (October 2022), the project was expected to be at 100% completion. However, as at 30th June 2022, the project was only at 99.6% physical completion and 96.7% financial progress.

The Project completion date of 15th June 2022 under addendum No.6 was not achieved because of the significant completion delays in the activities regarding to rectification of Electro-Mechanical (EM) works.

The contractor requested for a 12.5 months' extension of time (EoT).

In the interim, a change order (No.3) extending the project completion date by three (3) months until 14th September 2022 was executed, to allow for ample time to adequately assess the contractor's requested EoT and amend the contract accordingly.

However, by 15th September 2022, commissioning was not yet possible.

Management explained that the EOT negotiation were completed and granted commissioning of all the 6 units which starts on 28th November 2022 for the first unit, and the new project completion has been set for 30th August 2023. Key to note Commercial Operations date shall be after wet commissioning of the first unit.

**Muzizi HPP**

At the time of audit (October 2022), the compensation of Project affected Persons (PAPs) was expected to be at 100% completion. However, by 30th June 2022, the completion rate was at only 55.4%. Due to delays in project implementation, the financiers of the project (KFW & AFD) cancelled the financing of the project. Currently, the project is off the Public Investment Plan of Government.

Management explained that a letter dated 07th June 2022 was written to MEMD, with MoFPED in copy, requesting budget allocation to enable completion of RAP implementation including funds to pay the outstanding PAPs compensation and the RAP Implementation Consultant's Costs.

**Nyagak III**

Nyagak III is being implemented as a public private partnership, a special purpose vehicle GENMAX Uganda Ltd was formed between UEGCL and the private partner (Hdyromax and Dot Services consortium) to oversee the construction.

During the period under audit, a sum of UGX 2.3 Bn was provided for the project towards its construction. However, there is a progress of only 82.6% on the civil and penstock works against the planned 100%.

Management explained that the major pending works are construction of the power house and tailrace channels. On Electro Mechanical Works, various components of the turbines have already been manufactured in India and dispatched to site. These include draft tube assembly, runner assembly and main inlet valves. (Refer to Quarterly Report June to September 2022). This has been achieved despite budget shortfalls from GOU.

I advised the Accounting Officer to fast-track the fixing of the snags at Isimba HPP and ensure the project is completed within the extended period without further delay.

I advised the Accounting Officer to fast-track the commissioning of the first Unit of Karuma HPP, and eventual total completion of the project within the agreed extended period without further extensions.

I advised the Accounting Officer to engage MoFPED and other relevant stakeholders to ensure funding of the Muzizi HPP is secured, and payment of PAPs is accelerated to bring the project back on schedule.

I advised the Accounting Officer to ensure the outstanding project works on Nyagak III project are fast-tracked.



4	<p><b><u>Under absorption of Norwegian Grant</u></b></p> <p>During the year, the company received UGX 6,928,053,000 under the Norwegian grant, to support supervision activities on the Kiira and Nalubaale generation plants. In addition, the company had unspent balance of UGX 13,188,372,000 at the beginning of the year. This makes total funds available in the year of UGX. 20,116,425,000 out of which, only UGX 1,395,157,000, was spent and the company returned UGX 1,067,701,350 relating to previous activities not undertaken. This resulted into an under absorption of UGX. 17,653,567,000 in the current year.</p> <p>The failure to absorb funds affects service delivery and the company faces a risk of returning the unspent funds.</p> <p>Management explained that funds for Phase 2 were first disbursed in Dec 2019 and two other times after that, however due to the covid-19 restrictions in the years 2020 and 2021, not all the activities could be executed. Furthermore, the delayed commissioning of Karuma halted Karuma related activities.</p> <p>In addition, about 75% of the Grant is for the two consultants whose contracts were only signed in August 2021 and Feb 2022, respectively. With these consultants on board, the absorption is expected to increase.</p>	<p>I advised the Accounting officer to fast-track the implementation of activities under the grant to avoid any future possibility of returning back the funds.</p>
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### **Emphasis of Matter**

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

- **Long Outstanding Payable: UGX 814 Million**

Included in the Trade and Other Payables of UGX. 17,970,171,000 in the Statement of financial position and under Note 26 to the financial statement is an amount of UGX 814 million relating to penal interest charged by Uganda Revenue Authority, resulting from late payment of withholding tax on consultancy services for the period 2001-2009. This is a long outstanding amount and the failure to settle the amount may attract more interest charges on the Company by URA.

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.

### **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 the Karuma HPP**

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

A review of the fourth quarter progress report revealed that the Karuma HPP will be completed at an estimated date of 22<sup>nd</sup> January 2023 resulting into a delay of (40) forty months from its original start date.



The delays in project completion will result into increased supervision costs, additional costs arising from claims by the EPCC, increased commitment fees payable on undrawn balances of the loan. It will also reduce the period between commissioning, commercialisation and payback period which may have implications on the tariff rate to be finally paid by the citizen (final consumer).

Management explained that the rectification works were currently at 95% and dry commissioning tests are ongoing. Water filling was ongoing to allow for completion before the Extension of Time (EOT) end date.

I advised the Accounting Officer to expedite the rectification of the electro-mechanical works on the HPP and other pending contract obligations.

- **Non- conformances by the Karuma EPCC**

A review of the 4th quarter progress reports revealed that a number of non-conformances of the latest reported eighty-four (84) EM non-conformances, none has been fully closed, seventy-one (71) are in the process of rectification, while thirteen (13) are still pending. These mainly relate to electro-mechanical works installation. This has mainly been caused by the use of obsolete equipment in the works, which equipment is difficult to maintain and necessitates repetitive works.

As a result, the delays affect project implementation schedule targets and consequently delays completion and commissioning of the dam and the defects from non-conformances could also affect the safe operation of the units, sustainability and operational life of the HPP.

Management explained that the rectification works affecting direct commissioning of units and power plant safety are ongoing but the majority are completed.

I advised the Accounting Officer to expedite rectification of all nonconformities before project commissioning.

- **Delayed completion of outstanding project snags at Isimba HPP.**

The Take Over Certificate (TOC) of Isimba HPP was issued on 30th March, 2019, and the Plant has since been in operation for thirty-nine (39) months. Following negotiations between the EPC Contractor and Employer in March 2021, the Defect Liability Period (DLP) was extended from 31st March 2021 to 31st March 2022. This was due to the contractor not being able to complete all pending works within the earlier DLP, hence necessitating the need for a further extension.

I noted following an evaluation of progress achieved within the previous DLP extension ending March 2022, a further DLP extension of six (6) months from 1st April 2022 to 30th September 2022 was negotiated between the EPC Contractor and Employer, to complete a number of snags and defects. Whereas the pending activities were only 2% (13 out of 776), these were critical to the safety of the dam, safe operation of the power plant, sustainability of the plant and are therefore of great significance to the operation of the Plant.

There is a risk that if these snags are not addressed in a timely manner, the costs of the owners' engineer and feasibility of the project may affect the overall plant effectiveness.

I advised the Accounting Officer to liaise with all stakeholders to draw up an operational plan to ensure that the snags are rectified in a timely manner and that re-occurrence or causes of the snags may not affect future plant operations.

- **Pending activities after Final Loan draw down for Isimba HPP**

By June 2022, the cumulative amount certified and paid to EPCC stood at USD 551,050,482.13. Although, the final loan drawdown date was 21<sup>st</sup> December 2021,

certain activities were outstanding, for instance; the floating boom installation and access road construction under component 1 had not been completed.

There is a risk that the outstanding amount of USD 16,688,508 may not be accessed due to expiry of the Loan draw down date. Furthermore, there could be cumulative charges on the undrawn amounts.

Management indicated that a request for the extension of final draw down date was submitted to MoFPED by MEMD.

I advised the Accounting Officer to liaise with the stakeholders to ensure the loan extension is approved without further delay.

- **Damaged equipment after the flooding of Isimba HPP**

During August 2022, the dam experienced flooding in the power house which led to a total shut down of the plant for over ten (10) days. It was noted that some equipment had been repaired while others were completely spoilt and were awaiting replacement.

The Company spent UGX 1.3Bn to fix the damage, but other repairs and replacements were yet to be undertaken and therefore the cost was anticipated to be much higher.

The flooding was attributed to the contractor's failure to fix all the snags including; a malfunctioning Gantry Gate, safe access to the plant facilities and lack of operational and maintenance manuals to guide the staff on the safety precautions that needed to be undertaken.

I could not reliably establish whether this cost will be recoverable from the EPCC, if indeed the causes were due to the contractor's negligence and incomplete works.

There is a risk that these occurrences will continue if the causes are not clearly established and rectified.

Management explained that the EPCC has committed to fix all outstanding defects before the defects liability period ending 31st-March 2023. UEGCL is preparing a claim against EPCC.

I advised the Accounting Officer to ensure that all the outstanding snags and defects are fixed. I also await to see the outcome of the proposed claim by management.

- **Revenue loss due to Irregular Energy Billing at Isimba HPP: UGX 56 Billion**

Isimba HPP has available capacity of 183MW, but due to the current energy demand, the power evacuation at the Plant averages to about 160MW, which is allowed to be billed by the Regulator. I noted that although under clause 4.3(a) of the Power Purchase Agreement (PPA) between UEGCL and UETCL for Isimba HPP UEGCL is supposed to bill power sales to UETCL based on the available capacity, however, the generation and sales license issued by ERA requires that UEGCL bills energy sold and not the available capacity. This overriding limitation of the licenses by ERA has seen UEGCL bill UETCL based on energy generated and dispatched to the grid from the power plant, contrary to the PPA.

During the year, I noted the inconsistency in the PPA and, the generation and sales license resulted into a revenue loss of 56 billion to UEGCL, which has been reported in the company's financial statements.

The failure by the plant to operate at full capacity results into loss by the Government since the plant was constructed using borrowed funds which are repayable by Government with interest.

Management explained that whereas Clause 4.3 (a) of the Power Purchase Agreement provides for a capacity payment, the Regulator in an attempt to keep the tariff low,



directed UEGCL to bill for energy based on the Net Electrical Output. In addition, the UEGCL dispatch is demand driven as per the schedules by UETCL.

I advised the Accounting Officer to liaise with stakeholders in the sub-sector to ensure maximum utilization of the plant capacity and ensure harmony between the PPA and the generation and selling licenses.

- **Payments to owner's Engineer Isimba HPP: UGX. 1,494,332,008, resulting from delay in completion of rectifications by contractor**

A review of the contract Agreements for Isimba HPP, revealed that, the initial defects liability (DLB) period was supposed to end on 31st March 2021. It was however extended to 31st March 2022 to allow for the contractor to complete his contractual obligation in regard to addressing all the outstanding snags, defects and outstanding scope of works at the time.

As a result of the delay, Government has incurred UGX. 1,494,332,008. in extra expenditure on the Owner's Engineer, which would have been avoided if the contractor had delivered the project on time.

Furthermore, although the EPCC condition G.C.5.1.2 provides for charging of liquidated damages/delay damages of 0.25% of the contract price per week with a maximum of 10% of the total contract price, this has not been enforced by the entity as remedy for the breach of contract.

Management explained that under the EPC Contract, the OE invoked Particular Conditions within GCC Sub-Clause 5.1.2, under which the EPCC is liable for Liquidated Damages (LDs) for delays to project completion. As of 17 January 2022, the Employer issued an updated claim for increase in cost of project supervision (Ref. UEGCL/MGT/IHPP/00/3468/22) amounting to USD 4,395,472 and UGX 45,025,966,877.

I advised the Accounting Officer to engage the contractor in view of having the project completed. Meanwhile I await the outcome of the issued claim.

- **Rehabilitation of the Nalubaale – Kiira hydropower plants**

I noted that UEGCL continued to engage potential funding partners to fund the rehabilitation of the project as well as undertake additional studies following the withdrawal of KfW from the funding of the proposed rehabilitation of the Nalubaale – Kiira hydropower plants. AfD expressed interest in funding the project. In consultation with AfD, development of the new tender documents commenced during the year.

The feasibility study revealed that the rehabilitation of the Nalubaale HPP is inevitable if the life of the power plant is to be extended. However, UEGCL did not have the internal resources to finance the project following the withdrawal of KfW. The cost of rehabilitating the plant has been estimated at EUR 150 million. In addition, I noted that the concession with ESKOM is due March 2023, and Government after settlement of the Buy-out Amount will take up full operation of the dam. I was however not presented with a concrete Government plan to undertake the rehabilitation works of the dam. As a result, this has exposed UEGCL to a funding gap of about EUR 150 Million required to finance the rehabilitation works.

There is a risk, that if the additional studies and eventual rehabilitation of the dam are not undertaken, nearly 180MW of relatively cheaper and clean electricity supply from the Kiira hydro power plant may be lost, thus affecting the security of supply in the electricity sub-sector.



Management explained that further engagements with AfD had commenced and that the development partner was willing to fund the rehabilitation of the dam. Initially the development partner committed to provide 40 Million Euro, and the European Investment Bank had promised a grant of 20 Million Euro. In addition, a consortium of Dott/Elecnor was negotiating to fund the rehabilitation as well.

I advise the Accounting Officer to liaise with stakeholders to seek a Government position on the rehabilitation of the dam, and also obtain funding to complete the additional studies, make final investment decision, and finally seek for funding the rehabilitation works.

- **Expired final drawdown period of KfW Loan worth Euros 40 Million for Muzizi HPP (44.7MW)**

Clause 3.2 of the loan agreement signed amongst KfW, GoU and UEGCL states under the deadline for requesting disbursements that KfW has the right to refuse to make disbursements after 30th December, 2021. In addition, Clause 6.1 of the same loan Agreement (KfW) gives a repayment schedule which clearly shows the first loan repayment date as 30th December, 2021 thereby implying that the Construction of Muzizi HPP should have been completed by that time and be in position to remit its first loan instalment of Euros 1,290,322.58.

The final drawdown date for the initial KfW loan repayment date has since expired without any evidence availed to confirm that the entity applied for an extension from the lender in regard to extending the final drawdown date. In addition, the withdrawal of the funders from financing the Muzizi HPP poses a high risk of the continuity and sustainability of the implementation of the project.

As a result, the entity faces a strategic risk of not attaining its five (5) year target of 1,300 MW of installed capacity by 2023, as laid out in the strategic plan of 2018-2023. The project implementation has been significantly affected by: Delayed procurement and payment of the Contractor for plant Design and Build contract and supervising contractor; and incomplete implementation of the RAP exercise which stood at 72% as at June 2022, resulting in outstanding compensation payment of UGX 2,163,122,363.

Management explained that a letter dated 07<sup>th</sup> June 2022 was written to MEMD, with MoFPED in copy, requesting for budget allocation to enable repackaging / re-scoping of the project with a view of presenting a ready project to government to facilitate mobilization of alternative financing to implement the project.

I advised the Accounting Officer to continue engaging the relevant stakeholders especially MEMD and MoFPED to address the issues of the project funding and implementation.



John F.S. Muwanga

**AUDITOR GENERAL**

20<sup>th</sup> December, 2022

# UEGCL In Press













**UGANDA ELECTRICITY GENERATION COMPANY  
LIMITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2022**

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# Company information

## 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
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	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.

### Namanve Thermal Power Plant Office

Kiwanga Village, Namanve  
Wakiso District

### Maziba Hydropower Plant

Nyakigugwa village, Maziba sub-  
county, Kabale District.

## 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

# Report of the Directors

The Directors submit their report together with the audited financial statements for the financial year ended 30th June 2022 which disclose the state of affairs of Uganda Electricity Generation Company Limited ("the company" or 'UEGCL').

## 1. PRINCIPAL ACTIVITIES

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

The company's principal business is the generation of electricity and operation and maintenance of generation plants in addition to other roles assigned by the Ministry of Energy and Mineral Development from time to time and the roles incidental to the objectives set out in its Memorandum of Association. By virtue of a Concession and Assignment Agreement ('concession agreement') signed between the company and Eskom Uganda Limited ('EUL' or 'Eskom' or 'the Concessionaire'), the company's two assets, Nalubaale and Kira Power Stations, ('the complex') were concessioned out to the concessionaire, for a term of twenty (20) years effective April 2003, with a contractual responsibility of operation and maintenance of the complex. As a result, the company also plays a vital role in the monitoring of the performance of the concessionaire against the agreed performance parameters.

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

## 2. RESULTS

The results for the year are set out on page 6. The profit for the period of UGX 27.9 billion (2021: Profit of UGX 92 billion).

## 3. DIVIDEND

The Directors do not recommend payment of a dividend for the period (2021: 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 12<sup>th</sup> December 2022.

By order of the Board,



**Mark Martin Obia**  
Company Secretary

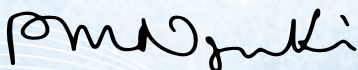
The Companies Act, 2012 and Electricity Act, 1999 (Cap 145) of Uganda require the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the company as at the end of the financial year and of its operating results for 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 2022/23 have been approved by Government. There is an arrangement to merge some government business entities; even when this happens UEGCL will be a division within the new entity. 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 12<sup>th</sup> December 2022 and signed on its behalf by:



**Eng. Proscovia Margaret Njuki**

**Board Chairperson.**



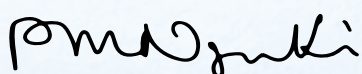
**Prof. Nixon Kamukama**

**Director**



UGANDA ELECTRICITY GENERATION COMPANY LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30TH JUNE 2022

	Note	30/06/2022	30/06/2021
		UGX '000	UGX '000
Concession fees	3	10,467,665	7,518,457
Isimba Income	4	151,344,928	139,142,515
Namanve Income	5	17,580,226	-
Other operating income	6	31,553,217	23,082,614
<b>Total income</b>		<b>210,946,036</b>	<b>169,743,586</b>
Cost of sales (Namanve TPP)	7	(14,799,762)	-
Staff costs and employee benefits	8	(24,839,145)	(20,570,577)
Administration expenses	9	(40,879,288)	(32,059,705)
Depreciation and amortization charge	10	(64,111,690)	(62,436,681)
<b>Total operating expenses</b>		<b>(144,629,885)</b>	<b>(115,066,963)</b>
<b>Operating (profit)/loss</b>		<b>66,316,151</b>	<b>54,676,623</b>
Interest income	11(a)	20,433	20,754
Interest Expense	11(b)	(29,159,294)	(30,936,258)
Foreign exchange gain/(loss)	12	3,545,367	71,291,751
<b>(Profit)/loss before tax</b>		<b>40,722,657</b>	<b>95,052,867</b>
Deferred tax expense	13	(12,859,904)	(3,120,580)
<b>(Profit)/loss for the year</b>		<b>27,862,753</b>	<b>91,932,287</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>27,862,753</b>	<b>91,932,287</b>



**Eng. Proscovia Margaret Njuki**  
Board Chairperson.



**Prof. Nixon Kamukama**  
Director

UGANDA ELECTRICITY GENERATION COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022

	Note	30/06/2022	30/06/2021
		UGX' 000	UGX' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,688,355,716	2,631,684,091
Prepaid operating lease rentals	15	388,024	399,713
Land	16	4,882,117	2,200,820
WIP	17	4,400,336,894	4,200,435,929
Due from Eskom	18	2,146,878	2,146,878
Equity Investment in Nyagak III	19	3,545,504	-
		<b>7,099,655,133</b>	<b>6,836,867,431</b>
<b>Current assets</b>			
Trade and other receivables	20	65,416,970	28,937,135
Cash and bank balances	21	70,167,311	93,730,872
Inventory	22	9,475,665	3,637,279
		<b>145,059,946</b>	<b>126,305,286</b>
<b>TOTAL ASSETS</b>		<b>7,244,715,079</b>	<b>6,963,172,717</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	23(a)	105,208,169	105,208,169
Capital contributions	23(b)	554,861,676	554,861,676
Accumulated profits		(71,094,648)	(98,957,401)
Revaluation		271,636,098	271,636,098
		<b>860,611,295</b>	<b>832,748,542</b>
<b>Non-current liabilities</b>			
Deferred Income	24	632,362,567	508,652,571
Karuma on lent Loan	25	3,844,344,017	3,761,944,557
Isimba on lent loan	26	1,247,452,657	1,448,206,207
Deferred Tax Liability	11	132,395,954	119,536,051
		<b>5,856,555,195</b>	<b>5,838,339,386</b>
<b>Current liabilities</b>			
Trade and other payables	27	17,970,171	7,142,544
Interest payable Karuma	25	361,734,982	284,942,245
Interest payable Isimba	26	11,832,737	-
Isimba onlet loan	26	136,010,697	-
		<b>527,548,587</b>	<b>292,084,789</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>7,244,715,079</b>	<b>6,963,172,717</b>

	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 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
<b>At 30 June 2021</b>	<b>105,208,169</b>	<b>554,861,676</b>	<b>271,636,098</b>	<b>(98,957,401)</b>	<b>832,748,542</b>
At 30 July 2021	105,208,169	554,861,676	271,636,098	(98,957,401)	832,748,542
Profit for the year				27,862,753	27,862,753
<b>At 30 June 2022</b>	<b>105,208,169</b>	<b>554,861,676</b>	<b>271,636,098</b>	<b>(71,094,648)</b>	<b>860,611,295</b>



UGANDA ELECTRICITY GENERATION COMPANY LIMITED  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 2022

	30/06/2022	30/06/2021
	UGX' 000	UGX' 000
<b>Operating activities</b>		
Profit/(Loss) before tax	40,722,657	95,052,867
<b>Adjustments for:</b>		
Interest income	(20,433)	(20,754)
Interest Expense	29,159,294	30,936,258
Other income	(58,973)	(33,472)
Depreciation	64,100,001	62,424,247
Amortization of Prepaid lease	11,689	12,435
Gain on disposal	-	(15,415)
Foreign exchange (gain)/loss	(3,545,367)	(72,279,941)
	<b>130,368,868</b>	<b>116,076,224</b>
Decrease/(increase) in trade and other receivables	(36,479,835)	3,339,073
Increase/(decrease) in trade and other payables	10,827,627	(1,001,822)
Decrease/(Increase) in stock	(5,838,386)	(341,847)
<b>Net cash flows from operating activities</b>	<b>98,878,274</b>	<b>118,071,628</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(121,110,836)	(4,686,256)
Asset disposal proceeds	-	16,967
Expenditure on WIP Projects	(199,900,965)	68,874,583
Depreciation on projects Assets	339,209	480,048
Land acquisition	(2,681,297)	(223,830)
Interest income	20,433	20,754
Equity (Nyagak III)	(3,545,504)	-
<b>Net cash flows used in investing activities</b>	<b>(326,878,960)</b>	<b>64,482,266</b>
<b>Financing activities</b>		
On lent Borrowings	17,656,607	(286,013,127)
Deferred income	123,709,996	20,967,542
Interest payable	88,625,474	30,328,755
Interest Expense	(29,159,294)	(30,936,258)
Other Income	58,973	33,472
Foreign exchange gain/(loss)	3,545,367	
<b>Net cash flows used in financing activities</b>	<b>204,437,124</b>	<b>(193,339,675)</b>
Increase/Decrease in cash and cash equivalents	(23,563,561)	(10,785,782)
Opening cash and cash equivalents	93,730,872	104,516,654
<b>At end of period</b>	<b>70,167,311</b>	<b>93,730,872</b>

## 1. REPORTING ENTITY AND GOING CONCERN

### 1.1. Reporting entity

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

The company's principal business is the generation of electricity and operation and maintenance of generation plants in addition to other roles assigned by the Ministry of Energy and Mineral Development from time to time and the roles incidental to the objectives set out in its Memorandum of Association. By virtue of a Concession and Assignment Agreement ('concession agreement') signed between the company and Eskom Uganda Limited ('EUL' or 'Eskom' or 'the Concessionaire'), the company's two assets, Nalubaale and Kira Power Stations, ('the complex') were concessioned out to the concessionaire, for a term of twenty (20) years effective April 2003, with a contractual responsibility of operation and maintenance of the complex. As a result, the company also plays a vital role in the monitoring of the performance of the concessionaire against the agreed performance parameters.

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

the Generation and sale license issued by Electricity Regulatory Authority (ERA).

### 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; ongoing plans by Ministry of Energy and Mineral Development and Ministry of Public Service indicate UEGCL operations will be a division within a new entity to be created. Borrowings for development of Isimba and Karuma HPPs have all been guaranteed by Government; as such the directors are not aware of any material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern.

## 1. 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.

**a) 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 profit or loss and other comprehensive income on a monthly basis. The concession fees are based on the amounts 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.

**b) Interest income**

Interest income is recognised using the effective interest rate method.

**c) 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.

**d) 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.

**e) 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. 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 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:**

<b>Nalubaale &amp; Kiira</b>	
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.

**f) Investments in Associates**

When a company (Investor) holds 20% to 50% of the voting rights of an associate (investee), directly or indirectly (through subsidiaries), it is presumed that the company has or can exercise significant influence, but not control, over the investee's business activities. Significant influence



may be evidenced by;

- Representation on the board of directors
- Participation in the policy-making process
- Material transactions between the investor and the investee
- Interchange of managerial personnel or technological dependency

The ability to exert significant influence means the financial and operating performance of the investee is partly influenced by management decisions and operational skills of the investor. IAS 28, requires Equity method of accounting to be applied for this kind of investment.

#### **Recognition.**

The 30% Equity investment in Genmax, the SPV Company for the implementation of Nyagak III falls within the scope of IAS 28, Investments in Associates and Joint ventures. Under the Equity method of accounting the Equity investment is initially recorded in the investor's books of accounts at cost. In subsequent periods, the carrying amount of investment is adjusted to recognise the investor's proportionate share of investee's earnings or losses in the statement of profit or loss.

#### **g) Prepaid operating lease rentals**

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

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

#### **h) Inventories**

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

#### **i) Trade and other receivables**

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

#### **j) Cash and Cash equivalent**

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

#### **k) Provision**

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

#### **l) Dividends**

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

m) **Tax**

Current income tax 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 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.

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**

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.

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**

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**

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 1<sup>st</sup> 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

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Administration component	5,526,515	5,021,507
License fees-Karuma HPP	4,941,150	2,496,950
	<b>10,467,665</b>	<b>7,518,457</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 4.9 billion which was billed and collected in respect of Karuma HPP licensed fees for a period of twelve months compared to six months in 2021.

### 4. ISIMBA REVENUE

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Sales revenue	151,344,928	139,142,515
	<b>151,344,928</b>	<b>139,142,515</b>

UEGCL billed UETCL based on energy generated and dispatched to the grid from Isimba power plant (July 2021 to June 2022). 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 56billion (2021 UGX. 57billion).

### 5. NAMANVE TPP INCOME

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Energy Tariff Revenue (O&M, fuel)	13,760,077	-
Capacity Revenue	3,820,149	-
	<b>17,580,226</b>	<b>-</b>

UEGCL took over the operations of Namanve Thermal Power Plant (TPP) from Jacobsen in February 2022 on behalf of Government. The sales revenue relates to the electricity sale to UETCL for the four months of operations to June 2022.

## 6. OTHER OPERATING INCOME

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Sundry Income	44,068	72,097
Grant Income Nyagak (GOU)	2,313,036	8,329,529
Norwegian Grant Income	1,395,157	77,600
Grant Income Isimba (GOU)	20,079,988	12,793,469
Grant Income Karuma (GOU)	1,968,956	210,912
Grant Income Muzizi (GOU)	14,715	3,690
Other Income	-	33,472
Advertising fees-Gennews	14,905	-
KFW Grant for feasibility study of the complex	1,226,826	1,548,469
Gain on Disposal	-	13,376
Grant Income Namanve TPP (GOU)	4,495,566	-
	<b>31,553,217</b>	<b>23,082,614</b>

The GOU grants represent government contribution towards supervision of various projects. The UGX 20.1billion Isimba HPP grant income is the current year amortisation of grants deferred during the construction period. The UGX 2.3billion 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). The UGX 4.5billion grant income for Namanve is current year amortisation of grants deferred (Fixed asset, stock, Heavy fuel oil, and GOU contribution) received during the year.

## 7. Cost of sales

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Heavy fuel oil	13,589,590	-
Oil and lubricants	318,979	-
Plant repair and maintenance	891,193	-
	<b>14,799,762</b>	<b>-</b>

Heavy fuel oil cost and lubricants relate to the amount incurred to generate electricity at Namanve power plant while repair and maintenance is the amount of inventory utilised at both Isimba and Namanve plants during the period ended 30<sup>th</sup> June 2022.



## 8. STAFF COSTS AND RELATED BENEFITS

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Salaries	13,304,104	12,207,196
Company contributions to NSSF and other funds	5,172,333	4,157,914
Other staff benefits and allowances	6,362,708	4,205,467
	<b>24,839,145</b>	<b>20,570,577</b>

The staff costs is for both Nalubaale-Kiira concession staff as well as operations and maintenance staff for Isimba and Namanve Plants.

The average number of persons employed by the company during the period ended 30<sup>th</sup> June 2022 was 244 (2021: 205). During the year ended 30<sup>th</sup> June 2022, 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.

## 9. ADMINISTRATION EXPENSES

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Transport expenses	971,753	537,671
Project administration Exps (Nyagak III)	2,313,036	8,329,049
Operational expenses	5,236,215	4,266,623
Directors' allowances	312,587	290,728
Directors' expenses	348,155	207,358
Consultancy fees	11,997,643	4,003,286
Legal fees	366,862	56,367
Norwegian Grant Expense	1,319,901	77,600
Karuma expense	1,968,956	210,912
Muzizi Expense	14,715	3,690
Community Development Action Plant (CDAP)	1,844,325	1,774,955
Insurance	6,293,934	6,270,629
Licenses and permits	6,664,380	4,482,368
KFW grant Expense for feasibility study of the complex	1,226,826	1,548,469
	<b>40,879,288</b>	<b>32,059,705</b>

The UGX 2.3 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 UGX 5.2billion relate to various administrative costs (security, utilities, publicity, advertising, catering services, Protective gears among others for both concession and O&M Isimba and Namanve), consultancy of 12billion relates majorly to payment for supervising owners engineer and Panel of experts for Isimba HPP and experts for Namanve TPP. In addition, UGX 6.3billion was incurred on insurance for Isimba HPP plant assets and license fees of UGX 6.7billion paid majorly to the regulator (ERA) during the year ended 30th June 2022.

## 10. DEPRECIATION AND AMORTISATION CHARGE

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Depreciation (Concession Assets)	16,372,224	16,378,525
Depreciation (Isimba HPP Assets)	46,230,299	46,045,721
Depreciation (Namanve TPP)	1,497,478	-
Amortization (Nalubaale & Kiira)	11,689	12,435
<b>Depreciation &amp; Amortization</b>	<b>64,111,690</b>	<b>62,436,681</b>
Depreciation Projects assets (Capitalised)	339,209	480,048
	<b>64,450,899</b>	<b>62,916,729</b>

Depreciation on assets used for supervision of ongoing construction of hydropower projects (HPP) of UGX 322million have been capitalised to the respective (HPP) under work in progress.

## 11. INTEREST

### (a) INTEREST INCOME

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Interest	20,433	20,754
	<b>20,433</b>	<b>20,754</b>

Interest income for the period relates to the income received from the UEGCL/ESKOM escrow account held with Stanbic bank.

### (b) INTEREST EXPENSE

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Interest	29,159,294	30,936,258
	<b>29,159,294</b>	<b>30,936,258</b>

This relates to Isimba HPP Loan interest incurred during the financial year ended 30<sup>th</sup> June 2022.

## 12. Net foreign exchange gains / loss

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Unrealized foreign exchange (loss)/gain	-	72,279,941
Unrealized foreign exchange (gain)/loss	3,643,663	(988,190)
<b>Net foreign exchange (loss)/gain</b>	<b>3,643,663</b>	<b>71,291,751</b>

The net foreign exchange loss for the period of UGX 76.8billion (2021: gain of UGX 71billion) arose mainly from revaluation of the on-lent loan denominated in USD for the construction of Isimba Plant as well as translation of other monetary transactions, assets and liabilities denominated in foreign currencies.

## 13. 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 502 billion as at 30<sup>th</sup> June 2022 (2021: 504 billion). The tax losses will be carried forward and utilised against future taxable profits in accordance with the Income Tax Act of Uganda.

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

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Profit before tax	<b>95,052,867</b>	<b>2,796,001</b>
Tax at 30% (2022: 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 July 2021	-	-
Provision for the year	-	-
<b>At 30 June 2022</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 2022, the company had a deferred tax liability of UGX 119.5billion (2021: UGX 116billion). The deferred tax asset is attributable to the following;

	At 1 July 2021	Movement for the year	At 30 June 2022
	UGX' 000	UGX' 000	UGX' 000
<b>Deferred income tax (Asset) / Liability</b>			
Accelerated tax depreciation	133,931,985	5,979,924	139,911,909
Net realized foreign exchange (losses)/(gains)	19,863,698	(24,182,917)	(4,319,219)
Tax losses carried forward	(150,675,103)	31,062,896	(119,612,207)
<b>Deferred tax Asset / (Liability) expensed</b>	<b>3,120,580</b>	<b>12,859,903</b>	<b>15,980,483</b>
<b>Deferred income tax Liability</b>			
Revaluation Surplus	116,415,471	-	116,415,471
<b>Total Deferred tax Liability</b>	<b>119,536,051</b>	<b>-</b>	<b>132,395,954</b>

**30-Jun-20**

	At 1 July 2019	Movement for the year	At 30 June 2021
	Ushs' 000	Ushs' 000	Ushs' 000
<b>Deferred income tax asset</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)
<b>Deferred tax Asset / (Liability) expensed</b>	<b>(25,609,556)</b>	<b>28,730,136</b>	<b>3,120,580</b>
<b>Deferred income tax Liability</b>			
Revaluation Surplus	116,415,471	-	116,415,471
<b>Total Deferred tax Liability</b>	<b>116,415,471</b>	<b>-</b>	<b>119,536,051</b>

**14. FIXED ASSET MOVEMENTS**

Cost	Plant & Machinery	Buildings	Furniture & fittings	Computers & Soft Ware	Tools & Equipment	Motor Vehicles	Office Machinery	Total
	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000
<b>At 30 June 2021</b>	2,756,546,890	10,483,401	829,486	2,124,185	805,435	7,155,630	1,939,764	2,779,884,791
Additions	119,102,350	853,992	-	127,254	-	764,803	262,436	121,110,836
Disposal	-	-	-	-	-	-	-	-
<b>At 30th June 2022</b>	<b>2,875,649,240</b>	<b>11,337,394</b>	<b>829,486</b>	<b>2,251,439</b>	<b>805,435</b>	<b>7,920,433</b>	<b>2,202,200</b>	<b>2,900,995,627</b>
<b>Depreciation &amp; Amortization</b>								
<b>At 30 June 2021</b>	138,203,531	2,133,206	424,501	1,335,531	799,823	4,669,099	635,009	148,200,700
Charge for the period	62,644,009	235,707	97,266	269,473	2,703	847,914	342,138	64,439,211
Write down	-	-	-	-	-	-	-	-
<b>At 30th June 2022</b>	<b>200,847,540</b>	<b>2,368,914</b>	<b>521,768</b>	<b>1,605,004</b>	<b>802,526</b>	<b>5,517,013</b>	<b>977,147</b>	<b>212,639,911</b>
<b>Net Carrying Amount</b>								
<b>At 30th June 2022</b>	<b>2,674,801,700</b>	<b>8,968,480</b>	<b>307,718</b>	<b>646,436</b>	<b>2,909</b>	<b>2,403,420</b>	<b>1,225,054</b>	<b>2,688,355,716</b>
<b>At 30 June 2021</b>	<b>2,618,343,359</b>	<b>8,350,195</b>	<b>404,984</b>	<b>788,655</b>	<b>5,612</b>	<b>2,486,531</b>	<b>1,304,755</b>	<b>2,631,684,091</b>

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

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

Review of the carrying amounts of the complex for the financial year ended 30 June 2022, indicated no impairment.

## 15. PREPAID OPERATING LEASE RENTALS

	30/06/2022	30/06/2021
	UGX '000	UGX '000
<b>Cost</b>		
At 1 July 2021	2,023,114	2,023,114
Additions	-	-
At 30 June 2022	<b>2,023,114</b>	<b>2,023,114</b>
<b>Amortization</b>		
At 1 July 2021	1,623,401	1,610,966
Charge for the year	11,689	12,435
At 30 June 2022	<b>1,635,090</b>	<b>1,623,401</b>
<b>Net carrying amount</b>	<b>388,024</b>	<b>399,713</b>

	Nalubaale	Kiira	Total
	UGX' 000	UGX' 000	UGX' 000
<b>Cost</b>			
At 1 July 2021	1,581,924	441,190	2,023,114
Additions	-	-	-
At 30 June 2022	<b>1,581,924</b>	<b>441,190</b>	<b>2,023,114</b>
<b>Amortization</b>			
At 1 July 2021	1,444,827	178,574	1,623,401
Charge for the period	10,676	1,013	11,689
At 30 June 2022	<b>1,455,503</b>	<b>179,587</b>	<b>1,635,090</b>
<b>Net carrying amount</b>			
At 30 June 2022	<b>126,421</b>	<b>261,603</b>	<b>388,024</b>
At 30 June 2021	<b>137,097</b>	<b>262,616</b>	<b>399,713</b>

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.



## 16. Land

	Head Office	Nyagak III	Muzizi	Isimba Sign Post	Total
	UGX '000	UGX '000		UGX '000	UGX '000
At 30 June 2021	1,549,900	647,920	-	3,000	2,200,820
Additions	-	-	2,681,297	-	2,681,298
At 30 June 2022	<b>1,549,900</b>	<b>647,920</b>	<b>2,681,297</b>	<b>3,000</b>	<b>4,882,117</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 (for both 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 GOPA 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 2022 of UGX 680million 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.

In addition, the land acquired for the construction of Muzizi worth UGX 2.7billion has been reclassified to land from WIP for the period ended 30<sup>th</sup> June 2022.

## 17. WORK IN PROGRESS

	Karuma	Muzizi	Isimba( Staff Houses, CMMS & HRIMs	Total WIP
	UGX '000	UGX '000	UGX '000	UGX '000
At 1 July 2021	4,189,870,096	10,555,494	10,337	4,200,435,927
Additions	189,134,099	1,446,803	12,570,554	203,151,456
Reclassified	-	(2,681,297)	(569,192)	(3,250,489)
<b>At 30 June 2022</b>	<b>4,379,004,195</b>	<b>9,321,000</b>	<b>12,011,699</b>	<b>4,400,336,894</b>

The amount relates to project costs so far incurred on Karuma, Muzizi Hydro Power Projects and Isimba staff housing, and software's. These supervision costs are being incurred by UEGCL in ensuring that the Projects come to life.

However the procurement for the construction contractor for Muzizi project was cancelled because the price of the best evaluated bidder was very high compared to the available financing. Due to inadequate finance coupled with delays in project implementation, the financiers (KFW & AFD) cancelled the financing to the project. Currently the project is off the Public Investment Plan (PIP). However MoFPED advised UEGCL management to re-scope the project in order to explore alternative sources of financing for the project.

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

Project	30/06/2022	30/06/2021
	UGX '000	UGX '000
Karuma	-	(196,943,609)
<b>Total</b>	<b>-</b>	<b>(196,943,609)</b>

Forex differences 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.

## 18. Due from Eskom (U) Ltd

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Inventory Debtor	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.

## 19. EQUITY INVESTMENTS IN NYAGAK III

	30/06/2022	30/06/2021
	UGX'000	UGX'000
Equity Investment	3,545,504	-
	3,545,504	-

Nyagak III is being implemented as a Public Private Partnership (PPP). Accordingly, a special purpose Vehicle GENMAX Uganda Ltd was formed between UEGCL and the private partner (a consortium of Hydromax and Dot services) to oversee the construction and thereafter the operation and maintenance of the plant for a period of 20 years after which the plant shall revert to UEGCL.

As per the shareholders agreement, UEGCL is obliged to pay USD 8.1million to GENMAX, towards the construction of Nyagak III of which USD 1million is the equity investment, representing 30% of the equity holding in GENMAX and the balance of USD 7million being the GOU grant contribution.

AS at 30th June 2022, UEGCL made a payment of UGX 3.5billion, the equivalent of USD 1million being the 30% Equity investment in Nyagak SHPP.

The amount has been recognised at cost using the equity method of accounting per IAS 28, Investment in Associates and Joint ventures

## 20. TRADE AND OTHER RECEIVABLES

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Trade receivables-Eskom	1,885,731	1,817,263
Isimba Trade receivables-UETCL	49,860,082	25,495,434
Trade receivables-CMM Global	2,000	-
Withholding tax recoverable	1,567,008	892,597
Staff debtors	40,306	78,539
Prepayments	12,061,544	620,721
Inventory receivable	299	32,582
	<b>65,416,970</b>	<b>28,937,135</b>

Receivable from Eskom UGX 1.9billion, invoices billed for May and June 2022 while receivable from UETCL UGX 50billion is for electricity sale to UETCL for April, May and June 2022 for Isimba and Namanve.



## 21. CASH AND BANK BALANCES

	30/06/2022	30/06/2021
	UGX '000	UGX '000
UEGCL/ESKOM Escrow account	8,435,779	7,969,174
Concession Operation account	2,471,990	2,218,951
Norwegian grant support account	15,612,678	13,478,843
Projects account	6,929,617	27,051,311
Cash at hand	2,995	1,743
Isimba sales collection account	33,490,282	42,873,003
Prepaid Debit Card Account	29,728	26,649
Stanbic Bank Isimba O&M Operations Ac UGX	172,882	111,198
Stanbic Namave TPP UGX Account	3,021,360	-
	<b>70,167,311</b>	<b>93,730,872</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 June 2022, the balance on this account was **UGX 8.4billion** equivalent to **USD 2,243,946**

### 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.

### Namanve TPP account

The account is for revenue from UETCL for invoices billed based on electricity generated and dispatched to the grid as well as the capacity tariff to support operations and maintenance of the plant. The account is denominated in Uganda shillings.

### Norwegian grant account

The account is for the five year Norwegian grant funding to support the operations and maintenance of Isimba plant and Karuma Project upon commissioning. The account is denominated in US dollars.

## 22. INVENTORY

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Inventory	9,475,665	3,637,279
	<b>9,475,665</b>	<b>3,637,279</b>

The inventory are tools and spares for Isimba plant operations worth UGX 5.1billion and Namanve TPP operations worth UGX 4.4billion as at 30<sup>th</sup> June 2022.

## 23. ISSUED CAPITAL AND CAPITAL CONTRIBUTIONS

a) Share capital	Number of shares	Amount UGX '000
Authorised, issued and fully paid ordinary shares of UGX 500 each:		
At 1 July 2021	2	1
Conversion of Government of Uganda loans to equity	210,416,338	105,208,168
At June 2022	<b>210,416,340</b>	<b>105,208,169</b>

### b) Capital contributions

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Government of Uganda	554,861,676	554,861,676

This balance relates to the Government of Uganda consideration in respect to the net assets and liabilities taken over by the company from Uganda Electricity Board.

## 24. DEFERRED INCOME.

	Karuma	Isimba	Muzizi	Nyagak	Norwegian grant	Namanve	Total
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
30 June 2021	113,549,661	366,903,300	12,811,974	2,199,264	13,188,372	-	508,652,571
Additions	30,831,951	22,994,516	726,400	6,000,000	6,928,053	132,665,408	200,146,327
Adjustments	-	(47,745,868)	-	-	-	-	(47,745,868)
Refund	-	-	-	-	(1,067,701)	-	(1,067,701)
<b>Amortization</b>	<b>(1,968,956)</b>	<b>(20,079,988)</b>	<b>(14,715)</b>	<b>(2,313,036)</b>	<b>(1,395,157)</b>	<b>(1,850,910)</b>	<b>(27,622,762)</b>
<b>At 30 June 2022</b>	<b>142,412,655</b>	<b>322,071,960</b>	<b>13,523,659</b>	<b>5,886,228</b>	<b>17,653,567</b>	<b>130,814,498</b>	<b>632,362,567</b>

The 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.

## 25. 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 2022 was **UGX 3,844,344,016,909; (2021: UGX 3,761,944,556,583)** while the outstanding interest amount was **UGX 361,734,982,076 (2021: UGX 284,942,244,546).**

By the Preferential Buyer Credit (PBC) Agreement dated the 24th Day of November 2014 and the Buyer Credit Loan (BCL) Agreement dated February 20, 2015 ; the Export – Import Bank of China lent to the Government an amount of United States Dollars Seven Hundred and Eighty Nine Million Three and Thirty Seven Thousand Two Hundred and Seventy Five and Thirty Six Cents (US \$ 789,337,275.36) from the PBC Financing Agreement plus another United States Dollars Six Hundred and Forty Five Million Eight Hundred and Twenty One Thousand and Four Hundred and Seven and Twelve cents two (US \$ 645,821,407.12) from the BCLA Financing Agreement respectively.

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

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



Subsidiary Loan bears the following terms

- a. a. Loan Amount - Uganda shillings 4,237,546,336,756.01
- b. b. Maturity Period - 20 years including 5 years of grace
- c. c. Interest rate - 2 % p.a on disbursed and outstanding amounts.

## 26. 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 2022 was **UGX 1,383,463,354,687; (2021: UGX 1,448,206,207,000)**, while the outstanding interest amounted to **UGX 11,832,737,096; (2021: Nil)**. The amount of principal payable within the next 12 months is **UGX 136,010,697,000**

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

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

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

Subsidiary Loan bears the following terms:

- a. a. Loan Amount - Uganda shillings 1,611,789,869,024.04
- b. b. Maturity Period - 20 years including 5 years of grace
- c. c. Interest rate - 2 % p.a on disbursed and outstanding amounts

## 27. Trade and other Payables

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Trade and other payables	12,916,711	3,171,882
Taxes payable (WHT & VAT)	4,048,046	3,063,084
Payroll deductions (PAYE, NSSF, RBS & LST)	1,005,414	907,578
	<b>17,970,171</b>	<b>7,142,544</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.

## 28 .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:

<b>i) Transactions with directors</b>		
	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>UGX '000</b>	<b>UGX '000</b>
Fees for services as directors	660,742	498,087
	<b>660,742</b>	<b>498,087</b>
<b>ii) Amounts due from related Parties</b>		
Eskom	1,885,731	1,817,263
	<b>1,885,731</b>	<b>1,817,263</b>
UETCL	49,926,397	25,495,434
	<b>49,926,397</b>	<b>25,495,434</b>

## 29. 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 office of Auditor General is currently undertaking a due diligence exercise to determine the amount that will be outstanding 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 6th March, 2018, agreed to substantiate the basis of the former UEB employees. In a letter dated 26th June, 2018, the former UEB employees submitted letters spelling out terms of service under which UEB employees were transferred to UEGCL, the UEB standing Instructions and the decision of court in the case of Mavunwa Edison & Ors vs UEGCL to support their claim for pension. UEGCL could not retrieve information regarding the pension entitlements of all former employees of UEB to enable it verify the claim. A letter was written to the Registrar General to provide UEGCL with copies of documents relied on in verification of the staff benefits that were paid out during the liquidation of UEB. UEGCL has also written to the Office of the Auditor General seeking a copy of the Auditor General's Pension Verification Report to inform our findings and way forward. To date, UEGCL has not received sufficient information to substantiate this claim by the former UEB employees.

ii) **SAMUEL BAMUSONIGHE V UEGCL**

Samuel Bamusonighe, a former project accountant with UEGCL sued the company alleging unfair termination in 2017. While the trial hearing has been scheduled for October 2022, UEGCL and Sam Bamusonighe continue to engage in negotiations with a view to a settlement prior to the October trial date. In his claim, Sam Bamusonighe seeks general and special damages of UGX 425M. UEGCL believes that Sam Bamusonighe is not owed anything.

### 30. 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:

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Trade receivables	65,609,304	28,937,135
Staff advances and loans	40,306	78,539
Bank balances	70,199,296	93,730,872
	<b>135,848,906</b>	<b>122,746,546</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 2.2million (2021: USD 2.2 million) on its US Dollar Escrow Account in order to pay for obligations that are denominated in that currency.

The company has successfully converted the Karuma and Isimba on lent loans in respect of the construction of Isimba and Karuma HPPs to Uganda shillings from USD.

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

	30/06/2022	30/06/2021
	UGX '000	UGX '000
<b>Financial assets</b>		
Stanbic Bank Uganda Limited Escrow Account	8,446,999	7,969,174
Norwegian grant support account	15,633,443	13,478,843
<b>Net currency exposure</b>	<b>24,080,442</b>	<b>21,448,017</b>

During the year ended 30<sup>th</sup> June 2022, UEGCL received the Norwegian grant worth UGX 6.9billion on the Projects USD account.

### Financial Liabilities

	30/06/2022	30/06/2021
	UGX '000	UGX '000
Karuma Loan	-	3,761,944,557
Isimba Loan	-	1,448,206,207
Karuma Interest payable	-	284,942,245
Net currency exposure	-	5,495,093,009
<b>Net currency exposure</b>	<b>-</b>	<b>5,495,093,009</b>

The following significant exchange rates applied during the year:

	Spot rate		Average Rate	
	2022	2021	2022	2021
US\$:UGX	3,759.35	3,559.07	3,590.8	3,696.91

### Interest rate risk

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

#### a) Liquidity risk

Liquidity risk is the risk that the company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from

mismatches in the timing of cash flows from revenue and capital and operational outflows. The objective of the company's liquidity and funding management is to ensure that all foreseeable operational, capital expansion and loan commitments can be met under both normal and stressed conditions.

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

30-Jun-22	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	65,416,970	65,416,970	-	-
Cash and bank balances	70,167,311	61,731,533	-	8,435,778
	<b>135,584,281</b>	<b>127,148,502</b>	<b>-</b>	<b>8,435,778</b>
<b>Financial liabilities</b>				
Trade and other payables	17,970,171	17,970,171	-	-
Interest Expense	393,396,177	393,396,177	-	-
Isimba loan payable in 1 year	<b>136,010,697</b>	<b>-</b>	<b>136,010,697</b>	<b>-</b>
	<b>547,377,045</b>	<b>411,366,348</b>	<b>136,010,697</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>(411,792,764)</b>	<b>(284,217,846)</b>	<b>(136,010,697)</b>	<b>8,435,778</b>

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	-	-
	<b>292,084,788</b>	<b>292,084,788</b>	<b>-</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>(169,416,781)</b>	<b>(177,416,315)</b>	<b>-</b>	<b>7,969,174</b>

### 31. NON-FINANCIAL RISK MANAGEMENT

**i. Compliance risk**

Compliance risk is the risk of non-compliance with the contractual obligations and other statutory requirements of the Government of Uganda. The contractual obligations are contained in the concession agreement with Eskom Uganda Limited and the on lending agreements with MoFPED for construction of Isimba HPP and Karuma HPP.

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



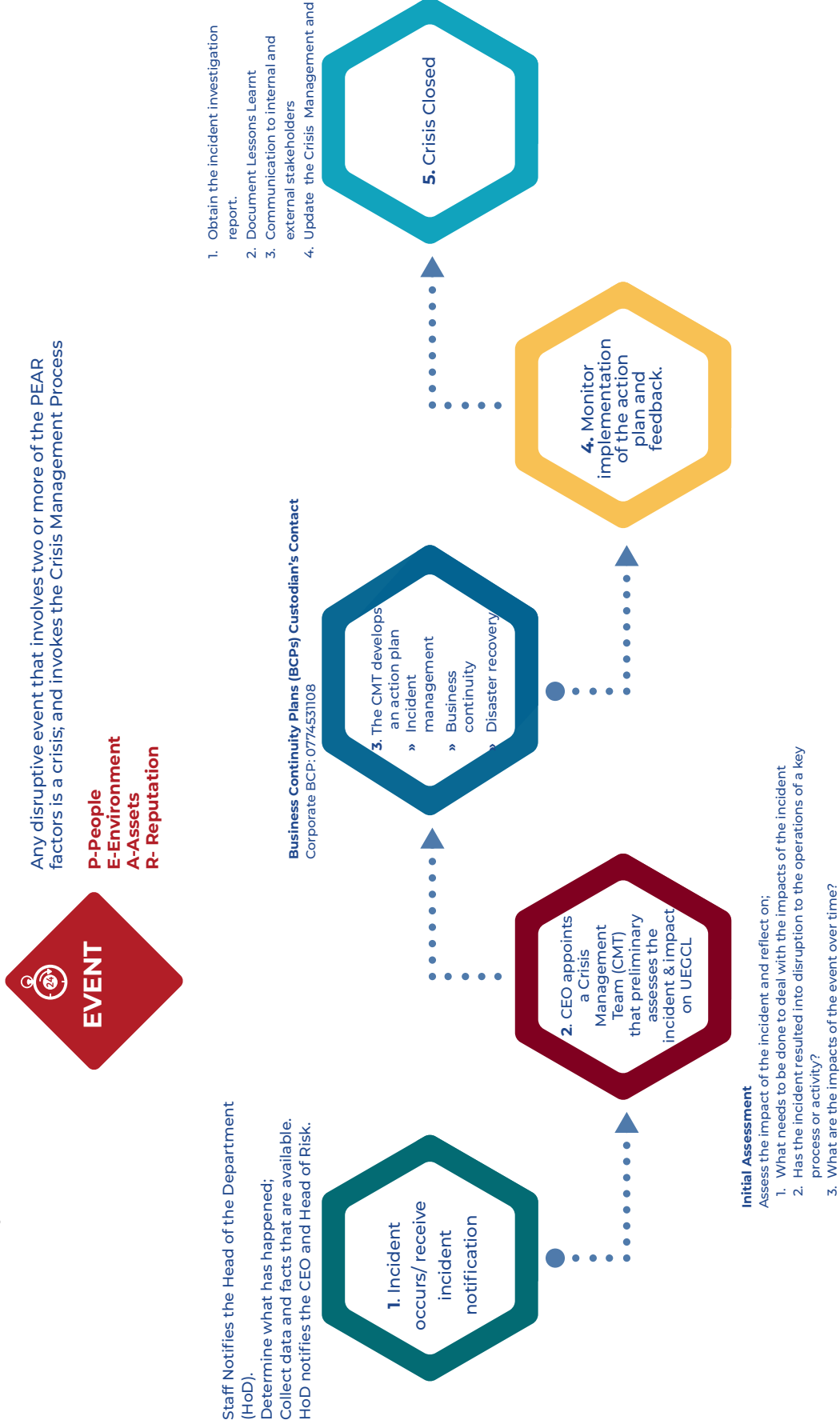
*UEGCL Namanve Thermal Powerplant operations and maintenance team during a staff meeting.*



UETCL's junior board team in a group photo with UEGCL's Strategy and Business Development team at UEGCL HQ after a benchmarking visit focused on UEGCL's Resource Mobilization strategy.



# CRISIS MANAGEMENT PROCESS FLOW



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