



UEGCL
Generating for Generations



ANNUAL REPORT

**FOR THE PERIOD
ENDED 30 JUNE 2023**

Vital safety rules



Work with a valid work permit/JSA when required



Verify isolations before working on energized systems



Always use equipment that is fit to its intended purpose



Ensure safe conditions before entering a confined space



Protect yourself against a fall when working at height



Obtain authorization before overriding or disabling a critical safety equipment



Stay away from a suspended load



Wear appropriate personal protective equipment



Wear your seat belt when in a moving vehicle



Comply with road safety rules

Health and safety is everyone's responsibility.

GENERATING SAFELY FOR GENERATIONS

We are UEGCL



OUR VISION

The Vision of UEGCL is to be “Africa’s leading electricity generating utility”.



OUR MISSION

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



OUR CORE VALUES

- Integrity
- Safety
- Sustainability
- Innovation
- Accountability
- Collaboration



OUR 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.



PURPOSE

To make electricity safely available for supply at all times from all our powerplants.



UEGCL Isimba HPP Operations and Maintenance team servicing motorized breaker of Unit 3 at the plant.

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Corporate Information



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

DIRECTORS

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

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

CHIEF EXECUTIVE OFFICER

Dr. Eng. Harrison .E. MUTIKANGA

COMPANY SECRETARY

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

Registered office and principal places of business



Head Office

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



Stanbic Bank Uganda Limited

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



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

Kiwanga Kasokoso, Namanve
Wakiso District, Uganda



UEGCL Operations and Maintenance staff of Isimba HPP pose for a picture during the routine maintenance of the power plant .

2023 Performance Highlights



TOTAL ASSETS

2021/22
7.2 Trillion
2022/23
7.7 Trillion



REVENUE

2021/22
210.9 Billion
2022/23
343.7 Billion



EQUITY

2021/22
860 Billion
2022/23
894 Billion





Third Deputy Prime Minister, Hon Lukia Isanga Nakadama, Minister for Energy, Dr. Hon. Ruth Ssentamu Nankabirwa, Minister for Relief, Disaster Preparedness and Refugees, Eng. Hillary Onok together with the UEGCL BOD members and CEO at the launch of the Uganda Commission on Large Dams (UCOLD).

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(amended in 2022), and started operation on 1st April 2001.

1.1 UEGCL Mandate, Vision, and Mission

Mandate

The mandate of UEGCL is to establish, acquire, maintain and operate electricity generation facilities and to promote Research and Development in the Electricity generation sector while running the company on sound business principles.

Vision

The Vision of UEGCL is to be “Africa’s leading electricity generating utility”.

Mission

UEGCL’s Mission is to “Sustainably Generate Reliable, Quality and reasonably priced

Electricity for Socio-Economic Development”.

Purpose

To make electricity safely available for supply at all times from all our powerplants.

2.0 Current Operations

- Current Number of Employees is 357; (Male= 268, Female 76)
- Total installed capacity is 913 MW with the addition of Namanve HPP in February 2022 and the synchronization of 4 units(400MW) of the Karuma HPP to the grid. This accounts for 68% of the Generation Capacity within the Country.
- UEGCL successfully commenced direct operations of the Kiira (200 MW) and Nalubaale (180 MW) on 1st April 2023.
- UEGCL is carrying out Operations and Maintenance (O&M) of the Isimba (183 MW) power plant. Isimba HPP is currently being operated under the

approved O&M Business model.

- UEGCL is carrying out Operations and Maintenance of the 50MW Namanve Thermal powerplant that was re-transferred back to Government in February 2022.
- UEGCL is due to commence operations of the Karuma HPP (600 MW) upon commissioning, in the year 2024.

3.0 Project development

- UEGCL is currently implementing the 600 MW Karuma HPP.
- The 1 MW Maziba SHPP is due for rehabilitation, with the ESIA studies planned.
- The Nalubaale-Kiira rehabilitation project is at the final stages of the feasibility studies.
- A floating solar project is planned on the reservoir of Isimba HPP.



UEGCL O&M staff gesture during a routine shift in the Karuma HPP (600MW) control room.

A Map Of Uganda Showing Uegcl Footprint



Outlook

The financial year 2022–2023 marked the fifth and final year of implementation of the UEGCL five-year Strategy (2018- 2023). Concurrently, UEGCL embarked on the preparatory stages for the forthcoming five-year cycle spanning 2023 – 2028. UEGCL's strategic trajectory is profoundly influenced by a set of core policies, including the Energy Policy, the NRM Manifesto 2021 – 2026, the National Development Plan III 2020/21 – 2024/2025, the Renewable Energy Policy, and a presidential directive to amplify generation capacity to 52,481 MW by 2040. Within this policy framework, several pivotal considerations will guide the forthcoming period.

a) Operational Efficiency

UEGCL's operational footprint has significantly expanded, spanning from the Isimba (183 MW) and Namanve (50 MW) facilities to encompass the Karuma (600 MW) project, with 4 units (400 MW) already synchronized to the grid. Additionally, the Nalubaale/Kiira plant (380 MW) was successfully retransferred to Government in April 2023. Amid this remarkable growth, the meticulous operation and maintenance of these power plants underpins UEGCL's core agenda. UEGCL intends to accelerate

the implementation of the O&M Business model across its entire portfolio of power plants, envisioning this initiative as a platform for internal benchmarking among these plants. In the same latitude, it is envisaged that the O&M Business model will evolve to see the different powerplants become autonomous strategic Business Units that will later run as subsidiary companies. This is envisaged to also enable the Company fully realize the benefits from private sector-like tenets including possibilities of listing on the stock exchange.



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 2040. Internally, UEGCL has already commenced feasibility studies for the floating solar project, which is being carried out by an Independent Consultant. In addition, UEGCL is also fast-tracking synergies with the Ministry of Energy's Department of Geological Surveys and Mines for geothermal development, as part of its energy mix strategy.



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 913 MW equivalent to 68% of the market share by installed capacity. This installed capacity is expected to increase by June 2024 with the full commissioning of the 6 generating units at Karuma HPP

and the 6.6 MW Nyagak SHPP. 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 also be in line with the National Generation Strategy to increase Uganda's Installed capacity to 52,481MW by 2040 to meet Uganda's Energy Demands as guided by H.E the President.





d) Financial Sustainability

Financial viability and sustainability remain at the core of UEGCL's ability to achieve her Strategic Goals and support government's plans to increase the installed capacity to 52,481MW by 2040. In a bid to propel the company towards financial sustainability, UEGCL with support of the company's shareholder and government, successfully converted the Isimba and Karuma on-lent loans from USD to Uganda shillings. This has significantly hedged the company's balance sheet and bottom line against foreign exchange exposure.

Efforts are now focused towards navigating the regulatory environment to enhance the

existing generation licenses and Power Purchase Agreements of the plants we operate. Specifically, UEGCL is pursuing recovery of government investments in these plants and a reasonable return as avenues to finance investment in new generation infrastructure and refurbishment of existing plants with minimal reliance on the National Treasury.

Other measures being considered is restructuring of UEGCL's balance sheet to make it healthier and more attractive to private investors. Shareholder and government support in this quest to transform UEGCL into a self-sustaining entity while maintaining a competitive tariff are hugely required.



e) Business Diversification (Non-Core)

As a pivotal component of its growth strategy, UEGCL is embarking on a journey of non-core business diversification which will encompass the operationalization of the Karuma and Isimba Tourism potential, alongside the establishment of a pioneering Professional Services Unit (PSU). These strategic ventures are poised to not only cultivate an array of diversified revenue streams for the company but also to catalyze the amplification of staff productivity through multifaceted skill

development. The PSU will provide a wide range of services in the areas of project management & supervision, strategic and performance management etc. This will be guided by the PSU framework that is under development. This framework will harness the acquired proficiencies of its workforce, ensuring that their expertise in these domains is leveraged to furnish services to fellow utilities in the sector, while concurrently internalizing tasks that were hitherto outsourced to consultants.



f) Digital Transformation

In today's world, digital transformation and automation of services is the way to go. In this regard, a number of technological initiatives are underway within the company to drive efficiency gains across different processes. This includes automation of key processes such as the purchase to pay process which is aimed at creating efficiencies within the procurement

and finance space, automation of enterprise risk management for the risk department and enhancements to the human resources information management system, amongst others. Other areas of focus for UEGCL will include; enrichment of data management practices including utilisation of advanced analytics and business intelligence tools, cyber security, and ICT governance.



g) Environment, Social, Governance (ESG)

At UEGCL, we are committed to a sustainable future as we continue to lead in the field of power generation. This commitment entails not only optimizing our renewable energy portfolio but also fostering community engagement, prioritizing workforce diversity and welfare, and enhancing our corporate governance. In line with our dedication to responsible business practices, UEGCL plans on developing a comprehensive ESG Strategy that will serve as

a guiding framework for the company. This strategy will outline our commitments, targets, and actions across environmental, social, and governance realms, enabling us to address key ESG-related issues systematically and effectively. These initiatives will be spearheaded by the Safety, Health, Environment, and Quality (SHEQ) department. Their expertise will guide the implementation of environmentally conscious practices, stringent safety standards, and continuous quality improvement measures.

Vision Group top Management led by the Chief Executive Officer, Don Wanyama, (extreme left) listen to the Project Manager of Karuma HPP, Albert Musoke Byaruhanga (extreme right) as he explains details of the project.



Project Overview

KARUMA (600MW)

The Karuma HPP's overall physical progress of work was 99.9%. The project completion date of 15th June 2023 was not achieved mainly due to the rectification and correction of Electro-Mechanical non-conformities not discounting the impact of COVID-19. However significant breakthrough was achieved on 14th April 2023 with the first Unit i.e. Unit 1 synchronized to the national grid. Additionally, Units #3, #4, and #2 have similarly undergone wet commissioning during the

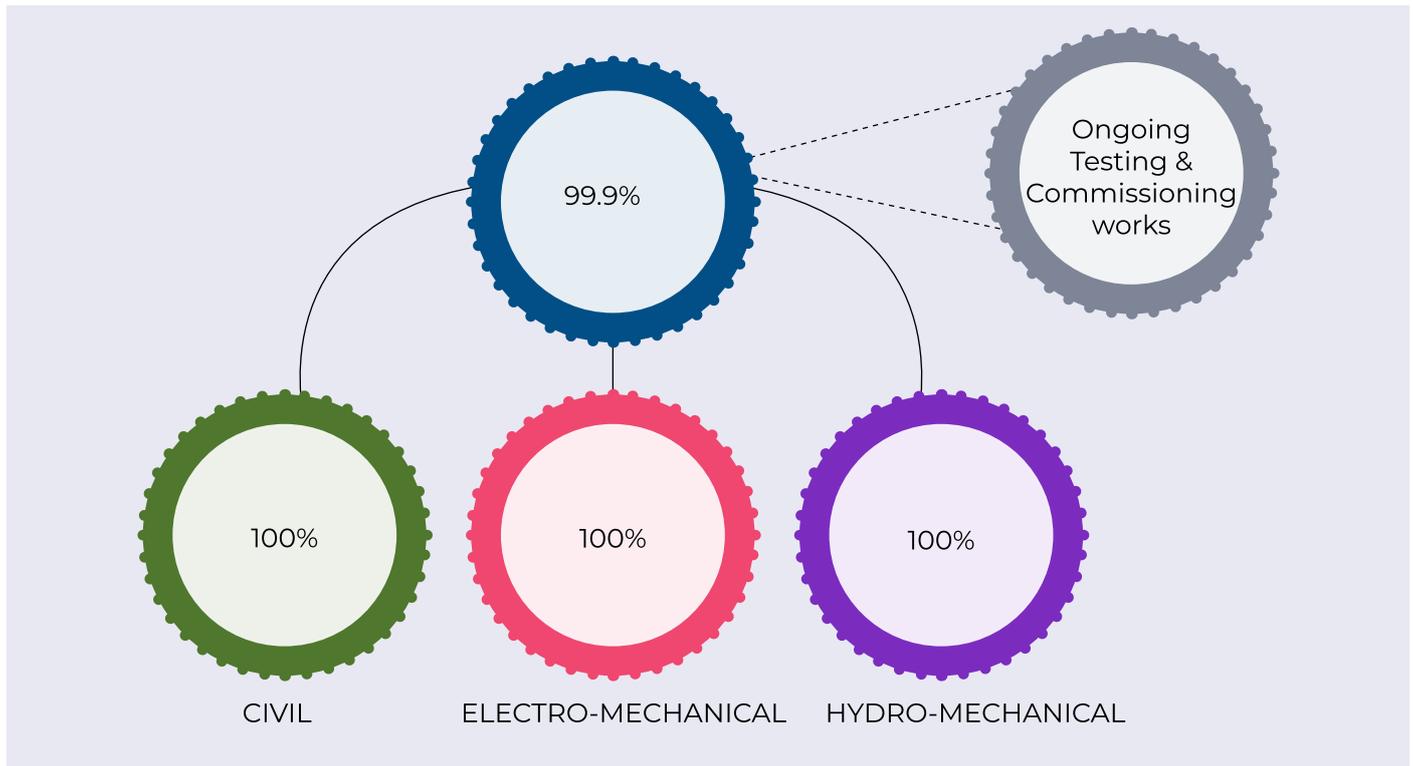
period 24th May, 13th June, and 04th October 2023 respectively. The full load testing of the generating units for 6 x100MW will be achieved by the end of January 2024. The overall project completion is expected to be in August 2024 to allow other project components other than the generating units to be completed as per the contract. The table below shows the milestones and actual/expected dates to achieve the milestone.



Aerial view of the Karuma Hydro Power Plant spillway.

Milestone	Milestone Dates
Wet Commissioning of Unit #1	2023.04.14
Wet Commissioning of Unit #3	2023.05.24
Wet Commissioning of Unit #4	2023.06.13
Wet Commissioning of Unit #2	2023.10.04
Wet Commissioning of Unit #6	2023.11.08
Wet Commissioning of Unit #5	2024.01.08
Project Completion	2024.08.31

OVERALL PHYSICAL PROGRESS



NYAGAK III (6.6MW)

The 6.6 MW Nyagak III HPP is being implemented through a Special Purpose Vehicle, GENMAX Nyagak, attained 88% overall physical progress and is forecast for commissioning in 2024. This is expected to play a significant role in alleviating the electricity shortage issues in Uganda's West Nile region.



Dam and spillway section of the Maziba Power Plant in Kabale.

MAZIBA (1 MW)

UEGCL with support from the Government of Uganda (GoU) and Agence Française de Développement (AFD) undertook a feasibility study for the rehabilitation of Maziba Hydro Power Plant. The feasibility study was done by Tractebel Engineering S.A. The outstanding studies include Environment and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) for the project. UEGCL has since secured grant funding from Agence Française de

Développement (AFD) to undertake studies for the Environment and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) in the current financial year FY 2023/2024. The ESIA/RAP studies shall be done under a consultancy services contract with Tractebel Engineering SA. The proposed rehabilitation works for the project are part of GoU's commitment to optimizing our hydropower potential across the country.

Operations & Maintenance Overview



Aerial view of the 183 Isimba Hydro Power Plant.

ISIMBA (183MW)

The financial year 2022/23 marked the fourth year of operations of the 183 MW Isimba HPP. The plant is being operated under the **Internal Performance Contracting Framework** that was launched on 10th March 2022 and signed between the **Isimba Operator (Isimba Staff & Management)** and the **Asset Holder (UEGCL Head Quarters)** following the approval of the **O&M Business model**. The 3-year Isimba HPP business plan was reviewed in March 2023 to reflect the current plant operating environment and also to streamline performance management with the guidelines from the

PUMP-based performance framework.

Isimba Plant Performance for FY 2022/23

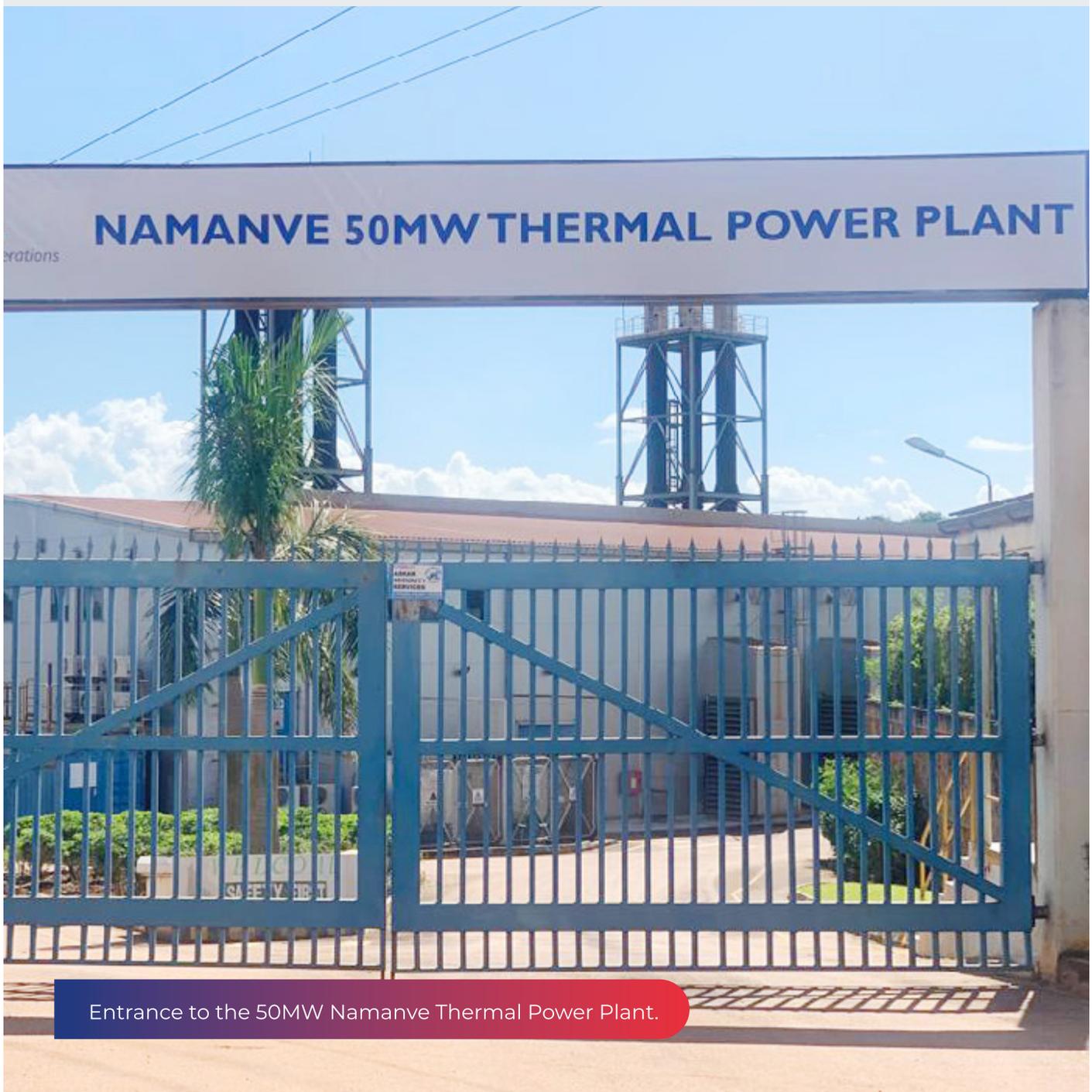
On average, the Isimba plant operated with plant availability and reliability of **87.28%** and **99.84%** respectively. The average declared capacity was **152.14 MW per hour** and the average actual dispatch was **118.89 MW per hour**, resulting in a plant factor of **64.15%**. The details of the plant's key performance indicators throughout the year are shown in the table below.

Key Performance Indicator	Q1	Q2	Q3	Q4	Average
Declared capacity (MW/hr)	125.27	148.99	154.75	179.55	152.14
Actual dispatch (MW)	104.8	121.26	127.78	121.73	118.89
Plant availability (%)	68.4	86.15	96.54	98.01	87.28
Plant reliability (%)	99.81	99.65	99.98	99.93	99.84
Plant factor (%)	57.3	66.26	69.8	66.5	64.97

NAMANVE TPP (50MW)

In accordance with the Power Purchase Agreement, the plant's annual dependable capacity was conducted on 18th February 2023, from which a dependable capacity of 49.897MW was obtained. This was followed by a mid-period capacity test on 25 May 2023, from which a dependable capacity of 49.999MW was established. This progressive improvement in the Plant's dependable capacity from 49.45MW to 49.999MW is owed to the prudent operation and maintenance practices of staff at the plant.

Whilst the Plant's contractual daily dispatch is 7.0MW, the plant has been able to satisfactorily support the grid in the event of emergencies. During the year, Namanve TPP was dispatched at full capacity from 08th to 22nd August 2022, following the generation constraints at Isimba HPP. The plant also supported the grid following the transmission line constraints from the vandalism. Therefore, 50MW Namanve TPP remains a critical asset in the energy mix as a backstop during power-forced outages.



Entrance to the 50MW Namanve Thermal Power Plant.

KIIRA/NALUBAALE (380MW)

Upon expiry of the Concession Assignment and Agreement on 31st March 2023 with Eskom (U) Limited for Kiira/Nalubaale Complex, UEGCL obtained a Generation License from the Electricity Regulatory Authority and a Power Purchase agreement from UETCL. Operations and maintenance successfully commenced 380MW Nalubaale/Kiira complex at 12:00 am on 1st April 2023. UEGCL has smoothly maintained

the plant and recorded an average plant availability of 96.25% and reliability of 99.71%.

To enhance the reliability and availability of the Complex in a good health state, UEGCL is planning and preparing for the rehabilitation of the plants. This will address all outstanding works from the concession period and the recommended projects from the independent Engineer.



Aerial view of the 200 MW Kiira Hydro Power Plant.



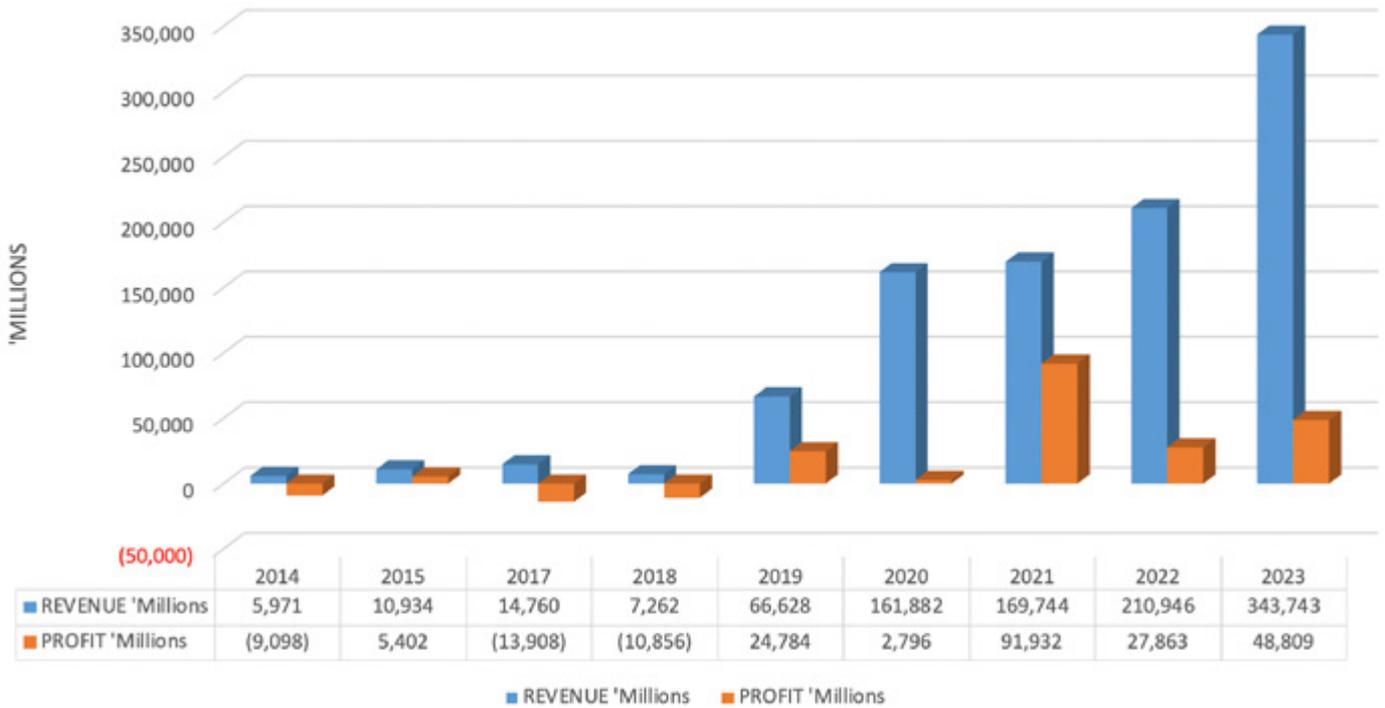
Aerial view of the 180 MW Nalubaale Hydro Power Plant.

Financial statistics

AS AT	30 June 2023	30 June 2022
	UGX '000	UGX '000
For the year		
Concession Fees	6,175,34	10,467,665
Nalubale Kira Income	12,336,681	-
Isimba Income	164,316,984	151,344,928
Karuma Income	795,738	-
Namanve Income	57,827,888	17,580,226
Other Income	102,290,532	31,553,217
Operating Profit/Loss	77,457,635	66,316,151
Earnings Before Interest, Tax, Depreciation and Amortisation.	144,592,398	133,993,641
(Profit)/loss for the year	33,992,998	27,862,753
At year-end		
Total Assets	7,691,311,058	7,244,715,079
Shareholder's Equity	894,603,418	860,611,295
Outstanding interest bearing debt	5,168,647,655	5,227,807,371
Cash flow data		
Net cashflows from operating activities	157,108,231	89,294,571
Net cashflows used in investing activities	-511,424,940	-326,878,960
Net cashflows from / (used in) financing activities	337,217,546	214,020,827
Operating and other statistics		FY 2022
Total number of customers (UETCL)	1	1
Total number of employees	357	244
Exchange rate: US Dollar to Uganda Shilling (at year end)	3,667	3,759
Exchange rate: US Dollar to Uganda Shilling (average)	3,763	3,591

Financial and Operational Charts

REVENUE/PROFIT



REVENUE



- Revenue grew by 63% (UGX 210.9bn to UGX343.7bn). This was mainly to higher electricity dispatch to UETCL as compared to FY2022.
- 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 33.9BN



- Increase in profitably by 22% (UGX 27.9bn to UGX 33.9 bn) due to sharp rise in income from all sources.

Total Assets



- Total Company assets are UGX 7.7tn compared to UGX 7.2tn the previous year (6% Increase) due to addition of Nalubaale Kiira plant assets worth UGX 129bn.
- Karuma is still under construction. The expected completion date is August 2024.



- Total non current liabilities has significantly grown from 2015-UGX 532 billion to UGX 6.2 trillion FY2023 due to the loans borrowed for Karuma & Isimba HPPs.
- Non current liabilities increased by 5% in 2023 from UGX5.9tn to UGX6.2tn



POSITIVE EQUITY

The Company as at 30th June 2023, is solvent with positive equity of UGX 909 Billion. Net profit is UGX 33.9bn (2022:UGX 27.9bn).

Events calendar



Hon. Dr. Ruth Ssentamu Nankabirwa, Minister of Energy commissions the newly constructed School facilities of Diima Primary School under The Karuma HPP Community Development Action Plan (CDAP) in Kiryandongo District.



UEGCL Operation and Maintenance staff pose at the 50 MW Namanve TPP after a courtesy visit from UEGCL CEO Dr. Eng. Harrison MUTIKANGA (orange vest) and the Management team.



Dr. Hon. Ruth Ssentamu Nankabirwa, Minister for Energy, Dr Eng. Harrison E. Mutikanga, UEGCL CEO, and Michel Lino, ICOLD President with dignitaries at the fourth Hydro International Conference and Exhibition on Water Storage and Hydropower Development for Africa.



UEGCL BOD and Management pose with the staff of Nalubaale and Kiira power stations after the takeover from Eskom in April 2023.



Dr. Hon. Ruth Ssentamu Nankabirwa, Minister for Energy poses with Isimba HPP staff on a routine ministerial inspection.



Dr. Eng. Harrison E. Mutikanga with the Panel of Expert at the 183MW Isimba HPP during a technical visit.

Chairperson's Message



Eng. Proscovia Margaret NJUKI
Chairperson Board of Directors



As at the close of the year, the Company was solvent with positive equity of UGX. 894.6 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.



Dear Shareholders and Stakeholders,

I am pleased to report another year of improved sales and earnings growth as I present the audited Financial Statements and Annual Report of the Company for the Financial Year ended 30th June 2023.

We are filled with pride for the milestones we have achieved, and the progress made in pursuit of our mission and vision.

This message provides an overview of our performance and serves as a testament to our commitment to transparency, accountability, and effective communication with all our Stakeholders.

Financial Overview

The summary of the performance is as follows,

Revenue grew by 63% to UGX. 343.7 billion from UGX 210.9 billion in 2021/202. This is attributed to increased sales of electricity which included that from Nalubaale and Kiira Hydroelectric power Plants where the Company resumed operations in Quarter 3 following the expiry of the concession with Eskom (U) Limited. Additional revenue was generated from electricity sold from commissioning tests carried out at the Karuma Hydropower Plant which is under construction; as well as amortized grant income majorly the buy-out amount for the Nalubaale and Kiira Hydropower Plants worth UGX 45.7 billion, the Norwegian grant support to the Company and the Government of Uganda Grant.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 8% to UGX 145 billion from UGX 134 billion due to a minimal reduction in the interest expense concerning the Isimba Hydropower Project loan.



UGX 145
Billion from
UGX 134
Billion

Profit before tax was UGX 48.8 billion an increase from last year's profit of 40.7 billion and Shareholder's equity increased by 4% to UGX 894.6 billion from UGX 860 billion.

Total Assets increased by 7% to UGX 7.691 trillion from UGX 7.244 trillion in 2022 due to, an increase in valuation of work-in-progress (WIP) at the Karuma Hydropower Project.

Non-current liabilities (borrowings) increased by 6% to UGX 6.192 trillion from UGX 5.856 trillion. The increase was due to an increase in loan disbursements for the Karuma Hydropower Project and the recognition of retention amounts for both the Karuma and Isimba Hydropower Projects.

As at the close of the year, the Company was solvent with positive equity of UGX. 894.6 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

Due to the tough macroeconomic environment characterized by high inflation and a tight fiscal position for the Government, the Company has faced funding challenges, particularly concerning the projects it is implementing on behalf of the Government of Uganda and related infrastructure.

The Company has also faced a severe liquidity crisis resulting from unsettled invoices for energy supplied to the grid from its Thermal Power Generation Plant, the takeover of the Nalubaale and Kiira Hydroelectric Power stations following the expiry of the concession to Eskom (U) Ltd without the necessary working capital.

The tough economic environment has led to the deferral of several activities which has affected the implementation of the strategy. Additionally, the Company experienced increased prices of essential commodities and services and generally increased costs of doing business.

Despite the challenges, the Company has not only persevered but also thrived. The dedication and resilience of our teams, combined with the trust and support of our Shareholders and partners, have been instrumental in our success. The Company continues to adapt to the operating environment and endeavours to meet the expectations and interests of its stakeholders. Our top priority is to increase the installed capacity of affordable electricity and to seek growth in

sales of the current installed capacity in line with the National Development Plan (NDP III), the Government Manifesto, the Uganda Vision 2040 and the Sustainable Development Goal (SDG) 7.

Additionally, given the global shift to Clean Energy and technology advancements in renewable options which are driving down the unit cost of production and generation of Clean Energy to support net-zero emissions, the Company has positioned itself to tap into these opportunities in its five-year Strategic Plan (2023-2028).

As a Company wholly owned by the Government of Uganda, we are also in the midst of the implementation of the merger and rationalization of Government Ministries, Departments, Government owned Companies and Agencies.

Strategy

The end of the financial year marked the end of implementation of the Company's 5-year strategy (2018-2023). The Board has approved and adopted a new five (5) -year strategic plan (2023-2028) with a new Vision, Mission and Purpose Statement to reflect the Company's new ambition to be Africa's leading electricity-generating Utility with the key pillars of Operational Excellence, Reputation Management, Sustainable Business Growth, and Human Capital Management. The Company remains focused on achieving completion and commissioning of the ongoing projects at Karuma and Nyagak III and Isimba Hydropower Project defects rectification, improving operational and maintenance efficiency, revenue growth, and Stakeholder satisfaction.

Governance

Our vision for governance and responsibility at UEGCL is to provide our Shareholders and other Stakeholders with confidence that UEGCL is a well-managed and responsible Company.

The Board has taken steps to engage more with the Shareholders, the industry regulator and other regulators and to evaluate the relevant financial, social, ethical and environmental issues that may influence or affect the Company.

Our guiding principles are integrity innovation accountability, safety, sustainability and collaboration which support our Vision, and Mission and define our approach to all aspects of our business.

To promote effective governance across all of its operations, the Board has approved a governance framework which maps out the

internal approvals processes and those matters which may be delegated. These principally relate to the operational management of the Company's business and include pre-determined authority limits delegated by the Board to the Chief Executive Officer for further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business.

The Company continues to embrace best practices and principles of Corporate Governance and strives to comply with all relevant laws and regulations. The Board in its oversight role remains committed to promoting the long-term sustainable success of the Company, generating value for Shareholders, ensuring transparency and accountability as well as meaningful engagement with all Stakeholders.

The Board had its tenure extended for three years to 2026. In this regard, the Directors wish to thank the Shareholders for the trust placed in the Board and pledge to provide the best stewardship of the Company.

Corporate Citizenship

Execution of our Strategy is the principal avenue through which we aim to achieve our commitment to create value for our Stakeholders as well as positively impact the environment and society within which we operate.

We remain committed to managing our operations in a transparent, responsible and ethical manner as we work closely with our Stakeholders towards ensuring value creation through the generation of affordable electricity for socio-economic development.

This year, the Company adopted environmental, social, and governance (ESG) as part of its strategy and will work to integrate them into its business.

Future Outlook

Despite the challenges in its operating environment, the Company remains hopeful for a better future. Over the next year, the following will remain the key focus areas for the Company:

1. Implement the first year of the five-year 2023-2028 Strategic Plan.
2. Completion, commissioning, and commencement of commercial operation of the 600MW Karuma Hydropower Plant. It is worth noting that at the end of the reporting period, three (3) generation units (300MW) had been synchronized to the national grid. The completion of the Plant will add 600

MW to the national grid thus increasing the national installed capacity.

3. Despite some challenges and delays, it is expected that the Nyagak III Hydropower Project will soon be completed and will commence commercial operations thus contributing to the Government's objective of increased installed capacity.
4. Implementation of key investments required for the Nalubaale and Kiira Hydroelectric power Plants to ensure the posterity of the assets while supporting the Government to achieve its policy of keeping the tariff low.
5. Resolve the funding challenges and constraints to cash flow faced by the Company.
6. Continue with the preparation of the Company and staff for the ongoing rationalization and merger of Government agencies which is expected to commence by the end of the Financial Year 2023/2024.

Appreciation

On behalf of the Board of Directors, I would like to thank the Government, the Electricity Regulatory Authority and other regulatory bodies, Development and Business Partners and our main customer the Uganda Electricity Transmission Company Ltd for their support and commitment to the Company. I also appreciate fellow Board Members for their oversight role in setting the Company's direction and ensuring its overall well-being.

I would also like to thank Management for the hard work dedication and positive work culture which over the years has been vital in achieving the Company's goals and maintaining employee morale.

Last but not least, I sincerely thank the Shareholders for the engagements held with the Board and for trusting the Board to spearhead the Company, and we pledge our loyalty and commitment to see this Company go to greater heights.



Eng. Proscovia Margaret NJUKI
Chairperson Board of Directors

Generating for Generations



Inspection of cable wiring works in the panels at the Isimba HPP.

CEO's Statement



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



Our financial performance was driven by prudent financial management and strategic investments. The financial statements contained in this report provide a comprehensive overview of our financial health.



Dear Shareholders and Stakeholders,

I am honoured to present UEGCL's annual report for the financial year 2022/2023 which marked the end of our 2018-2023 strategic plan. This annual report encapsulates a year of remarkable progress, resilience, and dedication to our purpose of making electricity safely available for supply at all times from all our plants.

Our journey over the past year has been defined by innovation, collaboration, and an unwavering commitment to excellence. Together with our dedicated team and valued partners, we have navigated challenges and seized opportunities to further our vision and mission.

Herein, you will find an overview of our achievements, challenges, and our strategic outlook for the future. It is a story of growth, adaptability, and shared success, and I am excited to share it with you.

PERFORMANCE HIGHLIGHTS

Financial:

In the financial year 2022/2023, UEGCL continued to register substantial financial progress. Our revenue increased by 63%, reaching UGX 343.7 billion and, consequently, our Profit After Tax grew by 22%, reaching UGX 34 billion, compared to UGX 27.9 billion in the previous year. UEGCL was also able to service its debt obligations on the Isimba HPP to the tune of UGX 142 billion.



63%, reaching
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and, consequently,
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Tax grew by 22%,
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UGX 34 billion

Our financial performance was driven by prudent financial management and strategic investments. The financial statements contained in this report provide a comprehensive overview of our financial health.

Project Implementation:

UEGCL is implementing two flagship projects on behalf of the Government of Uganda: the 600 MW Karuma HPP and the 183 MW Isimba HPP.

The Karuma HPP is well on course to completion as, by the end of the financial year, 3 out of the 6 units had been successfully tested and synchronised to the national grid—equivalent to an additional 300 MW on the grid. At the time of reporting, the number of successfully tested and synchronised units stood at 4 (400 MW). The project's overall physical progress is now well over 99%. However, despite this remarkable progress, the project was not without hurdles including delays caused by several factors such as vandalism of the Karuma-Kawanda transmission line which set back the commissioning activities.

Meanwhile, 4 years after its commissioning and takeover, the Isimba HPP's defects liability period (DLP) came to its natural end. There, however, remain a few items of incomplete and outstanding work/obligations on the project that will need to be properly closed out by the Contractor before the project can be declared truly completed, in accordance with its EPC contract. Key among the outstanding works is the permanent rehabilitation of the spillway following the discovery of concrete defects in 2022.

Other projects

With support from our development partner, the International Finance Corporation (IFC), the 48 MW Muzizi HPP is being restructured for implementation as a Public-Private Partnership (PPP) project, following the cancellation of the previously secured financing for its development.

On the other hand, the 6.6 MW Nyagak III HPP being implemented through a Special Purpose Vehicle, GENMAX Nyagak, attained 88% overall physical progress and is forecast for commissioning in 2024. This is expected to play a significant role in alleviating the electricity shortage issues in Uganda's West Nile region.

Operations:

In the financial year, UEGCL's operations portfolio grew with the retransfer of the 180 MW Nalubaale and 200 MW Kiira Power Stations (the Complex) from Eskom (U) Ltd. at the end of their 20-year concession on 31st March 2023. Much as Eskom (U) Ltd. returned a generally functional facility to UEGCL, a lot more short-term to long-term CapEx investments are needed to improve the integrity of the Complex and guarantee its sustained operation i.e. reliability and availability. Feasibility studies for the ageing Complex's rehabilitation and ultimate extension of life have been ongoing

and are almost complete. This rehabilitation is expected to add at least 30 years to the Complex's life.

Generally, UEGCL continued to safely operate and maintain all its power plants—the 183 MW Isimba HPP, the 380 MW Nalubaale-Kiira HPPs, and the 50 MW Namanve Thermal Power Plant—generating 1.6 TWh of energy in the financial year.

However, we did face some challenges in our operations, including the longstanding unavailability of Nalubaale's Unit 10—since before the concession's end—which Eskom is working to restore. Another notable challenge was the unfortunate powerhouse flooding incident at Isimba, which led to the plant's temporary total shutdown. Fortunately, we were able to work around the clock to restore the plant's operations—a testament to the team's collaboration, agility and competence.

We continue to spare no effort to identify and promptly address weaknesses and challenges in our operations, especially concerning safety and quality, in the spirit of continuous improvement. This has involved, among others, constantly building the capacity of our Operation and Maintenance (O&M) staff, and engaging O&M Technical Support Consultants, with support from our development partners, particularly the Norwegian Government.

Embracing Sustainability

In the vein of advancing sustainability and responsible business practices, UEGCL proudly integrates Environmental, Social, and Governance (ESG) principles into our corporate strategy. We remained dedicated to creating a positive impact on the environment, fostering social responsibility, and maintaining high standards of governance, in line with our core values.

Core values:

In the financial year, we remained steadfast in upholding our core values of Integrity, Safety, Sustainability, Innovation, and Accountability. These values are the bedrock of our corporate culture and guide our actions and decisions. Safety, particularly, took centre stage and, recognizing its criticality, we established and operationalized a new department—Safety, Health, Environment, and Quality (SHEQ). This move attests to our dedication to creating a workplace where, among others, the well-being of our employees, communities and environment is prioritized.

Environmental Stewardship:

UEGCL is committed to minimizing our

environmental footprint in all our operations. Our adherence to the stringent environmental standards of our licenses and permits, and continuous efforts to explore and implement sustainable practices underscore our commitment to environmental stewardship.

Corporate Social Responsibility (CSR):

Beyond powering homes and industries, we recognize our responsibility to the communities and the environment in which we operate. In keeping with good and responsible corporate citizenship, our CSR initiatives have continued to impact positively on the lives of the communities we serve, focusing on areas such as education, healthcare, and environmental conservation. UEGCL, for example, donated a variety of textbooks and sanitary materials to some of the schools in the vicinity of our power plants.

Governance Excellence:

UEGCL places a premium on governance excellence. Upholding the highest standards of transparency, accountability, and ethical conduct remained integral to our operations. Our governance framework ensures effective decision-making processes, risk management, and compliance with regulatory requirements. We are committed to fostering a culture of integrity and accountability across all levels of the organization.

Risk Management:

We acknowledge the inherent and ever-evolving risks in our business, including cashflow and budgetary shortfalls, staff turnover due to the planned mergers within the sector, etc. Our risk management strategies are designed to proactively and effectively mitigate the challenges within our control and ensure the continuity of our operations. To manage and navigate through our risks in the past year, we continued to count on the invaluable support and cooperation of our shareholders and stakeholders, without whom we might not have realised the successes we did.

Research and Innovation:

UEGCL remained committed to research and innovation, exploring a number of research projects e.g. conversion of water hyacinth to bioethanol to make use of the invasive and disruptive water hyacinth in our reservoirs. Moreover, we have entered partnerships with some local universities to encourage research in areas pertinent to UEGCL's business such as dam safety and reservoir management. Consistent with our research agenda, we also co-hosted and co-sponsored the Hydro Africa 2023 Conference

during which several UEGCL research papers were presented. In kind, UEGCL's second research and innovation symposium is scheduled for 2024, with a focus on improving the operation and maintenance of our power plants.

Challenges

The main challenges UEGCL faced in the financial year included the delayed completion of the flagship projects, especially the Karuma HPP whose substantial completion is now projected for August 2024; the emergence and slow rectification of defects and non-conformances on the projects, especially the Isimba HPP, that affected plant operations; funding and cashflow constraints which mainly curtailed project implementation and investments, and the impending mergers in the sector which caused uncertainty in the company's future status. Despite these hurdles, with support from our shareholders and key stakeholders, we remained resolute, implementing innovative solutions to ensure business/operational continuity.

Strategy, Outlook and Future Prospects

Looking forward, as we embark on our new strategic plan for the period 2023 – 2028, the horizon for UEGCL is bright. This strategic plan fronts our vision "To be Africa's leading electricity-generating utility", anchored on four strategic themes: operational excellence, stakeholder and reputation management, sustainable business growth, and human capital management.

Crucially, UEGCL's 2023 – 2028 strategic plan is premised on the quest for superior performance by gaining a sustainable competitive advantage through the least optimal cost of generation and having strategic approaches to drive operational efficiency and sustainable service delivery. As such, we are committed to living up to our certification in ISO 9001 by continuously improving our systems and processes. Operational efficiency is at the forefront of our strategic priorities and we, therefore, seek to further strengthen the performance of our power plants through the Internal Performance Contract (IPC) model. Ultimately, the O&M Business model is expected to evolve so that each power plant becomes a semi-autonomous strategic business unit.

We also aim to grow our business with the completion of the ongoing projects and embarking on new ventures and investments that align with our long-term objectives. Enhancing our business portfolio will involve meeting a number of core and non-core targets such as commissioning the Karuma HPP, completing the rescoping of the Muzizi HPP as a PPP, completing

the feasibility studies and design of a floating solar project, rescoping UEGCL's waste-to-energy concept, exploiting the tourism potential of our plants, operationalising the Professional Services Unit (PSU), etc.

Most of our major aspirations, however, hinge on UEGCL securing long-term financial viability and sustainability. To that effect, we shall continue working with our shareholders and engaging all the relevant stakeholders to see to it that UEGCL is, among others, able to raise and maintain funds for major investments while, in turn, earning a reasonable return on those investments. This, ultimately, is for the long-term benefit of the company, the sub-sector and the country at large, as we do our part to support the achievement of the Government's goal of 52,481 MW by 2040.

Conclusion

In conclusion, I want to express my gratitude to our shareholders, partners, employees, and all stakeholders who have contributed to our success thus far. Our journey is one of shared vision,

resilience, and unwavering determination, and together, we will continue to power progress and light up lives across Uganda and beyond, as we Generate for Generations.

Thank you for your trust and support.



Dr. Eng. Harrison E. MUTIKANGA
Chief Executive Officer

Generating for Generations



A visit to the Nalubaale Kiira complex by BOD and Staff of UEGCL.

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 72 years of age and has served the Company as an Independent Non-Executive Director for ten years, since 13 November 2013, the last six of which have been as the Chairperson of the Board of Directors.



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 58 years of age and has served as an Independent Non- Executive Director in UEGCL for 10 years, since 6 December 2012.

He is the Chairperson of the Finance & Audit Committee and a member of the Governance, Risk, and Compliance Committee of the Board.



Eng. Gilbert John KIMANZI
Director

Eng. Gilbert John Kimanzi is a Water Supply, Sanitation, and Institutional Specialist with more than twenty-eight (28) 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 56 years of age and has served as an Independent Non-Executive Director in the Company for six years since 24 November 2016.

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



Mrs. Hope BIZIMANA
Director

Mrs. Hope Bizimana is a Human Resource specialist and consultant with over 33 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 62 years of age and has served as an Independent Non-Executive Director in the Company for four years since 13 November 2019.

She is the Chairperson of the Human Resource, Compensation, and Planning Committee and a member of the Governance, Risk, and Compliance Committee.



Mr. Ronald DRAVU
Board Member

Mr. Ronald Dravu is an Auditor and Certified Public Accountant. He holds a Master's of Arts in Organizational Leadership and a Bachelor's Degree in Business Administration from Uganda Christian University. He also holds an Advanced Diploma in Government Accounting Management and Audit from the East and Southern Africa Management Institute (ESAMI).

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

He is 69 years of age and has served as an Independent Non-Executive Director in the Company for seven years since 15 September 2016. He is the Chairperson of the Governance, Risk, and Compliance Committee and a member of the Finance and Audit Committee.



Mr. Paul Patrick MWANJA
Director

Mr. Mwanja is an Economist with over twenty-two 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 presently the Commissioner Infrastructure & Social Services Department.

He is 54 years of age and has served as a Non-Executive Director in the Company for three years since 4th November 2019.

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

Eng. Wamala Julius NAMUSANGA
Director



Eng. Wamala is an Electrical Engineer with over 16 years of experience in occupational safety, 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 44 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.

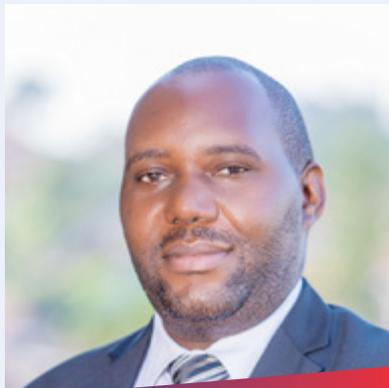


UEGCL CEO Dr. Eng. Harrison E. Mutikanga with the outgoing AFD Country Director Hatem Chakroun (third left) and incoming AFD country director Marc Trouyet (second right) with UEGCL staff at the UEGCL offices.

The Management Team



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



David ISINGOMA
Chief Strategy and Business
Development Officer



Joseph OKECHO
Chief Audit Officer



Eng. Isaac M. ARINAITWE
Chief Projects Officer



Susan Taffumba ISUBIKALU
Chief Finance Officer



Mark Martin OBIA
Company Secretary

Heads of Units



Enock K. KUSASIRA
Head Communication and Corporate Affairs



Beat NABACWA
Head Strategy and Business Performance



Allen ASASIRA
Ag Head Procurement and Disposal Unit



Albert MURUNGI
Head of Information and Communication Technology

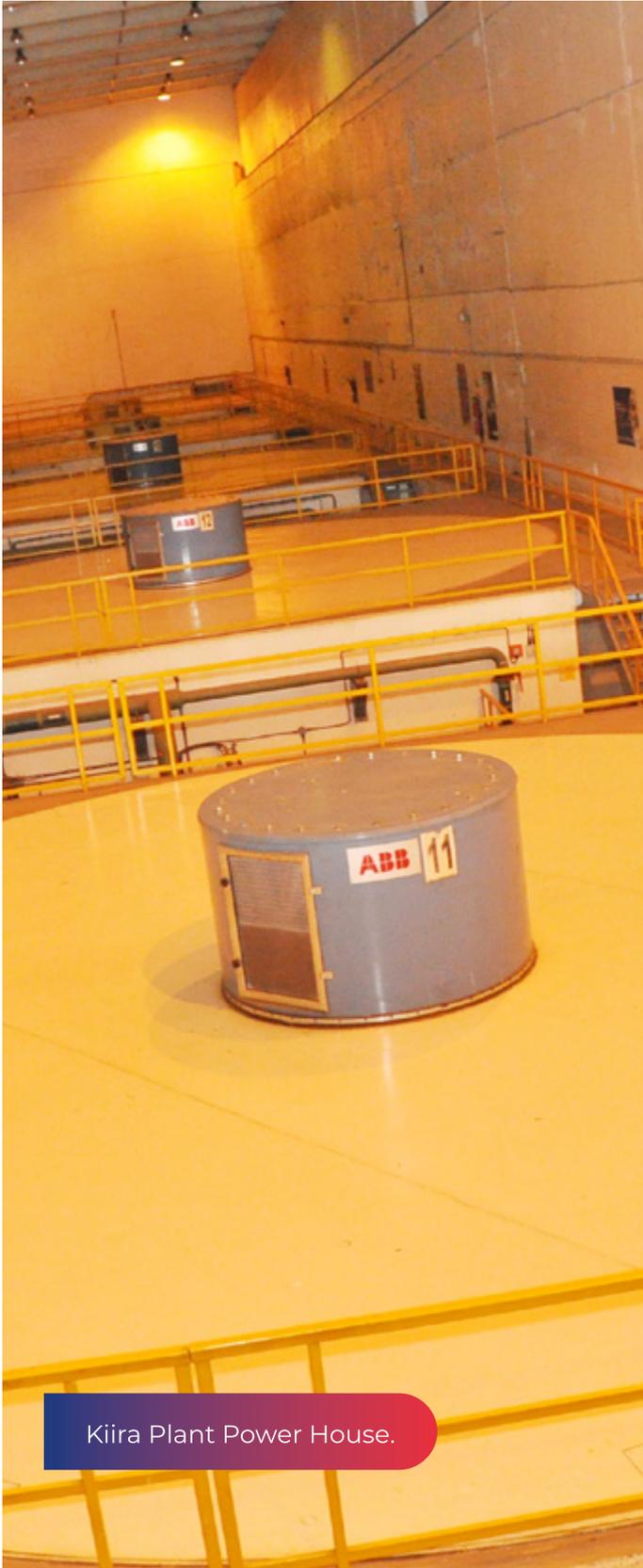


Flavia ANYIKO
Head of Risk



Muzafalu KAYONDO, Ph.D
Head Research and Business Development

Corporate Governance Statement



Kiira Plant Power House.



THE BOARD OF DIRECTORS

This Statement has been prepared in accordance with the Code of Corporate Governance ("the Code") contained in Table "F" of the Third Schedule to the Companies Act, No.1 of 2012.

The Company observes the principles stipulated in the Code including other best-fit practices and is required to prepare this statement annually in compliance with the provisions of the Code.

COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors ("Board") is comprised 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. Two of the NEDs represent the Ministry of Energy and Mineral Development and the Ministry of Finance, Planning and Economic Development while five NEDs are independent as explained in the Table below.

The Current Composition of the Board of Directors

No	Director	Classification	Skills
1.	Eng. Proscovia Margaret Njuki (Chairperson)	Independent NED	Engineering and Leadership
2.	Eng. Wamala Julius Namusanga	NED	Engineering, Electrical Power Systems, and Project Management
3.	Prof. Nixon Kamukama	Independent NED	Finance and Accounting
4.	Mrs. Hope Bizimana	Independent NED	Human Resources
5.	Mr. Paul Patrick Mwanja	NED	Economics and Budgeting
6.	Mr. Ronald Dravu	Independent NED	Accounting and Auditing
7.	Eng. Gilbert John Kimanzi	Independent NED	Engineering and Water Resource Management

Note:

- i) Independent NED: Independent Non-Executive Director
- ii) NED: Non-Executive Director
- iii) The prefix "Eng". denotes an Engineer registered by the Engineers Registration Board of Uganda, the Body responsible for regulating and controlling the engineering profession in Uganda.
- iv) An Executive Director is a director involved in the day-to-day management or is employed by the Company.
- v) A Non-Executive Director is a director who is not an Executive Director as defined in (iv) above and;
- vi) 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 three (3) Financial Years, is not an immediate family member of a person who is or was in the past three (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 is accountable to the Shareholders and stakeholders for the performance of the Company and the conduct of its affairs. In this regard, the Board provides leadership by approving the Company's strategic direction including

its, vision, mission, and values and monitors its implementation.

The Board exercises its mandate per inter alia the following key legislation namely; the Companies Act, the Public Enterprises Reform and Divestiture Act, and the Electricity Act and conducts its affairs per a Board Charter ("the Charter") that serves as the manual for its activities and governance practices.

Through the Charter and the Delegation of Authority Policy, the Board has delegated the day-to-day management of the Company to the Chief Executive Officer and the Top Management who report to the Board every quarter or as and when the need arises. However, the Board has a schedule reserved matters where its express approval is required.

The Board effectively discharges its functions through the following Committees that it has established

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

The Committees report to the Board on all matters considered with recommendations for approval and adoption. However, the Board retains the responsibility for all its decisions.

THE BOARD AND STRATEGY

The Company's Strategy is the key focus area for the Board. In June 2023, the Company concluded the implementation of its 2018-23 Strategy. The

performance trend over the last five years (2018-2023) indicates a continuous improvement with an overall performance of 76.4% as at June 2023. In this regard, the objectives relating to the improvement of energy capacity and financial performance performed best while those related to improving customer satisfaction, organisational culture, and quality of service score underperformed.

The Board has approved and adopted a new Strategy from July 2023 to June 2028 which encapsulates the Company's futuristic aspirations for the next five years and is intricately anchored to key national frameworks, including the National Development Plan-NDP III, Uganda Vision 2040, and the Government's manifesto as well as the recently developed Electricity Generation Strategy (2022) which envisions Uganda's electricity generation capacity at an impressive 52,481 MW by the year 2040.

BOARD ENHANCEMENT

The Board strives to continuously enhance its member's knowledge and skills required to keep up with the dynamic evolving roles and responsibilities of Boards as well as the developments in the Electricity Supply Industry (ESI). In this regard, the Board approved a training plan for the year with key areas for enhancement after an assessment of its needs was undertaken. Directors participated in the following training and conferences;

- i) Financial Analysis for Non-Financial Managers
- ii) Governance and Public Sector Management
- iii) Managing Power Sector Reform and Regulation
- iv) Corporate Governance
- v) The Annual International Committee on Large Dams Meeting and International Conference
- vi) The Water Storage and Hydropower Development for Africa Conference

BOARD EVALUATION

In accordance with the Code, the Charter and best practices, the Board undertakes an annual evaluation of its effectiveness and performance. In this regard, an independent external facilitator will assist the Board in the evaluation of its effectiveness and the outcomes shall form the basis for an improvement program.

CONFLICT OF INTEREST

Members of the Board individually declare all forms of apparent or actual conflict of interest when dealing with all matters pertaining to the Company. A conflict of interest declaration is made before consideration of any matters and a record

of the declarations is maintained. Declaration of conflict of interest is a requirement under the Companies Act, the Leadership Code Act and the Charter.

PROJECT MONITORING

The Board continued to provide oversight in project execution. During the period under review, the Board visited the Karuma and Nyagak III Hydropower Projects. The Board also visited the Kabalega and Waki Hydroelectric Power Stations owned and operated by its strategic partner in the development of the Nyagak III Hydropower Projects. Additionally, the Company completed several projects involving the construction and refurbishment of schools and facilities under the Community Development Action Plan for the key flagship projects of Karuma and Isimba Hydropower Projects.

STAKEHOLDER ENGAGEMENT

The Board endeavours to balance the needs, interests and expectations of its stakeholders and has in place stakeholder management tools such as stakeholder engagement strategy, communication strategy, social media guidelines, Corporate Social Responsibility policy and annual cycle plans among others. In the period under review, the Board has actively engaged with its Shareholders, the Electricity Regulatory Authority the regulator for the ESI and the Uganda Electricity Transmission Company Limited which is the single buyer of all the net electrical output produced by all generation facilities operated by the Company.

BOARD MEETINGS

The Board has conducted regular ordinary scheduled quarterly meetings to periodically consider matters pertinent to its oversight of the Company and extraordinary meetings to consider key issues that arise outside the general scope of the ordinary meetings which may or may not be scheduled.

A meeting attendance register is maintained for the Board and its Committees. Directors are encouraged to attend all meetings of the Board. However, Directors unable to attend meetings communicate their apologies which are recorded.

The Board resolved to as much as is reasonably practicable conduct all its scheduled ordinary meetings in-person. In this regard, all the ordinary meetings of the Board have been held in-person albeit with some Directors participating online. The extraordinary meetings of the Board and all meetings of the Board Committees are a mixture of in-person, online or a hybrid of both

as determined by the relevant Committee Chairperson. In exceptional circumstances and where the exigencies of time do not permit in-person, online or a hybrid meeting, Board matters are considered by circulation.

The Chief Executive Officer and Company Secretary attend all Board meetings and members of the Top Management attend on invitation to provide additional information if required.

Ordinary Board Meetings

The attendance of the Ordinary Board Meetings from 1st July 2022 to 30th June 2023 is summarised in the Table below;

No.	Year	2022		2023	
		19/08	18/11	23/02	19/05
1	Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√
2	Mr. Paul Patrick Mwanja	√	X	√	√*
3	Mrs. Hope Bizimana	√	√	√	√
4	Prof. Nixon Kamukama	√	√	√	√
5	Mr. Ronald Dravu	√	√	√	√*
6	Eng. Gilbert John Kimanzi	x	√*	√*	√*
7	Eng. Wamala Julius Namusanga	√	√	√*	√

√ = Attendance x= absent with Apology *= Attendance online

Extra Ordinary Board Meetings

The attendance of the Extraordinary Board Meetings from 1st July 2021 to 30th June 2022 is summarised in the Table below.

No.	Year	2022			2023					
		27/09	12/12	24/01	24/03	12/04	18/04	08/06	22/06	29/06
1	Eng. Proscovia M. Njuki (Chairperson)	√	√*	√*	√	√	√*	√	√*	√*
2	Mr. Paul Patrick Mwanja	x	√*	√*	√	√*	√*	√	x	√*
3	Mrs. Hope Bizimana	√	√*	√*	√	√*	√*	√	√*	√*
4	Prof. Nixon Kamukama	√	√*	√*	√	√*	√*	√	√*	√*
5	Mr. Ronald Dravu	x	√*	√*	√	√*	√*	√	√*	√*
6	Eng. Gilbert John Kimanzi	x	√*	√*	√	√*	√*	√*	√*	x
7	Eng. Wamala Julius Namusanga	√	√*	√*	√	√*	√*	√	√*	√*

√ = Attendance x= absent with Apology *= Attendance online

BOARD COMMITTEES

In the period under review, a larger number of committee meetings were held in person while others were held online based on the convenience of Committee members. Each Committee comprises three (3) members and is chaired by an Independent NED. Detailed analysis of Committee meetings and attendance during the period of reporting is summarised in the Tables below;

Governance, Risk and Compliance Committee

This 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;

No.	Year	2022		2023	
		Date	01/08	31/10	02/02
1	Mr. Dravu Ronald (Chairperson)	√	√	√	√
2	Mrs. Hope Bizimana	√	√*	√	√*
3	Dr. Nixon Kamukama	√	√	√	√

√ = Attendance x = absent with Apology * = Attendance online

All meetings of the Committee were held in person in the Boardroom with some members attending online over the Cisco Webex App.

Finance & Audit Committee

The Finance and Audit Committee provides an oversight role in the monitoring reliability of financial statements of the Company, monitoring the Company's performance against the approved budgets, and monitoring and reviewing the performance of the internal audit function. The Committee ensures that the financial results are reported fairly and per the governing laws and generally accepted accounting principles. The Committee's composition and attendance of meetings was as follows;

No.	Year	2022				2023				
		Date	02/08	09/11	23/11	08/12	03&17/02	11/04	17/04	03/05
1	Prof. Nixon Kamukama (Chairperson)	√	√	√	√*	√	√*	√*	√	√
2	Mr. Ronald Dravu	√	√	√*	√*	√	√*	√*	√	√
3	Mr. Paul Patrick Mwanja	√	√	√	√*	√	√*	√*	√	√

√ = Attendance x = absent with Apology * = Attendance online

The shaded columns indicate an extraordinary meeting

(i) Technical Committee

The Technical Committee provides an oversight role, reviews, evaluates and makes recommendations to the Board concerning technical performance of the Company, implementation of projects as well as health, safety, and environmental management. The Committee's composition and attendance of meetings was as follows;

No.	Year	2022		2023		
		05/08	28/10	01/02	04/05	07/06
1	Eng. Gilbert KIMANZI (Chairperson)	√	√	√	√	√
2	Eng. Proscovia M. NJUKI (Ex-officio)	√	√	√	√	√
3	Mr. Paul Patrick MWANJA	√	x	√	x	√
4	Eng. Julius WAMALA	√	√	√	√	√

√ = Attendance x= absent with Apology

The shaded column indicates an extraordinary meeting
All meetings of the Committee were held online over the Cisco Webex App.

(ii) Human Resource, Compensation and Planning Committee

The Human Resource, Compensation and Planning Committee supports the Board in its responsibility for reviewing the Company structure, remuneration, rewards, recruitment, training and development, succession planning, performance management and strategic planning. The Committee's composition and attendance of meetings was as follows;

No.	Year	2022		2023		
		04/08	26/10	12/01	30/01	27/04
1	Mrs. Hope Bizimana (Chairperson)	√	√	√	√	√
2	Eng. Gilbert John Kimanzi	√	√	x	√	√
3	Eng. Wamala Julius Namusanga	√	√	√	x	√

√ = Attendance x= absent with Apology

The shaded column indicates an extraordinary meeting
All meetings of the Committee were held online over the Cisco Webex App.

INTERNAL AUDIT

The Internal Audit function assures the Board and Management of the effectiveness of the Company's governance, risk management, and internal control processes. The Chief Audit Officer provides the Board with a quarterly report and audit opinion based on the approved risk-based Annual Audit Workplan.

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

RISK MANAGEMENT

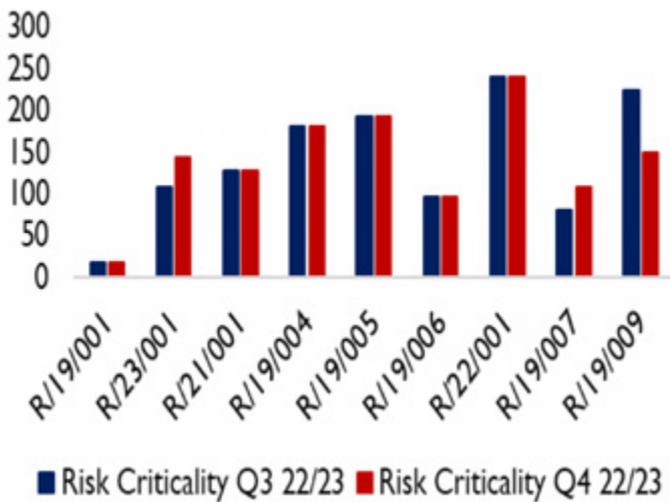
The Company is steadfast in its commitment to effective risk management as a cornerstone of achieving its strategic objectives and safeguarding stakeholder interests. The Governance, Risk, and Compliance (GRC) Committee spearheads oversight of the Enterprise Risk Management Program which entails regular reviews of the Risk Management system to align it with our risk appetite, advise on mitigation strategies, and oversee their implementation.

We continuously refine our risk management framework to ensure its seamless integration into our business systems, processes, and projects, ensuring agile and effective risk responses. During the period under review, the Board updated the Risk Appetite Statement to reflect evolving environmental factors and our evolving risk treatment capabilities. These appetite levels are now integral to every departmental and project risk register, facilitating a precise evaluation of operational risks and prioritizing resources for those exceeding set appetite levels.

Furthermore, we enhanced our Business Continuity Management Policy and are currently reviewing the Business Impact Analysis for critical processes. These measures aim to bolster our resilience in swiftly recovering from any disruptions.

Leveraging our robust risk management and business continuity program, we are well-prepared to deliver strong results even amidst challenging macroeconomic circumstances, compounded by COVID-19 and climate change-related risks.

Risk Criticality



Risk No.	Risk Description
R/19/001	Environmental, Social and Governance (ESG) risk
R/21/001	Strategy Execution Risk
R/19/004	Project Management Risks
R/19/005	Third Party Risk
R/19/006	Production loss
R/22/001	Dam Failure
R/19/007	Staff Retention Risk
R/19/009	Data security
R/23/001	Funding risk

UEGCL's Risk Profile vs the Risk Appetite as at 30 June 2023

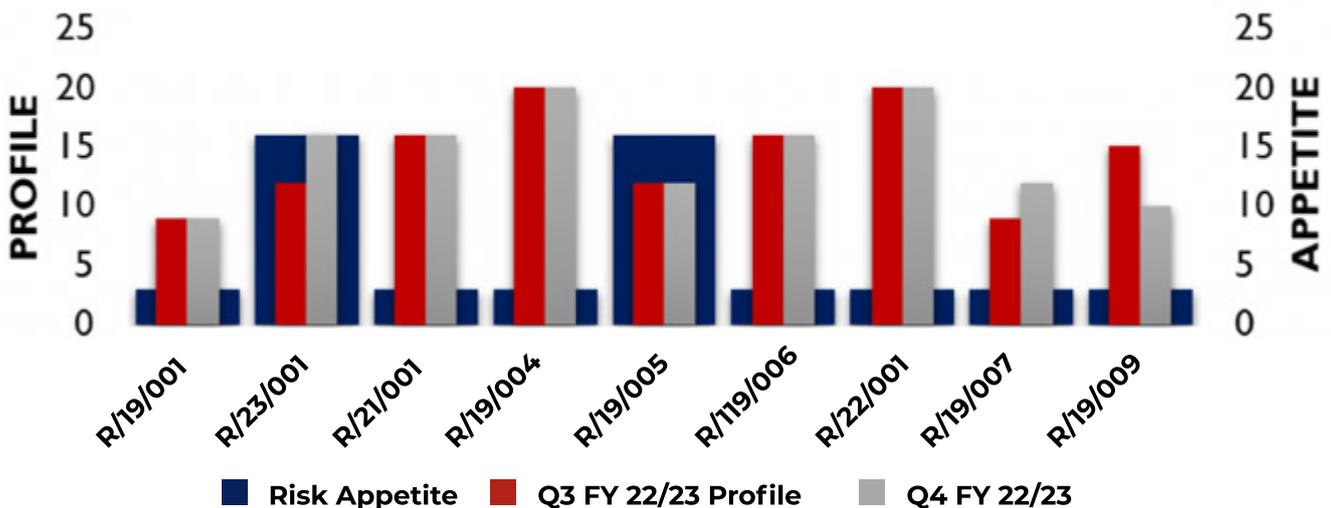


Figure 1: UEGCL Risk Dash Board

From the assessment above, the risk of dam Failure (R/22/001) arising from the defects in the stilling basin of the Isimba Hydropower Dam, Project Management risk (R/19/004) arising from the delay in project completion, third party (R/19/005) and data security (R/19/009) were the most critical risks.

Seven (7) out of nine (9) risks on the corporate risk register are still outside of the Company's risk appetite. In this regard, the Company is making a more concerted and collaborative effort to reduce these risks to acceptable levels.

Reputation Risk

The Company operates in a highly regulated environment with numerous stakeholders with diverse interests, exposing it to reputational risk if it fails to meet stakeholder expectations and needs. This risk has been and continues to be mitigated through a variety of programs, including the implementation of Corporate Social Responsibility (CSR) and Community Development Action Plans (CDAP) activities across our project sites, as well as a robust engagement plan aimed at ensuring that stakeholder needs are well understood and met at multiple levels. Inadequate resources continue to be a major impediment to the full implementation of some of these mitigation measures.

Financial Risk

With the support of our Shareholders, the Company has reduced its currency risk by redenominating the loans on-lent to it by the Government of Uganda for the development of the Karuma and Isimba Hydropower Projects from United States dollars to Uganda Shillings.

Funding risk which is the risk of failure to achieve the budgeted resources due to delays and/or budget cuts on the part of the Government of Uganda is the most significant financial risk the Company was exposed to. This risk is largely due to the Company's inability as a business to finance any investments in new generation assets or rehabilitation of old assets without looking to the National Treasury. To address this, there are ongoing discussions with the Shareholders and Regulator on strategies to transform the Company and other Government-owned electricity utilities into sustainable entities while maintaining a desirable tariff path for the end users. Given that the balance between sustainability and affordability is a delicate one, the support of the shareholders and the Government is required to address this risk.

Additionally, the Company has adopted a robust maintenance regime for the operational power plants aimed at limiting outages and maximising

production and sales to meet the revenue targets and drive the desired financial performance.

Operation & Project Risks

The risk of production loss and project delay risks persist beyond the acceptable thresholds. To tackle project delays, we've bolstered project supervision by enlisting the support of a Panel of Experts for ongoing projects.

Simultaneously, we're addressing the risk of production loss through extensive capacity building to elevate the Company's capabilities across various operational aspects and a robust maintenance regimen

Addressing the Dam safety risk at the Isimba Hydropower Dam is a top priority. With the guidance of dam safety experts, we've conducted thorough inspections. Preliminary findings have been promptly communicated to key stakeholders, including our shareholders and the government. The Contractor has also been officially alerted to identified defects, necessitating a review of the spillway design, with potential considerations for an emergency spillway.

While the Company has expanded its portfolio of assets under its operation and maintenance with the takeover of assets hitherto operated by other operators namely the Namanve 50MW Heavy Fuel Oil-Fired Thermal Power Plant and the Nalubaale and Kiira Hydroelectric Power Stations, we've identified instances of deferred maintenance that could jeopardize plant availability if left unaddressed. In accordance with our generation and sales agreements, we consistently develop and submit annual investment plans to the Regulator for approval. Comprehensive plant overhauls are on the horizon in the medium term, to ensure sustained reliability of these assets.

DIRECTORS REMUNERATION

During the period under review, the Directors were paid gross monthly retainer fees and sitting allowance as summarised in the Table below;

	Chairperson	Directors
Sitting Allowance (UGX)	800,000	700,000
Monthly Retainer fee (UGX)	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 well-benchmarked within the sector and it offers a competitive and attractive package for skilled and competent employees.

Structure of Remuneration

Fixed pay: Basic salary is subject to annual inflationary adjustments.

Benefits: The Company provides Medical Insurance Cover and Group Personal Accident Insurance, which includes death benefits for staff and dependents.

Retirement Benefits Scheme: As part of the scheme, the Company contributes 30% of each employee's monthly gross salary and the staff each contributes 5% of their monthly gross salary.

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

COMPANY SECRETARY

The Company Secretary provides 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, and 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

In keeping up with principles of good corporate governance, the Board of Directors ensures that the Company complies with all standards, laws and regulations under the different legal frameworks. The key guiding laws relating to governance include the Company's Act of 2012, the Public Enterprises, Reform and Divestiture Act Cap 98 and regulations thereunder as well as the Charter.

Other key laws and regulations that impact the business and operations of the Company in the electricity generation sector include the Electricity Act, the Water Act, the National Environment Act, the Occupational Safety and Health Act, and the regulations made thereunder. The Board provides oversight and guidance on achieving compliance.

GOING CONCERN

Having assessed the Company's ability to continue as a going concern and being satisfied that the Company is robust enough 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.

Sustainability Report 2023



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 of being Africa's leading Generating Utility, 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 viability and sustainability remain at the core of UEGCL's ability to achieve her Strategic Goals and support government's plans to increase the installed capacity to 52,481MW by 2040.

Caption; UEGCL CEO, Dr. Eng. Harrison E. Mutikanga holding a banner with UEGCL staff, AFRY, and Sino hydro teams immediately after the successful synchronization of the first generating unit of the 600MW KHPP to the national grid on March 21, 2023.





In a bid to propel the company towards financial sustainability, UEGCL with support of the company's shareholder and government, successfully converted the Isimba and Karuma on-lent loans from USD to Uganda shillings.

This has significantly hedged the company's balance sheet and bottom line against foreign exchange exposure.

Efforts are now focused towards navigating the regulatory environment to enhance the existing generation licenses and Power Purchase Agreements of the plants we operate. Specifically, UEGCL is pursuing recovery of government investments in these plants and a reasonable return as avenues to finance investment in new generation infrastructure and refurbishment of existing plants with minimal reliance on the National Treasury.

Other measures being considered is restructuring of UEGCL's balance sheet to make it healthier and more attractive to private investors. Shareholder and government support in this quest to transform UEGCL into a self-sustaining entity while maintaining a competitive tariff are hugely required.

Health and Safety

UEGCL is committed to ensuring Safety of our Staff, Contractors, Stakeholders, Suppliers, Visitors and the public that access our facilities. UEGCL promotes safety and health at work for all its employees and visitors



while complying with the relevant regulations and legal frameworks. Our purpose is to provide safe supply of electricity from all our plants at all times. UEGCL's core value of safety was accentuated by the creation of the SHEQ (Safety Health Environment and Quality) Department in the last Financial Year.



The Department has decentralized safety at sites through SHEQ committees that implement the UEGCL 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.

All our plants ensured Zero Lost Time Injuries (LTI) and continued to monitor and report incidents at site as well as learn from our past incidents to improve Safety at UEGCL.

The SHEQ Department conducted a gap assessment for an Integrated Management System (IMS) with a principal role to ensure Certification of UEGCL for (ISO 9001, 14001 & 45001) in order to improve efficiency and effectiveness of the UEGCL business. Closure of Gaps towards IMS certification is ongoing and UEGCL continues to liaise with interested parties such as NEMA, DWRM, ERA, Ministry of Gender, Labour and Social Development for compliance. UEGCL is also embarking on the development of a comprehensive ESG Strategy to guide its ESG targets entity-wide.

Climate Change

UEGCL continues to implement the ESIA conditions as prescribed in its ESIA project's Certificates of Approval and Riverbank permits. To this end, Isimba HPP commenced development of a Water Source Protection Plan for the host site and as well as Catchment Restoration Activities. By June 2023, with support from NFA, UEGCL had planted over 100/450 Hectares of indigenous tree species in the Isimba

Reservoir with active community involvement to limit catchment degradation and reduce sediment load in its reservoir.

A Nile Water Resources Optimization Tool for the power sector that incorporates Climate Change effects on power production along the Nile has been developed and with the retransfer of Nalubaale-Kiira HPP, UEGCL has greater control and coordination of the Nile Cascade thus improving its Emergency preparedness for floods and drought. The Company is on course to obtain Carbon Credits for its generation assets that will improve its finances by at least USD 2M per year.

Corporate Social Responsibility

UEGCL continues to play a critical role in ensuring the sustainable growth of business while positively contributing to society and the environment. In order to secure support and goodwill of our esteemed stakeholders, UEGCL has gone ahead to initiate engagements that have a long lasting touch in communities that host our



UEGCL CEO, Dr. Eng. Harrison E. Mutikanga hands over a gift to the outgoing AFD Country Director, Hatem Chakroun during a stakeholder engagement.

projects; For example, UEGCL donated 240 science and mathematics books to pupils of Kiwanga Primary Schools in Namanve as part of our programme to encourage young people to pursue science careers especially those close to what we do. In the same measure, UEGCL reached out to students of Buzaaya secondary school and St. Andrew's Kiyunga in Kamuli district and donated 380 and 200 sanitary pads respectively as a way of addressing menstrual hygiene issues especially for the right of age female students who cannot afford these facilities.

Stakeholder Engagement

UEGCL is a stakeholder driven company, doing all it can, to meet the expectations and interests of its stakeholders. As such, the company hosted the top management of Vision Group at Karuma Hydro Power Plant in January 2023 and the aim was to make them appreciate the enormous task done by the technical team, the huge investment by government and intrinsic value of the plant in as far as boosting electricity generation in the country is concerned. UEGCL further engaged with the leaders of host districts of Karuma Hydro Power Plant during the take-over of the CSR projects under SinoHydro. For ease of coordination of the takeover, UEGCL reached out to Ministry of Health and Ministry of Education respectively in preparation for handover of Dii-cuinyi Health Centre Three and Amaji Primary school in Oyam District. These facilities were successfully handover to the users-Oyam Local Government authorities on 17th February 2023.

UEGCL Talent Management

A key focus area for UEGCL during the period was the development of a robust Talent Management Framework that entailed comprehensive entity-wide competence profiling,

development of leadership and succession planning strategies as well as staff retention initiatives. The objective of the UEGCL Talent Management framework is to ensure that the right personnel are hired, their performance managed while at UEGCL, promote knowledge management for organizational learning and career growth, and proactively respond to market threats as a means of ensuring business continuity.

As at June 2023, the staff complement had grown to 354 with 76% male staff and 24% female staff. The Management team is made up of 67% male and 33% female (against the target of 41.5% by 2028). 75% of the staff is located at various sites while 25% is located at Head Office. During this period the staff complement has increased by 37% which was attributed to the retransfer of Nalubaale and Kiira Hydro Power Stations as well as preparation for the Karuma Hydro Power Project commissioning. In line with the talent management strategy, the new staff underwent rigorous induction. The lessons acquired during the retransfer of the Namanve Thermal Power Plant the previous year came in handy, thus enabling the seamless acquisition of 100 staff within a short time. The organizational structure was reviewed in order to support the operations at the Nalubaale and Kiira Hydro Power Stations.

The members of staff have undertaken a number of development endeavours such as leadership development and technical development. The organization took on 34 learners as interns and graduate trainees. The staff have been supported to manage mental wellbeing. Key to note is the staff retention is 97%.

Performance Management.

June 2023 marked the final year of implementation of the

UEGCL 5-year strategy (2018-2023). On the performance front, UEGCL remained steadfast in the pursuit of its strategic objectives. As at June 2023, UEGCL had achieved an overall performance rating of 76.4% in line with the set performance expectations. Key achievements included the synchronisation of 3 units (300MW) of the Karuma HPP to the grid, a plant availability of 92% against a target of 97% for the 183MW Isimba HPP under the framework of Internal Performance Contracts (IPCs). This performance is expected to improve with the defects management program that is yet to be implemented. In the successor 5-year strategic plan (2023-2028), UEGCL intends to expedite the rollout of the Internal Performance Contract (IPC) Model across its entire portfolio of plants, envisioning this initiative as a platform for internal benchmarking among the plants while promoting operational efficiency and accountability. In the same latitude, it is envisaged that the O&M Business model will evolve to see the different powerplants become autonomous strategic business units that will later run as subsidiary companies. This is also envisaged to also enable the company fully realise the benefits from private-sector like tenets including listing on the stock exchange.

In tandem with these strategic endeavours, UEGCL initiated a comprehensive review of its Performance Management system. This undertaking was prompted by the imperative to align the departmental and individual performance, establish a link between the Appraisal system, rewards and personal growth within the company and enhance staff engagement and performance through timely and constructive feedback from supervisors. The implementation of this system review will primarily encompass one-on-one monthly conversations

between supervisors and supervisees, as well as corporate Monthly discussions during Top Management meetings.

Research and Innovation.

During the year, UEGCL continued to implement her Research Agenda with the successful completion of a number of research projects. Key among these was the conversion of water hyacinth to bioethanol project. This innovative waterweed management strategy is centered on the conversion of water hyacinth into bioethanol, a renewable and sustainable energy source. This transformative approach not only addresses the issue of water hyacinth infestation along the Nile that was posing a serious risk to power generation but also offers a promising alternative to fossil fuels.

Furthermore, in line with her dedication to institutionalizing innovation within the company, UEGCL participated in the 11th Good to Great(G2G) Innovation workshop organized by KENGEN in Kenya. This three-day workshop underscored UEGCL Management's commitment to staying at the forefront of industry best practices,

innovation, and research. Lessons gleaned from this event will be integrated into UEGCL's operations and shared during the forthcoming Research and Innovation Symposium, scheduled for the next year.



In a continued pursuit of knowledge and collaboration, UEGCL also played a key role in the Hydro Africa 2023 Conference at Speke Resort Munyonyo, centered on the theme "Water Storage and Hydropower Development in Africa." Co-hosted by Aqua-Media International and ICOLD, in collaboration with the Government of Uganda represented by MEMD and UEGCL, this regional conference convened global experts to address Africa's unique challenges and opportunities in water storage and hydropower development.

UEGCL actively participated in the conference by presenting 13 research papers encompassing

topics such as Operation and Maintenance, Project Management, financial sustainability, and capacity building. Participating in such conferences serves as a means of continuous learning for UEGCL, networking, brand building, as well as business development.

The future direction of UEGCL's Research and Innovation agenda is focussed on supporting the operation and maintenance (O&M) of the electricity generation fleet, to make sure that electricity is always safely available for supply at all times from all UEGCL plants. Innovations such as condition health monitoring and fault identification are being explored for the generation units at the plants. Moreover, technologies and systems that support quick and efficient decision making such as reservoir and flow optimisation decision support systems, use of machine learning and artificial intelligence, as well as data analytics are being developed and considered, to bolster efficient O&M across all plants. The approach is collaborative in nature, utilising both internal and external stakeholders to achieve a common goal.



UEGCL staff at the annual World Day for Safety and Health celebration in Jinja, Uganda.

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA



REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA ELECTRICITY GENERATION COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 2023

OFFICE OF THE AUDITOR GENERAL UGANDA

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LIST OF ACRONYMS

Acronym	Meaning
Bn	Billion
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
NAA	National Audit Act
OE	Owners Engineer
O&M	Operations and Maintenance
PAPs	Project Affected Persons
PIS	Project Implementation Schedule
PPA	Power Purchase Agreement
PSC	Project Steering Committee
PS/ST	Permanent Secretary/ Secretary to Treasury
RAP	Resettlement Action Plan
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company
UGX	Uganda Shillings
USD	United States Dollar
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
30TH JUNE, 2023**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Uganda Electricity Generation Company Limited (UEGCL), which comprise the Statement of Financial Position as at 30th June 2023, the Statement of Profit or Loss and Other Comprehensive Income, 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.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 30th June 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the requirements under 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 Matters

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

1.0 Implementation of the Approved Budget

Entities prepare budgets every year which provide expected revenue and expenditure for the year. The budgets are supported by work plans that show what specific activities and out-puts the funds will be spent on in order to deliver services to citizens.

On 1st of July 2022, the Board approved the budget for financial year 2022/2023, which specified the resource available for the year and the outputs to be achieved. Over the years, I have undertaken evaluations of the performance of the budget and the extent to which planned out-puts have been achieved.

In arriving at my findings for the year, I reviewed documents such as work plans, budgets and performance reports. I also conducted interviews and physical inspections to corroborate my findings from the review of documents.

The mandate of UEGCL is mandated to establish, acquire, maintain and operate electricity generation facilities and to promote research and development in the electricity generation sector while running the company on sound business principles.

The Company had an approved budget of UGX.252,786,220,000, however, UGX.365,038,601,000 was realised. 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	Namanve Administration costs	47,792,104	19
2	Takeover of Kiira - Nalubaale	45,700,000	37
3	Karuma HPP	36,736,139	52
4	Isimba Project	32,750,000	65
5	Commissioning of Nyagak HPP	10,500,000	69
	Total	173,478,243	

I reviewed the implementation of the approved 2022/2023 budget by the entity and noted the following;

Table summarising audit observations on Budget Performance

No	Observation	Recommendation																																				
1.1	<p>Revenue Performance</p> <p>Although the entity budgeted to receive revenue of UGX. 252,786,220,000 for the year 2022/23, UGX. 365,038,601,000 was realized representing performance of 144.4% of the target. The performance of each revenue source is summarized in the table below;</p> <p>Table: showing Revenue Performance</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Budget Amount (000)</th> <th>Actual Amount (000)</th> <th>% performance</th> </tr> </thead> <tbody> <tr> <td>Concession fee</td> <td>9,017,914</td> <td>7,832,850</td> <td>87</td> </tr> <tr> <td>Karuma Income</td> <td></td> <td>795,738</td> <td>-</td> </tr> <tr> <td>Nalubaale -Kiira Capacity Revenue sales</td> <td></td> <td>12,336,681</td> <td>-</td> </tr> <tr> <td>Sundry Income</td> <td>20,000</td> <td>55,921</td> <td>280</td> </tr> <tr> <td>Interest Income</td> <td>974,050</td> <td>1,405,111</td> <td>144</td> </tr> <tr> <td>Grant Income Isimba</td> <td>21,853,278</td> <td>7,922,755</td> <td>36</td> </tr> <tr> <td>Grant Income Karuma</td> <td>3,406,442</td> <td>1,056,804</td> <td>31</td> </tr> <tr> <td>Grant Income Nyagak</td> <td>10,000,000</td> <td>10,079,275</td> <td>101</td> </tr> </tbody> </table>	Item	Budget Amount (000)	Actual Amount (000)	% performance	Concession fee	9,017,914	7,832,850	87	Karuma Income		795,738	-	Nalubaale -Kiira Capacity Revenue sales		12,336,681	-	Sundry Income	20,000	55,921	280	Interest Income	974,050	1,405,111	144	Grant Income Isimba	21,853,278	7,922,755	36	Grant Income Karuma	3,406,442	1,056,804	31	Grant Income Nyagak	10,000,000	10,079,275	101	<p>I advised the Accounting officer to continuously engage the Electricity Regulatory Authority to amend the power purchase agreements to ensure that revenue generation is aligned with capacity charges in order to reduce dependence on government funding for essential company activities.</p>
Item	Budget Amount (000)	Actual Amount (000)	% performance																																			
Concession fee	9,017,914	7,832,850	87																																			
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Grant Income Nyagak	10,000,000	10,079,275	101																																			

Norwegian Grant Income	14,395,162	10,917,860	76
Isimba Sales Income	140,296,442	164,316,984	117
Namanve TPP Energy Tariff Revenue (O&M, fuel)	35,180,765	46,282,184	132
Nalubaale -Kiira Capacity Revenue sales	-	1,321,334	-
GOU contribution (Namanve TPP Grant)	7,200,000	5,109,305	71
Namanve TPP Revenue Capacity	10,442,166	11,545,704	111
Exchange gain		64,060,093	-
Total	252,786,219	345,038,599	136

The above performance was mainly attributed to increased energy sales from Isimba Hydro power plant, Namanve thermal plant, and Government grants to Nalubaale Hydro power plant, following the full takeover after the end of the ESCOM concession.

I also noted that, in accordance with the Power Purchase Agreements in place, the Company's earnings are not determined by the capacity charge of the plants but rather by the energy charge.

1.2 **Extent of Achievement of Entity Performance Targets**

I assessed the implementation of twelve (12) Strategic objectives that had been fully quantified with a total of seventeen (17) activities and noted that;

- Four (4) strategic objectives with four (4) activities were fully implemented.
- Seven (7) strategic objectives with twelve (12) activities were partially implemented. Out of the twelve (12) activities, the entity fully implemented four (4) activities; Eight (8) activities were partially implemented, while none remained unimplemented.
- One (1) strategic objective with one (1) activity was not implemented at all.

Details in **Appendix I**.

Some of the activities that were not fully implemented included;

- Enhancing stakeholder satisfaction in the risk department
- Commissioning of Nyagak and Karuma Hydro Power Plants
- Conducting internal and external entity wide satisfaction survey

The failure to implement planned activities affected the delivery of intended services to communities.

The Accounting Officer attributed the failure to unexpected project-related challenges at Isimba HPP affecting plant availability and insufficient funding for the particular activities.

Despite exceeding revenue targets during the financial year, only USD 8.2 Million of the surplus from Isimba sales is limited for Operation and Maintenance costs, with the rest allocated for loan repayments.

I advised the Accounting Officer to secure funding and prioritize implementation of all identified non implemented activities in the subsequent financial year.

2.0 **Management of the Government Salary Payroll**

Over the years, payroll cost estimation and subsequent expenditure has been characterised by wage overruns and the persistent need for increases in funding to cater for shortfalls on salaries, yet this is an area where employee numbers are certain and specific. In his letter to the Auditor General dated 29th November 2022 referenced HRM 155/222/02, the Minister for Finance Planning and Economic Development (MoFPED) highlighted that, despite the reforms introduced by Government to mitigate against persistent supplementary requests for additional funds to cater for wage shortfalls, there have not been significant results and yet expenditure on wage is a substantial percentage of all Government entity budgets. Other anomalies highlighted included: payments for non-existent employees, underpayments to staff and irregular overpayments to staff, among others.

Accordingly, during the annual audits of all Government entities for the year ended 30th June 2023, I carried out the audit of all salary payrolls across Government, as a key audit matter, to establish the root causes of the identified challenges and propose remedial measures accordingly. The audit covered the FY 2022/2023, but was extended to also cover the previous three financial years 2019/2020 to 2021/2022, for purposes of establishing possible trends.

During the audit, I undertook a physical validation of all employees at UEGCL, who existed on the April 2023 payroll, and further examined their records supporting their appointments into service. I further undertook other procedures to review the accuracy of the payroll including: reviewing the planning, budgeting and payments during the four-year period.

I established that, during the last four financial years, UEGCL had a wage bill budget of UGX.124,098,839,023, out of which UGX.111,151,026,864 was utilised as shown below;

Table showing annual wage bill budget and expenditure for the last four FYs

No	Financial year	Budget - UGX	Actual Expenditure - UGX	% age
1	2019/2020	27,854,301,758	20,727,301,368	74
2	2020/2021	28,693,729,577	26,734,572,827	93
3	2021/2022	30,745,199,902	29,642,825,651	96
4	2022/2023	36,805,607,786	34,046,327,018	93
	Total	124,098,839,023	111,151,026,864	90

I issued a separate detailed audit report upon completion of the audit procedures and below is a summary of the key findings from the Audit;

Table summarising Key audit observations on Payroll audit

No	Observation	Recommendation																			
2.1	<p>Validation of Employees on the Entity Main payroll</p> <p>Out of 352 employees on the UEGCL April 2023 salary payroll, a total of 349, (99%) were fully verified, while 3 (1%) did not show up as summarized in the table below;</p> <p>Table: showing a summary of the validation results of staff</p> <table border="1"> <thead> <tr> <th>Details</th> <th>Number of Individuals</th> <th>Amount (UGX)</th> </tr> </thead> <tbody> <tr> <td>Total Number of staff as per Aril 2023 payroll</td> <td>352</td> <td>2,479,951,947</td> </tr> <tr> <td>Total number of employees fully verified (A)</td> <td>349</td> <td>2,450,460,782</td> </tr> <tr> <td>Total number of employees partially verified (B)</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total number of employees who appeared but were not verified (C)</td> <td>0</td> <td>0</td> </tr> <tr> <td>The total number of employees who</td> <td>Accounted for (on payroll) [D]</td> <td>3</td> <td>29,491,168</td> </tr> </tbody> </table>	Details	Number of Individuals	Amount (UGX)	Total Number of staff as per Aril 2023 payroll	352	2,479,951,947	Total number of employees fully verified (A)	349	2,450,460,782	Total number of employees partially verified (B)	0	0	Total number of employees who appeared but were not verified (C)	0	0	The total number of employees who	Accounted for (on payroll) [D]	3	29,491,168	<p>I advised the Accounting Officer to periodically update employee lists, reconcile the payroll and liaise with other relevant stakeholders to ensure timely payroll access of new employees and deletion of those who have exited.</p>
Details	Number of Individuals	Amount (UGX)																			
Total Number of staff as per Aril 2023 payroll	352	2,479,951,947																			
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	<table border="1"> <tr> <td>did not appear for headcount (no-shows)</td> <td>Not Accounted for (Off-payroll) [E]</td> <td>0</td> <td>0</td> </tr> <tr> <td colspan="2">Subtotal (A+B+C+D+E)=F</td> <td>352</td> <td>2,479,951,947</td> </tr> <tr> <td>Employees who appeared for headcount but were not on the payroll - New records (G)</td> <td></td> <td>1</td> <td>10,463,380</td> </tr> <tr> <td colspan="2">Overall Total covered (G+F)</td> <td>353</td> <td>2,479,951,947</td> </tr> </table>	did not appear for headcount (no-shows)	Not Accounted for (Off-payroll) [E]	0	0	Subtotal (A+B+C+D+E)=F		352	2,479,951,947	Employees who appeared for headcount but were not on the payroll - New records (G)		1	10,463,380	Overall Total covered (G+F)		353	2,479,951,947									
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Overall Total covered (G+F)		353	2,479,951,947																							
	<p>Below are details of the validation results;</p> <p>a) Out of 352 employees, a total of 349 (99%) who appeared for the validation exercise presented all the pre-requisite documents/information and were fully verified.</p> <p>b) A total of 3 (1%) employees on the payroll did not appear for the validation and were categorised as follows;</p> <ul style="list-style-type: none"> One (1) employee was away for official duties and other genuine reasons, and were left on the payroll, pending validation upon their return. A total of two (2) employees who were paid UGX 12,743,962, were confirmed retired by the time of validation. These were removed from the payroll in consultation with the Accounting officer. <p>c) A total of one (1) individual whose names were not on the payroll appeared for the validation exercise with all pre-requisite documents. This individual was included on the validated payroll, upon confirmation by the Accounting Officer regarding their status.</p> <p>The Accounting Officer concurred with my findings and committed to periodically update the employee information and payroll.</p>																									
2.4	<p><u>Utilization of the Wage Budget</u></p> <p>I reviewed the budgets and actual expenditure for the period 2019/2020 to 2022/2023 and noted that out of the UGX.124,098,839,023 budgeted and approved wage funds for the four financial years, only UGX.111,151,026,864 (89.6%) was spent resulting into unspent balances of UGX.12,947,812,159 as shown in the table below;</p> <p><u>Table showing analysis of spending on budgeted wage funds</u></p> <table border="1"> <thead> <tr> <th>Years</th> <th>Budget - UGX</th> <th>Actual - UGX</th> <th>Variance - UGX</th> </tr> </thead> <tbody> <tr> <td>2019/20</td> <td>27,854,301,758</td> <td>20,727,301,368</td> <td>7,127,000,390</td> </tr> <tr> <td>2020/21</td> <td>28,693,729,577</td> <td>26,734,572,827</td> <td>1,959,156,750</td> </tr> <tr> <td>2021/22</td> <td>30,745,199,902</td> <td>29,642,825,651</td> <td>1,102,374,251</td> </tr> <tr> <td>2022/23</td> <td>36,805,607,786</td> <td>34,046,327,018</td> <td>2,759,280,768</td> </tr> <tr> <td>TOTAL</td> <td>124,098,839,023</td> <td>111,151,026,864</td> <td>12,947,812,159</td> </tr> </tbody> </table> <p>Failure to utilize the budgeted wage funds locks resources which could have been used to deliver other public services. Besides, this could also expose the unutilized funds to the risk of misuse.</p> <p>The Accounting Officer explained that the under-absorption was due to delayed recruitment attributed to Covid-19 restrictions and positions falling vacant due to uncertainty of the planned merger. At the time of writing this report, I confirmed that the recruitment process was ongoing.</p>	Years	Budget - UGX	Actual - UGX	Variance - UGX	2019/20	27,854,301,758	20,727,301,368	7,127,000,390	2020/21	28,693,729,577	26,734,572,827	1,959,156,750	2021/22	30,745,199,902	29,642,825,651	1,102,374,251	2022/23	36,805,607,786	34,046,327,018	2,759,280,768	TOTAL	124,098,839,023	111,151,026,864	12,947,812,159	<p>I advised the Accounting Officer to always adopt prudent budgeting principles by using the positions in post and approved recruitment plan as a basis for budgeting, and considering the impact of the planned merger on the current staff establishment.</p>
Years	Budget - UGX	Actual - UGX	Variance - UGX																							
2019/20	27,854,301,758	20,727,301,368	7,127,000,390																							
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TOTAL	124,098,839,023	111,151,026,864	12,947,812,159																							
2.3	<p><u>Review of the Entity Staff Establishment</u></p> <p>I noted that out of 439 approved positions, 335 (76%) positions were filled, leaving a gap of 104, as per the establishment. In addition, the Company</p>	<p>I advised the Accounting Officer to liaise with key</p>																								

	<p>employed sixteen (16) Graduate Trainees, which positions are not part of the established structure.</p> <p>This was attributed to budgetary constraints, delayed commissioning of Karuma Hydro Power Plant and recruitment restrictions due to the upcoming merger under the rationalization of Government Agencies and Public Expenditure.</p> <p>Understaffing hinders the entity's ability to deliver its mandate.</p> <p>The Accounting Officer explained that recruitment for 25 positions was ongoing, and plans for more recruitment are underway upon commissioning of Karuma Hydro Power Plant and availability of funds.</p>	<p>stakeholders to mobilize resources to fill critical positions and also prioritize the commissioning of Karuma HPP to enhance the entity's operational efficiency and effectiveness.</p>
<p>2.2</p>	<p><u>Salary disparities</u></p> <p>I compared the Payrolls, the staff structure with the company organogram and noted salary discrepancies among employees at the same levels for various positions such as; technicians, civil engineers, administration officers and customer care officers.</p> <p>For example, a Civil Technician at both Karuma and Isimba earned UGX 5,995,168, while a counterpart at Nalubaale-Kiira with the same rank earned UGX 3,963,750.</p> <p>The inconsistencies were attributed to the adoption of Eskom's salary structure for staff absorbed after the Nalubaale-Kiira takeover in April 2023. This may result into reduced staff morale potentially negatively impacting staff performance.</p> <p>The Accounting Officer explained that the matter was presented to ERA to provide for a budget to resolve the salary disparity, however, ERA rejected. The Company has engaged the Minister of Energy and Mineral Development who requested ERA to compute the impact of harmonizing the salary disparity on the tariff.</p>	<p>I advised the Accounting Officer to further engage with relevant stakeholders, including ERA, and seek necessary approvals to align salary grades to the organizational structure. Additionally, ensure transparent communication with affected staff during the resolution process to mitigate potential negative impacts on staff morale and performance.</p>

Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matters disclosed in the Notes 28 and 26 to the financial statements that in my judgment are of such importance and fundamental to the users' understanding of the financial statements;

3.0 Increase in trade and other payables

In Note 28 of the financial statements, trade and other payables balance increased by 170%, from UGX.17.97 Bn in financial year 2021/2022 to UGX.48.49 Bn in 2022/2023. This increase is mainly due to unpaid Owner's Engineer Supervision costs for Karuma HPP and Isimba HPP of UGX.18.5 Bn, along with an outstanding penal interest of UGX.814 million due to URA.

According to the Accounting officer, the increase in the company's payables was due to inadequate budget allocations. The company received 61.5 Bn representing 32% of the funds requested project supervision activities in financial year 2022/2023. Requests for additional funding have been made to MoFPED and MEMD to address these financial challenges and support critical activities.

In addition, the penalty amount of UGX 814 million was due to delayed payment of withholding tax for the period 2001-2009. Despite efforts to seek a waiver, it has not been granted, however, engagements with MoFPED and URA are underway.

Recommendation

I advised the Accounting Officer to continue engaging with MoFPED for allocation of funds to clear the outstanding payables.

4.0 Outstanding Loan Liability

Included in note 26 to the financial statements are outstanding loan obligations of UGX.5,061,194,998,000, with UGX.1,383,463,354,687 allocated to Isimba HPP and UGX.3,844,344,016,909 to Karuma HPP. Despite the commencement of repayment for the Isimba loan, there was a reduction of only 6%, while the Karuma HPP loan increased by 1% in the current financial year. These outstanding loans constitute 66% of the company's financing.

The decrease in the Isimba loan was due to earnings from energy-based sales rather than capacity, as outlined in the power purchase agreement, while the rise in the Karuma HPP loan is a consequence of the delayed commissioning of Karuma.

In addition, the company has accumulated interest amounting to UGX.447,840,951,000, on the Karuma HPP loan, arising from power plant's inability to currently generate revenue due to delayed commission.

The Accounting Officer explained that since the commissioning of Isimba in 2019, only 10% of the loan has been serviced, decreasing it from UGX.1.5 Trillion in 2019 to UGX.1.3 Trillion in 2022/23. The energy billing approach has hindered the company's ability to efficiently service the loan due to lower revenues, despite MoFPED advising UEGCL to make payments within its capacity, given that the loans are government-guaranteed.

The Accounting Officer outlined short-term strategies, including expediting Karuma's commissioning and formalizing loan repayment top-ups as subsidies. The medium-term plan involves modifying generation and sales licenses to achieve full revenue recovery in line with the Power Purchase Agreements (PPA) and Financing Agreements for both Karuma and Isimba HPPs. The long-term strategy aims to convert all or part of the loan into equity, enhancing the company's viability for financing new investments aligned with the approved target of 52,481MW by 2040.

Recommendation

The Accounting officer was advised to engage the shareholders on implementation of the suggested strategies for the repayment or conversion of the loans, so as to improve the company's financial position. The Accounting Officer was also advised to devise strategies to expedite the commissioning and functionality of Karuma HPP, in order to commence revenue generation.

Other matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements;

5.0 Assessment of Financial Performance

The Government of Uganda owns various Public Corporations and State Enterprises including shares in financial institutions and some companies. These enterprises, which are independently managed, are supposed to operate efficiently, make profits and pay dividends to Government. Their financial performance is therefore of interest to Government.

Section 51 (2) of the Public Finance Management Act (PFMA), 2015 (as amended), requires that the Accounting Officer of a public corporation/state enterprise shall, within two months after the end of each financial year, using the format prescribed by the Accountant-General, prepare and submit to the Accountant-General, a Summary Statement of Financial Performance of the Public Corporation/State Enterprise and give a copy to the Secretary to the Treasury.

In light of the above, I analysed the Financial Performance ratios of UEGCL as shown below;

5.1 Operating Margin

The operating margin, is derived by dividing operating income by total revenue. A robust operating margin, ideally exceeding 15%, signifies effective financial management practices.

I noted that UEGCL's operating margin stands at 22.5%, which exceeds the desired margin of 15%. However, there was an 8.9% decrease from the previous year's margin of 31.4%, indicating a decline in performance. This was attributed to increased administration costs arising from the takeover of Nalubaale-Kira dam.

The Accounting Officer stated that the low tariff of USD 0.018 approved by the regulator does not fully reflect the costs of operations and maintenance of Nalubaale-Kiira HPPs, which negatively impacts the operational efficiency of the plant. It was also noted that the approved tariff is below the sector average of about USD 6.1 cents per Kwh.

Recommendation

I advised the Accounting Officer to engage with ERA and relevant stakeholders to consider revision of the tariff for Nalubaale-Kiira HPPs, ensuring that the tariff fully reflects the operations and maintenance costs of the plant, while aligning with the sector average.

5.2 Return on Assets

Return on Assets (ROA) is a financial metric indicating the efficiency of a company in utilising its assets to generate revenue. In the context of an electricity generating company, a healthy ROA reflects effective asset management and revenue generation. Generally, a ROA below 5% is considered inadequate.

Although the Company's ROA increased to 1.04% from 0.93% in the previous year, it was below the desired return of 5%, which indicates inefficiency in the company's utilization of its assets.

This was attributed to operational inefficiencies such as; increased operating costs, delays in project completion, particularly the on-going Karuma Hydropower Project (HPP). These challenges hindered the company's ability to maximise the revenue potential of its assets.

As a result of a low return, the company's ability to make future investments and repay debts may be compromised.

The Accounting officer explained that the inefficiency is due to the tariff of USD 1.8 cents approved by ERA, which does not fully reflect the related costs, thereby impacting on the revenue and ROA. In addition, the company is in a competitive environment with limited control over the market share for generation of power which in turn affects its ability to generate adequate revenue from the utilization of its assets.

Recommendations

The Accounting Officer was advised to engage ERA to modify licenses for all plants to ensure that, the license allows for a cost reflective tariff.

5.3 Liquidity Assessment

Liquidity ratio, assessed through the current ratio by comparing the current assets to the current liabilities, measures a company's ability to meet short-term financial obligations with its current assets. A current ratio between 1.5 and 2 is desirable.

UEGCL's current ratio as at 30th June 2023 was 0.24 (0.27 as at 30th June 2022), which is below the desirable ratio of 1.5. This implies that the company's current assets may not adequately cover its immediate short term obligations without resorting to external capital or government assistance.

This was attributed to inclusion of current liabilities from the Isimba loan, recognition of only energy sold, rather than the capacity of the HPP as outlined in the Power Purchasing Agreements which results in a disproportionate increase in short-term obligations compared to current assets.

Recommendation

I advised the Accounting Officer to engage relevant stakeholders to renegotiate the power purchase agreement, emphasizing a shift towards basing power sales on capacity rather than energy sold. This strategic adjustment is anticipated to establish a more dependable revenue stream, thereby bolstering the company's liquidity position.

Other Information

The Directors are responsible for the other information. The other information comprises the statement of responsibilities of the Directors, commentaries by the Executive Director and the Head of Accounts, 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 also responsible for the preparation of financial statements in accordance with the requirements of IFRS and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement 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 Directors have a realistic alternative to the contrary.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor'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 skepticism 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 management's 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

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that; except for the matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

Report on the Audit of Compliance with Legislation

In accordance with Section 19 of the NAA 2008, I have a responsibility to report material findings on the compliance of the Company with specific matters in key legislations. 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;

6.0 ASSESSMENT OF CORPORATE GOVERNANCE

6.1 Deficiencies in the board charter

6.1.1 Failure to update the board charter

Section 3 of the company's Board of Directors Charter, 2018, requires that any amendments to the Charter should be by a special resolution of the Board to recognize changes in company's operating environment, regulatory requirements as well as Corporate Governance principles and practices.

The company has undergone several organizational changes in 2021, including; the update of the organizational structure, the takeover of Namanve HPP and Nalubale-Kira Complex and integration of Environment and Social Governance principles, and relatable SDGs into its operations and reporting. However, the board charter has not been updated to accommodate these changes as required by the above section.

The outdated board charter hampers the board's ability to effectively oversee the company's operations and strategic initiatives.

The Board Secretary stated that there is an on-going process of revision of the Board charter particularly in the areas of; quarterly reporting of the ICT and Safety Health, Environment and quality function to specific Board Committees, and terms of reference for all Committees.

Recommendation

I advised the Board to expedite the process of revision of the charter. The significant changes within the company's operational environment should be incorporated into the charter.

6.1.2 Missing provisions and inconsistencies in the board charter

In accordance with good corporate governance practices, the Board Charter should clearly define roles, responsibilities, and composition of committees, quorum requirements which should specify the number of directors required for a valid board meeting. The provisions should be consistent with other governance documents.

My review of the Board charter revealed that the charter lacked the following essential provisions;

- Guidelines on the minimum number of directors required for an effective board.
- Specifications on committee composition and appointment criteria.
- A succession plan, among other critical governance aspects.
- Clarity on the committees responsible for overseeing the revision of the charter.
- The charter stipulates a quorum of either 4 directors or half of the total board members plus one director, which is inconsistent with the quorum of 2 directors stipulated in the company's Articles of Association

These missing provisions and inconsistencies pose a risk to the board's performance and effectiveness, and may lead to confusion, inefficiencies, and potential conflicts within the board. The unclear delineation of oversight responsibilities within the charter may lead to inefficiencies in decision-making processes

The Secretary to the Board stated that the on-going review of the Board charter will address deficiencies identified. However, Article 76 of the Memorandum and Articles of Association of the Company (Memarts), gives the directors authority to set the quorum for their meetings if it chooses to depart from the default of 2.

Recommendation

The board and shareholders should conduct a comprehensive review of the board charter, focusing on incorporating the missing sections related to minimum requirements for directors, committee composition, appointment criteria, and succession planning. Additionally, the board charter should be aligned with the company's Articles of Association to ensure consistency in governance standards.

6.1.3 Absence of guidelines for board nomination, evaluation and appointment

Section 9 (4) of the Public Enterprises Reform and Divesture Act ,1993 requires that Board of Directors of a public enterprise should be appointed by the shareholders in accordance with the Companies Act. In accordance with good corporate governance practices, the process of appointing directors should be transparent. This involves having a clear framework and criteria for nominating, selecting and appointing directors and ensuring transparency and fairness in the process.

In line with the above act, UEGCL'S Directors are solely appointed by the shareholders, however, I noted that the company does not have guidelines, a structured framework and specific criteria for nominating, selecting, and appointing directors.

The lack of a well-documented structured framework for nominating and appointing directors may result into inappropriate board composition in terms of balanced mix, experience, skills, expertise and diversity, which may impact on the overall effectiveness of the Board operations.

The Secretary to the board acknowledged the observation and clarified that the company directors have input in the appointment of Board members, since they make recommendation to the shareholders on the skills gap and board requirements prior to the appointment of new directors.

Recommendation

The Accounting Officer should initiate discussions with the company's shareholders to establish a comprehensive framework for the; nomination, evaluation, and appointment of directors. This framework should be transparent, ensuring equal opportunities for qualified candidates and promoting diversity in skills, expertise, and experiences.

6.2 Undefined Board Tenure

Section 11(b) and (g) of the UEGCL board charter states that in constituting the Board, the following considerations will be borne in mind; the Directors' terms of service, tenure in office and renewal of appointment. These should be determined by the shareholders at Annual General Meetings.

I reviewed the appointment letters for the board members and noted that the board members have no term limits for reappointment. This was due lack of provisions in the board charter on the number of times the board members would be reappointed.

The failure to have term limits may result into long serving Boards which may affect innovation, creativity and board efficiency.

According to the Accounting Officer, the board tenure is determined by the shareholders

Recommendation

The shareholders are advised to ensure that the Board tenure is clearly defined with terms and conditions of service and clear time commitments as prescribed in the charter. This should ensure attraction of new talent and experience into the company's governance structure, thereby enhancing Board effectiveness.

7.0 ASSESSMENT OF THE OPERATIONS OF THE KARUMA HYDROPOWER PROJECT

7.1 Delayed completion of the project

I reviewed the project progress report and noted that the Karuma HPP was expected to be completed and commissioned by 1st July 2023. However, as at 30th June 2023, physical progress was at 99.9% while financial progress stood at 98.39%.

Whereas the expected project duration was 60 months, the actual duration is currently 114 months which signifies a delay of 54 months. The delays were attributed to setbacks in critical activities which impeded progress resulting in extension of completion timelines.

As a result, there are additional costs related to project monitoring and commitment fees on undisbursed amounts. Furthermore, the delay has resulted in delayed realization of revenue and other benefits expected from the hydropower plant, which has impacted the company's overall financial performance.

The Accounting Officer stated that the four out of the six units of the plant are already generating power and available to the Grid. The two units are expected to start generating power by January 2024, and project commissioning and operations are expected in August 2024.

Recommendation

I advised the Accounting Officer to fast track completion of all the Karuma HPP Units to ensure project commissioning without further extensions.

7.2 Interest Payment on delayed payments of approved certificates

In accordance with the General conditions of the contract, 43.1 of the Karuma HPP contract, the contractor should be paid within 30 days from the date of receipt of the payment certificate and invoice.

I reviewed the company's quarter 4 progress reports and noted that the EPCC made interest claims amounting to USD 30,747,187 as detailed below;

Table: Showing contract payments

No	IPCs Number	Amount (USD)
1.	36,37,38,39,40,40,& 41	21,095,655
2.	42A, 43, 44, 45,46,47,48 & 49	9,651,532
	Total	30,747,187

Source: Q4 ERA Report

The interest payment claims resulted from the failure to pay Interim Payment Certificates (IPCs) within the specified payment period outlined in the contract terms, which led to financial losses.

The failure to make timely payments might also have contributed to the overall project delays

The Accounting Officer attributed the anomaly to the delays experienced in payments by the EXIM Bank, however the matter was brought to the attention of the bank.

Recommendation

I advised the Accounting Officer to continuously engage MoFPED to ensure that all IPCs are paid on time. In addition, MoFPED should be guided and reminded on time of any amendments that need to be done to the financing agreement which could potentially result into loss of the credit facility.

7.3 Failure to replace floating boom, damaged and loose pontoon

Best practice in infrastructure projects requires Infrastructure Integrity, safety, timely replacement and maintenance. Projects must maintain the integrity of essential infrastructure elements, ensuring their proper functioning and safeguarding against potential damage or operational delays. In addition, Regular inspection, timely replacement, and proactive maintenance of critical components are necessary to prevent operational disruptions and maintain project efficiency.

I noted that the floating boom and loose pontoon were damaged during the 3rd stage of river diversion in 2019, but not replaced at the time of audit. These are vital for preventing debris from entering the power intake and operational stability of the dam.

Failure to replace the damaged pontoon poses a risk of damage and delays in the operation of gates, jeopardizing the overall functionality of the dam and compromises the operational integrity of the intake system. In addition, the absence of a functional log boom leaves the power plant intake vulnerable to blockages caused by water weeds and vegetation, which affects the generation efficiency and dam safety, potentially plugging the spillways.

The Accounting Officer stated that a new log boom design was submitted to Owners Engineer, and manufacturing of components commenced, expected to be implemented and completed by August 2024.

Recommendations

I advised the Accounting Officer to ensure that the EPCC expedites the installation of the floating boom before the project's commissioning. Additionally, action should be taken to replace the elements from the damaged and loose pontoon.

7.4 Destruction of cultural sites-Paluo Chope community.

Projects must comply with legal obligations, including compensatory measures for affected communities, preserving cultural heritage sites, and addressing potential legal liabilities. In addition, all contingent liabilities, including potential legal claims, should be accurately disclosed in financial statements.

I noted that there was a demand for compensation amounting to UGX 6.6Bn by the Paluo Chope community for trespass on their land, which included cultural sites around the dam and reservoir. This was not disclosed in the financial statements under contingent liabilities.

Failure to resolve the compensation demand could lead to increased local opposition, potentially causing delays or halting the project.

The Accounting Officer explained that the matter was put to the attention of MEMD for validation of the claims due to the fact that RAP activities fall under their mandate. The Ministry has requested for guidance from the Ministry of Labour, Gender and Social Development on the appropriate methodology used for determining compensation of Cultural sites.

Recommendation

I advised the Accounting Officer to continue engaging with the relevant stakeholders, to ensure that the conflicts are resolved.

7.5 Delayed acquisition of the reservoir Land

Projects must ensure timely acquisition of land, a crucial prerequisite for the completion of essential project components, to avoid project delays and disruptions.

As at the time of audit, the EPCC had issued a delay notice concerning land company has not yet acquired and handed over the necessary land for the reservoir to the contractor.

The delay in land acquisition resulted from challenges such as; deferred payments, absenteeism by landlords, missing documents, and the lack of consent from Project Affected Persons (PAPs) which created grievances among 16% of the project affected individuals, which has affected the progress of the project.

The Accounting Officer explained that the matter was put to the attention of MEMD for validation of the claims due to the fact that RAP activities fall under their mandate. The Ministry has requested for guidance from the Ministry of Labour, Gender and Social Development on the appropriate methodology used for determining compensation of Cultural sites.

Recommendation

I advised the Accounting Officer to continue engaging with the MEMD in order to address the grievances raised by the Project Affected Persons, so that the acquisition of land for the reservoir is concluded.

7.6 Status of implementation to the Resettlement Action Plan (RAP)

I noted that the compensation and land acquisition process for the construction site of Karuma HPP (Hydropower Project) was at 98%, as per the first Project RAP. 15 PAPs had not yet received their compensation, raising questions about the accuracy of the reported completion percentage.

There were legal disputes involving 73 PAPs, who filed a civil suit in Masindi court alleging non-compensation which may impact the compensation process and progress.

In addition, whereas 200 acres of land were acquired in Lapono Village, Anaka sub-county, Nwoya District the resettlement of vulnerable PAPs in 2013, the resettlement process has not commenced, leaving the PAPs displaced, homeless and discontented.

The Accounting Officer explained that negotiations and compensations are still ongoing and that the Ministry is in the process of installing mark stones on the acquired project land prior to handing it over to the EPCC.

Recommendation

I advised the Accounting Officer to continue engaging with the MEMD in order to address the grievances raised by the PAPs, so that the project is commissioned with no outstanding RAP claims

7.7 Delayed implementation of Community Development Action Plan (CDAP) projects

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

Out of the planned CDAP project cost was UGX. 38,265,892,000, UGX 3,000,000,000 (7.8%) was received to carry the projects, despite the dam construction works being at 99.9% progress.

The failure to release the planned project funds has planned affected activities such as; the construction of the seed school, hospital, mosque, church, compensation of those affected by blasts during construction, which may impede the acceptance of the Karuma project by the community

The Accounting Officer acknowledged the observation and stated that only 3 primary schools (Diima, Nwoya and Purong) have so far been constructed, and as a result of the underfunding, other interventions including hospitals, water distribution, rural electrification, community halls have not been implemented.

Recommendation

I advised the Accounting Officer to liaise with MoFPED and ensure prioritization of funding for the CDAP unimplemented components.

8.0 ASSESSMENT OF THE OPERATIONS THE NAMANVE THERMAL PLANT

8.1 Unpaid Capacity Charge Invoices - USD 1,520,056

During the year, UETCL failed to settle capacity charge invoices totaling USD 1,520,056 that were raised by the company between November 2022 and May 2023. These funds are essential for contributions towards staff salaries, administration costs, overhauls, and plant consumables.

The non-payment significantly impeded the timely overhauling of the three units that had reached the designated overhaul hours, which resulted into; increased consumption of lubricants and fuel, impacting the financial efficiency of the plant, units being flagged as high risk by insurers leading to high premiums.

Consequently, these units were de-prioritized in scheduling dispatch, creating uncertainty about the reliability of power supply and resulting in revenue losses for the organization.

The Accounting Officer acknowledged the observation and noted that the unpaid capacity charge invoices had further accumulated to USD 2,554,829.12 by September 2023, which constrains plant operations and the company's ability to meet its obligations. However, the relevant stakeholders; MoFPED and MEMD and ERA have been engaged.

Recommendation

I advised the Accounting officer to continue engaging MoFPED to provide funds for the outstanding invoices so that funds can be used to finance plant operations and ensure reliable supply of power.

8.2 Obsolete Supervisory Control and Data Acquisition (SCADA)

The Supervisory Control and Data Acquisition (SCADA) system is pivotal for the efficient remote monitoring and control of power generation facilities, optimizing operations, efficiency, reliability, and security by facilitating seamless communication among stakeholders.

From my review of the company's reports, I noted that the SCADA system at the Namanve Thermal plant is obsolete, necessitating an upgrade that remains pending due to insufficient funding.

This outdated system compromises the safety, reliability, and availability of the plant, hindering effective communication and integration with crucial systems, thereby posing risks to operational performance, overall reliability, and safety.

The Accounting Officer acknowledged the observation and stated that the matter was put to the attention of MEMD, the asset owner for action, requesting for supplementary funding of UGX. 22 Bn for the system upgrade.

Recommendation

I advised the Accounting Officer to continue engaging MEMD and MoFPED to provide the necessary approvals and funding for the upgrade of system.

9.0 ASSESSMENT OF THE OPERATIONS OF ISIMBA HPP**9.1 Delayed completion of Snags**

I noted that the EPC contractor was issued 776 snags to rectify, out of which only 763 (98%). The 13 unrectified snags have been outstanding since March 2019, despite the expiry of the defects liability period on 31st March 2023.

The outstanding snags, among others include; commissioning of fire detection and fighting systems, dam break analysis, commissioning of sewage and water treatment plant, approved Operations and maintenance manuals, Provision of a visitor centre and heliport, and the Installation of the platform & winch (with at least 300kg capacity) to lower people in the draft tube for maintenance

The delay in completion of the snags has resulted into; increased cost of constructing the plant due to increased supervision and monitoring costs. Furthermore, the planned rectification of defects in the financial year 2023/2024 is estimated to reduce plant availability to 83.97% which will result into loss of revenue.

The Accounting Officer explained that the identified snags are under rectification by the EPCC, expected to be completed by December 2025, as per the issued Project Implementation Schedule (PIS).

Recommendation

I advised the Accounting Officer through the OE to strengthen the monitoring function and ensure completion of the remaining snags as per the PIS.

9.2 Inadequacies in the project operation manuals

I reviewed the manuals s provided by the EPCC and noted inadequacies such as; failure to provide information on the safe operating limits for some systems and troubleshooting of inconsistent systems behaviour, which poses risks for both the plant equipment and the personnel involved.

This can lead to increased plant downtimes, decreased lifespan of the plant, and increased workplace safety hazards.

The Accounting Officer explained that the EPCC has been instructed to re-submit all manuals in accordance with the Contract. In addition, the payment due and associated with the O&M manuals are being withheld to ensure compliance with the contract terms.

Recommendation

I advised the Accounting officer to ensure that the EPCC reviews and updates the manual to ensure all the relevant information needed to effectively operate the plant is documented in the manual before commissioning of the plant.

9.3 Unsecure plant site

I observed that the Isimba power plant site's fencing was incomplete and four security cameras were malfunctioning. This may lead to unauthorized access to the plant by individuals and animals, which poses a risk of harm to the plant and its staff

The Accounting Officer explained that site fencing is one of the activities that are planned to be undertaken and the boundaries are yet to be established.

Recommendation

I advised the Accounting officer to ensure that the site fencing is completed to avoid possible loss of life and property. In addition, the cameras should be repaired or replaced to ensure full functionality.

Other Legal and Regulatory Requirements

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

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

John F. S. Muwanga
AUDITOR GENERAL

4th December 2023.

APPENDICES

Appendix 1-Implementation of Activities

Strategic Objective	Target (June 2023)	Achieved Target	Level Of Implementation	Planned Activities	Expected Out Put
Improve Stakeholder Satisfaction	85%	0%	Not Implemented	Conduct internal and external entity wide satisfaction survey Provision of staff welfare related requirements, reward, recognition Undertake coordination meetings with relevant stakeholders Provision of appropriate medical services to staff	Entity wide survey planned was not done as it didn't obtain the requisite funding thus the stall in the over-all kick off process.' However, Individual department based surveys were done by Nyagak, Karuma, ICT, risk, and HR teams through online survey tools.
Increase Energy Capacity	1213.0 MW	80%	Partially implemented	Karuma HPP Commissioning Nyagak HPP Commissioning	-Commissioning Plan -Karuma Partial commissioning done for four (04 units out of 06 synchronized on the grid) -Nyagak is expected to be commissioned in December 2023
	60%	100%		ESKOM takeover	ESKOM takeover (NKHPP) completed in the third Quarter of FY 2022/23. Negotiations for the Operational aspects still ongoing especially for considerations on the staff alignment to UEGCL structures. Current Market share 913 MW out of total 1.402 (ERA, 2022) accounting for 65% of national electricity portfolio
Improve Financial Performance	100%	94%	Partially implemented	-Prepare and submit funding proposals to GoU and development partners -Bill and collect all revenue requirements from UETCL (Isimba & Namanve) & Eskom in line with the PPAs.	-Submitted budget requirements, engaged budget sector working group with requirements -As at June 2023, funding was secured as broken down <ul style="list-style-type: none"> Concession-Ugx. 7.5Bn (Karuma licence fees dropped) O&M Isimba-Ugx 149Bn O&M Karuma-Ugx.NIL (pending full commissioning of the plant units) Namanve TPP-UGX 56Bn (From Energy tariff, GoU & Capacity Revenue) GoU Projects-UGX 60bn Nalubaale & Kira -UGX 8.2bn -600,000 Euros secured -Grant Proposals submitted to Development Partners -Flood Forecasting tool proposal submitted to AFD(Euro 400,000 secured) -Proposal for additional site investigation studies to Swedfund(€200,000 secured)
	100%	100%		Explore options to generate interest/ return on capital funds to the benefit of UEGCL	Revenue of Ugx 303.295bn obtained in the annual period of which Expenditure was Ugx 250.81bn. The profit was thus Ugx 52.485bn

<p>Enhance Business Portfolio</p>	<p>60%</p>	<p>100.0%</p>	<p>Fully Implemented</p>	<p>Implement the energy mix study short term recommendations</p>	<p>-62% index -68% index Achieved overall rating for core portfolio - 62% •A UEGCL Investment Policy and UEGCL 5-Year Business Growth Strategy are under development to guide core business and non-core business growth including renewable projects' development. •Capacity building in the Renewable Energy Programme supported by Life Academy, Sweden ongoing. To be finalized on 25th January 2023. •Floating solar feasibility study. Inception report was submitted in Q3 FY2022/23. The project is currently at pre-feasibility stage with Isimba as the most preferred site. Agreed position is to conduct a study and detailed design for a 10MWp pilot floating solar plant. •Meeting held with MEMD on the issue of UEGCL involvement in geothermal development at the Kibiro site. Agreed to develop a framework. •Capacity building in renewable energy; Discussion ongoing with the Government of India and NTPC to support with capacity in the renewable energy. •Waste-to-energy project being re-scoped to include water hyacinth as one of the main feedstock. Achieved overall rating for core portfolio - 68% •Karuma/ Isimba Tourism Business Plan: ToRs for the consultant required to develop the plan were developed and are under review by UWA and UTB. Feedback and guiding documentation was shared with UEGCL and this is going to form part of the Business Plan. •PSU Framework was developed and presented to Management and the Board. Guidance was provided on the next course of action. •UEGCL is in the process of developing a joint concept on sustainable tourism with UTB for possible funding from the European Union. •UTB profiled the hydropower facilities as part of the effort to promote infrastructure tourism in the Country.</p>
<p>Strengthen Collaboration</p>	<p>60%</p>	<p>75.0%</p>	<p>Fully implemented</p>	<p>◆ Implement CSR Strategy & CDAP projects ◆ Undertake strategic engagements & partnerships. ◆ Implement Financial sustainability study recommendations</p>	<p>◆ 70% CSR plan Successfully distributed math and science fountain books to pupils of UMEA Kiwanga primary school on 30th July 2023. •Planted trees via Isimba HPP and Karuma HPP in honor of World Environment Day. ◆ 75% Communication effectiveness score •100%media engagement.17 print news stories ran from January 2023 to Jun 2023,4 radio presentations held from Jan to Jun 2023, 4 tv appearances took place from Jan to Jun 2023. •80% Implementaton of branding plan.Office branding successfully done via Nalubaale and Kira PS, KNPS pylons erected, and 3D logo installed at the foyer.vehicle branding still pending •No GeNews edition was published in the FY. However, the team collected articles and conducted 5 interviews for the 10th edition. •UEGCL website effectively updated as per activity •80% Stakeholder engagement score(SBD)</p>

<p>Improve Compliance</p>	<p>80%</p>	<p>85%</p>	<p>Partially implemented</p>	<p>Implement the internal and external audit corrective actions</p>	<p>•MoU with CEDAT renewed in Q1 FY2022-23 •Continuous engagements were held with the Working Group in preparation of the 9th Utilities Geographic Information Systems (GIS) Conference, Consortium of IPS Ltd, Maire Technimont, Westgass and ETG on Green Hydrogen-based Fertilizers, African Development Bank on the creation of a Hydropower Centre of Excellence, Total Energies, AFD, Norwegian Embassy etc. •No MoUs signed in Q3&Q4</p> <p>◆ Entity-wide: 79% closed, 4% open,11% WIP, 6% keep in sight • Internal Audit: 56% issues closed, 23% WIP, 15% are open and are keep in sight • QMS: 35 issues closed, 42 WIP, 5 are open and 15 are keep in sight • Karuma NCRs:207 issues closed, 18 WIP, 7 are open • OAG Value for Money: 32 issues closed, 29 WIP, 26 are open Isimba NCRs; 764 Closed, !! are WIP, and 1 is open Isimba Final Acceptance * are closed, 10 WIP and 7 open. KAruma PoEs; 201 are closed, 21 are WIP and 2 are open</p>
<p>100%</p>	<p>71%</p>		<p>Implement the Compliance monitoring plan: • Environment and Social Management • Plant & Technical compliance • Policies, regulations and Service Level Agreements</p>	<p>◆ 71% overall Compliance score Rating. •82% • 100% implementation of the Compliance Plan for FY 2022-23 • 50% implementation of the Sensitization plan. • 40% implementation of holistic approach to assess entity-wide compliance rating</p>	
<p>100%</p>	<p>60%</p>		<p>◆ Implement the Business Continuity and disaster recovery Plan</p>	<p>•The SRO was nominated to support the Audit team in the design of the integrated tool for the maturity of the Quality Management System. This activity is pending. •No budget for the expert review within the current financial year. Risk Unit to develop ERM plan in house. Corporate risk Maturity rating was thus not undertaken due to the funding gap</p>	
<p>Improve Process Efficiency</p>	<p>100%</p>	<p>100%</p>	<p>Partially implemented</p>	<p>◆ Develop and implement roadmap for key process review, mapping, documentation and operationalization.</p>	<p>SHEQ •Occupational Health & Safety System ISO 450001:2018 Roadmap for Certification presented to Management and was approved. • Draft Corporate safety plan in place • Environmental Management draft Policy under Review, pending management approval. • Quality Manual reviewed. pending approval by Management & Board. The ISO 9001 audit was done by external consultant pending closure of the resultant recommendations for the recertification</p>
<p>100%</p>	<p>85%</p>		<p>◆ Implement the annual planning and Alignment processes a per the approved roadmap ◆ Implement the approved performance management framework and incentive scheme</p>	<p>Successor 5-Year Strategic Plan (2023-2028) • 84.6% Strategic Planning effectiveness • High Level Strategy Elements(Vision, Mission, Purpose Statement, Core Values,SWOT) were developed and approved by the Board. Strategic Plan finalised for approval and roll out ◆ Annual Strategy Review & Alignment Scorecard • Strategy review exercise completed and FY 2022/23 Corporate Scorecard</p>	

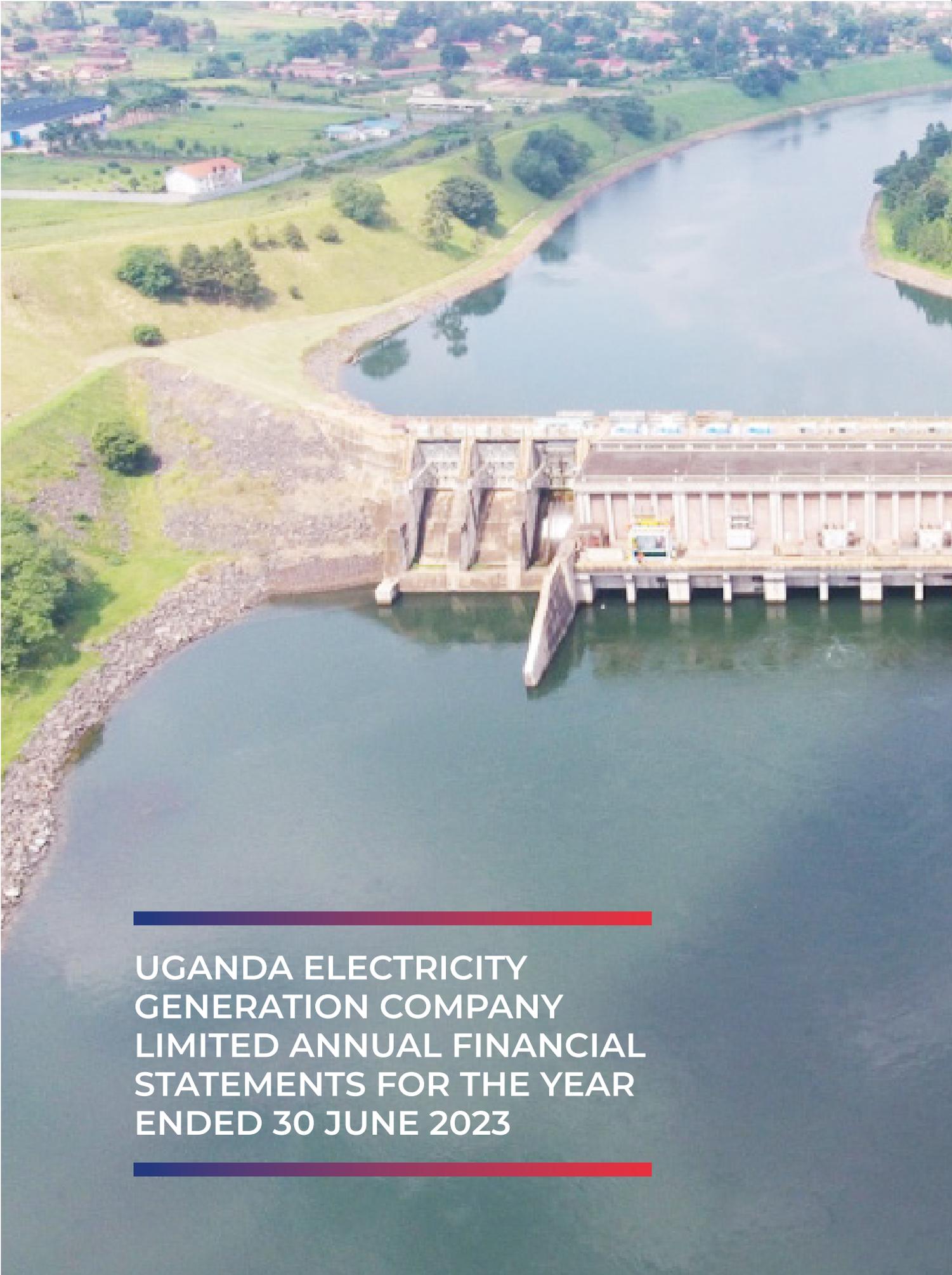
<p>Improve Project Management</p>	<p>100%</p>	<p>80%</p>	<p>Partially implemented</p>	<p>◆ Implement the ongoing projects (Karuma& CDAP) within budget, cost and to specifications ◆ Implement projects commissioning plans ◆ Commissioning of lot 1 &2 Isimba Employers camp and Phase 1 Karuma CDAP projects. ◆ Complete procurement for Karuma CDAP- phase 2 and Isimba Employers Camp lots 3-5. ◆ Procure contractor for Maziba Rehabilitation. ◆ Secure financing for Nalubaale Rehabilitation. ◆ Karuma HPP project Snag list ◆ PoE recommendations for Karuma HPP ◆ Restructuring and securing funds for Muzizi HPP.</p>	<p>developed ◆ Departmental scorecards finalized and resourced ◆ Staff reward mechanism enhanced in line with the reviewed Individual PM System (Based on quarterly 1:1 feedback sessions) ◆ Business monitoring strategy ◆ Approach reviewed to focus on operational plant performance. Isimba HPP performance monitoring done monthly & quarterly ◆ Implement projects commissioning plans ◆ 4 out of 6 units synchronized to the Grid for Karuma HPP ◆ Project Schedule Tracking; Since schedule performance can't be assessed using SPI, schedule performance is being tracked using the contractor's monthly schedule updates. ◆ The project is now delayed by 49 months, with time progress at 109 months of the original 60 months' contract duration. Change order #3 and #4 were executed and allowed for successful negotiation of Addendum #7. Following the signing of Addendum #7 on 2022.10.11, the revised project completion date is 1st July 2023. ◆ Change order issued to EPCC to enable continuity of commissioning as per contract. Similarly, EoT negotiations to complete other project facilities such as logboom, additional trash cleaning machine etc. ◆ Unit commissioning commenced ◆ CDAP Projects ◆ Project schedules for all the 3 lots are available and updated monthly. As of end of June 2023, the DLP period was works under all lot were substantially completed and handed over. Lots 2&3 had a Schedule Performance Index (SPI) of 1.25 (Outstanding time management). Works under lot 1 were on schedule with an SPI of 1.</p>
<p>Improve Asset management</p>	<p>97%</p>	<p>86%</p>	<p>Partially implemented</p>	<p>◆ Implement the Strategic Asset Management Plan for Complex rehabilitation and formulate model for rehabilitation. ◆ Implement O&M takeover roadmaps for Nalubaale - Kiira HPP ◆ Implement plant IPCs ◆ Complete roll out of the CMMS system for all sites ◆ Formulate and Execute Annual Maintenance Plans</p>	<p>◆ Attained average Plant availability of 92% (January to June 2023) against a target of 89% and Plant Reliability of 99.6% against a target of 99% for Isimba HPP ◆ Namanve availability at 100% ◆ The increase in availability and Reliability attributed to the postponement of the planned outages due to the failure of the contractor to guarantee safe execution of their works. ◆ Permit to work system was reviewed and subsequently updated in CMMS. ◆ Incident reporting and recommendations done with 100% achievement</p>
<p>Improve Infrastructure and Technology</p>	<p>80%</p>	<p>90%</p>	<p>Fully implemented</p>	<p>◆ Develop and implement the ICT infrastructure and technology gap closure plan for FY22/23. - Implementation of the SCADA backup solution for Isimba HPP - Set up of networking at the Isimba</p>	<p>◆ - Implementation of the SCADA backup solution for Isimba HPP ◆ *SCADA backup solution project contracted, equipment delivered and configuration of the backup server at Isimba completed by June 2023. ◆ Completion of configurations for SCADA backup jobs pending. Project Implementation should be complete by end of September 2023. - 90% achievement on effort</p>

<p>HPP training centre. - Core switch replacement/overhaul – Head Office & Isimba HPP. - Implementation of network edge enhancement (Security capable routers). - Karuma HPP ICT infrastructure commissioning, provisioning and operationalization.</p>	<p>- Set up of UEGCL network at the Isimba HPP visitors centre. *Project implementation kicked off with delivery of material and active network equipment, with a few pending works of projector installation and audio system delivery. - Core switch replacement/overhaul – Head Office & Isimba HPP. - 90% achievement on effort - Implementation of network edge enhancement (Security capable routers). Some components were deferred due to budget shortfalls such as replacement of routers (100% achievement on effort for half year period) - UEGCL network extended to the site at both project and O&M offices- implying shared services such as desk phones, video conferencing, networked printing, UEGCL standard Wi-Fi are now available at selected stations at site. Process Automation - Re-engineered as Planned Summary of achievement: - Invoice to Pay - 90% - Business Information Portal roll-out - 100% - Purchase to Pay - 90% - CMMS roll-out -100% - HRMIS: User interface upgrade completed and rolled-out - 100% Completed - Revamp and Roll-out of the Business Information Portal(EDRMS) completed and rolled out with Go-live In November 2022. Portals created and libraries were created for all departments Departments/Units fully using the system including Projects Isimba and Karuma, Operations Isimba and Karuma, Human Resources Department, ICT, SHEQ, Legal and Board Affairs, and Corporate Affairs. Continuous awareness sessions directed to specific departments ongoing, Flyers shared on different media email, WhatsApp, desktop announcements - Computerized Maintenance Management System (CMMS) was commissioned and went live in October 2022. Post-implementation activities are ongoing (Bi-weekly sync up calls are held between the implementation team and the site team to review any issues) - Integration of the CMMS (IBM Maximo) and with the existing ERP Microsoft Dynamics Business Central 365 to allow for information exchange between the two systems was completed in December 2022. This is working properly and supports activities such as material requests, transfers, stock counts, etc. - The Enterprise Resource Planning System(ERP) was upgraded to the latest version from an outdated version, i.e., Microsoft Navision 2016 and to Microsoft Dynamics - Business Central 365 which has added benefit of being web-based and hence can be accessed securely over the internet. The upgraded system went Live in September 2022 with post-implementation support for 3 months that ended in December 2022. - Dam Safety management software and accompanying infrastructure -Vista Data Vision(VDV) that is to help with real-time processing of geotechnical, structural and environmental data from sensors and data loggers was fully installed and handed over to the user department in December 2022.. - Revamp and redesign of e-hub interface completed and Rolled out in April</p>
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<p>Improve Knowledge, Skills and Abilities (KSA)</p>	<p>80%</p>	<p>84%</p>	<p>Fully implemented</p>	<p>◆ Implement the Management Framework</p>	<p>2023.</p> <ul style="list-style-type: none"> ◆ 84% Competence assessments completed for HR, SBD, ICT, SHEQ, CA, Risk, PDU completion rate ◆ Operations and Projects not done due to scheduling challenges... To be prioritised in the FY 2023/24 	<p>Rating</p>
<p>Enhance Organisational Culture</p>	<p>80%</p>	<p>40%</p>	<p>Partially implemented</p>	<p>◆ Develop & implement a culture change program ◆ Implement recommendations from the Entity-wide culture survey</p>	<ul style="list-style-type: none"> ◆ Some culture driven changes implemented e.g. introduction of quarterly management meetings to improve engagement and collective decision making, Change in Top Management Meeting culture. Introduction of safety committees at sites ◆ However, the entity wide culture change program pending roll out 	

UEGCL In Press





**UGANDA ELECTRICITY
GENERATION COMPANY
LIMITED ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2023**



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UGANDA ELECTRICITY GENERATION COMPANY LIMITED
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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
ENG. WAMALA JULIUS NAMUSANGA	MEMBER
PROF. NIXON KAMUKAMA	MEMBER
ENG. GILBERT JOHN KIMANZI	MEMBER
MR. DRAVU RONALD	MEMBER
MR. PAUL PATRICK MWANJA	MEMBER
MRS. HOPE BIZIMANA	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
KAMPLA UGANDA

Branch Office

PLOT 18-20 FARADAY ROAD
P.O. BOX 1101
JINJA-UGANDA

COMPANY SECRETARY

MR. MARTIN MARK OBIA
VICTORIA OFFICE PARK
PLOT 6-9, OKOT CLOSE – BUKOTO
KAMPALA – UGANDA

BANKERS

STANBIC BANK UGANDA LIMITED
17 HANNINGTON ROAD
CRESTED TOWERS
P.O. BOX 7131
KAMPALA - UGANDA

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Directors submit their report together with the audited financial statements for the financial year ended 30th June 2023 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 played a vital role in the monitoring of the performance of the concessionaire against the agreed performance parameters to 31st March 2023 when the Eskom concession expired. Thereafter effective 1st April 2023, UEGCL took over the operations and maintenance of the two power plants of Nalubaale-Kiira including the electricity sale to UETCL for three months April-June 2023 in the reporting period.

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). In addition, UEGCL took over the operations of the 50MW Namanve Thermal Power Plant (TPP) from Jacobsen in February 2022 on behalf of Government of Uganda.

2. RESULTS

The results for the year are set out on page 6. The profit for the period of UGX 34billion (2022: Profit of UGX 27.9billion).

3. DIVIDEND

The Directors do not recommend payment of a dividend for the period (2022: 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 12th December 2023.

By order of the Board,



Mark Martin OBIA
Company Secretary

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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, Nalubaale-Kiira power plants and Namanve TPP which is meant to cover operations and maintenance of the plants. The revenue from Isimba equally covers loan repayment from Exim Bank that financed the construction of the of Isimba plant. In addition, funding for supervision of Karuma, and Nyagak III Hydro power projects as well as Isimba Plant (during defects liability period) for the next financial year 2023/24 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 _____2023 and signed on its behalf by:



Eng. Proscovia Margaret Njuki
**CHAIRPERSON, BOARD OF
DIRECTORS**



Prof. Nixon Kamukama
DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30/06/2023	30/06/2022
		UGX '000	UGX '000
Concession fees	3(a)	6,175,342	10,467,665
Nalubaale-Kiira Income	3(b)	12,336,681	-
Isimba Income	4	164,316,984	151,344,928
Karuma Income	5	795,738	-
Namamave Income	6	57,827,888	17,580,226
Other operating income	7	102,290,532	31,553,217
Total income		343,743,167	210,946,036
Cost of sales (Namave TPP)	8	(47,712,503)	(14,799,762)
Staff costs and employee benefits	9	(29,460,340)	(24,839,145)
Administration expenses	10	(120,286,762)	(40,879,288)
Depreciation and amortization charge	11	(68,825,927)	(64,111,690)
Total operating expenses		(266,285,532)	(144,629,885)
Operating (profit)/loss		77,457,635	66,316,151
Interest income	12(a)	1,405,111	20,433
Interest Expense	12(b)	(26,957,394)	(29,159,294)
Foreign exchange gain/(loss)	13	(3,096,275)	3,545,367
(Profit)/loss before tax		48,809,077	40,722,657
Deferred tax expense	14	(14,816,079)	(12,859,904)
(Profit)/loss for the year		33,992,998	27,862,753
Other comprehensive income		-	-
Total comprehensive income for the period		33,992,998	27,862,753



Eng. Proscovia Margaret Njuki
CHAIRPERSON, BOARD OF
DIRECTORS



Prof. Nixon Kamukama
DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
 STATEMENT OF FINANCIAL POSITION
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30/06/2023	30/06/2022
		UGX' 000	UGX' 000
ASSETS			
Non-current assets			
Property, plant and equipment	15	2,761,830,944	2,688,355,716
Prepaid operating lease rentals	16	376,335	388,024
Land Nyagak & Head Office& Isimba	17	4,882,117	4,882,117
WIP	18	4,772,440,733	4,400,336,894
Due from Eskom	19	-	2,146,878
Equity Investment in Nyagak III	20	4,129,129	3,545,504
		7,543,659,258	7,099,655,133
Current assets			
Trade and other receivables	21	76,027,828	65,416,970
Cash and bank balances	22	53,068,147	70,167,311
Inventory	23	18,555,826	9,475,665
		147,651,800	145,059,946
TOTAL ASSETS		7,691,311,058	7,244,715,079
EQUITY AND LIABILITIES			
Equity			
Issued capital	24(a)	105,208,169	105,208,169
Capital contributions	24(b)	554,861,676	554,861,676
Accumulated profits		(37,102,525)	(71,094,648)
Revaluation		271,636,098	271,636,098
		894,603,418	860,611,295
Non-current liabilities			
Deferred Income	25	649,980,863	632,362,567
Karuma on lent Loan	26	3,892,636,958	3,844,344,017
Isimba on lent loan	26	1,168,558,040	1,247,452,657
Deferred Tax Liability	14	147,212,034	132,395,954
Isimba retention	27	129,445,854	-
Karuma retention	27	205,094,424	-
		6,192,928,173	5,856,555,195
Current liabilities			
Trade and other payables	28	48,485,858	17,970,171
Interest payable Karuma	26	443,692,985	361,734,982
Interest payable Isimba	26	4,147,966	11,832,737
Isimba on lent loan	26	107,452,657	136,010,698
		603,779,466	527,548,589
TOTAL EQUITY & LIABILITIES		7,691,311,058	7,244,715,079



 Eng. Proscovia Margaret Njuki
 CHAIRPERSON, BOARD OF
 DIRECTORS



 Prof. Nixon Kamukama
 DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Issued	Capital contributions	Revaluation	Accumulated	Total
	capital	contributions		Profit(loss)	
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
	(Note 20a)	(Note 20b)		Restated	
At 1 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
At 30 June 2022	105,208,169	554,861,676	271,636,098	(71,094,648)	860,611,295
At 1 July 2022	105,208,169	554,861,676	271,636,098	(71,094,648)	860,611,295
Close of P&L FY21/22				(874)	(874)
Profit for the year				33,992,998	33,992,998
30 June 2023	105,208,169	554,861,676	271,636,098	(37,102,525)	894,603,418

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
 STATEMENT OF CASH FLOWS
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	30/06/2023	30/06/2022
	UGX' 000	UGX' 000
Operating activities		Re-stated
(Profit)/Loss before tax	48,809,077	40,722,657
Adjustments for:		
Interest income	(1,405,111)	(20,433)
Interest expense	26,957,394	17,326,557
Other income	-	(58,973)
Depreciation	68,814,238	64,100,001
Amortization of Prepaid lease	11,689	11,689
Foreign exchange gain/(loss)	3,096,275	(1,296,333)
	146,283,562	120,785,164
Decrease/(increase) in trade and other receivables	(10,610,858)	(36,479,835)
(Increase)/decrease in trade and other payables	30,515,687	10,827,627
Decrease/(Increase) in stock	(9,080,160)	(5,838,386)
Net cash flows from operating activities	157,108,231	89,294,571
Investing activities		
Purchase of property, plant and equipment	(142,503,394)	(121,110,836)
Expenditure on WIP Projects	(372,103,839)	(199,900,965)
Depreciation on projects Assets	213,929	339,209
Write down of Eskom stocks	2,146,878	-
Land acquisition	-	(2,681,297)
Interest Income	1,405,111	20,433
Equity (Nyagak III)	(583,625)	(3,545,504)
Net cash flows used in investing activities	(511,424,940)	(326,878,959)
Financing activities		
On lent Borrowings	275,380,561	17,656,607
Deferred income	17,618,295	123,709,996
Interest payable	74,273,232	88,625,474
Interest Expense	(26,957,394)	(17,326,557)
Other Income	-	58,973
Closure of P&L	(874)	
Foreign exchange gain/(loss)	(3,096,275)	1,296,333
Net cash flows used in financing activities	337,217,545	214,020,827
Increase /Decrease in cash and cash equivalents	(17,099,163)	(23,563,562)
Opening cash and cash equivalents	70,167,310	93,730,872
At end of period	53,068,147	70,167,310

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENT
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

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). In addition, following the end of Eskom concession on March, 31 2023, UEGCL took over the operation and maintenance of Nalubaale-Kiira plants effective April, 1 2023, including the sale of electricity to UETCL in accordance with the generation license issued by ERA and the power purchase agreement with UETCL.

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 electricity billing for energy dispatched and capacity sales to UETCL which is expected to cover the company's operating costs at a minimum. Despite the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a) Basis of accounting and statement of compliance
The financial statements are prepared on the historical cost basis unless otherwise stated. The financial statements are presented in Uganda Shillings which is the company's functional currency, rounded to the nearest thousands (UGX '000).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the requirements of the Companies Act, 2012 of Uganda.
- b) Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and that revenue can be measured reliably. Revenue is measured at the fair value of the consideration received excluding Value Added Tax, discounts, commissions, rebates and other sales taxes.
 - (i) Concession fees receivable from the concessionaire (Eskom) for operating and maintaining the complex (the two dams of Kiira and Nalubaale) is recognized in the statement of 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 and capacity billings to UETCL in relation to the generation and sales license

issued by Electricity Regulatory authority and are stated net of VAT and discounts.

- (iii) Grant Income is recognised when there is entitlement to the grant, certainty that it will be recovered and the amounts are measurable. Unspent grants are shown on the balance sheet as deferred grants.
- (iv) Government assistance (grants) for construction of long-lived assets are recognised as deferred grant income. The deferred grant income is recognised in the income statement on a systematic basis over the life of the plants.

c) Interest income

Interest income is recognised using the effective interest rate method.

d) Translation of foreign currency transactions and balances

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

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

e) Service concession arrangements

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

The company (the grantor) entered into a service concession arrangement where it is the grantor. On 26 November 2002, the company entered into a service concession agreement with Eskom Uganda Limited to operate two hydropower dams at Kiira and Nalubaale power stations. Under the terms of the agreement, Eskom is to operate and maintain the dams for a period of 20 years. Eskom was responsible for any maintenance services required during the concession period that ended 31st March 2023. The company was 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 included 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 included 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 have rendered it impossible for Eskom to fulfil its requirements under the agreement.

The concession agreement assigned 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 were recognised as property, plant and equipment of the company because the contractual service arrangement did not convey the right to control the use of the public service infrastructure to Eskom. The plant modifications conducted by Eskom after UEGCL plants' asset valuation of 2018, have been included in the reporting period to June 30th 2023 inline with the report of the Auditor general that majorly covered the verification of unrecovered investments at the expiry of the concession on 31st March 2023.

The Eskom concession ended in March 2023, hence the rights granted to Eskom to operate the two plants and earn revenue reverted to UEGCL, effective 1st April 2023.

f) Property, plant and equipment

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

Plant assets and Head Office Land and Building are subsequently carried at a revalued amount, based on regular valuations by

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENT
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation

based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings

De-recognition

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

Depreciation

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

The estimated useful lives are as follows:

Nalubaale & Kiira	
Power Station – Civil	1.25%
Power Station (Turbines & Generators)	2.50%
Power Station (Transformers)	3.30%
Power Station (Others)	4%
Power Station (Oil tanks, forklift,w/kshp content)	10%

Isimba HPP	
Civil (buildings & structures)	1.25%
Water turbine sets	2.5%
Generator sets	2.5%
Transformers & other	3.3%

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

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

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

g) Investments in Associates

When a company (Investor) holds 20% to 50% of the voting rights of an associate (investee), directly or indirectly (through subsidiaries), its 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) Tax **Current income tax**

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

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

Deferred income tax

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

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

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

Deferred income tax assets and liabilities are

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

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

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

o) Financial Instruments

i) Initial recognition

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

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

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired

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

ii) Subsequent measurement Bank balances, trade receivables and other receivables and amounts due from related parties

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

Borrowings, amounts due to related parties and trade payables

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

iii) De-recognition of financial assets and financial liabilities

Financial assets

A financial asset is de-recognised where:

- The rights to receive cash flows from the asset have expired; or the company has transferred its rights to receive cash flows from the asset

or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and Either (a) the company has transferred substantially all the risks

and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

Financial liabilities

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

iv) Offsetting of financial instruments

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

p) Impairment of assets

Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial

assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

Non-financial assets

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

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

q) Employee benefits

Retirement Benefit Scheme

With effect from 1 April 2014, a new retirement benefit scheme was set up where members of staff contribute 5% of their gross monthly salary and the Company contributes 25% (changed to 30% from 1st July 2022) 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.

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3. (a) CONCESSION FEES

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Administration component	4,168,275	5,526,515
License fees-Karuma HPP	2,444,200	4,941,150
	6,612,475	10,467,665

UEGCL, under the Concession and Assignment agreement (CAA), had 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 for a period of 9 months to the end of the concession on 31st March 2023. In addition, ERA approved UGX 2.4 billion which was billed and collected in respect of Karuma HPP licensed fees for a period of 6 months under the concession fees compared to 12 months in 2022.

3. (b) NALUBAALE-KIIRA INCOME

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Investment Component	1,866,921	-
Operation & Maintenance (OM)	7,673,571	-
Generation License Fees	892,553	-
Royalties	118,528	-
Karuma License Fees	1,785,107	-
	12,336,681	-

The income relates to the sale of electricity to UETCL based on capacity, generated from the two plants Nalubaale-Kiira following the end of the 20year Eskom concession on 31st March 2023. The revenue is for a period of 3 months to June 2023 as detailed above.

4. ISIMBA REVENUE

	30/06/2023	30/06/2022
	UGX '000	UGX '000
a) Sales revenue	164,316,984	151,344,928
	164,316,984	151,344,928

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UEGCL billed UETCL based on energy generated and dispatched to the grid from Isimba power plant (July 2022 to June 2023). 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.

b) Isimba HPP plant shut down due to flooding and the estimated insurance claim.

On Monday 8th August 2022, there was an incident of flooding in the power house at the plant and two units (Unit 1 and Unit 4) tripped from activation of the flood protection system. As a preventive measure unit 2 was also shut down. Unit 3 was already on outage since 16th July 2022 for the contractor close of defects. UEGCL engaged the insurance

broker for Isimba HPP on submission of an insurance claim regarding the flooding incident. Assessors (comprising civil engineer, electrical engineer and insurance professionals) appointed by the insurance broker engaged with the UEGCL teams (Isimba HPP and Legal teams) by undertaking physical inspection at the plant, formally discussing with the staff and also obtaining relevant documentation in support of the insurance claim. UEGCL submitted a claim and supporting documentation to the tune of UGX 1,847,024,429.

The assessors are in the final stages of reviewing the supporting documentation and are yet to provide UEGCL with a technical assessment of the claim.

5. KARUMA INCOME

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Interim Energy sales	795,738	-
	795,738	-

UEGCL billed UETCL for the interim energy for the units tested and dispatched to the grid for period to June 2023. The unit price for the interim energy is 0.00160USD/KWH while the price after commissioning and take over is fixed at USD 0.0497/KWH as per the PPA with UETCL.

6. NAMAMAVE TPP INCOME

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Energy Tariff Revenue (O&M, fuel)	46,282,184	13,760,076.92
Capacity Revenue	11,545,704	3,820,148.98
	57,827,888	17,580,226

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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 12months and therefore significantly higher than prior period since UEGCL operated the plant for only 4months. In addition, Namanve plant was operating at full capacity in August 2022 following the flooding incident at Isimba HPP hence higher revenue generated.

7. OTHER OPERATING INCOME

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Sundry Income	55,921	44,068
Grant Income Muzizi (GOU)	-	14,715
Advertising fees-Gennews	-	14,905
Grant Income Nyagak (GOU)	10,079,275	2,313,036
Norwegian Grant Income	10,917,860	1,395,157
Grant Income Isimba (GOU)	27,933,841	20,079,988
Grant Income Karuma (GOU)	1,056,804	1,968,956
Grant Income Nalubaale -Kiira (Asset additions)	1,321,334	-
Grant Income Buyout amount Nalubaale-Kiira	45,700,000	-
KFW Grant for feasibility study of the complex	-	1,226,826
Grant Income Namanve TPP (GOU)	5,225,498	4,495,566
	102,290,532	31,553,217

The GOU grants represent government contribution towards supervision of various projects. The UGX 28billion Isimba HPP grant income is the current year amortisation of grants deferred during the construction period. The UGX 10.1billion 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 5.2billion grant income for Namanve is current year amortisation of grants deferred (Fixed asset, stock, and GOU contribution) during the year. The UGX 10.9billion Norwegian grant income relates to amortisation of the five-year Norwegian grant extended to UEGCL by the Norwegian Ministry of foreign affairs towards the operations and maintenance support for Isimba Plant and Karuma HPP upon commissioning. In addition, the 45.7billion relates to amortised amount towards settlement of the buyout amount to Eskom.

8. Cost of sales

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Heavy fuel oil	45,828,362	13,589,590
Oil and lubricants	1,017,814	318,979
Plant repair and maintenance	-	891,193
Inventory	866,326	-
	47,712,503	14,799,762

The cost of sales majorly relates to heavy fuel oil (HFO) and lubricants Incurred to generate electricity at Namanve thermal power plant.

9. Staff costs and related benefits

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Salaries	16,524,045	13,304,104
Company contributions to NSSF and other funds	6,063,928	5,172,333
Other staff benefits and allowances	6,872,367	6,362,708
	29,460,340	24,839,145

The staff costs is attributed to the Eskom concession monitoring for 9months to the end of Eskom concession in March 2023 and 3 months payments under Operation and maintenance for Nalubaale-Kiira plants after the end of Eskom concession, plus operations and maintenance staff costs for Isimba and Namanve Plants. The average number of persons employed by the company during the period ended 30th June 2023 was 356 (2022: 244). The significant increase in staff number is attributed to the 125 staff retained from Eskom for business continuity of the Naulubaale-Kiira plants. During the year ended 30th June 2023, project employee costs and benefits directly related to the construction of Karuma Hydropower project was capitalised as work in Progress (WIP) in accordance with IAS 16 Property Plant and Equipment.

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10. Administration expenses

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Transport expenses	1,464,036	971,753
Project administration Exps (Nyagak III)	10,079,635	2,313,036
Operational expenses	11,706,797	5,236,215
Directors' allowances	47,268	312,587
Directors' expenses	1,064,602	348,155
Consultancy fees	14,420,441	11,997,643
Legal fees	88,620	366,862
Norwegian Grant Expense	10,753,322	1,319,901
Karuma expense	1,056,804	1,968,956
Muzizi Expense	-	14,715
Community Development Action Plant (CDAP)	9,270,140	1,844,325
Insurance	7,247,586	6,293,934
Licenses and permits	7,387,513	6,664,380
KFW grant Expense for feasibility study of the complex	-	1,226,826
Buy Out Amount Nalubaale-Kiira HPPs	45,700,000	-
	120,286,762	40,879,288

The UGX 10.1 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 11.7billion 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 14.4billion relates majorly to payment for supervising owners engineers for Karuma and Isimba HPPs and experts for Namanve TPP. In addition, UGX 7.2billion was incurred on insurance for Isimba HPP, Namanve and Nalubaale-Kiira plant assets and license fees of UGX 7.4billion paid majorly to the regulator (ERA) during the year ended 30th June 2023. UGX 10.8billion was spent from the Norwegian grant support for capacity building of staff in operations

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and maintenance of Isimba and Karuma Plants. UEGCL equally spent UGX 9.3billion in community development action plans in an effort to restore livelihoods in both Karuma and Isimba plants through infrastructure support in education and health sectors among others. Similarly following the end of Eskom concession in March 2023, a total of UGX 45.7billion paid to Eskom Uganda for the buyout amount.

11. Depreciation and amortisation charge

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Depreciation Nalubaale-Kiira Plant assets	17,729,224	16,372,224
Depreciation (Isimba HPP Assets)	46,808,541	46,230,299
Depreciation (Namanve TPP)	4,276,473	1,497,478
Amortization (Nalubaale-Kiira)	11,689	11,689
Depreciation & Amortization	68,825,927	64,111,690
Depreciation Projects assets (Capitalised)	213,929	339,209
	69,039,856	64,450,899

Depreciation on assets used for supervision of ongoing construction of Karuma hydropower project (HPP) of UGX 214 million have been capitalised under work in progress.

12. Interest

(A) Interest Income

	30/06/2023	30/06/2022
	UGX '000	UGX '000
UEGCL/ESKOM Escrow a/c	21,356	20,433
Isimba sales account	1,383,755	-
	1,405,111	20,433

Interest income for the period relates Majorly to the income received from the Isimba sales collection account and UEGCL/ESKOM escrow account held with Stanbic bank.

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(B) interest expense

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Interest	26,957,394	29,159,294
	26,957,394	29,159,294

This relates to Isimba HPP Loan interest incurred during the financial year ended 30th June 2023.

13. Net foreign exchange gains/loss

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Unrealised foreign exchange gain/(loss)	2,715,779	1,296,333
Realised foreign exchange (gain)/(loss)	380,496	2,249,034
Net foreign exchange (loss)/gain	3,096,275	3,545,367

The net foreign exchange loss for the period of UGX 3.1 billion (2022: gain of UGX 3.5billion), resulted from revaluation of other monetary items especially the outstanding receivable from UETCL denominated in USD at the year-end using the closing exchange rate as at 30th June 2023.

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14. 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 395 billion as at 30th June 2023 (2022: 399 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

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Profit before tax	48,809,077	95,052,867
Tax at 30% (2023: 30%)	14,642,723	12,216,797
Tax effect of expenses not deductible	173,356	643,107
Deferred income tax charge	14,816,079	12,859,904
Income tax expense	-	-

b) Current Income tax Provision

At 1 July 2022	-	-
Provision for the year	-	-
At 30 June 2023	-	-

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 30th June 2023, the company had a deferred tax liability of UGX 147billion (2022: UGX 132billion). The deferred tax liability is attributable to the following;

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	At 1 July 2022	Movement for the year	At 30 June 2023
	UGX' 000	UGX' 000	UGX' 000
Deferred income tax Asset/ (Liability)			
Accelerated tax depreciation	139,911,909	8,445,940	148,357,849
Net realized foreign exchange (losses)/gains	(4,319,219)	5,133,952	814,734
Tax losses carried forward	(119,612,207)	1,236,187	(118,376,020)
Deferred tax Asset/(Liability) expensed	15,980,483	14,816,079	30,796,563
Deferred income tax Liability			
Revaluation Surplus	116,415,471	-	116,415,471
Total Deferred tax Liability	132,395,954	-	147,212,034

At 30 June 2022	At 1 July 2021	Movement for the year	At 30 June 2022
	UGX' 000	UGX' 000	UGX' 000
Deferred income tax Asset/ (Liability)			
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)
Deferred tax Asset/(Liability) expensed	3,120,580	12,859,903	15,980,483
Deferred income tax Liability			
Revaluation Surplus	116,415,471	-	116,415,471
Total Deferred tax Liability	119,536,051	-	132,395,954

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15. Fixed asset movements

	Plant & Machinery	Buildings	Furniture & fittings	Computers & software	Tools & Equipment	Motor Vehicles	Office Machinery	Total
Cost	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000
At 30 June 2022	2,875,649,240	11,337,394	829,486	2,251,439	805,435	7,920,433	2,202,200	2,900,995,627
Additions	128,124,107	738,127	278,490	9,203,541	69,910	1,011,186	3,078,033	142,503,394
Disposal	-	-	-	-	-	-	-	-
At 30 June 2023	3,003,773,347	12,075,521	1,107,975	11,454,980	875,345	8,931,620	5,280,233	3,043,499,021
Depreciation & Amortisation								
At 30 June 2022	200,847,540	2,368,914	521,768	1,605,003	802,526	5,517,013	977,147	212,639,909
Charge for the year	66,608,273	290,506	101,380	802,957	5,278	725,688	494,085	69,028,167
Write down	-	-	-	-	-	-	-	-
At 30 June 2023	267,455,812	2,659,420	623,148	2,407,960	807,804	6,242,701	1,471,231	281,668,077
NET CARRYING VALUE								
At 30 June 2023	2,736,317,534	9,416,101	484,827	9,047,020	67,541	2,688,918	3,809,002	2,761,830,944
At 30 June 2022	2,674,801,700	8,968,480	307,718	646,437	2,909	2,403,420	1,225,054	2,688,355,716

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

During the year ended 30th June 2023, prior to the end of the Eskom concession in March 2023, Office of The Auditor General, conducted a due diligence exercise mainly to determine the Buyout amount of the investments not recovered by Eskom by the end of concession. The procedures involved verifications of the investments as indicated in the detailed report of the Auditor General. The report summarized the amounts invested by Eskom from inception of the concession on annual basis in the two plants. The asset additions of UGX: 128billion which relates to investments by Eskom from July 2018 have been incorporated in the financial statements for the period ended 30th June 2023. The derivation of the asset addition was guided by the comprehensive asset verification that was conducted during the year ended 30th June 2018, for Nalubaale and Kiira hydroelectric power plants in Jinja. The outcome of which was an updated fixed asset register in relation to Nalubaale and Kiira 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.

Accordingly, review of the carrying amounts of the complex for the financial year ended 30 June 2023, indicated no impairment.

16. Prepaid operating lease rentals

		30/06/2023	30/06/2022
		UGX '000	UGX '000
Cost			
At 1 July 2022		2,023,114	2,023,114
Additions		-	-
At 30 June 2023		2,023,114	2,023,114
Amortization			
At 1 July 2022		1,635,090	1,623,401
Charge for the year		11,689	11,689
At 30 June 2023		1,646,779	1,635,090
Net carrying amount		376,335	388,024
	Nalubaale	Kiira	Total
	UGX' 000	UGX' 000	UGX' 000
Cost			
At 1 July 2022	1,581,924	441,190	2,023,114
Additions	-	-	-

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At 30 June 2023	1,581,924	441,190	2,023,114
Amortization			
At 1 July 2022	1,455,503	179,587	1,635,090
Charge for the period	10,676	1,013	11,689
At 30 June 2023	1,466,179	180,600	1,646,779
Net carrying amount			
At 30 June 2022	126,421	261,603	388,024
At 30 June 2023	115,745	260,590	376,335

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.

17. Land

	Head Office	Nyagak III	Muzizi	Isimba Sign Post	Total
	UGX '000	UGX '000		UGX '000	UGX '000
At 30 June 2022	1,549,900	647,920	2,681,297	3,000	4,882,117
Additions	-	-	-	-	-
At 30 June 2023	1,549,900	647,920	2,681,297	3,000	4,882,117

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

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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 2023 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.

18. Work in progress

	Karuma	Muzizi	Others	Total
	UGX '000	UGX '000	UGX '000	UGX '000
At 1 July 2022	4,379,004,195	9,321,000	12,011,699	4,400,336,894
Additions	365,674,936	-	10,645,238	376,320,174
Reclassified to PPE	-	-	(4,216,335)	(4,216,335)
At 30 June 2023	4,744,679,131	9,321,000	18,440,602	4,772,440,733

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). During the year ended 30th June 2023, UEGCL through MEMD and MoFPED were still in the process of re-scoping the Muzizi project.

19. Due from Eskom (U) Ltd

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Inventory	-	2,146,878
	-	2,146,878

The inventories receivable of UGX 2.1 billion that related to critical inventories that were transferred to Eskom Uganda Limited at commencement of the concession period. The amount has been written down at the expiry of the concession on 31st March 2023 and the carrying amount of stock handed over to UEGCL recognized as inventory (note 22).

20. Equity investments in Nyagak III

	30/06/2023	30/06/2022
	UGX'000	UGX'000
Equity Investment	4,129,129	3,545,504
	4,129,129	3,545,504

As per the shareholders agreement, UEGCL is obliged to pay USD 8.1million to GENMAX, towards the construction of Nyagak III of which USD 1.2million 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 2023, amount paid as equity portion amounted to UGX 4.1billion, due to a reclassification of UGX 583million in the reporting period from the GOU contribution to equity in line with the shareholders agreement (USD 1.2million 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.

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

21. Trade and other receivables

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Trade receivables-Eskom	-	1,885,731
Trade receivable-UETCL	60,887,815	49,860,082
Trade receivable-CMM Global	-	2,000
Withholding tax recoverable	1,769,739	1,567,008
Staff debtors	49,583	40,306
Prepayments	13,318,659	12,061,544
Inventory receivable	-	299
Others	2,033	-
	76,027,828	65,416,970

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Receivable from UETCL of UGX 60.9billion are outstanding invoices for sale of electricity to UETCL for April, May and June 2023 for Isimba HPP and Nalubaale-Kiira Plants while for Namanve TPP the capacity component of the invoices is for 7months effective December 2022. Accordingly, 5invoices are overdue for payment (December 2022-April 2023). UEGCL continues to pursue the outstanding capacity invoices for Namanve TPP which represent GOU subsidy to support operations and maintenance of the plant with UETCL. The prepayments relate majorly to advance payments for Isimba plant insurance of UGX 3.7billion and license fees to the regulator worth UGX 5billion as well as CDAP projects both in Isimba and Karuma HPP.

22. Cash and bank balances

	30/06/2023	30/06/2022
	UGX '000	UGX '000
UEGCL/ESKOM Escrow account	8,246,588	8,435,779
Concession / Nalubaale-Kiira account	672,573	2,471,990
Norwegian grant support account	14,562,609	15,612,678
Projects account	2,695,866	6,929,617
Cash at hand	736	2,995
Isimba sales collection account	22,483,427	33,490,282
Prepaid Debit Card Account	6,051	29,728
Isimba O&M Operations Ac UGX	9,331	172,882
Stanbic Namave TPP UGX Account	3,798,779	3,021,360
Namanve TPP-Delegated operations account	302,843	-
Nalubaale-Kiira-Delegated operations account	289,343	-
	53,068,147	70,167,311

UEGCL/ESKOM 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 2023, the balance on this account was UGX **8.2billion** equivalent to **USD 2,248,785**. Following the end of the Eskom

concession on 31st march 2023, UEGCL in partnership with the relevant stakeholders are in the process of ensuring the bank account is closed in line with the escrow agreement.

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

Concession / Nalubaale-Kiira account

During the year ended 30th June 2023, the concession account received both the concession fees for nine months in relation to supervision of the Eskom concession and electricity sales revenue following the end of the 20year Eskom concession.

23. Inventory

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Inventory	18,555,826	9,475,665
	18,555,826	9,475,665

The inventory are tools and spares for Isimba plant operations worth UGX 6.2billion and Namanve TPP operations worth UGX 4.7billion and stock worth 7.5billion received from Eskom on the retransfer of Nalubaale Kiira assets back to Government.

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24. Issued capital and capital contributions

a) Share capital

	Number of	Amount
	shares	UGX '000
Authorised, issued and fully paid ordinary shares of UGX 500 each:		
At 1 July 2022	2	1
Conversion of Government of Uganda loans to equity	210,416,338	105,208,168
At June 2023	210,416,340	105,208,169

b) Capital contributions

	30/06/2023	30/06/2022
	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.

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25. Deferred income

	Karuma	Isimba	Nyagak & Muzizi	Norwegian grant	Namanve	Nalubaale-Kiira	Total
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
At 30 June 2022	142,412,654	322,071,960	19,409,887	17,653,567	130,814,498	-	632,362,567
Additions	25,701,927	28,100,000	10,583,616	4,577,800	-	183,721,204	252,684,546
Amortization	(1,056,804)	(27,933,840)	(10,662,900)	(11,135,864)	(5,225,498)	(49,823,495)	(105,838,401)
Reclassification	-	(129,445,854)	-	218,005	-	-	(129,227,850)
At 30 June 2023	167,057,776	192,792,265	19,330,603	11,313,508	125,589,000	133,897,709	649,980,863

26. Karuma and Isimba on lent loans

The loans which were denominated in Us dollars have been converted to Uganda shillings following UEGCL request to have the loans in the functional currency to hedge against currency risk due to the volatility of Uganda shillings against the Us \$. The conversion took effect 1st July 2022 as per the approval by both Exim bank of China and MoFPED.

a) 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 2023 was **UGX; 3,892,636,957,762** (2022: **UGX 3,844,344,016,909**) while the outstanding interest amount was **UGX; 443,692,984,590** (2022: **UGX 361,734,982,076**).

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

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

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

Subsidiary Loan bears the following terms

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

b) 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 2023 was **UGX; 1,276,010,697,479** (2022: **UGX 1,383,463,354,687**), while the outstanding interest amounted to UGX; **4,147,966,381** (2022: UGX 11,832,737,096). The amount of principal payable within the next 12 months is UGX; **107,452,657,000**

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:

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

27. Isimba and Karuma retentions

The specific amounts have been computed inline with the terms of the loans and recognised to the outstanding loan amounts for the period ended 2023.

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28. Trade and other Payables

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Trade and other payables	41,259,320	12,916,711
Taxes payable (WHT & VAT)	4,940,362	4,048,046
Payroll deductions (PAYE, NSSF & LST)	2,286,176	1,005,414
	48,485,858	17,970,171

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.

29. Related parties

Following the restructuring of Uganda Electricity Board (UEB), three Government of Uganda fully owned successor companies were created including the company. The other two companies, Uganda Electricity Transmission Company Limited (UETCL) and Uganda Electricity Distribution Company Limited (UEDCL) are related to the company through common shareholding. The following are the transactions carried out with related parties and the balances due to/from related parties:

i) Transactions with directors

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Fees for services as directors	1,111,870	660,742
	1,111,870	660,742

ii) Amounts due from related Parties

Eskom	-	1,885,731
UETCL	60,887,815	49,860,082
	60,887,815	51,745,813

30. Contingent liabilities

a) Outstanding legal cases

i) SAMUEL BAMUSONIGHE V UEGCL

Samuel Bamusonighe, a former project accountant with UEGCL sued the company alleging unfair termination in 2017. UEGCL tried to engage Sam Bamusonighe in negotiations with a view of settlement. Sam Bamusonighe seeks general and special damages of UGX 425M. UEGCL believes that Sam Bamusonighe is owed much less than his claim. UEGCL awaits the Court ruling at a future date yet to be confirmed by the Court.

ii) JOHN ERIC MUGYENZI V UEGCL, LABOUR DISPUTE NO. 96 OF 2016

This case was filed before the Industrial Court where Eng. Mugyenzi (deceased) alleged wrongful termination of employment, breach of the employment contract, unfair and wrongful termination. The matter has not proceeded as no legal representative has been appointed by the estate of the Claimant and the process of attaining the Letters of Administration has not yet been completed.

iii) UEGCL V MOSES AGABA HIGH COURT CIVIL SUIT NO 07 OF 2023

UEGCL filed a case against Mr. Moses Agaba for encroachment on its land at Maziba Hydro power in Kabale High Court. An external Counsel is being procured to administer the case on behalf of UEGCL. No date for hearing has been set.

iv) HELLEN LABEJA & OTHERS V ATTORNEY GENERAL AND UEGCL

Project Affected Persons (PAPs) for the Karuma project land filed the case claiming inadequate compensation by project owners. The case came up for hearing on 22 March 2023 and was adjourned to 5 September 2023 and has been further adjourned to 27th November 2023. UEGCL filed a Written Statement of Defence in the suit stating that UEGCL was wrongly joined as a party and UEGCL Counsel intends to raise a preliminary objection to that effect at commencement of hearing.

b) Threatened Litigation

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.

31. 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 and capacity billings and other amounts due from related parties and other stakeholders. The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as indicated below:

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Trade receivables	75,978,245	65,609,304
Staff advances and loans	49,583	40,306
Bank balances	53,068,147	70,167,311
	129,095,975	135,816,921

Trade receivables relate majorly to billed but unpaid sales revenue due from UETCL and were neither past payment due date nor impaired except the five capacity invoices January 2023-April 2023, for Namanve TPP worth UGX. 3.7billion. The capacity component is a government subsidy to support the operations of the plant. UEGCL continues to peruse the outstanding amount with UETCL and other relevant stakeholders.

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 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.

	30/06/2023	30/06/2022
	UGX '000	UGX '000
Financial assets		
Stanbic Bank Uganda Limited Escrow Account	8,246,588	8,435,779
Norwegian grant support account	14,562,609	15,612,678
Net currency exposure	22,809,198	24,048,456

During the year ended 30th June 2023, UEGCL received the Norwegian grant worth UGX 4.6billion.

The following significant exchange rates applied during the year:

	Spot rate		Average Rate	
	2023	2022	2023	2022
US\$:UGX	3,667.13	3,759.35	3,763.18	3,590.8

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Interest rate risk

As at 30th June 2022, the company had exposure to interest rate risk as the company had interest bearing borrowings from China EXIM Bank through GOU for the construction of Karuma and Isimba. The loans were successfully converted to UGX from USD for the financial year ended 30th June 2023.

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-23	Carrying Amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
Financial assets				
Trade and other receivables	76,027,828	76,027,828	-	-
Cash and bank balances	53,068,147	44,821,558	-	8,246,588
	129,095,975	120,849,386	-	8,246,588
Financial liabilities				
Trade and other payables	48,485,858	48,485,858	-	-
Interest	447,705,250	447,705,250	-	-
Isimba loan payable in 1year	107,452,657	-	107,452,657	-
	603,643,765	496,191,108	107,452,657	-
Net liquidity gap	(474,547,790)	(375,341,722)	(107,452,657)	8,435,778

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30-Jun-22	Carrying Amount	< 6 months	6-12 months	Over 1 year
	UGX '000	UGX '000	UGX '000	UGX '000
Financial assets				
Trade and other receivables	65,416,970	65,416,970	-	-
Cash and bank balances	70,167,311	61,731,533	-	8,435,778
	135,584,281	127,148,502	-	8,435,778
Financial liabilities				
Trade and other payables	17,970,171	17,970,171	-	-
Interest	393,396,177	393,396,177	-	-
Isimba loan payable in 1 year	136,010,697	-	136,010,697	-
	547,377,045	411,366,348	136,010,697	-
Net liquidity gap	(411,792,764)	(284,217,846)	(136,010,697)	8,435,778

32. 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.

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