

UEGCL
Generating for Generations

ANNUAL REPORT

FOR THE 12 MONTHS
PERIOD ENDED
JUNE, 2019

Roadmap
1300

WE ARE UEGCL



OUR VISION

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

OUR MISSION

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



380MW Nalubaale-Kiira Hydro Power complex



183MW Isimba Hydropower Station

CORE VALUES



INNOVATION



SUSTAINABILITY



ACCOUNTABILITY



SAFETY



INTEGRITY




PURPOSE STATEMENT:

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






STRATEGIC THEMES

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

CORE VALUES

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

KEY ENTERPRISE LEVEL INITIATIVES

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



Long Term Strategic Goals 2023

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

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We are UEGCL

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OUR MANDATE

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

The 8.6Km long Tail Race Tunnel 2 (TRT 2) at the 600MW Karuma Hydropower Project. The tunnel has a height of 12.9m and an invert width of 10.5m and its purpose is to lead water from the units back into the river after generating power.

CORPORATE INFORMATION

DIRECTORS

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



Name	Designation
Eng. Proscovia Margaret NJUKI	Chairperson
Mr. Zachary BAGUMA M ATWOKI	Member
Dr. Nixon KAMUKAMA	Member
Mrs. Jennifer Katagyira LUBAALE	Member
Eng. Gilbert John KIMANZI	Member
Mr. Ronald DRAVU	Member
Ms. Zeridah Christine ZIGITI	Member

CHIEF EXECUTIVE OFFICER



Dr. Eng. Harrison .E. MUTIKANGA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Head Office

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

Branch Office

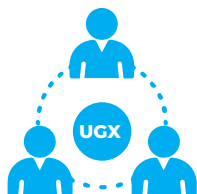
Plot 18-20 Faraday Road
P.O. Box 1101
Jinja-Uganda

COMPANY SECRETARY

Mr. Mark Martin OBIA

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

BANKERS



Standard Chartered Bank
Uganda Limited
Kampala - Uganda



Stanbic Bank
A member of Standard Bank Group

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

2019 PERFORMANCE HIGHLIGHTS

PAT

↑

24.8 Billion

From UGX 10.9 Billion



EBITDA

↑

23.9 Billion

From UGX 11.4 Billion



PBT

↑

24.8 Billion

From UGX 10.9 Billion



REVENUE

↑

61.6 Billion

From UGX 8.2 Billion



TOTAL ASSETS

↑

6.7 Trillion

From UGX 5.7 Trillion



EQUITY

↑

854 Billion

From UGX 829 Billion



GRANTS

↑

482 Billion

From UGX 91.5 Billion



PAT - Profit after tax
PBT - Profit before tax

EBITDA - Earnings before interest, tax, depreciation and amortization



UEGCL
Generating for Generations

AT A GLANCE

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

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

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



Developing other small
Hydropower Stations and
renewable energy plants

Aerial view of Karuma Hydropower project



This may be broken down into the following objectives;

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

UEGCL Hydropower Resource Centre (UHPRC)



A MAP OF UGANDA SHOWING UEGCL FOOTPRINT

-  Kiira Power Station & Nalubaale Power Station
-  Isimba Hydro Power Station
-  Karuma Hydro Power Station
-  Muzizi River
-  Nyagak River



OUTLOOK



H.E Yoweri Kaguta MUSEVENI - President, Republic of Uganda together with H.E Zheng ZhuQiang - Chinese Ambassador to Uganda officiate the commissioning ceremony of the 183MW Isimba Hydropower Station on 21st March, 2019.

a) Roadmap 1300

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

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

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

b) Operation and Maintenance Readiness

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

c) Quality Management System

Development

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

d) Nalubaale – Kiira Complex

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

PROJECT OVERVIEW / **KARUMA** **HYDROPOWER PROJECT**



Data

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

1. 600MW KARUMA HYDROPOWER PROJECT

1.1 Background

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

1.2 TECHNICAL DATA



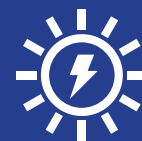
Type of Plant :
Run-of-River Plant



Construction Cost :
Approx. USD 1.7 Billion



Construction Period :
72 Months



Installed Capacity :
6x100 MW Vertical Francis Turbine Units

PROJECT OVERVIEW / ISIMBA HYDROPOWER STATION



Aerial view of Isimba Hydropower Station

2. 183MW ISIMBA HYDROPOWER STATION

2.1 Background

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

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

The technical specifications of the hydropower station include the following:

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

2.2 TECHNICAL DATA

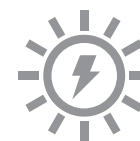


Type of Plant :
**Run of the River
Plant**



Turbine type:
**4 Vertical
Kaplan turbines**

Installed capacity:
183.2MW



3. 48MW MUZIZI HYDROPOWER PROJECT

3.1 Background

Muzizi Hydropower Project (HPP), is to be developed at the lower course of the Muzizi River in Western Uganda, South East of Lake Albert with the powerhouse approximately 6 km upstream of Lake Albert at the Eastern flank of the Albertine Graben.

The feasibility studies, including the Environmental and Social Impact Assessment (ESIA) and Resettlement Action (RAP), that resulted into 44.7 MW Muzizi Hydropower project were carried out by Fichtner GmbH & Co.KG and completed at the end of 2013.

These studies were funded by a 1.5 million grant from KfW. The project is to be implemented as a public project with UEGCL as the Project Executing Agency.

The implementation engineer ILF Consulting Engineers optimized the feasibility study design which increased the capacity of the plant to 48MW. Procurement of an EPC Contractor is ongoing.

3.2 TECHNICAL DATA



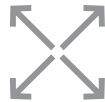
Type of Plant :
Run of the River Plant



Construction Period :
36 Months



Installed capacity:
48MW



Gross head :
465m

Data:

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

Financing:



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

4. 6.6MW NYAGAK III SMALL HYDRO POWER PROJECT

4.1 Background

The proposed 6.6 MW Nyagak III Small Hydropower Project (SHPP), located in Paidha Sub-county Zombo District, It is being developed as a Public – Private Partnership by a Special Purpose Vehicle (SPV) formed between UEGCL and the procured strategic Partner (Consortium of Hydromax Ltd and Dott Services Ltd). The strategic Partner shall be in charge of the design, construction, and operation of the power plant for a period of 20 years after which the plant shall be transferred back to UEGCL.

In order to assist UEGCL in the implementation of Nyagak III SHPP, ensuring that UEGCL's interests in the SPV and the Nyagak III SHPP are protected and that the SPV meets its obligations with respect to the project, an Owners Engineer, GOPA International Energy Consults GmbH in association with Zollet Ingegneria was procured by UEGCL. Status - works commenced in FY 2018/19.

4.2 TECHNICAL DATA



Type of Plant :
Run of the River Plant



Construction Period :
33 Months (2018-21)



Installed capacity:
6.6MW



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

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

5. MAZIBA DAM

Fact file:

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

EVENTS CALENDAR



Members from UEGCL, Genmax, GOPA, DOTT Services pose for a group photo after the design review workshop for the 6.6MW Nyagak III Small Hydropower Project on 5th August, 2019.



The last of 6 rotors for the 600MW Karuma HPP lifted and lowered into pit on 30th September, 2019.



Dr. Eng. Harrison Mutikanga - CEO, UEGCL (C) lays the foundation stone for the Isimba HPS employers camp as part of the celebrations to mark 183 days of 183MW Isimba HPS.



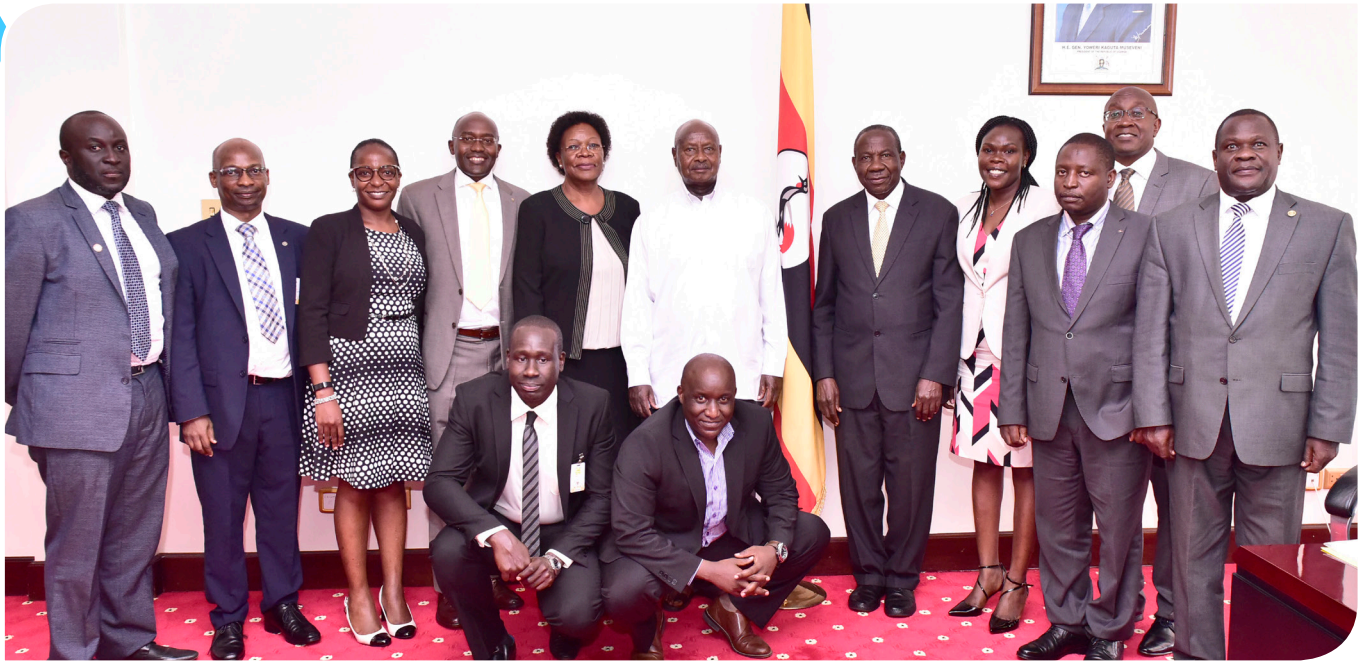
Rt. Hon. Dr. Ruhakana RUGUNDA – Prime Minister (C), Hon. Matia KASAJA – Minister of Finance, Planning and Economic Development (second left) & Hon. David BAHATI – State Minister for Planning (L) and Evelyn Anite KAJIK - State Minister of Finance for Investment and Privatization (R), marvel at the artistic 3D model of the Isimba Hydropower Station. This was during the National Budget Week 2019



After a good run, we paused for a family photo. UEGCL staff at the Rotary Cancer Run 2019.



UEGCL staff led by Isaac Arinaitwe - CPO and Hon. Banabasi Tinkasimire - (Area MP) meet Mukama Ruhanga Owo'Busobozi Bisaka at his Itambiro situated at Kapayemi- in Kagadi district. This place is where the soon to be launched Muzizi HPP is found.



H.E. Gen. Yoweri Kaguta MUSEVENI – President, Republic of Uganda shares a photo moment with UEGCL Board and Management members and Ministry of Finance Planning and Economic Development meeting Officials at State House, Entebbe.



General David Muhozi -Chief of Defense Forces (L), Dr. Eng. Harrison Mutikanga - CEO, UEGCL (C) and Brigadier Flavia Byekwaso (R) lay the foundation stone during the ground breaking ceremony for Masindi Barracks Hospital that will be expanded as part of the CSR footprint for Karuma HPP on 11th October, 2019



Dr. Eng. Harrison Mutikanga - CEO, UEGCL (L) explains the design of Isimba HPS to H.E Yoweri Kaguta Museveni (R) at the commissioning of the 183MW Isimba HPS on 21st March, 2019



Albert Byaruhanga Musoke - Project Manager, UEGCL explains the project progress to Major General Steven Sabiiti Muzeyi - Deputy Inspector General of Police of the Uganda Police Force (R) during a site inspection at Karuma HPP on 12th February, 2019

FINANCIAL STATISTICS

	12months ended 30th June 2019	12months ended 30th June 2018
	2019 UGX '000	2018 UGX '000
For the year		
Concession Fees	5,167,716	7,262,306
Isimba Income	49,430,703	0
Other Income	7,034,949	964,872
Operating profit/Loss	23,922,515	(10,875,036)
Earning before interest,depreciation and tax	49,504,993	1,931,422
Profit/loss for the year	24,783,518	(10,856,159)
At year-end		
Total Assets	6,715,014,579	5,697,599,509
Shareholder's Equity	854,435,724	829,652,214
Outstanding interest bearing debt	5,369,686,392	4,773,002,580
Cash flow data		
Net cashflows from operating activities	4,933,507	1,377,332
Netcashflows used in investing activities	(954,668,298)	(2,027,397,145)
Net cashflows from / (used in) financing activities	987,778,016	2,024,914,238
Operating and other statistics		
	FY 2019	FY 2018
Total number of customers(Concession- Eskom /UETCL)	1	1
Total number of employees	186	163
Exchange rate: US Dollar to Uganda Shilling (at year end)	3,700	3,885
Exchange rate: US Dollar to Uganda Shilling (average for the year ended)	3,734	3,775

ANALYSIS OF THE FINANCIAL RESULTS

1 Revenue

Revenues increased from 8.2 billion in 2018 to UGX 61.6 billion in 2019.

This was as a result of commissioning and commercial operation of Isimba HPP on 31st March 2019.

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

2 Net Profit

Net profit increased from a loss of UGX10.8 billion in 2018 to a profit of UGX 24.8 billion in 2019 majorly as a result of the commencement of commercial operations of Isimba.

3 Balance sheet analysis

Total assets as of 30th June 2019 were UGX 6,715 billion. The Company at 30th June 2019, was solvent with positive equity of UGX 854 Billion.

There is no doubt on the Company's ability to continue as a going concern so as to be able to realize its assets and discharge its liabilities in the normal course of business.

4 Cash flows analysis

The commercial operation of Isimba effective 31st March 2019 positively enhanced cash generation.

Closing cash and cash equivalents was UGX 58.1 billion.

5 Borrowings

Outstanding loans at the period ended 30th June 2019 increased to 5.4 trillion from UGX 4.8 trillion in 2018.

This is mainly due to increase in certified works on the Karuma and Isimba HPPs and the related interest to the loans.



1. Chairperson's Message



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

↑ UGX
854 bn

Eng. Proscovia Margaret NJUKI
Board Chairperson

Dear Shareholder,

I am pleased to present the Annual Report for the Financial Year 2018/2019 including the Audited Financial Statements for the year ended 30th June 2019. During the year, the Board continued with its oversight function and stewardship of the Company's activities and have continued see positive changes and developments within the Company. Two key milestones were the commissioning of the Isimba (183 MW) Hydropower Plant, and the review of the first year of the implementation of our Strategic Plan (2018 -2023).

Financial Outturn

The Company's turnover during the year increased from UGX 8.2 billion in the financial year 2017/18 to UGX 61.6 billion in 2018/19. This leap was largely due to the commencement of commercial operations of the Isimba Hydropower Plant which saw UGX 49.4 Billion in revenue from the sale of electricity to UETCL.

This resulted in a turnaround for the Company, from a loss of UGX 10.8 Billion in financial year 2017/18 to a profit of UGX 24.8 Billion in the financial year 2018/19, bringing its shareholders equity to UGX 854 Billion compared to UGX 829 Billion in 2018. The increase in equity is attributed largely to the increase in revenue of UGX 25 Billion over that period.

The asset base of the Company increased from UGX 5.7 Trillion in 2018 to UGX 6.7 Trillion as at 30th June 2019, a growth of 19%. This significant increase in assets represents the completion of the Isimba Hydropower Plant, and Work in Progress at Karuma Hydropower Project.

As at the close of the year under review, the Company was solvent with a positive equity of UGX. 854 Billion. Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern so as to be able to realize its assets and discharge its liabilities in the normal course of business.

Operating environment

As a Company, we are very much aware of the fact that the Government of Uganda continues to prioritize electricity generation in line with the NDP II and

Vision 2040. We also note that the NDP III, which is currently under formulation, highlights the need for continuous generation planning and implementation given the economic growth projections of the country, coupled with the long lead time required to complete the construction of electricity generation plants. In line with this, UEGCL remains committed towards the achievement of the national agenda of increasing installed generation capacity to meet the Government of Uganda targets.

Impact of the new hydropower plants

As already mentioned above, the past year saw the achievement of a major milestone for the Company, which was the commissioning of the Isimba Hydropower Plant (183 MW) on the 31st of March 2019 and subsequently the start of commercial operations on the 1st of April 2019.

This achievement increased Uganda's power generation capacity from 994 MW to 1,177 MW, and will contribute towards Uganda's drive for industrialization and the Government's project to bridge demand for electricity through the accelerated rural electrification program which aims to deliver 4000 Km of medium voltage lines, 6000 Km of low voltage lines and last-mile customer connections to 594 sub-counties in the next three years, ultimately increasing access to electricity for the population from the current 28%.

I am happy to report that the Karuma Hydropower Project is also scheduled to be completed in 2020 which will see an additional 600 MW added to the National Grid.

Strategy Review (2018 -2019)

One of the major functions of the Board is the formulation and

monitoring implementation of the Company's Strategy. The year 2018/19 marked the end of the first year of the implementation of the Company's five (5) year 2018-2023 Strategy. During the period, a strategy review was carried out to note the achievements made, validate the assumptions and map a way forward for the financial year (2019/20). The review particularly dwelt on UEGCL's futuristic role in electricity generation given the dynamic needs of the country and the environmental constraints. Key recommendations and initiatives were formulated as an addendum to the existing Strategy. These were aimed at ensuring that UEGCL continues to play a leading

to ensure compliance with all laws and regulations. The Board remains committed to ensuring that long-term interests of stakeholders are at all times protected; and through its oversight role, to ensure transparency and accountability.

Through its diverse range of skills and experience, the Board was able to effectively challenge Management and provide guidance on the Company's strategic direction.

This was further enhanced by the Board of Directors supervisory role over the projects conducted through quarterly visits to the project sites, to assess performance on the ongoing works and make

I am happy to report that the Karuma HPP is also scheduled to be completed in 2020 which will see an additional 600 MW added to the National Grid.

role within the electricity generation arena.

UEGCL's focus for the coming years shall remain on increasing power generation capacity, operational efficiency, financial growth, Stakeholder Satisfaction and ensuring business process efficiency.

We remain committed to creating value for our stakeholders through successful execution of our strategy. As such, we aim at positively impacting on our partners, customers, stakeholders, employees and society within which we operate.

Governance

Good governance is an integral part of the Company's success and as a Board, we continue to embrace best practice principles of corporate governance and strive

assessment of the implementation of the set goals as well as engage with the stakeholders.

The Board is keen to strengthen the skills of its members and to ensure continual improvement in its performance. In line with this, during the last financial year, a cross-section of areas affecting the Business were identified and Board members participated in different skills enhancement programs to be able to improve further their oversight guidance on the Company's business. The Board also undertook an evaluation of its effectiveness with the help of an external facilitator, and the findings of the evaluation are going to guide the Board on improving its effectiveness and addressing areas where improvement is still required as well as identification of training needs for Directors.

Staff Issues

In line with the Company's strategy to enhance organizational capacity by improving knowledge, skills and abilities, staff have been trained and equipped with skills in plant operations and maintenance, Health and Safety, Development of financial models, Asset Management among others, The Company also has established a graduate-trainee program designed to impart skills and develop young local talent that will sustain the future of UEGCL and the country at large.

International Collaboration

Uganda achieved international recognition with its admission into the membership of the International Commission on Large Dams (ICOLD) at the 87th ICOLD meeting that was held in Ottawa, Canada June 2019. As an international organization ICOLD provides a forum for exchange of knowledge and experience in dam engineering, therefore through its membership UEGCL has opportunity to access the body of knowledge that ICOLD has built over the years as well as to get representation on relevant technical Committees. Additionally, ICOLD is also a leader in setting standards and guidelines to ensure that dams are built and operated safely, efficiently and economically, and are environmentally sustainable and socially equitable. The Company has also benefited from collaborations which included benchmarking visits with established and experienced utilities in the USA, Norway and France all of which have created learning opportunities for UEGCL staff and the Company at large.

Future Outlook

The strategy review exercise established that UEGCL's market share based on installed capacity is 48% as at June 2019. As a Board, we are challenged to ensure that as the Government entity mandated to establish, acquire, maintain and operate electricity generation facilities, we need to see a further growth in the market share and meet the expectations of Government. We are therefore very optimistic that UEGCL will continue planning for, and expanding its generation capacity.

In a bid to ensure efficient hydropower development and management, UEGCL's areas of focus for the coming period shall include:

- 1) Completion of the construction of the Karuma (600MW) project and its start of commercial operations,
- 2) Commencement of the Muzizi (48 MW), and Continued implementation of Nyagak (6.6 MW) Hydropower projects,
- 3) Completion of the Feasibility Studies for refurbishment of the Kiira/Nalubaale, in addition to closer Concession monitoring,

- 4) Development of the Small Hydropower projects
- 5) The takeover and integration into the business of UEGCL the (50 MW) Namanve Thermal Power Plant.

We shall continue to be guided by our Vision, Mission and uphold our Values; and we are confident that the Strategic Plan (2018-2023) shall be implemented as planned.

Conclusion

On behalf of the Board, I wish to extend our sincere appreciation to our Shareholders for the support we continue to receive from them, and the confidence they have in us.

We also thank the Minister of Energy and Mineral Development for the continued policy guidance. I extend my appreciation to my fellow members of the Board of Directors for their insight, dedication and unwavering support to the Company activities. We shall continue to provide oversight, guidance and support to Management to ensure that the Company continues to fulfill its mandate.

We as a Board extend our appreciation to the Chief Executive Officer, Management and all staff for the hard work and dedication towards fostering continued growth of the Company.

We continue to hold in high esteem all our stakeholders and we will ensure a cordial working relationship with the Development and Financing partners, our Regulator, Ministry of Energy and Mineral Development our Concessionaire Eskom (U) Ltd, UETCL, UEDCL, the Contractors and Consultants on our projects, our Suppliers and the general public.

Lastly, on behalf of the Board, I wish to pledge to our Shareholders our commitment to ensure continued success for the Company.

Generating for Generations

2. CEO's Statement



The key milestone was the successfully completion and commissioning of the

183 MW
Isimba Hydropower Plant



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

On behalf of UEGCL Management, I am pleased to present to you the 2018/19 annual report in which UEGCL has made significant achievements in line with its aspiration to become **“One of the leading power producers in the Great Lakes Region”**. I am happy to report that UEGCL remains high on the National power generation agenda as a key player in supporting GoU's industrialization drive through increased and affordable electricity supply to the populace of Uganda.

Financial Performance

I am happy to report that our dreams of operating on sound business principles started to come to fruition during the year as the company moved from loss making to profit making. The Chairpersons foreword has highlighted the details but for emphasis, UEGCL moved from a net loss position of UGX 10.8 billion in the year ended June 2018 to a profit of UGX 25 billion in the year ended June 2019. This financial position is a milestone as it marks a turning point for UEGCL towards the financial and operational sustainability. This is cardinal to UEGCL as our intention is to ensure that the generation assets are run efficiently, and their posterity guaranteed, and furthermore, UEGCL can effectively finance or co-fund future generation assets. The income was from two sources, concession income (UGX 5.2 billion), and Isimba Energy billed (UGX 49.4 billion). Total energy dispatched from Isimba was 320 Gwh. This was for the six months January to June 2019.

Project Implementation

During the reporting period, the key milestone was the successful completion and commissioning of the 183 MW Isimba Hydropower Plant. The plant was commissioned on the 21st March 2019 by H.E. President Y.K. Museveni. On the other hand, the overall physical progress at Karuma was 95%, and it is envisaged that the Karuma Project will be commissioned in 2020. We are happy to note that the quality of works in Karuma are greatly improving following the successful replacement of the Owner's Engineer with AF Consult, and the close supervision and over site by the Board and Project Steering Committee. Similarly, since commencement of operations in Isimba, the project snag list (775) has been greatly reduced, and it is envisaged that this will be reduced by about 90% by November 2019. The contractor has committed to have the outstanding snags completed during the year 2020. I am glad to report that various Community Development activities were undertaken in Isimba covering the construction of infrastructural projects in Kamuli and Kayunga. In Kamuli district, these included construction of health facilities, staff houses and classroom blocks for Lwanyama Technical institute, Nakandulo Primary school, St. Andrews Kiyunga primary school, and Nakandulo HCIV. In Kayunga district, some of the community Development activities included construction and installation of; classroom blocks and public sanitary facilities for Busaana Secondary school, Nakatooke primary school, Nakakandwa primary school, Namusaala Health Centre II and Busaana Health Centre III. The Isimba CDAP works are expected to be completed by March

2020. Due to budget constraints, the Karuma CDAP activities are yet to commence.

Other Hydropower Projects

UEGCL is also undertaking other hydropower projects whose status is summarised as follows: During the year, the procurement for the construction works for the **Muzizi (48 MW)** hydropower plant progressed and is awaiting KfW No objection to proceed to award the contract to the contractor. On the other hand, works on the **Nyagak III (6.6 MW)** project commenced and included construction of access roads, workers camps and site offices.

As part of its drive to ensure continuity in supply of electricity, especially to the far distant remote areas, UEGCL, with assistance from the French Government also embarked on the feasibility study of the 3 sites including **Okulacere (6.3 MW)**, **Agbinika (2 MW)** and **Maziba (1 MW)**. These are due to be completed in the first quarter of 2020.

Operational Performance

One of the key operational milestones was the commencement of operations of the Isimba HPP following its commissioning in March 2019. The operations in Isimba were particularly significant given that UEGCL is running the plant using an indigenous model. This is a major step towards the quest for affordable electricity, the engine for social economic development. The Power Purchase Agreement (PPA) between UEGCL and UETCL has clear targets for reliability and availability of electricity, for which UEGCL is committed to achieve.

UEGCL futuristic goal is to operate the Karuma and Isimba Power Plants as semi-autonomous Business entities, as opposed to the conventional Concession model.

During the year, UEGCL also continued monitoring the Concession with Eskom (U) Limited at Kiira/Nalubaale Complex. In line with the objective of ensuring that the Kiira/Nalubaale Plant life is extended, a contract for feasibility study for the refurbishment of the Complex was signed with Tractebel. This is also in recognition that plant is the least cost generation plant within the countries energy mix.

We are proud to note that we received support from the Norwegian Government through Norconsult, and the French Government through EDF as part of the commissioning and initial operations of the Isimba hydropower plant. Their support during the initial stages of operation was invaluable. The Government of Uganda also provided O&M funding, and UEGCL engaged Manitoba Hydro (MHI) at Karuma to support commissioning and start up of operations in Isimba.

Business Development

Our business development drive is multifaceted, and is aimed at ensuring diversification of our energy generation sources, capacity building in line with the asset growth, and financial mobilization to facilitate implementation of our various strategic objectives and business initiatives. During the year, in collaboration with our Norwegian Partners, Malthe Winje Infrapower (MWIP) and Giertsen Energy Solutions, we were able to embark on a Solar Hydro Hybrid Feasibility Study on the Nyagak III. The study is a precursor to the development of the first of its kind hybrid energy generation project in Uganda. Partnerships with USAID/Power Africa Initiative and the Norwegian Government continued facilitating capacity building activities covering operations, maintenance and asset management. Finally, UEGCL made significant strides in sourcing for funds and carrying out preparatory work for the establishment of a Hydropower Resource Centre which will cater for coordinated research, innovation, Training, and benchmarking and best practice sharing among Generation Utilities.

Human Resource Development

In December 2018, the Board approved a new Organizational Structure in line with the UEGCL Strategy (2018-2023), and this is being operationalized through annual manpower planning. As at June 2019, the staff count stood at 185 compared to 173 Staff as at June 2018. As a mechanism for acquiring knowledge and skills, UEGCL has continued to fast track Capacity Development of staff in plant safety, leadership development, contract and project management, dam safety, asset management, among other critical programs. These were supported by several development partners including USAID (Power Africa), and the Norwegian Government through NORAD and International Centre for Hydropower (ICH) - Norway. Staff strategies and initiatives have also been developed to enhance staff engagement, retention, succession planning and performance management.

Business Re-engineering

I am proud to note that UEGCL scored highly in the ISO 9001:2015 Surveillance Audit held in 2019, following the certification attained in the financial year (2016-2017). Our clamor for this certification was, and remains to illustrate our unwavering commitment to improving and streamlining our various processes and activities such as Operation and Maintenance of our plants, Monitoring Kiira/Nalubaale Concession, Human Resource Management, and ICT.

During the year, UEGCL embarked on the roll-out of an Enterprise-Wide Risk Management Framework to ensure business continuity. I am happy to report the Corporate Risk Register and risk appetite statement

were developed and approved by the Board. In a similar spirit, a couple of interventions have been sought to address emerging risks and exploit opportunities.

Challenges Faced by the Business

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

- a) Financial resource constraints arising out of limited budget which curtails UEGCL's ability to effectively carry out all its planned activities especially investing in the generation infrastructural projects to ensure energy security and reliability for the long term.
- b) Inadequate Investments by Eskom (U) Limited plus delayed implementation of Projects at the Jinja Complex. This has exposed the Generation Facility at Jinja to risk of reduced asset life and equipment damage due to concrete expansion and cracking as a result of Alkali-Silica Reaction (ASR).
- c) Policy and Regulatory Framework which limits the ability of UEGCL to operate financially sustainably with a reasonable return on investment.
- d) Unresolved dispute of billing with UETCL (capacity versus energy). This has affected financial projections of the Isimba operations which may in turn adversely impact operations and debt service.
- e) Delays of project implementation covering the Karuma and Muzizi hydropower projects. This has arisen mainly due to exogenous factors such as right of way issues for Karuma, and protracted procurement time frame for the Muzizi Contractor and OE for construction supervision.
- f) Lack of a clear discernment between the Policy and Project development roles between the Ministry of Energy and Mineral Development and UEGCL. This makes futuristic generation planning for UEGCL challenging given our mandate as a company development. This will in part be achieved through enhanced operational efficiency and proficient asset management resulting into a paradigm shift that shall see the company operate sustainably and capable of contributing towards further development of the generation capacity in the country through leveraging her internal resources. UEGCL's quest for increased generation will continue given the country growth projections, and key among this will be the aspiration for an energy mix strategy.

Future Outlook

The catch word for the year 2019/20 will be **"sustainability"**. In this regard, UEGCL will concentrate her efforts in ensuring sustainability across its value chain, commencing with generation of power to its bottom line of financial sustainability. Key facets of sustainability will include adaptive strategies to

climate change and catchment management, given that hydropower is largely dependent upon adequate water flows. Secondly, UEGCL is cognizant of the fact that generation of electricity should continuously be enhanced to ensure sustainability of supply for the current and future demands of the country. In line with this, UEGCL is to continue its implementation of generation projects including the; **Muzizi HPP (48MW)**, **Nyagak III (6.6 MW)** and completion of the feasibility studies for the 3 sites including **Okulacere (6.3 MW)**, **Agbinika (2 MW)** and **Maziba (1 MW)**. Furthermore, UEGCL is to embark on its drive for an energy mix policy through implementation of a Solar Project, and the takeover of the Namanve (50MW) Thermal Plant. On the third front, UEGCL will consolidate its footprint in operation and maintenance of the Isimba Facilities with an indigenous based workforce. This is in line with the GoU Vision 2040 and the NDP II&III. This will in part be achieved through enhanced operational efficiency and proficient asset management. This will be a paradigm shift that shall see the company operate sustainably and capable of contributing towards further development of the generation capacity in the country through leveraging her internal resources.

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

Conclusion

Overall, our assessment for the year's performance has been positive amidst a very challenging operational environment. Indeed significant strides have been made on a number of fronts as highlighted above. On behalf of Management, we appreciate the strategic and oversight guidance accorded to us by the Board and the indefatigable staff who worked tirelessly to ensure we fulfil our mandate in accordance with the Government expectations. We are also highly indebted to our shareholder the Ministry of Finance, Planning and Economic Development, and our line Ministry of Energy and Mineral Development for policy guidance. Last but not least, our success has also been enabled by a number of stakeholders including the; Sector Regulator (ERA), our Development Partners, the Parliament of Uganda, the Project Steering Committee, and the project site communities who provided unwavering support to us during the course of the year. We look forward to continued support as we strive to "generate for generations".

3. The Board



Eng. Proscovia Margaret NJUKI

Chairperson, Board of Directors

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

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

She is 68 years of age and has served UEGCL as an Independent Non-Executive Member for six years, since 13th November 2013.

She has since January 2017 served as the Chairperson of the Board.



Dr. Nixon KAMUKAMA

Director

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

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

He is 54 years of age and has served as an Independent Non-Executive Director in UEGCL for six years, since 6th December 2012. He is the Chairperson of the Finance & Audit Committee and is a member of the Governance, Risk and Compliance Committee of the Board.

The Board cont'd



Eng. Gilbert John KIMANZI

Director

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

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

He is 52 years of age and has served as an Independent Non-Executive Director in UEGCL for three years since 24th November 2016. He is the Chairperson of the Technical Committee and the Human Resources, Compensation and Planning Committee of the Board.



Mr. Zachary Baguma Mosimoson ATWOKI

Director

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

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

He is 59 years of age and has served UEGCL as a Non-Executive Director in UEGCL for three years since 5th May 2016.

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

The Board cont'd



Mrs. Jennifer Katagyira LUBAALE

Board Member

Mrs. Jennifer Katagyira Lubaale is a Statistician with over 27 years of experience at senior managerial and administrative levels. She is a Certified Public Private Partnership Specialist, a holder of a Master of Business Administration from University of Connecticut, Storrs, USA and Bachelor of Statistics from Makerere University.

Jennifer Katagyira Lubaale is currently servicing as the Team Leader, Parastatal Monitoring Unit (PMU).

She is 49 years of age and has served as a Non-Executive Director in UEGCL for twelve years since 12th September 2007. She is a member of the Human Resource, Compensation and Planning Committee and the Governance, Risk and Compliance Committee of the Board.



Mr. Ronald DRAVU

Board Member

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

Mr. Dravu has served as a Chief Finance Officer, Senior Internal Auditor and Principal Internal Auditor at Ministry of Local Government. He is 66 years of age and has served as an Independent Non-Executive Director in UEGCL for three years since 15th September 2016. He is the chairperson of the Governance, Risk and Compliance Committee of the Board and a member of the Finance and Audit Committee.



Ms. Zeridah Christine ZIGITI

Board Member

Ms. Zeridah Christine Zigiti is an Economist with twenty years of public sector budgeting and policy experience in areas including multi-year planning. She holds an M.A in Economic Policy Management and Bsc. Quantitative Economics from Makerere University.

Ms. Zigiti has served as a Board Member for various Organizations including Uganda Wildlife Education Centre, Uganda Wildlife Authority, Uganda Tourism Board and Uganda Trypanosomiasis Control Council.

She is 43 years of age and has served as a Non-Executive Director in UEGCL for six years since 13th November 2013. She is a member of the Finance and Audit Committee and Technical Committee of the Board.



*Assembling of a spill way gate at the 600MW Karuma
Hydropower Plant*



Mark Martin OBIA
Company Secretary

Simon Peter KASYATE
Head of Communication
& Corporate Affairs

David ISINGOMA
Chief Strategy and Business Development
Officer

Flavia ANYIKO
Risk Manager

Joyce NAKALEMA
Chief Human Resource Officer

George Tusingwire MUTETWEKA
Chief Operations Officer

4. Management & Head of Units Team

Albert MURUNGI
Head of Information
and Communication Technology

Joseph OKECHO
Chief Audit Officer

Joshua KARAMAGI
Chief Finance Officer

Isaac ARINAITWE
Chief Projects Officer

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

Beat NABACWA
Head of Business Performance



4. Corporate Governance Report

This Corporate Governance statement is prepared in accordance with industrial best practices of corporate governance as well as the Corporate Governance Code stipulated under the third schedule, Table F of the Companies Act No.1 of 2012

DESCRIPTION OF THE COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

UEGCL's Board of Directors is composed of Seven (7) Non-Executive Members who are elected or nominated and appointed by the shareholders at the Annual General Meeting.

The composition of the Board of Directors during the reporting period was as follows:

DIRECTOR	CLASSIFICATION	SKILLS
Eng. Proscovia Margaret Njuki (Chairperson)	Independent Non-executive Director	Engineering and Leadership
Mr. Zachary Baguma Mosimoson Atwoki	Non-executive Director	Geology and Earth Sciences
Dr. Nixon Kamukama	Independent Non-executive Director	Finance and Accounting
Mrs. Jennifer Katagyira Lubaale	Non-executive Director	Finance and Statistics, with specialism in Public Sector Reform and Public private Partnerships
Ms. Zeridah Christine Zigiti	Non-executive Director	Economics, Budgeting and planning
Mr. Ronald Dravu	Independent Non-executive Director	Accounting and Auditing
Eng. Gilbert John Kimanzi	Independent Non-executive Director	Engineering and Water Resources Management

Note:

An independent director is a non-executive director who does not represent or is not nominated by a major shareholder, is not employed by the company in the past 3 financial years, is not an immediate family member of a person who is, or was in the past 3 financial years employed in an executive capacity, is not a professional advisor, is not a significant supplier to, or customer of the company, has no significant contractual relationship with the company and is free from any business or other relationship, which could materially interfere with his or her ability to act independently.

SUMMARY OF PRIMARY DUTIES OF THE BOARD OF DIRECTORS

Pursuant to the Companies Act and the Board Charter, the Board of Directors oversees the administration of UEGCL, and the appropriate organisation of the company's operations. The Board of Directors directs and supervises the company's operational management. In the year under review, the Board of Directors recruited the Chief Human Resource Officer, Ms Joyce Nakalema, an Organisational Psychologist. She joined the company in May 2019, she has a wealth of experience that will support the company's set objectives.

The Charter is the Board of Directors' paramount operational code. The Company's Articles of Association and the respective Committees' Terms of Reference support the effective discharge of the duties and responsibilities of the Board of Directors to strengthen its operations and functionality.

STRATEGY REVIEW

The Board of Directors' pivotal and core responsibility is to provide strategic leadership in the development and execution of the Company's Strategic Plan. At UEGCL the Board of Directors continues to execute this role by setting the ultimate direction for the Company and; reviewing, assessing and approving specific strategic initiatives for implementation and realization across the company.

After one (1) year of implementation, the Board of Directors reviewed the Strategic Plan and made relevant amendments to the five year Strategic Plan following a review of the emerging situational analysis of UEGCL and the external environment. The Board of Directors also approved the Corporate Scorecard for the financial year 2019/2020 execution.

BOARD TRAININGS AND INDUCTION

The Board of Directors acknowledges the need for training and skill enhancement to improve on efficient service delivery and overall performance of the Directors.

This is geared towards empowerment with relevant knowledge and skills for the Board of Directors to fulfil their mandate and to keep abreast with developments

in the energy sector, emerging corporate governance practices, emerging changes in the law and regulations within the sector.

In the last Financial Year, a cross section of areas affecting the Business were identified and Board Members undertook different trainings to be able to give oversight guidance on the company's business, they included the following;

1. Training in Water storage and Hydro Power development.
2. Training in Managing Strategies, Financial Risks, Negotiating Skills and Strategies , Financial Analysis and Budgeting and Cost Controls
3. Training in Management of water resource and Available Technologies; aimed at improving climatic change and management of hydrology risks.
4. Training on Strategic Planning, Effective Budgeting and Cost Control
5. Training on Organizational Culture and Professional Competences and Risk management in organisations

The Board is also required to visit on going projects and hydropower plants on a quarterly basis. The visits play an integral part of the Board's supervisory role over the projects, which are conducted to assess performance of works and make assessment of the implementation of the set goals as well as interact with the stakeholders.

CONFLICT OF INTEREST

Cognisance is made of the need to follow the rules on conflict of interest requiring members of the Board to declare all forms of apparent or actual conflict of interest when dealing with matters pertaining to the Company. This is a matter of compliance under the provisions of the Companies Act and the Board Charter and the leadership code act. In this regard, a conflict of interest declaration is signed by each director at the beginning of all meetings. The Company Secretary maintains a record of all declarations of conflicts of interest. Directors with any conflicts of interest on a matter under consideration essentially do not participate in decision making on the matter.

BOARD MEETINGS

The Board meets quarterly and the meetings are structured in such a way as to allow open discussion. Special meetings are held as and when need arises.

All substantive agenda items are supported by substantive Board Papers to ensure the Directors have sufficient information to enable proper decision making. These Board Papers are circulated to the Directors in advance for review. This also goes a long way in ensuring productivity of meetings as the Directors have ample time to consider the contents of the reports. Resolutions made are filed and or registered in accordance with the Companies' Act 2012.

To facilitate efficient decision making, senior management and third party professionals like the External Auditors may be in attendance whenever invited or on a need basis. The Chief Executive Officer is always in attendance during Board Meetings while members of the Senior Management Team attend on invitation to provide additional information where required.

ORDINARY BOARD MEETINGS

The attendance of the Ordinary Board Meetings for the period 1st July 2018 to 30th June 2019 is set out in the table below.

DIRECTOR	10.08.18	14.12.18	07.02.19	10.05.19
Eng. Proscovia Margaret Njuki (Chairperson)	√	√	√	√
Mrs. Jennifer Katagyira Lubaale	√	√	X	√
Ms. Zeridah Christine Zigiti	√	√	√	√
Dr. Nixon Kamukama	√	√	√	√
Mr. Zachary Baguma M. Atwoki	√	X	X	√
Mr. Ronald Dravu	√	√	√	√
Eng. Gilbert John Kimanzi	√	√	√	X

√ = Attendance X = Absent with Apology

EXTRA ORDINARY BOARD MEETINGS

The attendance of the Extra Ordinary Board Meetings for the period July 2018 to June 2019 is set out in the table below.

DIRECTOR	05.10.18	09.11.18	6.12.18	07.03.19	15.03.19	22.03.19	28.06.19
Eng. Proscovia M. Njuki (Chairperson)	√	√	√	√	√	√	√
Mrs. Jennifer Katagyira. Lubaale	√	√	X	√	√	√	√
Ms. Zeridah Christine Zigiti	√	√	√	√	√	√	√
Dr. Nixon Kamukama	√	√	√	√	√	√	√
Mr. Zachary Baguma	√	X	X	√	√	√	√
Mr. Ronald Dravu	√	√	√	√	√	√	√
Eng. Gilbert John Kimanzi	√	√	√	√	X	X	√

√ = Attendance X= Absent with Apology

BOARD COMMITTEES

The Board of Directors' Committees are constituted in accordance with the provisions of the Articles of Association and the Board Charter, to facilitate the effective fulfillment of the Board's mandate. These committees operate and self-manage under Terms of Reference set by the Board. The committee terms of reference lay down the roles, responsibilities, scope of authority, composition and the procedures to be followed by members.

The committees are comprised of at least Three (3) members of the Board of Directors' and are chaired by an Independent Non - Executive Director. The Committees are mandated to hold quarterly meetings but any special meetings are held as and when need arises.

There were two (2) joint committee meetings held by the Finance and Audit Committee and the Human Resource, Compensation and Planning Committee held on the 20th August 2018 and 23rd November 2018 respectively to discuss matters which required a joint consideration by both committees.

(I) GOVERNANCE, RISK AND COMPLIANCE COMMITTEE

The Governance, Risk and Compliance Committee provides an oversight role, reviews, evaluates and makes recommendations to the Board on governance, risk and compliance management.

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

DIRECTOR	26.07.18	08.11.18	30.01.19	26.04.19
Mr. Ronald Dravu (Chairperson)	√	√	√	X
Mrs. Jennifer Katagyira Lubaale	√	√	√	√
Dr. Nixon Kamukama	√	X	√	√

√ = Attendance X= Absent with Apology

(II) FINANCE & AUDIT COMMITTEE

The Finance Committee reviews, evaluates, makes recommendations to the Board and provides oversight in relation to the financial risk management, annual budgetary requirements and performance, the Company's revenue generation among others. In addition, the Committee also reviews the financial reporting process and effectiveness of internal controls in place.

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

DIRECTOR	31.07.18	05.11.18	23.11.18	30.01.19	26.04.19	13.06.19	25.06.19
Dr. Nixon Kamukama (Chairperson)	√	√	√	√	√	√	√
Ms. Zeridah Christine Zigiti	√	X	√	√	√	√	√
Mr. Ronald Dravu	√	√	√	√	√	√	√

(III) TECHNICAL COMMITTEE

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

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

DIRECTOR	25.07.18	07.11.18	01.02.19	23.04.19
Eng. Gilbert Kimanzi (Chairperson)	√	√	√	√
Ms. Zeridah Christine Zigiti	√	√	√	√
Mr. Zachary Baguma Mosimoson Atwoki	√	√	X	√
Eng. Proscovia Margaret Njuki (Ex-officio)	√	√	X	√

√ = Attendance X = Absent with Apology

(IV) HUMAN RESOURCE, COMPENSATION AND PLANNING COMMITTEE

The Human Resource, Compensation and Planning Committee oversees the reviews of salaries and rewards, evaluates and makes recommendations to the Board in relation to recruitments, induction, training, development and performance management, the Company's strategic planning, performance and the Company's human capital framework.

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

DIRECTOR	23.07.18	02.10.18	06.11.18	23.11.18	29.01.19	25.04.19
Eng. Gilbert John Kimanzi (Chairperson)	√	√	√	√	√	√
Mrs. Jennifer Katagyira Lubaale	√	√	√	√	√	√
Mr. Zachary Baguma Mosimoson Atwooki	√	√	√	√	X	X

√ = Attendance X= Absent with Apology

INTERNAL AUDIT

The Internal Audit function gives assurance to the Board and the Executive Management of the company on; governance, risk management, and internal control processes, by analysing, measuring and evaluating the effectiveness of systems or controls established. The Chief Audit Officer has a direct reporting line to the Board's Governance, Risk and Compliance Committee and the Finance & Audit Committee.

Internal Audit is mandated to review the achievement of the organization's objectives, assess the process of decision making, assess reliability and integrity of information shared on behalf of the company, ensure that assets are safeguarded, see to it that there is compliance with laws, regulations, policies and contracts of the company among others with quarterly reports being issued after the Audits.

RISK ON GROUND

UEGCL remains committed to robust risk management as part of sound management practice to ensure creation and preservation of value. The Board through the Governance, Risk and Compliance (GRC) Committee has the ultimate responsibility for risk management which is done with the help of the Risk Management Policy, a Manual based on the ISO 31000 Principles, Risk Management guidelines, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for Enterprise Risk Management and the British Financial Reporting Council guidelines with the sole purpose of establishing a framework for risk management and institution of a proactive risk based culture.

With a Risk Appetite based on the core values of safety, accountability, integrity, innovation and sustainability, effective implementation and co-ordination of risk management activities across UEGCL has been

achieved. The Risk function has a direct reporting line to the Chief Executive Officer and access to the Governance Risk and Compliance Committee of the Board, the process involves identification, assessment and management of all key risks reported in the Risk Register.

RISK HIGHLIGHTS

REPUTATIONAL RISKS

Given that the sector is heavily regulated, there are several stakeholders of various interests and this exposes UEGCL to reputational risk, in the event of failure to satisfactorily meet stakeholders' expectations and needs. UEGCL endeavours to understand and address its stakeholders through planned engagements. UEGCL equally implements numerous Corporate Social Responsibility and Community Development Action Programmes activities geared towards improving stakeholder relations.

FINANCIAL RISKS

UEGCL is exposed to currency and low profitability risks arising from an unfavourable regulatory environment. Exposure to the currency risk arises from the foreign currency loans on-lent by the Government of Uganda for the construction of the Karuma and Isimba Hydro Power Projects. To mitigate these risks, UEGCL continues to engage with the relevant stakeholders in a bid to obtain favourable tariffs and loan terms and conditions hence improving financial performance. Despite the limitations in financial resources required for realization of strategic objectives, UEGCL has implemented some strategic initiatives through the support of development partners such as AFD and the Norwegian Government who have funded capacity building activities and feasibility studies.

Operational risks

UEGCL faces the risk of non-compliance while implementing a number of projects, the cost and

quality requirements by contractors as stipulated in the Employer's Statement of Requirements are high, in order to mitigate this, UEGCL ensures that there is close project supervision with the support of a Panel of experts every time and again. The Board of Directors and Project Steering Committee also regularly visit the project sites and play a critical role in addressing any escalated matters.

HUMAN CAPITAL RISKS

There is highly skilled and trained staff base with competencies that are generally attractive to several other employers specifically within the sector which brings about the staff retention risk. UEGCL is committed to attracting and retaining talent and has made deliberate efforts to implement strategies such as succession planning, internal promotions and competitive/attractive remunerations to improve employee engagement and retention.

ICT RISKS

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

To further improve Risk Management, UEGCL plans to adopt the Risk based Budgeting and Strategy Review as well as the Risk based maintenance strategies in the operation of the power plants. Key risk Indicators and tolerances are defined for monitoring and measurement of risk management activities for effectiveness.

REMUNERATION PHILOSOPHY

The Company is privileged to have a high calibre of Directors that provides oversight and guidance to Management. In determining the remuneration of Non-Executive Directors, the Board considers the extent and nature of their responsibilities and reviews of comparative remuneration offered by similar companies. In the past financial year Non-Executive Directors were paid a monthly retainer and sitting allowance for all meetings as follows:

REMUNERATION	CHAIRPERSON	OTHER DIRECTORS
Sitting Allowance (UGX) (gross)	800,000	700,000
Monthly Retainer fee (UGX) (gross)	4,000,000	3,500,000
Subsistence Allowance (Local)	250,000	250,000

The Board as part of its roles, sets the remuneration of employees, with the view of attracting, maintaining and sustaining the best of the human resource capital in the market, capable of driving the Company's strategic objectives. 20% salary increment for all staff was approved by the Regulator and was applied within the spirit of aligning all staff salaries equitably.

The Employment Act remains key in determining the terms and conditions of the Employment Contracts

signed with all employees with direct guide from the Human Resource Policy and Procedures Manual.

STRUCTURE OF REMUNERATION

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

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

Retirement Benefits Scheme: The Company operates a licenced Retirement Benefits Scheme covering all staff upon successful completion of probation. As part of the scheme, the Company contributes 25% of each employee's monthly gross salary and the staff each contributes 5% of their monthly gross salary.

Variable pay

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

BOARD OF DIRECTORS EVALUATION

The Board undertook an evaluation of its performance and effectiveness including an evaluation of the Chief Executive Officer and Company Secretary. In order to ensure objectivity and independence the Board used an external factor.

The evaluation yielded in a number of areas which required action. The Board is committed to take action on the recommendations.

The purpose of the evaluation exercise is first to establish the independence of the Board, assist the Board and its Committees to constantly improve on effectiveness of their roles by addressing areas where improvement is required and to guide in identification of training needs for directors.

DELEGATION OF AUTHORITY

Management of the Company's business is vested in the Directors, working through its Committees. The Directors however retain the ultimate responsibility and effective control over the Company. In line with the delegation principle, the Board has delegated part of its powers to the Chief Executive Officer (CEO) specifically in relation to the day to day management of the Company for smooth operations and proper implementation of the Company's strategic direction. The Chief Executive Officer is then supported by a team of Senior Management.

The Chief Executive Officer reports to the Board on a quarterly basis through the Ordinary Board and Board Committee meetings or as may be necessary. The purpose for this is to ensure that the Board is fully updated and informed on the management, targets and status of all Company projects and initiatives. Through the delegation of authority, the Board

advocates for succession planning for itself and senior management team thereby providing assurance for business life and continuity.

FINANCIAL REPORTING AND DISCLOSURES

A clear financial picture of the company, is represented through Quarterly Reports from Management. The performance is then reflected formally in the Annual Audited Financial Statements audited by the Auditor by the Auditor General. The audited accounts are presented to and considered by Shareholders/ Stakeholders at the Annual General Meeting.

The company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of all the relevant statutes, rules and regulations.

COMPANY SECRETARY

As a key role, the Company Secretary (CS) is responsible for the efficient administration of the Board. The Company Secretary has the duty to ensure that the Board remains cognisant of its roles and obligations and is also responsible for the induction of all new Directors. It is the office of the Company Secretary that is charged with the organising of Board trainings and maintaining Board and Committee records which include registers, minutes, resolutions, key correspondences and storage of the company seal. The Company Secretary is also in charge of ensuring dissemination of information from the Board to Senior Management and Staff.

The Company Secretary is as the legal advisor to the Board is responsible for ensuring that the correct processes and procedures are applied by the Board in line with the relevant laws. Key to the Company Secretary's role is the duty to ensure the Board is kept abreast of relevant changes in legislation and governance best practices.

The Company Secretary also ensures that the Board approves appropriate and adequate policies, has access to information and resources it requires to function effectively and efficiently. The Company Secretary is the secretary to both the Board of Directors and its Committees and all the Directors have adequate access to the advice and services of the Company Secretary.

STAKEHOLDER ENGAGEMENT

The Company values its stakeholders therefore makes a serious commitment to fulfilling their interests. There are a number of stakeholders and these include; Government of Uganda, regulators, contractors, suppliers, the general public, customers among others. The Company strives to maintain good relations with the Ministry of Energy responsible for policy guidance in the electricity sector and Mineral Development being its line ministry and the other Shareholders through regular physical engagements, formal correspondences and communication. The company makes use of the Annual General Meeting to engage with the stakeholders where the Board and Senior Management are invited to attend. The purpose of this is for the Board and senior management to provide first-hand information for the benefit of the Stakeholder/Shareholder engagement. The Company further endeavours to maintain regular working relations with the Electricity Regulatory Authority, Uganda Electricity Transmission Company Limited, Eskom Uganda Limited as direct stakeholders. Aware of the importance of the Regulator, UEGCL consistently updates the Regulator on the Company's performance through quarterly reports and in compliance with the Generation License provisions. Ultimately the Company also serves to satisfy the needs of the community and the public by providing regular updates on the projects through the approved forms of media and stakeholder engagements in addition to carrying out corporate social responsibility in areas where the Company operates.

CODES AND REGULATIONS

For all intent and purpose, the Board appreciates the requirement for the Company to adhere to good corporate governance standards and best industry practices and this informs the Board in fulfilling its oversight and strategic role. The Company's corporate governance framework is enshrined in the Board Charter, the principles of corporate governance in the Code of Corporate Governance under Table F in the Companies Act of 2012 and the international best practices.

In line with good practices of corporate governance and as a bare minimum, UEGCL ensures that its business operations factor in key stakeholders' interests.

By nature of its business, the Company operates within

the energy sector and adheres to the various Laws, Regulations, Guidelines, License terms and Contracts essential to its operations.

The oversight role of the Board covers the compliance function. This function is done through compliance monitoring as delegated to the Governance, Risk and Compliance Committee. The Governance Risk and Compliance Committee receives and reviews quarterly compliance reports from Management which reports detail the status of compliance risk management and any significant areas of non-compliance identified through the risk based audits for which corrective actions is required.

The Governance Risk and Compliance Committee equally keeps an eye on the evolving legislation and assesses the likely impact the changes in law may have on the business and operations of the Company.

GOING CONCERN

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

The company makes use of the Annual General Meeting to engage with the stakeholders where the Board of Directors and Senior Management are invited to attend.

5. Sustainability Report 2019

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 principals. As we pursue our Vision to be **“one of the leading power producers in the Great Lakes Region”**, we are cognizant of the fact that our product must support the social economic transformation of the people of Uganda, and contribute towards the aspirations of the NDP II and the Vision 2040 agenda, in a sustainable manner.

As a company, we are therefore committed to ensure that our activities are carried out taking into account the plight of the current and future generations. UEGCL is committed to building a robust business through efficient capital management, investment in renewable energy sources, research and innovation, effective stakeholder relations, corporate social responsibility and through a skilled and motivated workforce.

The sustainability focus is summarized under the following categories:-

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

FINANCIAL SUSTAINABILITY

UEGCL as a government company is required to operate on sound business principles and ensure that its revenues cover operation costs, depreciation of its assets, and a return on investment.

Given this objective, UEGCL will seek ways to ensure that:

- Billing for the electricity supplied is sufficient to cover full costs of operation.
- Its revenue streams are diversified so as to achieve financial sustainability and business growth. This will be carried out by enhancing a core revenue and by accessing finance from other sources. UEGCL is creating networks with international financial partners sourcing for low cost of financing and grants which in turn contributes to the revenue growth and profitability objectives. Our development partners include KfW, AFD and Norway

- It enhances its credit rating and credit worth and therefore positions the company for sustainable financing from both the public and private financial institutions.
- Explores different options and means for financial mobilization such as listing on the stock market, portfolio diversification, access to market finance, etc. as ways to achieve financial sustainability in the short and long term.

On the other hand, cost optimization by the company will be achieved through:

- Aligning its budgets to the Strategic Plan
- Competitive sourcing for goods and services
- Renegotiating certain terms of on lent loans with the Ministry of Finance, Planning and Economic Development; such as converting them to Uganda Shillings.

ENVIRONMENTAL & CLIMATE

UEGCL recognizes that biodiversity and resource conservation are key to a sustainable environment, and these are effectively integrated in all its projects. Our Mission is to sustainably generate reliable, quality and affordable Electricity for Socio-Economic Development and this cannot be achieved without environmental conservation.

The responsibility for implementing the policies, legal requirements and industry standards rests with the responsible management and who are charged with the responsibility of implementing monitoring and reporting on the status of compliance with the sustainability agenda.

Tree planting project

UEGCL has prioritized tree planting as a mitigation and adaptation activity to climate change. Over 20,000 local tree seedlings are to be secured from National Forestry Authority (NFA), and are planned to be planted along the Isimba HPP reservoir in Kayunga and Kamuli District. About 125 Acres, which comprise part of the reservoir land will be planted with tree seedlings that include; *Maesopsis Emini*, *Cordia africana*, *Prunas Africana*, and *casuarina equisetifolia*. These tree seedlings are tropical trees that will enhance the eco-system and control siltation that is currently being experienced along the buffer zones of the dam. The tree planting activity will be spearheaded by UEGCL together with the host communities in order or as a mechanism to sustain the tree planting project.

UEGCL believes working with communities enhances stakeholder buy-in and support. It is hoped that this innovation will enhance our community collaboration, through enhanced monitoring, supervision and reporting of the project.

ENVIRONMENT MANAGEMENT

All projects undertaken by UEGCL are subjected to Environmental and Social Impact Assessment and RAP studies, licenses and permits obtained from the National Environment Management Authority (NEMA), where required the projects must also meet the local and international (World Bank, JICA, AfD, and KfW) environmental procedures, standards and guidelines. Environmental and Social Management Plans (ESMPs) are in place and Environmental Performance Monitoring Programs are undertaken for on-going projects as well as for the operating plants. Environment & Social Impact Assessment (ESIA), Environmental and Social Management Plan (ESMP) and Resettlement Action Plan (RAP) are going to be undertaken for the new sites of Okulacere, and Agbinika SHPPs as well as the reviewing and updating the Environmental and Social Management Plan (ESMP) and developing a Resettlement Action Plan Framework for the rehabilitation of Maziba SHPP in compliance with national regulations and international best practice (WB E&S standards).

STAKEHOLDER ENGAGEMENT

At UEGCL, now more than ever before, our reputation matters. Being on the 'driver's wheel for the country's flagship electricity infrastructure projects, prospecting for new projects and delving deep into the Operation and Maintenance of the newest hydro power plant – 183 MW Isimba hydro power station – is no mean feat. We recognize that excellence in stakeholder engagement helps deliver value and ensures we do so in a socially and environmentally responsible manner. Our core values of integrity, innovation, accountability safety and Sustainability are at the heart of our commitment to stakeholder engagement. These values guide us in our interactions with our stakeholders, while our tagline Generating for Generations is that North star that gives us direction in our execution of our strategic objectives at all levels.

WHO ARE OUR STAKEHOLDERS

To us, a stakeholder is any individual or entity that is, feels and or imagines that they are affected in any way by our operations. Our stakeholder list is long, but none is more important than the other. What we hold important, at varied degrees is the issue of

engagement.

It's not lost on us that our stakeholders are partners whose interests are considered whenever we are faced with 'decision time'. For example, driving our Community Development Action Plan CDAP programme as part of project development could not have registered any successes without stakeholder engagement right from conceptualization of areas of intervention to community buy-in and access. The success of our stakeholder engagement effort is evident in the milestones so far covered in as far as CDAP for Isimba is concerned. Water sources, community schools and health facilities have been constructed with community involvement and support due to, largely, a successful stakeholder engagement initiatives right from securing budget from government to actual implementation on the ground.

COMMUNICATION

At UEGCL, communication plays an essential role in the conduct of our business. We strive to engage stakeholders early and often. Engaging with stakeholders means listening, providing accurate information, and responding to their interests in a prompt and consistent manner. UEGCL uses two-way

GeNews, our biannual magazine is fast becoming an industry reference point for news and information on the sector. In the last edition, it attracted commercial advertisement from stakeholders, beginning that journey for self sustainability.

communication processes with stakeholders to assist us in reaching better quality business decisions.

- We identify and consider the perspectives of our stakeholders;
- We are visible, present and approachable in the community;
- We recognize that diverse thoughts, opinions and experiences contribute to better decisions and outcomes;
- We take ownership and accountability for our decisions and outcomes; and
- We track, measure and report on our performance to

learn and improve.

We listen, more than we speak. Feedback makes the bedrock of our stakeholder interaction. There has been continuous improvements in our channels of communications, to receive that much desired feedback while sharing our story and aspirations. GeNews, our biannual magazine is fast becoming an industry reference point for news and information on the sector. In the last edition, it attracted commercial advertisement from stakeholders, beginning that journey for self sustainability.

Our web-based portals remain very engaging and interactive. Our social media pages remain much revered, the hits and followers are testimony to this. The UEGCL website is also now, more than ever, a channel that significantly influences perceptions of the company, but also consistently avails real time information about the brand.

CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility footprint continues to grow beyond participation in calendar events like marathons. We have a CSR Policy in place and the 'cooking' for a flagship CSR property is underway. Suffice it to note, we continue to participate and direct our contractors for both Isimba and Karuma on their CSR interventions. Karuma for example, shall bestow two hospitals, a primary school and bursary scheme to the adjoining communities. UEGCL has worked alongside Sinohydro and other Government agencies to ensure this is realized.

The eternal words of branding icon Walter Landor continue to ring true in our continuous quest to better our stakeholder engagement and sprucing of Brand UEGCL. He said, "Products are mad in the factory, Brands are made in the mind." Through our stakeholder engagement initiatives, our strive is to ensure we leave a lasting positive impression of who we are, what we stand for and what our promise is – Generating for Generations.

HUMAN CAPITAL, STAFF WELFARE & INNOVATION

The sustainability of any business is largely guaranteed by the capacity of its work force to meet the dynamic requirements of the business. In line with Human Resource needs, there has been adoption of strategic and risk based management of human resource. Consequently, a number of policies have been reviewed to deal with the dynamic needs of our staff with the aim of staff retention and knowledge management. The HR policies and procedures have

been reviewed, the Learning and Development function has been reviewed with the view of enhancing the learning and consequently innovation of staff.

In order to manage the company sustainably, the culture is being reviewed, and this will enable the alignment of our people with a proactive and more accountable work ethic as well as leadership development .

Finally, we hope to automate the HR processes through the introduction of the HR information Management System.

SUCCESSION PLANNING

UEGCL rolled out a program for succession planning and talent development and as a result, a number of leaders have emerged as a result of UEGCL succession and talent Management

PERFORMANCE MANAGEMENT

UEGCL continues to embrace the Balanced Scorecard as a Strategic Planning and Performance Management tool with the aim of strengthening a culture of strategy execution of the company and staff. The company undertakes annual goal setting, regular performance monitoring and performance reviews at the corporate, departmental and individual levels to ascertain the level of achievement of the strategic objectives, provide feedback and take on remedial action. Part of our strategy review is to keep track of the changes in the strategy assumptions and situational analysis as well as the changes to our strategic objectives, KPIs and targets and strategic initiatives.

RESEARCH AND INNOVATION

UEGCL acknowledges that an effectively managed R&D program is a valuable company resource. As part of our mandate, UEGCL has developed a focused Research Agenda that is multi-disciplinary in nature and is intended to draw on both internal and external expertise. Priority research themes have been solicited from all units and departments of UEGCL to ensure an all-inclusive Research Agenda. It is expected that this research agenda will open up opportunities for collaboration and partnerships with key stakeholders in industry and academia, not only in Uganda, but across the globe. UEGCL will build on its already existing collaborations with the different institutions such as ICH, Makerere, CREEC, ICOLD, etc., to realise this Research Agenda. UEGCL has also provided for an organizational structure that will enable the coordination and management of the research process with the recruitment of the Head Research and

UEGCL ONLINE

UEGCL @UegclOfficial

The UEGCL team is present at the @gayazaoldgirls fundraising dinner led by a Gayaza OG who also doubles as the UEGCL Board Chairperson, Eng. Proscovia M. Njuki. Also present are other old girls Mrs. Jeniffer Lubaale, Ms. Zerida Zigiti among other UEGCL staff #Tugiggale

UEGCL @UegclOfficial

We can not keep calm! Joshua Karamagi - Chief Finance Officer, @UegclOfficial - has bagged the Public Sector Award at the #CFOAwardsUg19. Congrats Joshua.

UEGCL @UegclOfficial

Published by Muhammad Lubogo [?] · September 12 ·

#KarumaProgress: The Karuma hydroelectric project has entered the test phase of the new installations. Full story here → <https://www.energymixreport.com/sinohydro-conducts-prelimi.../>

UEGCL @UegclOfficial

You and 6 others

#KarumaProgress: 6 out of 6, such a perfect score! Karuma HPP has registered yet another vital milestone when the last of 6 rotors was successfully assembled, lifted & lowered into pit. This function was carried out by the EPCC- Sinohydro in the presence of UEGCL & @afconsultcom

UEGCL @UegclOfficial

#KarumaCSR: General David Muhoozi - CDF has arrived to officiate the Masindi Barracks Hospital groundbreaking ceremony. The facility will be upgraded from a Health Centre 4 to a full-fledged hospital serving both the army and civilians as part of the 600MW Karuma HPP CSR.

UEGCL @UegclOfficial

#UEGCLonAir: Fat Boy: We are tired of these blackouts, what is going on?

@kasyate: There is more to what causes these outages, not just the weather but also vandalism of the electricity assets, power theft and alot more cc @jokatabs @882SanyuFM

UEGCL @UegclOfficial

#UEGCLWorks: Good morning ☀️ from Nyagak III Small Hydropower Project in North Western Uganda, Zombo District. Upon completion in 2022, the 6.6 Megawatt Hydropower Plant will reduce the electricity gap in Zombo, Nebbi, Paidha, Pakwach, Arua and neighbouring areas.

8:25 AM · Sep 25, 2019 · TweetDeck

UEGCL @UegclOfficial

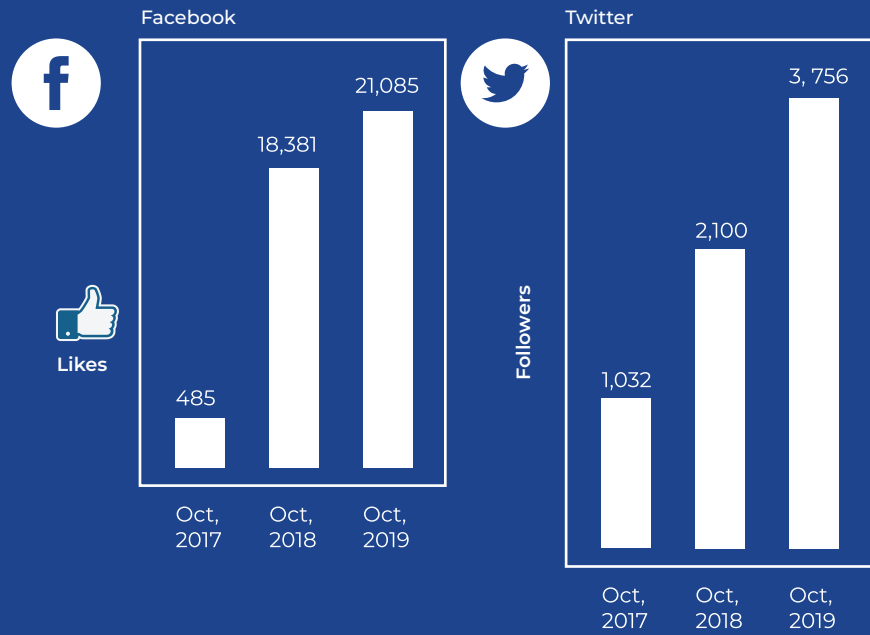
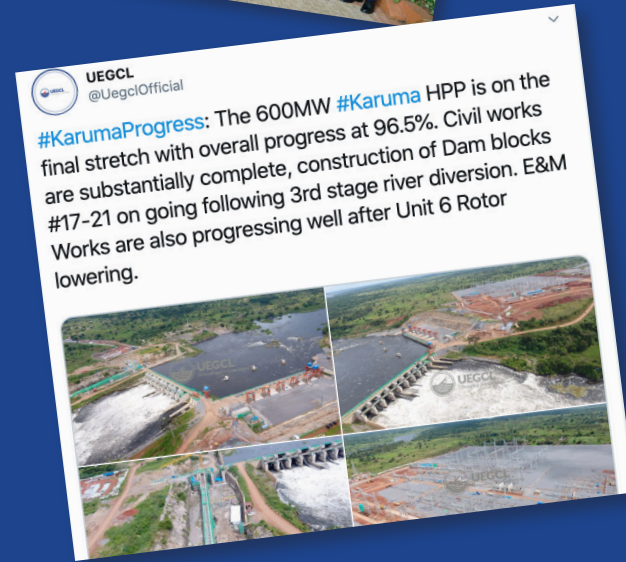
Halimah Nakaayi wins a gold medal for Uganda in the Women's 800M Final in a time of 1:58.04 at the ongoing #WorldAthleticsChamps.

Congrats Halimah!

UEGCL @UegclOfficial

#IsimbaAt183Days: On 21st March, 2019, H.E @KagutaMuseveni commissioned the 183MW Isimba Hydropower Station. On this day, the station marks 183 days of generating power to the national grid.

H.E Yoweri Kaguta Museveni switched on the 183MW Isimba Hydropower Station on 21st March, 2019



MILESTONES:
May, 2019 - Facebook page was verified
June, 2019 - Instagram page was verified

PLATFORMS: UEGCL @uegclofficial uegclofficial
 uegcl www.uegcl.com info@uegcl.go.ug

UECGL IN PRINT

SPECIAL SECTION NEW VISION, Thursday, March 21, 2019

ISIMBA DAM SPECIAL

New Vision
ADVERTISER SUPPLEMENT

More 183MW to power Uganda to industrialisation



BUSINESS NEW VISION, Wednesday, March 6, 2019

Legislators want Eskom concession terminated

By Benson Ojumba

The parliamentary committee on natural resources, conservation and Eskom's concession over the management of Nalubaale and Kiha hydroelectric plants, Eskom is currently operating which it operates and maintains both Nalubaale and Kiha dams of 180MW and 200MW capacity respectively.

The committee through a report issued last week, recommended that the concession be terminated and the dams be handed over to the Ugandan government to be operated and maintained by the Ugandan government.

The committee also recommended that the concession be terminated and the dams be handed over to the Ugandan government to be operated and maintained by the Ugandan government.

The committee also recommended that the concession be terminated and the dams be handed over to the Ugandan government to be operated and maintained by the Ugandan government.

NEWS & P.4

NSSF DEMANDS RECORDS OF CENTRAL BANK STAFF

TRUTH EVERY DAY

Daily Monitor

Relief as Isimba dam switches on 183mw

Power. China's Export-Import Bank largely bankrolled construction of the Shs2 trillion plant with Uganda covering 15 per cent of the cost. Uganda now has electricity capacity of 1,000mw. **Special report, P.8.9**

NEWS SUMMARY
Night Kulabako: At 71, Mama UPC lived and saw it all



8 **National NEWS**

Kadaga tours Isimba dam ahead of commissioning

Treason case: Police ask for phone passwords

6.6MW

THE NUMBER OF MEGAWATTS THE SHS17B NYAGAK MINI-HYDRO POWER DAM IS EXPECTED TO GENERATE ONCE COMPLETED

Electricity

The Minister of State for Energy, Simon Kigumba, and the Uganda project director, Robert Nsubuga, are seen at the Isimba Dam construction site. The dam is expected to be completed in May 2020.

The dam is expected to be completed in May 2020.

The dam is expected to be completed in May 2020.

Business NEWS WEDNESDAY, MARCH 13, 2019

Govt revives Nyagak dam plans

Project timeline: The construction timeline, according to Uganda Electricity Generation Company Limited chief executive officer Harmon Musinguzi is 38 months.

The remaining 70 per cent as yet, will be mobilised by the new private investor, Gemara, a special purpose vehicle comprising of Dect Services as the contractor, Taa Consulting Engineers as the project designer, and Hydrotek Limited, which has done similar works on other hydro dams in Uganda.

The project cost is about \$180m (US\$70m).

Mr. Baidya Mahabawa, the Hydro's executive director said preparatory activities are already ongoing and expect the project construction to commence in May.

"We are having a team from Taa Consulting Engineers (TCE) to go to the country to do due diligence on providing funding," he said.

He also revealed that they have hired German-based CPA International as cost consultants to supervise construction of the project.

The project construction timeline, according to UEGCL chief executive officer Harmon Musinguzi is 38 months.

He also revealed that they have hired German-based CPA International as cost consultants to supervise construction of the project.

The project construction timeline, according to UEGCL chief executive officer Harmon Musinguzi is 38 months.

He also revealed that they have hired German-based CPA International as cost consultants to supervise construction of the project.

32 NEW VISION, March 13, 2019

Construction of Nyagak 3 hydro project to start in May – minister

By Benson Ojumba

The Minister of State for Energy, Simon Kigumba, and the Uganda project director, Robert Nsubuga, are seen at the Isimba Dam construction site. The dam is expected to be completed in May 2020.

The dam is expected to be completed in May 2020.

The dam is expected to be completed in May 2020.

THE IMPACT OF ELECTRICITY





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 2019**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

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LIST OF ACRONYMS

Acronym	Meaning
CDAP	Community Development Action Plan
ERA	Electricity Regulatory Authority
F/Y	Financial Year
GOU	Government of Uganda
HPP	Hydro Power Plant
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institution
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance Planning and Economic Development
NDP	National Development Plan
PAPs	Project Affected Persons
PFMA	Public Finance Management Act
PPA	Power Purchase Agreement
RAP	Resettlement Action Plan
TAI	Treasury Accounting Instructions
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company
UGX	Uganda Shillings

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF UGANDA ELECTRICITY
GENERATION COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 2019**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Uganda Electricity Generation Company Limited which comprise the statement of Financial Position as at 30th June 2019, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements for the year ended 30th June 2019 present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 30th June 2019 and its financial performance and cash flows for the period then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of Uganda.

Basis of Opinion

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

Key Audit Matter

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

• **Implementation of the approved budget**

Section 3.5.2 of the UEGCL Financial Policies and Procedures Manual, 2014 states that the Board of Directors shall set the policy framework, objectives, strategies, goals and targets for UEGCL for the financial year budgeted for. The Finance Manager shall communicate UEGCL's approved objectives, strategies, goals, targets, work plans, manpower plans, proposed expenditure concession monitoring, office administration, and settlement of financial obligations and capital expenditure plans for the year being budgeted for to Executive Management in line with the budget time table through a Board Paper. This Board paper shall spell out key objectives and plans to ensure achievement of UEGCL Corporate Business Plan.

It has been observed over the years that planned and budgeted for activities of a number of Government entities and State Corporations are not implemented thereby affecting service delivery.

In the overall office wide planning, I assessed risks like inadequate release of funds and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned outputs of the entities which greatly impact on the wellbeing of communities.

Consequently I developed the following procedures in order to address the performance of the budget of the entity:

- Ascertaining the amount received by the entity and the source of the funding
- Inquiring from management of off-budget financing received and ascertaining the basis for the off-budget financing, if any.
- Comparing the approved budget against the actual receipts
- Comparing the planned outputs against the actuals and determining the variances
- Reviewing utilisation of these funds

Based on the procedures performed I observed that Uganda Electricity Generation Company Limited is mandated to acquire, maintain and operate electricity generation facilities in Uganda.

In order to achieve this mandate, UEGCL planned to implement and achieve a number of deliverables. The following were noted during the assessment of the budget performance of the entity;

The detailed findings of budget implementation are as per the table below.

	Observation	Recommendation
1	<p><u>Revenue Shortfall</u></p> <p>The analysis of the concession budget versus actual revenue collected, revealed a shortfall of UGX 3,414,350,000 against the approved budget of UGX 8,582,066,000 for FY 2018/19. The shortfall was due to the non-approval of the full concession budget by ERA. The regulator stated that the entity had savings from prior years, a decision disputed by UEGCL management.</p> <p>As a result, the Company was unable to implement certain planned activities in the following cost categories as indicated in Appendix I.</p> <p>the year</p> <p>Management explained that the entity activities were prioritised based on the available resources, after numerous engagements between ERA and UEGCL Board of directors to resolve the matter were held.</p>	<p>I advised Management to liaise with ERA to ensure that all funds due are received and budgeted for.</p>
2	<p><u>Assessment of Projects Planned Activities</u></p> <p>I noted that certain critical activities the Company had planned to implement during the financial year under review were not achieved and others were partially achieved. These included: follow up of non-conformances by the Karuma EPC contractor; monitoring and follow up of Karuma and Isimba CDAP activities; tracking compliance on regulatory requirements by the contractor, UEGCL and Owner Engineer for Muzizi and Nyagak, among others, as detailed in Appendix II.</p>	<p>I advised Management to ensure early mobilization of funds required for compensation of project affected persons (PAPs) to avoid unnecessary delays.</p>

	<p>The delayed implementation of the planned project activities was as a result of procurement delays of the EPC contractors, and inadequate counterpart funding to cater for compensations and land acquisitions. The failure to achieve the critical planned activities may impact on the achievement of UEGCL mandate.</p>	
3	<p>Mischarge of Expenditure: UGX 53,796,266 Chapter 2.4.1 (11, 12 & 13) of the UEGCL Finance Policies and Procedures Manual, 2014, states that the chart of accounts shall guide the posting of all transactions and shall be mapped to support the reporting requirements for which each General ledger shall be mapped to a specific reporting line-for all reports based on GL balances.</p> <p>I however noted that UEGCL charged wrong expenditure codes in the sum of UGX 53,796,266 during the period under review Appendix III refers. The practice is irregular and undermines the intentions of the appropriating authority, distorts budget execution and affects financial statement disclosures.</p> <p>Management explained that the respective expense lines were sufficiently budgeted for and charged to various budget lines accordingly and therefore no mischarge of expenditures occurred in the period under review. However, on further verification, the items still appeared mischarged (Appendix III).</p>	<p>I advised Management to ensure that budget lines are allocated sufficient funds to undertake planned activities and where the required funds are inadequate, virement and reallocation should be undertaken in accordance with the established procedures laid down in the FAPPM, 2019.</p>

Emphasis of matter

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

- Interest Penalty on Outstanding VAT Amount: UGX 172,348,993**
UEGCL reported an outstanding amount of UGX 172,348,993 under trade and other payables in the statement of financial position and Note 21 to the financial statements as at 30th June 2019. This amount relates to interest penalty arising from the failure to pay VAT incurred on Isimba energy sales to UETCL.
The failure to pay the outstanding tax liability will result into further accumulation of interest and penalty on the tax to the Company.

Management explained that this arose from the invoices that were issued from the Isimba HPP interim energy sales (January to March 2019) to UETCL prior to commissioning of the power plant. I advised Management to comply with the requirements of the VAT Act to avoid further accumulation of interest and penalties, which may be instituted against the Company by URA.
- Un-Supported Recoverable Withholding Tax (WHT): UGX. 102,729,055**
I further noted that UGX.102,729,055 relating to withholding tax recoverable under Note 15 to the accounts, was not supported with withholding tax credit certificates. In the absence of the supporting documentation, the trade and other receivables amount in the statement of financial position is further overstated by UGX 102,729,055 and renders the financial statements misleading to the users. Although Management indicated that Withholding tax certificates were available, they were not presented for review. I advised the Accounting Officer to provide withholding tax credit certificates for verification.

Other Matter

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

Delayed Land Acquisition for Karuma Reservoir Area and the Transmission Lines

I noted in a letter dated 28th August 2019 (ref; UEGCL/MGT/KHPP-00-2046-19) that Land acquisition and resettlement activities for Karuma Reservoir area scheduled to be completed by 30th August 2019 had not commenced. Furthermore, the joint sector review report 2019 issued and discussed on 17th September 2019 revealed that works on the Karuma interconnection project were behind schedule, that is, only 51/155 towers were complete on the Karuma-olwiyo line, 149/246 towers on the Karuma-Lira Line and 602/639 towers on the Karuma-Kawanda Line. The transmission lines and associated substations will be required during the testing phase of the power plant before commissioning without which the project will not meet the revised completion date of 31st December 2019.

Management explained that it had brought the matter to the attention of MEMD and that he status of land acquisition is regularly updated through PSC meetings. However there remains uncertainty on the completion of land acquisition.

I advised Management to further engage MEMD to ensure the process of land acquisition is completed without any more delay.

- **Failure by the EPC Contractor to meet agreed upon Project Timelines**

According to the addendum, and the revised Project Implementation Schedule, Rev-10 submitted on 15th December 2018, the EPC contractor agreed to implement certain key milestones in order to achieve the revised project completion date of 31st December 2019, however, these milestones were not achieved on time or were yet to be achieved hence delaying the entire project. The table below refers.

The delays are mainly attributed to the impediment to access land by the EPC Contractor due to non-payment of PAPs.

SRN	Milestone	Scheduled date	Achieved/Not achieved
1	Wet commissioning of first unit	first week of July 2019	timeline not achieved
2	Energizing Karuma-Kawanda line in preparation for project testing activities	15 th September 2019	timeline not achieved
3	Water filling of TRT	3-Jul-19	timeline not achieved
4	Availability of water Conductor system	21-Jun-19	timeline not achieved
5	3 rd stage river diversion	Mid-January 2019	timeline achieved in August 2019

Management explained that the delays to the project had been escalated to MEMD and PSC. MEMD had already commenced preparations with UEGCL, UETCL and the Owner Engineers for negotiations of extension. I advised Management to fast-track negotiations and bring the Project back on course without further delay.

- **Delayed Implementation of Karuma Community Development Action Plan Activities (CDAP)**

In line with the company strategic plan 2018-2023 CDAP activities were to be implemented in tandem with project activities under Karuma and Isimba. These Government initiatives are geared towards improving water supply, education and health services in project affected areas considering the influx of people in these areas. However, the monthly report of July 2019 indicated that the CDAP works under Karuma which included construction of schools, health centres, and sanitation facilities had not

commenced due to lack of funding despite the limited period (five (5) months) to project completion.

The delays will expose the project owner to considerable additional costs such as compensation claims by the contractor during the extension of time, increased commitment fees which are incurred at a rate of 0.25% per annum on the undrawn balance of the loan facility and the failure to complete the CDAP projects within the scheduled timeframe may deter project affected persons from having improved livelihoods.

Management explained that it had brought to the attention of MEMD matters regarding land acquisition. However there remains uncertainty on the completion of land acquisition. I advised Management to fast-track the land acquisition processes and ensure CDAP projects are constructed without further delay.

- **Growing Cost of Investments not yet collected from the Tariff, USD.18,255,000**

Clause (2.8a) of the of the Concession and Assignment Agreement states that Eskom, at its sole expense shall have the right and obligation to make: (i) all modifications necessary to cause the complex to remain in compliance with all requirements of the laws of Uganda and the License and (ii) all modifications as required by the license. Such expenditure will be incurred by way of investment which according to Annex C of the generation license, the company (Eskom) is allowed to recover from the Tariff as capital recovery charges in the form of depreciation expenses related to the total asset investments made by Eskom to-date.

In a letter ref: EUL/FD/UEGCL/208/01-2-18 dated 11th December 2018, Eskom wrote to UEGCL submitting the outstanding amount of the implemented investments that had not yet been recovered via the tariff since 2003 to date amounting to USD 10,235,000. Furthermore, the uncollected amount is likely to increase to USD 18,255,000 once the outstanding verification processes and work in progress are completed within the year 2019 as shown in the **table below**;

ITEM	USD '000
Investment at the start of the year	21,597
Completed investments YTD	3,968
Work in progress	3,603
Total investments	29,168
Fewer investments yet to be approved by ERA	8,020
Net investments approved by ERA	21,148
Less: cumulative capital recovery charges	10,913
Outstanding Investments	10,235
Investments pending ERA approval are represented by:	
Completed projects still undergoing ERA verification	4,417
Work in progress	3,603
Sub-Total (Work in Progress)	8,020
Grand Total	18,255

I further noted in a letter referenced UEGCL/MGT/N&KHPP-00-1352-18 dated 8th August 2018 that management approved Eskom's Generation Operations and Maintenance

Costs (GOMC) modification for the year 2019 to 2023, equivalent to USD 10,000,000 implying that by the end of the concession contract in April 2023, the uncollected amount could accumulate to USD.28,000,000. Whereas Government is supposed to shoulder the risk of paying out any outstanding amounts to Eskom as per clause 11.1 of the Government support agreement in form of a Buyout Amount, the uncollected amount will be a substantial cost to Government at the end of the concession which should be paid within 30days following the last day of the term (Clause 11.2(a) of the Government support agreement).

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

Management explained that the investment in the complex is collectible within the respective 12 month period. It is therefore very unlikely that such an obligation will arise, however management had already written a letter to the Electricity Regulatory Authority (ERA) on this matter and is waiting for the response.

I advised management to engage all stakeholders including Electricity Regulatory Authority, Ministry of Energy and Mineral Development and the Ministry of Finance and Economic Development on the likelihood of the debt obligation to Eskom. In addition, a separate fund should be established and managed by UEGCL as the principal concession monitoring agency as a cushion for the outstanding debt obligation at the end of the concession contract in April 2023.

- **Audit Inspection of Nalubaale and Kiira Hydro Power Plants**

UEGCL and ESKOM Uganda Limited signed a Concession and Assignment Agreement on 26th November 2002 relating to Nalubaale and Kiira Hydro Electric Facilities. Clause 2.6(d) of the Concession Agreement requires that not later than five years prior to the end of the natural Term (and not earlier than 90 days prior to such date) and at each of the following two intervals of twenty-four months, and the next interval of six months, the Company (ESKOM) shall, at its sole cost and expense, provide to UEGCL a report by an engineer certifying that as of the date of the report the Complex, including the attendant modifications thereto, is in the condition and state of repair and maintenance required by Clause 2.8, to increase the value, utility or remaining useful life of the complex and all modifications as required by the license.

I noted that ESKOM contracted M/S Hatch Ltd, an Independent Engineer (IE), to assess the technical condition of the complex. A review of the EI assessment reports and physical audit inspection of the complex revealed gross deficiencies as noted below, among others;

- Concrete cracks were observed within the Nalubaale Powerhouse Structure on concrete ceiling and alternator block walls at the upper gallery of essentially every unit (units 1 to 10) and on the staircase walls of units 1, 5 and 9.
- Water seepage and vegetation was observed at the downstream face of the main dam blocks and the water intake of Nalubaale dam.

- There was extensive surface corrosion on certain structures at Nalubaale Power plant. For instance, the bulk head gate of the sluice way of Nalubaale main dam and the Spiral Case and Steel Stay Vanes of unit 8.
- Leakage of Nalubaale Sluice Gates, which according to ESKOM management has existed since 2009.
- Floating water hyacinth was observed covering the pond surface between the headrace bridge and the intake structures due to the collapse of the floating boom.
- I noted significant oil deposits in the turbine pit for Units 4 and 8 which was caused primarily by a turbine guide bearing and an ineffective oil extraction system.
- I noted that Unit 10 at Nalubaale Power station has been out of service for 6 years partly due to oil leakage within the runner hub. According to the independent engineer's report, an overhaul of this unit was scheduled for 2019, however, it had not commenced by the time of the audit inspection in October 2019.
- I observed that the cabling in the generator line terminals of Units 3 and 4 were constantly failing. At the time of inspection unit 3 was under isolation for repair.
- Absence of a vibration monitoring system at Kiira Hydropower Station (KPS) which impedes the effective monitoring of vibrations in the power plant.

The EI recommendations of the Independent Engineer have not been implemented and as a result the dam is facing serious production efficiency challenges, and poses environmental and health and safety dangers to the public.

Management of ESKOM explained that the matter was raised by UEGCL at the presentation of the IE report, and various other inspection reports. UEGCL promised to follow up on the matters to ensure efficient operation of the dam.

I advised Management of UEGCL to follow up the matters raised by the Independent Engineer on the operation of the dam with all stakeholders and ensure sustainable solutions are obtained to avert the pending environmental health and safety dangers posed by the dam.

Other Information

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

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

Management Responsibilities for the Financial Statements

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

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

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

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

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

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

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

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

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law

or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

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

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

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION AND AGREEMENTS

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

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

- **Contradicting Clauses in the Financing Agreements for Karuma and Isimba HPP in relation to the Tariff Methodology**

The review of Karuma and Isimba credit loan agreements signed in 2014 and 2015 respectively, the Power Purchase Agreements signed in 2015 and the Generation and Sales Licenses issued by ERA to UEGCL in 2017, revealed conflicting clauses in regard to the tariff methodology implemented in the supply of power generated by UEGCL to UETCL, that is, capacity based (take or pay) versus energy sold tariff methodology.

The preamble in the Power Purchase Agreements (PPAs) states in part that UEGCL will supply to UETCL all the available capacity on a take or pay basis. The credit loan agreements, under the interpretation section state in part that the Power Purchase Agreement between UEGCL and UETCL will be based on take or pay terms in connection with the project in form and substance acceptable to the lender.

Contrary to the PPAs and the loan agreements, Annex D to the Generation and Sales Licenses states that the tariff methodology would be based on the energy service cost implying that the energy dispatch to UETCL will be influenced by market demand. Although, the Solicitor General in his letter dated 14th September 2018 provided legal guidance to have the licenses amended in line with the PPAs and the loan agreements, the guidance had not been effected.

In addition, the report on the financial projection by UEGCL management to the Board on 20th August 2019 further revealed that the use of the energy tariff methodology would lead the plant into a loss making position for the first eight (8) years, and then to profit making for the next six (6) years due to the growth in the demand for power, but into loss making thereafter due to a significant tariff drop.

The contradiction in the various legal documents may lead to interpretation challenges which may affect implementation of the projects, including loan repayments, operations and maintenance of both plants, and the profitability of the Company.

Management explained that UEGCL had taken all the necessary steps to have contradictions in the legal documents harmonised. The only contradiction is the generation license issued by ERA.

I advised management to ensure that the Generation and Sales License between UEGCL and ERA is amended to have the methodology of the tariff payment harmonized with other provisions of the agreement as guided by the Solicitor General.



John F.S. Muwanga
AUDITOR GENERAL

6th December 2019

APPENDICES

Appendix II: Assessment of Projects Planned Activities

ACTIVITY	TARGET	PERCENTAGE ACHIEVED	Percentage not achieved
KARUMA HPP			
Follow up and ensure all identified non-conformances are closed.	100%	86%	14%
Track implementation of recommendations following review of project documents	100%	74%	26%
Follow up OE/EPCC interventions to incorporate PoE recommendations	100%	74%	26%
Update compliance matrix and ensure closure on gaps	100%	89%	11%
Monitor and follow up CDAP activities	100%	Not implemented	100%
Design project-specific SOPs in compliance with ISO requirements	100%	80%	20%
Design project-specific SOPs in compliance with QMS requirements			
Identify required tools and equipment, prepare specifications and procure tools	100%	Not Implemented	100%
ISIMBA HPP			
Percentage compliance to employer statement of requirements	90%	84%	6%
Percentage compliance to regulatory requirements	100%	85%	15%
CDAP project performance score	100%	Not implemented	100%
SOP score (Compliance with reporting requirements, QMS,IPA reviews)	100%	85%	15%
Percentage achievement on required tools/ technology	100%	70%	30%
Percentage registration of engineers who are eligible	100%	10%	90%
Strategy execution score	100%	64%	36%
Culture value index	80%	Not Implemented	80%
MUZIZI AND NYAGAK HPPS			
Track project expenditure on a quarterly basis	80%	61%	19%
-Develop master list of regulations relevant to the project	100%	71%	29%
-Track compliance to regulatory requirements by contractor, UEGCL and OE			
Design and implement project specific SOPs in compliance with requirements and standards such as QMS	100%	71%	29%

Appendix III: Mischarge of Expenditure UGX 53,796,266

Posting Date	G/L A/C No.	Account Charged	Description	Amount	Management's Remarks
4/23/2019	700135	Subscription to Professional Bodies	24th National Tech Conference 06th-07th June 19	5,000,000	The expenditure is within subscription to professional bodies which was budgeted for
3/28/2019	700135	Subscription to Professional Bodies	Payt for IWS Conf Registratn Fee Ceo	4,270,000	This is a staff cost. The expenditure is within subscription to professional bodies which was budgeted for
2/5/2019	700135	Subscription to Professional Bodies	Exam Fees Peace Rwandarugali 2019 sitting	2,885,350	This is a staff cost. The expenditure is within subscription to professional bodies which was budgeted for

5/31/2019	700115	Week End/Overtime	Acting allowance	2,798,371	Acting allowance is a staff cost. This was fully budgeted for
4/30/2019	700115	Week End/Overtime	Acting allowance	2,534,135	Acting allowance is a staff cost. This was fully budgeted for
6/30/2019	700150	Week End/Overtime	Staff welfare	1,949,586	Week end/overtime is a staff cost, fully budgeted for under staff welfare
6/30/2019	700150	Week End/Overtime	Staff welfare	1,949,586	Week end/overtime is a staff cost, fully budgeted for under staff welfare
4/30/2019	700150	Week End/Overtime	Staff welfare	1,650,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
3/31/2019	700115	Week End/Overtime	Acting allowance	1,544,195	Acting allowance is a staff cost. This was fully budgeted for
4/30/2019	700150	Week End/Overtime	Staff welfare	1,536,134	Week end/overtime is a staff cost, fully budgeted for under staff welfare
2/28/2019	700115	Week End/Overtime	Acting allowance	1,517,393	Acting allowance is a staff cost. This was fully budgeted for
3/31/2019	700115	Week End/Overtime	Acting allowance	1,500,000	Acting allowance is a staff cost. This was fully budgeted for
4/30/2019	700150	Week End/Overtime	Staff welfare	1,500,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
4/30/2019	700150	Week End/Overtime	Staff welfare	1,500,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
7/18/2018	700410	Office consumables for CEOs office	Meetings	1,490,500	The consumables facilitated meetings. This was fully budgeted for
6/30/2018	700115	Week End/Overtime	Acting allowance	1,447,365	Acting allowance is a staff cost. This was fully budgeted for
8/31/2018	700115	Week End/Overtime	Acting allowance	1,364,736	Acting allowance is a staff cost. This was fully budgeted for
3/21/2018	700115	Week End/Overtime	Acting allowance	1,350,000	Acting allowance is a staff cost. This was fully budgeted for
4/30/2019	700150	Week End/Overtime	Staff welfare	1,350,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
5/31/2019	700150	Week End/Overtime	Staff welfare	1,329,015	Week end/overtime is a staff cost, fully budgeted for under staff welfare
6/30/2019	700150	Week End/Overtime	Staff welfare	1,299,724	Week end/overtime is a staff cost, fully budgeted for under staff welfare
6/30/2019	700150	Contract Committee Allowance	Staff welfare	1,200,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
5/31/2019	700150	Week End/Overtime	Staff welfare	1,200,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
3/21/2018	700115	Week End/Overtime	Acting allowance	1,170,176	Acting allowance is a staff cost. This was fully budgeted for
6/24/2019	700165	Paye for Security Allow Kigundu Res - June 19	Other Allowances	1,080,000	Acting allowance is a staff cost. This was fully budgeted for
5/22/2019	700165	Paye for Secrity Allows Kigundu Residce May 19	Other Allowances	1,080,000	This is a description issue. Information is available for verification
4/30/2019	700115	Week End/Overtime	Acting allowance	1,050,000	Acting allowance is a staff cost. This was fully budgeted for

3/31/2019	700115	Week End/Overtime	Acting allowance	1,050,000	Acting allowance is a staff cost. This was fully budgeted for
6/30/2018	700115	Week End/Overtime	Acting allowance	1,050,000	Acting allowance is a staff cost. This was fully budgeted for
5/31/2019	700150	Week End/Overtime	Staff welfare	1,050,000	Week end/overtime is a staff cost, fully budgeted for under staff welfare
10/31/2018	700155	Week End/Overtime	Travel in land	1,050,000	Budgeted and charged within staff cost. Not a mischarge
9/30/2018	700410	Week End/Overtime	Meetings	1,050,000	Budgeted and charged within staff cost. Not a mischarge
		Total Amount of Mischarges		53,796,266	

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 JUNE 2019



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DIRECTOR'S REPORT

The Directors submit their report together with the audited financial statements for the financial year ended 30th June 2019 which disclose the state of affairs of Uganda Electricity Generation Company Limited ("the company" or 'UEGCL').

1. PRINCIPAL ACTIVITIES

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

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

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

2. RESULTS

The results for the year are set out on page 6. The profit for the period of UGX 24.8 billion (2018: loss: UGX 10.9 billion). This has been transferred to accumulated losses.

3. DIVIDEND

The Directors do not recommend payment of a dividend for the period ended 30th June 2019 (2018: 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 2019.

By order of the Board,



Mark Martin Obia
COMPANY SECRETARY

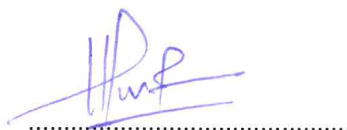
The Companies Act, 2012 and Electricity Act, 1999 (Cap 145) of Uganda require the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the company as at the end of the financial year and of its operating results for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

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

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

The directors have made an assessment of the company's ability to continue as a going concern and are satisfied that the company will have adequate resources to continue in business for the foreseeable future. This assessment is based on the fact that the company is established under laws of Uganda to provide a service in the power sector and there is no indication that this arrangement will be changed in the foreseeable future. The company's main source of revenue is sales revenue from Isimba HPP which is meant to cover operations and maintenance of the plant as well as loan repayment from Exim Bank that financed the construction of the plant. This is in addition to the concession fee billed to Eskom Uganda Limited which is expected to cover the company's operating costs at a minimum. In addition, funding for supervision of Karuma, Muzizi and Nyagak III Hydro power projects as well as Isimba Plant (during defects liability period) for the next financial year 2019/20 have been approved by Government. As such, the directors are not aware of any material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements were approved by the Board of Directors on 12th December 2019 and signed on its behalf by:



Dr. Nixon Kamukama
DIRECTOR

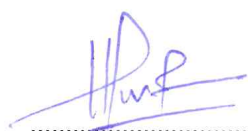


Mr. Ronald Dravu
DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019

	Note	30/06/2019 UGX '000	30/06/2018 UGX '000
Concession fees	3	5,167,716	7,262,306
Isimba Income	4	49,430,703	-
Other operating income	5	7,034,949	964,872
Total income		61,633,368	8,227,178
Staff costs and employee benefits	6	(6,412,823)	(4,124,153)
Administration expenses	7	(14,811,896)	(2,701,374)
Depreciation and amortization charge	8	(16,486,135)	(12,806,458)
Total operating expenses		(37,710,854)	(19,631,985)
Operating profit/(loss)		23,922,515	(11,404,807)
Interest income	9(a)	21,078	18,877
Interest Expense	9(b)	(8,256,418)	-
Foreign exchange gains/(losses)	10	9,096,343	529,771
Profit/(Loss) before tax		24,783,518	(10,856,159)
Income tax expense		-	-
Profit/(Loss) for the year		24,783,518	10,856,159
Other comprehensive income		-	-
Total comprehensive income for the period		24,783,518	(10,856,159)



Dr. Nixon Kamukama
DIRECTOR

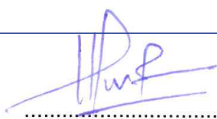



Mr. Ronald Dravu
DIRECTOR

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2019

	Note	30/06/2019 UGX' 000	30/06/2018 UGX' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,750,563,284	811,691,752
Prepaid operating lease rentals	12	431,775	525,169
Land	13	1,973,991	1,973,990
WIP-Projects	14	3,854,773,596	4,855,369,571
Due from Eskom		2,146,878	2,146,878
		6,609,889,524	5,671,707,360
Current assets			
Trade and other receivables	15	46,983,800	5,794,111
Cash and bank balances	16	58,141,255	20,098,038
		105,125,055	25,892,149
TOTAL ASSETS		6,715,014,579	5,697,599,509
EQUITY AND LIABILITIES			
Equity			
Issued capital	17a	105,208,169	105,208,169
Capital contributions	17b	554,861,676	554,861,676
Accumulated profits		(193,685,690)	(218,469,200)
Revaluation		388,051,569	388,051,569
		854,435,724	829,652,214
Non-current liabilities			
Deferred Income	18	482,640,520	91,546,316
Karuma on lent Loan	19	3,618,501,861	3,018,717,524
Isimba on lent loan	20	1,532,725,193	1,600,207,074
Interest payable Karuma	19	141,732,704	100,891,949
Interest payable Isimba	20	76,726,634	53,186,033
		5,852,326,912	4,864,548,896
Current liabilities			
Trade and other payables	21	8,251,943	3,398,399
TOTAL EQUITY & LIABILITIES		6,715,014,579	5,697,599,509


 Dr. Nixon Kamukama
 DIRECTOR


 Mr. Ronald Dravu
 DIRECTOR

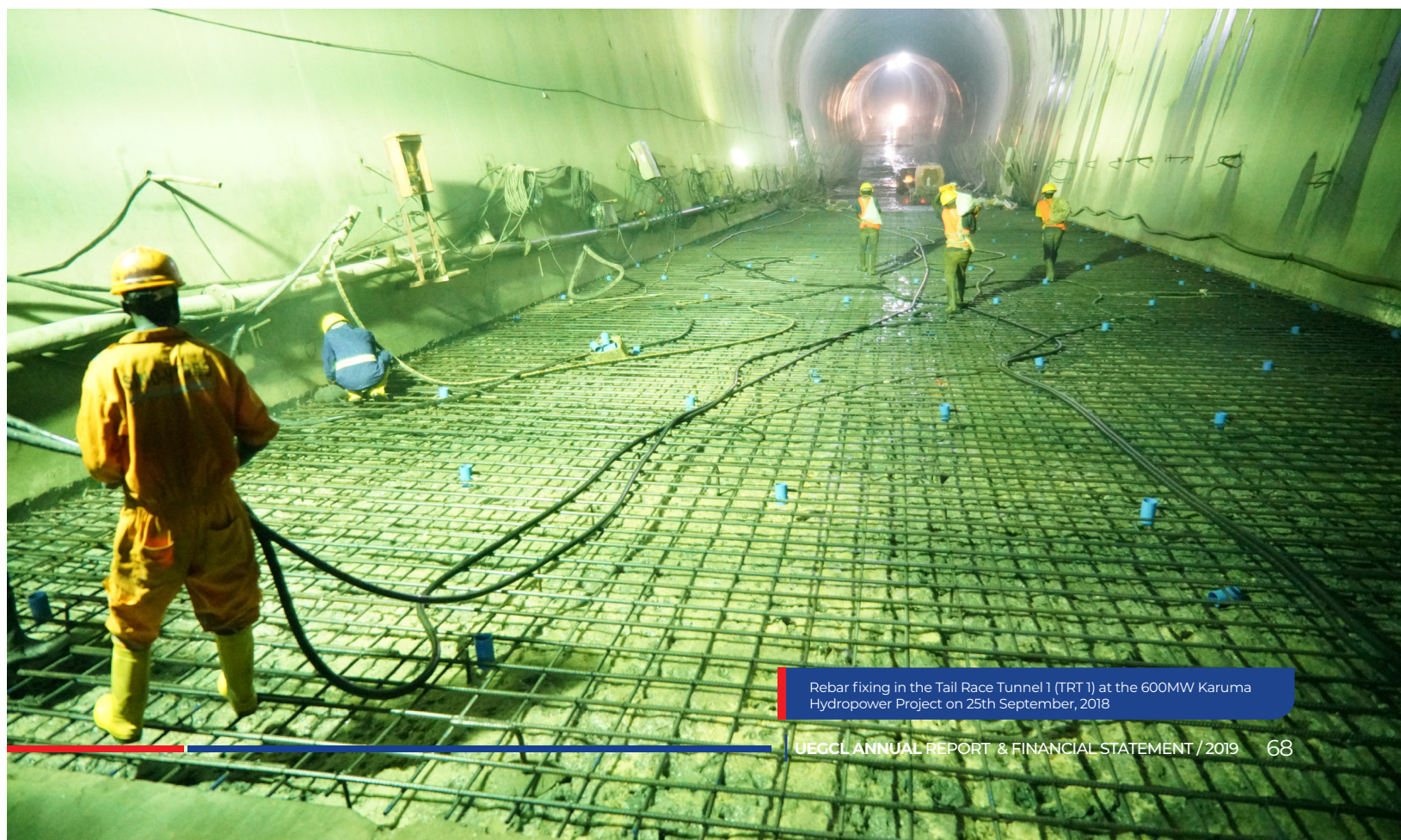
UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	Issued capital UGX '000 (Note 17a)	Capital contributions UGX '000 (Note 17b)	Revaluation UGX '000	Accumulated Profit(losses) UGX '000	Total UGX '000
ASSETS					
Non-current assets					
At 1 July 2017	105,208,169	554,861,676	-	(207,613,041)	452,456,804
Revaluation Surplus (Plant)	-	-	388,051,569	-	388,051,569
Loss for the year	-	-	-	(10,856,159)	-10,856,159
At 30 June 2018	105,208,169	554,861,676	388,051,569	(218,469,200)	829,652,214
At 1 July 2018	105,208,169	554,861,676	388,051,569	(-218,469,208)	829,652,206
Profit for the year	-	-	-	24,783,518	24,783,518
At 30 June 2019	105,208,169	554,861,676	388,051,569	(193,685,690)	854,435,724

NET PROFIT

The company has been loss making for the last couple of years but for the period ended 2019, made a profit of 24billion mainly because of the new revenue stream from Isimba HPP.



Rebar fixing in the Tail Race Tunnel 1 (TRT 1) at the 600MW Karuma Hydropower Project on 25th September, 2018

UGANDA ELECTRICITY GENERATION COMPANY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

	Note	30/06/2019 UGX' 000	30/06/2018 UGX' 000
Operating activities			
Profit/Loss before tax		24,783,518	(10,856,438)
Adjustments for:			
Interest income		(21,078)	(18,877)
Other income		(605,151)	(27,793)
Depreciation (Concession)		16,392,740	13,508,228
Amotization of Prepaid lease	12	93,394	93,394
		40,643,423	2,698,514
Decrease/(increase) in trade and other receivables		(41,189,689)	(1,190,959)
Increase/(decrease) in trade and other payables		4,853,544	(177,173)
(Decrease)/Increase in amounts due to related parties		-	-
		4,307,278	1,330,382
Cash generated from operations			
Interest received		21,078	18,877
Other income		605,151	27,793
		4,933,507	1,377,052
Net cash flows from operating activities			
Investing activities			
Purchase of property, plant and equipment	11	(1,956,249,836)	(1,984,646)
Gain on disposal		(975)	-
Asset disposal proceeds		3,360	-
Expenditure on WIP Projects		1,000,595,975	(2,025,288,830)
Depreciation on projects Assets		983,178	-
Land addition		-	(123,669)
		(954,668,298)	(2,027,397,145)
Net cash flows used in investing activities			
Financing activities			
On lent Borrowings		532,302,456	1,901,379,580
Deferred income		391,094,203	39,115,106
Interest payable		64,381,356	84,419,551
		987,778,016	2,024,914,238
Net cash flows used in financing activities			
Increase /Decrease in cash and cash equivalents		38,043,226	(1,105,855)
Opening cash and cash equivalents		20,098,030	21,203,884
		58,141,255	20,098,030

1. REPORTING ENTITY AND GOING CONCERN

1.1. Reporting entity

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

1.2. Going concern

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of accounting and statement of compliance

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International

Accounting Standards Board (IASB), and the requirements of the Companies Act, 2012 of Uganda.

b) Revenue recognition

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

- (i) Concession fees receivable from the concessionaire (Eskom) for operating and maintaining the complex (the two dams of Kiira and Nalubaale) is recognized in the statement of comprehensive income on a monthly basis. The concession fees are based on the amount pre-approved by Electricity Regulatory Authority on annual basis and comprise of the components specified in the concession agreement, debt service, depreciation of the concession assets and administration expenses. Concession fees comprise of the amounts invoiced on a monthly basis and are stated net of VAT and discounts.
- (ii) Government grants received for the acquisition of long-life assets are recognized by setting up a grant as a liability (Deferred income -government grant).The differed income recognised in the income statement on a systematic and rational basis over the useful life of the asset.
- (iii) Norwegian grant received for training staff in preparation for operations and maintenance of Karuma & Isimba Hydro Power projects is recognised as a liability by setting up a grant liability as deferred grant income. The deferred income is being recognised in the income statement on a systematic basis over the period of the grant.

c) Interest income and expenses

Interest income comprises of income on funds from the escrow account held at Stanbic bank. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

d) Translation of foreign currency transactions and balances

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

for-sale equity instruments.

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

e) Service concession arrangements

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

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

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

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

The concession agreement assigns the company the right of ownership to all modifications incorporated into the complex by Eskom during the concession term. The concession assets handed over to Eskom are recognised as property, plant and equipment of the company because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to Eskom. However, the company does not recognise the modifications and upgrades as assets because the company

does not incur any costs on these modifications. Eskom recovers the cost incurred from Uganda Electricity Transmission Company including a return on investment of 12% per annum. At the end of the concession, the company will assess the recognisability of the remaining book value of the modifications.

f) Property, plant and equipment

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

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

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

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

Impairment

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

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

De-recognition

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

Depreciation

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

THE ESTIMATED USEFUL LIVES ARE AS FOLLOWS:

Nalubaale & Kiira

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

Isimba HPP

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

Other office PPE

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

No depreciation is charged for property, plant and equipment in the course of construction (capital work-

in-progress). Upon completion of the project, the accumulated cost is depreciated using the depreciation rate of the appropriate property, plant and equipment category set out above.

g) Prepaid operating lease rentals

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

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

h) Cash and cash equivalent

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

i) Provisions

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

j) Dividends

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

Current income tax

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

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

Deferred income tax

Deferred income tax is provided for in full at the reporting date, using the liability method, on all

temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss. Deferred income tax assets and deferred income tax liabilities are offset, if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity in the same taxation authority.

Value Added Tax (VAT)

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

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

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

l) Financial Instruments

i) Initial recognition

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

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

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

ii) Subsequent measurement

Bank balances, trade receivables and other receivables and amounts due from related parties

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

or loss. The losses arising from impairment are recognized in profit or loss.

Borrowings, amounts due to related parties and trade payables

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

iii) De-recognition of financial assets and financial liabilities

Financial assets

A financial asset is de-recognised where:

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

Financial liabilities

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

iv) Offsetting of financial instruments

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

m) Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is

considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

Non-financial assets

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

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

n) Employee benefits

Retirement Benefit Scheme

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

National Social Security Fund

The company also makes contributions to a statutory scheme, the National Social Security Fund (NSSF).

Contributions to NSSF are determined by applicable statute and are shared between employer and employee.

The company's contributions of 10% on employee emoluments are charged to profit or loss in the year to which they relate.

3. CONCESSION FEES

	30/06/2019 UGX '000	30/06/2018 UGX '000
Current assets	5,167,716	7,262,306

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

4. ISIMBA INCOME

	30/06/2019 UGX '000	30/06/2018 UGX '000
Sales revenue	49,430,703	–

UEGCL billed UETCL for the energy generated and dispatched to the grid from Isimba power plant (January to June 2019). This is in line with the generation and sale license as issued by ERA, energy billing as opposed to capacity as stipulated in the power purchase agreement. The issue of capacity versus energy billing is being resolved by the relevant stakeholders. Debit notes shall be issued to UETCL should the resolution be in favour of capacity billing for January to June 2019.

5. OTHER OPERATING INCOME

	30/06/2019 UGX '000	30/06/2018 UGX '000
Sundry Income	6,359	56,339
Grant Income Nyagak	1,401,680	880,740
Norwegian Grant Income	3,871,714	-
Grant Income Isimba	463,319	-
Grant Income Karuma	605,151	-
Grant Income Muzizi	56,763	-
AFD Grant	628,553	-
Other Income	1,410	-
Write off of over accrued expenses	-	27,793
	7,034,949	964,872

The Norwegian and AFD grants mainly supported the staff training in preparation for Operations and Maintenance of power plants. The Isimba grant income is amortisation of deferred income from GOU after COD for Isimba HPP. The grant income is GOU contribution towards supervision of ongoing flagship Hydro Power Projects.

6. STAFF COSTS AND EMPLOYEE BENEFITS

	30/06/2019 UGX '000	30/06/2018 UGX '000
Salaries	4,109,869	2,503,516
Company contributions to NSSF and other funds	1,341,326	823,802
Other staff benefits and allowances	961,628	796,835
	6,412,823	4,124,153

The staff costs is for both concession staff as well as operations and maintenance staff for Isimba plant. The average number of persons employed by the company during the period ended 30th June 2019 was 194 (2018: 145). During the year ended 30th June 2019, project employee costs and benefits directly related to the construction of Karuma, Isimba, and Muzizi Hydropower projects were capitalised as work in Progress (WIP) in accordance with IAS 16 Property Plant and Equipment.

7. ADMINISTRATION EXPENSES

	30/06/2019 UGX '000	30/06/2018 UGX '000
Transport expenses	176,392	90,190
Project administration Exps (Nyagak III)	1,401,680	312,361
Operational expenses	4,255,290	1,018,012
Audit and related expenses	16,239	18,676
Directors' allowances	114,083	222,891
Directors' expenses	298,364	372,027
Consultancy fees	3,275,717	56,745
Legal fees	111,949	64,083
Norwegian Grant Expense	3,871,714	546,389
AFD grant Expense	628,553	-
Karuma expense	605,151	-
Isimba expense	56,763	-
	14,811,896	2,701,376

Operational expenses of 4billion relate to various administrative costs (security, utilities, publicity, advertising among others for both concession and O&M Isimba), consultancy of 3billion relates to payment for OE Isimba and various O&M support services and Norwegian Grant expense was in relation to O&M support from the Norwegian grant.

8. DEPRECIATION, AMORTISATION CHARGE

	30/06/2019 UGX '000	30/06/2018 UGX '000
Depreciation (Concession Assets)	16,486,135	12,713,064
Amortization (Nalubaale & Kiira)	93,394	93,394
Depreciation & Amortization	16,579,529	12,806,458
Depreciation projects	983,178	795,164
	17,562,707	13,601,622

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

9(a) INTEREST INCOME

	30/06/2019 UGX '000	30/06/2018 UGX '000
Interest income from fixed deposit accounts	21,078	18,877

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

9(b) INTEREST EXPENSE

	30/06/2019 UGX '000	30/06/2018 UGX '000
Interest Expense	8,256,418	-

This relates to Isimba HPP Loan interest, expensed after commercial operations date (April-June 2019). Periods during construction, interest was capitalised.

10. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	30/06/2019 UGX '000	30/06/2018 UGX '000
Net foreign exchange gains/(losses)	9,096,343	529,771

The net foreign exchange gains include foreign exchange gains of UGX 9 billion (2018: gains of UGX 529 million) arising mainly from revaluation of Isimba Loan and the associated interest as well as translation of monetary transactions, assets and liabilities denominated in foreign currencies.

11. FIXED ASSET MOVEMENT SCHEDULE

Cost	Plant & Machinery UGX' 000	Buildings UGX' 000	Furniture & fittings UGX' 000	Computers UGX' 000	Tools & Equipment UGX' 000	Motor Vehicles UGX' 000	Office Machinery UGX' 000	Total UGX' 000
At 30 June 2018	800,489,411	8,514,455	582,090	1,234,481	953,922	5,749,700	486,642	818,010,701
Additions	-	-	21,360	138,448	-	-	32,549	192,357
Reclassification from WIP Isimba	1,956,057,479	-	-	-	-	-	-	1,956,057,479
Disposal	-	-	-	(4,200)	-	-	-	(4,200)
At 30 June 2019	2,756,546,890	8,514,455	603,450	1,368,729	953,922	5,749,700	519,191	2,774,256,337
Depreciation & Amortization								
At 30 June 2018	-	1,485,964	218,892	728,253	871,493	2,715,951	298,396	6,318,949
Depn charge for the period	15,909,619	210,278	64,059	144,782	33,735	959,403	54,042	17,375,918
Disposal	-	-	-	(1,815)	-	-	-	(1,815)
At 30 June 2019	15,909,619	1,696,242	282,951	871,220	905,229	3,675,354	352,438	23,693,052
NET CARRYING VALUE								
At 30 June 2019	2,740,637,271	6,818,213	320,499	497,509	48,694	2,074,346	166,753	2,750,563,284
At 30 June 2018	800,489,411	7,028,491	363,198	506,228	82,429	3,033,748	188,247	811,691,752

Reclassification of WIP Isimba to PPE

The Isimba plant was commissioned on 31st March 2019 and is now under commercial operations. Valuation of the plant was done by D.K & Co. Certified Public accountant as at 30th June 2019. The value of the plant according to the valuation report was 1.9 trillion which has been transferred to PPE.

12. PREPAID OPERATING LEASE RENTALS

	30/06/2019 UGX '000	30/06/2018 UGX '000
Cost		
At 1 July 18	2,023,114	2,023,114
Additions	-	-
At 30 June 189	2,023,114	2,023,114
Amortization		
At 1 July 2018	1,497,945	1,404,550
Charge for the year	93,394	93,395
At 30 June 2019	1,591,339	1,497,945
Net carrying amount	431,775	525,169

	Nalubaale UGX' 000	Kiira UGX' 000	Total UGX' 000
Cost			
At 1 July 2018	1,581,924	441,190	2,023,114
Additions	-	-	-
At 30 June 2019	1,581,924	441,190	2,023,114
Amortization			
At 1 July 2018	1,334,166	163,777	1,497,945
Charge for the period	83,182	10,212	93,394
At 30 June 2019	1,417,348	173,989	1,591,339
Net carrying value			
At 30 June 2019	337,615	94,160	431,775
At 30 June 2018	247,758	277,413	525,169

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

13. LAND

	30/06/2019 UGX '000	30/06/2018 UGX '000
Nyagak III SHPP	424,090	424,090
Head office	1,549,900	1,549,900
	1,973,990	1,973,990

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

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

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

The Nyagak land balance at 30 June 2019 of UGX 424 million relates to land acquisition costs for the Nyagak Hydro Power Project in respect of the project affected

people's verification, disclosure activities and the land valuation.

Testing of the complex assets for impairment

The installed capacity of the power complex (Nalubaale and Kiira) is 380 MW. However, the average capacity generated during the year was about **169MW (2018: 178MW)**. The low generating capacity is attributed to the varying water levels, which resulted in restricted amount of water released to the complex. The company has no control over the amount of water released through the complex. However, the complex is being operated and maintained in accordance with the laws of Uganda and prudent utility best practice.

During the year ended 30th June 2018, a comprehensive asset verification was conducted, for Nalubaale and Kiira hydroelectric power plants in Jinja and the Head Office building at Kamwokya, Kampala. The outcome of this exercise was an updated fixed asset register in relation to Nalubaale and Kiira power plants. Overall, as a result of the revaluation and impairment assessment of the power Plants, there was a net revaluation surplus of UGX 388,051,569,257 in relation to the two power plants. The results of the asset verification was fully incorporated in the financials statement as at 30th June 2018. The exercise has not been repeated for the year ending 30th June 2019 but the asset value is not expected to differ materially. In addition there were no indications of possible impairment of the Nalubaale and Kiira power plants.

14. WORK IN PROGRESS FOR PROJECTS

	Karuma UGX '000	Isimba UGX '000	Muzizi UGX '000	Total UGX '000
Opening balance	3,179,092,536	1,669,676,947	6,600,088	4,855,369,571
Adjustments	-	(67,481,881)	-	(67,481,881)
Additions	667,414,848	353,862,412	1,666,123	1,022,943,384
Reclassification		(1,956,057,479)	-	(1,956,057,479)
Total	3,846,507,385	-	8,266,211	3,854,773,595

This amount relates to project costs so far incurred on Karuma, Muzizi Hydro Power Projects. This includes supervision costs being incurred by UEGCL in ensuring that the Karuma, Muzizi Projects come to life. The costs incurred to date mainly consist of civil works, staff costs and project management consultants. Following the commissioning of Isimba plant, the WIP amount associated with Isimba HPP worth UGX 1.9trillion was transferred to PPE, based on the valuation report by D.K & Co certified Public Accountants as at 30th June 2019.

Forex Losses/(Gains) On Borrowings For Hydro Power Projects Under Construction

Project	30/06/2019 UGX '000	30/06/2018 UGX '000
Karuma	156,293,600	245,048,641
Isimba	71,242,195	109,864,685
Total	227,535,795	354,913,326

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

The Karuma and Isimba HPP are owned by Government represented by Ministry of Energy and Mineral Development (MEMD). Uganda

Electricity Generation Company Limited (UEGCL) is the nominated Government agency to oversee implementation and will own the plants when they are completed. (As per the General Notice No 572 of 2014, issued as Policy Direction to ERA by MEMD) The Land acquired by MEMD for the HPPs have not yet been transferred to UEGCL for ownership. When the projects are completed and handed over to UEGCL, the projects are valued and the total value is recognised in the in the books of UEGCL. (This has been fully done for Isimba HPP)

Project	30/06/2019 UGX '000	30/06/2018 UGX '000
Inventory Debt	2,146,878	2,146,878
Total	2,146,878	2,146,878

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

15. TRADE AND OTHER RECEIVABLES

	30/06/2019 UGX '000	30/06/2018 UGX '000
Trade receivables-Eskom	1,806,823	3,334,831
Trade receivables-UETCL	32,994,016	-
Withholding tax recoverable	886,836	885,404
Staff debtors	37,664	20,024
Prepayments	11,258,461	1,553,852
	46,983,800	5,794,111

Receivable from Eskom are invoices billed for May and June 2019 while receivable from UETCL is for electricity sale to UETCL from Isimba HPP. Prepayments of UGX 11 billion is mainly insurance of 5.7 billion for Isimba plant as well as advance payments for the various Community Development Action Plan (CDAP) activities ongoing in the districts of Kamuli and Kayunga in relation to Isimba plant.

16. CASH AND BANK BALANCES

	30/06/2019 UGX '000	30/06/2018 UGX '000
Cash at bank	30,898,942	11,445,145
Stanbic Bank Uganda Limited Escrow Account	8,249,838	8,642,455
Isimba Sales Collection Account	18,992,236	-
Cash at hand	240	21
	58,141,255	20,098,038

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 2018, the balance on this account was **UGX 8,249,837,628** equivalent to **USD 2,229,511**

17. ISSUED CAPITAL AND CAPITAL CONTRIBUTIONS

a) Share capital

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

At 1 July 2018

Conversion of Government of Uganda loans to equity

At June 2019

Number of shares	Amount UGX '000
2	1
210,416,338	105,208,168
210,416,340	105,208,169

b) Capital contributions

Government of Uganda

30/06/2019 UGX '000	30/06/2018 UGX '000
554,861,676	554,861,676

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

18. DEFERRED INCOME.

	Karuma UGX '000	Isimba UGX '000	Muzizi UGX '000	Nyagak UGX '000	Norwegian UGX '000	Total UGX '000
Opening balance	49,774,448	32,245,138	7,419,381	714,616	1,392,734	91,546,316
Additions	29,245,567	45,208,484	3,134,879	2,600,000	4,177,818	84,366,749
Additions-Valuation	-	312,464,168	-	-	-	312,464,168
Amortisation	-	(463,319)	-	(1,401,680)	(3,871,714)	(5,736,713)
Total	79,020,015	389,454,470	10,554,261	1,912,936	1,698,839	482,640,520

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

19. 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 2019 was **UGX 3,618,501,861,081** equivalent to **(USD 977,896,830)** while the outstanding interest amount was **UGX 141,732,702,802** equivalent to **(USD 38,303,134)**. These balances have been reconciled and harmonised with records from MoFPED.

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

Under the provisions of Article 6 Section 6.12 (1) of the PBC Financing Agreement, and Article 16 Section 16.1 (3) of the BCLA Financing Agreement, the Government is required to enter into On - Lending Agreements with UEGCL and UETCL (as borrowers') for the

purpose of on lending the full amount of the Credit to UEGCL and UETCL respectively upon the terms and conditions therein stated and for the purposes of implementing the 600 MW Karuma Hydropower Dam and Associated Transmission Works and Sub Stations Project.

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

Subsidiary Loan bears the following terms

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

20. 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 2019 was **UGX 1,532,725,192,595** equivalent to **(USD414, 217,586)** with records from MoFPED. The outstanding interest amount was **UGX 76,726,634,106** equivalent to **(USD 20,735,303)**, reconciled with MoFPED records. By the Preferential Buyer Credit (PBC) Agreement dated the 24th Day of November 2014; the Export – Import Bank of China lent to the Government an amount of United States Dollars Four Hundred and Eighty Two Million Five Hundred and Seventy Eight Thousand and Two Hundred (US \$ 482,578,200) from the PBC Financing Agreement. Under the provisions of Article 6 Section 6.12 (1) of the PBC Financing Agreement, and Article 16 Section 16.1 (3) of the BCLA Financing Agreement, the Government was required to enter into On - Lending Agreements

with UEGCL and UETCL (as borrowers) for the purpose of on lending the full amount of the Credit to UEGCL and UETCL respectively upon the terms and conditions therein stated and for the purposes of implementing the 183 MW Isimba Hydropower Dam and the Isimba-Bujagali interconnection Project.

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

Subsidiary Loan bears the following terms:

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

21. TRADE AND OTHER PAYABLES

	30/06/2019 UGX '000	30/06/2018 UGX '000
Trade and other payables	5,172,767	2,584,850
Withholding Tax (WHT) payable	813,550	813,550
Staff payables (PAYE, NSSF and LST)	634,689	-
Taxes payable (VAT and WHT)	1,630,937	-
	8,251,943	3,398,400

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

Trade and other payables Included UGX1.4bn VAT payable, UGX 634m on NSSF, PAYE and RBS, and UGX 1.4bn for AF Consult and UGX 2.4bn on OE Isimba (Artelia), Ugx 370m for CDAP consultants (Nicole Associates), UGX 360m on O&M consultants for Financial Modelling (ICH), UGX 172m interest penalty payable to URA in relation to interim energy sold to UETCL. Necessary procedures are being undertaken to have this penalty waived off by the Minister.

22. 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	30/06/2019 UGX '000	30/06/2018 UGX '000
Fees for services as directors	412,447	594,918
	350,903	594,918
ii) Amounts due from related Parties	30/06/2019 UGX '000	30/06/2018 UGX '000
Eskom	1,806,823	3,334,831
	1,806,823	3,334,831
	30/06/2019 UGX '000	30/06/2018 UGX '000
UETCL	32,994,016	-
	32,994,016	-
iii) Amounts due to related parties	30/06/2019 UGX '000	30/06/2018 UGX '000
UEDCL	1,306,299	-
ERA	-	1,475,084
	1,306,299	1,475,084

23. CONTINGENT LIABILITIES

Outstanding legal cases

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

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

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

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

ii) Anthony Oyuru & Anor. V. AG, UEGCL

This is an application for judicial review of the decision

to transfer the hospital site to be constructed by Sinohydro as part of its CSR from Anang village, Aloni/omolo parishes, Iceme sub county, Oyam county North constituency to Dicwinyi village, Juma parish, Kamdini Sub County, Oyam county South constituency, was opted as the location for the civilian hospital.

This being a matter under judicial review, there is no contingent liability for UEGCL due to the fact that the order sought is an injunction and reversal of the decision to transfer the hospital site. However the costs and reimbursable paid to the external lawyers who are representing UEGCL in the matter of Ugx. 28,560,000/= (Twenty Eight million Five Hundred Sixty Thousand Shillings only).

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

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

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

There is no contingent liability for UEGCL in this case as implementation of RAP was the responsibility of MEMD. It is therefore the Government of Uganda that would bear any liability arising from this case. However

there are costs involved in regard to attending Court in Masindi for the hearing of the case.

iv. John Eric Mugyenzi Vs. UEGCL

The claimant, Engineer John Eric Mugyenzi the former CEO of UEGCL instituted a claim seeking damages amounting to Ugx. 449,252,148/= for unlawful dismissal from office. The Claimant's suit was dismissed on grounds that that it was time barred and he appealed to the Court of Appeal against that decision and the Court of Appeal ruled in his favor and ordered that the mater be fixed and heard on its merits. Currently, the case is back to the industrial court and will be coming up for mention on 4th November, 2019.

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

v. Eskom (U) Ltd V. Col. MULONDO & FOREVER RESORT

EUL through its lawyers Shonubi Musoke & Co. Advocates filed a suit againts Forever Resort and Col. Mulondo for tresspass over land belonging to UEGCL at the Kiira/Nalubaale Complex. The plaintiff's case is that Colonel Mulondo (the 1st Defendant) encroached on the land and set up his business which he later sub-let to Jinesh Majithia (the 2nd Defendant). EUL's claim is therefore that the occupation of the land by the two

defendants is unlawful and various remedies have been sought form Court including an eviction order and permanent injunction.

The parties agree to explore an out of court settlement. Parties agreed to the settlement terms except the rent payable which needed a valuation by the Chief Government Valuer. A valuation of the land was undertaken and the land valued at UGX. 5,400,000. The Defendant however rejected the valued amount. It was determined that the matter needed to be renegotiated. To speedy up settlement of the matter, UEGCL advised EUL to handle the matter as they deem fit and in the best interest of UEGCL.

vi. AGABA MARTIN M,BUYINZA MICHEAL & 70 ORS Vs UEGCL

The 72 former employees of **UEB**, claim they are entitles 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.

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

	30/06/2019 UGX '000	30/06/2018 UGX '000
Trade receivables	46,983,800	3,334,831
Staff advances and loans	37,664	20,024
Bank balances	58,141,255	20,098,038
	105,162,719	23,452,893

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

Market risk

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

Currency risk

The company manages its foreign exchange exposure by maintaining a reserve of about USD 2.220 million (2015: USD 2.220 million) on its US Dollar Escrow Account in order to pay for obligations that are denominated in that currency.

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

Financial assets

	30/06/2019 UGX '000	30/06/2018 UGX '000
Stanbic Bank Uganda Limited	8,249,838	8,642,456
Escrow Account	8,249,838	8,642,456

The following significant exchange rates applied during the year:

	Reporting date Spot rate		Average rate	
	2019	2018	2019	2018
US\$:UGX	3700.29	3884.75	3739.68	3664.19

Interest rate risk

The company has no exposure to interest rate risk as the company had no interest bearing borrowings and all its investments have fixed interest rates.

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-19

	Carrying amount UGX '000	< 6 months UGX '000	6-12 months UGX '000	Over 1 year UGX '000
Financial assets				
Trade and other receivables	46,983,800	46,983,800	-	-
Cash and bank balances	58,141,255	49,891,418	-	8,249,838
	105,125,055	96,875,218	-	8,249,838
Financial liabilities				
Trade and other payables	8,251,943	7,438,943	-	813,000
	8,251,943	7,438,943	-	813,000
Net Liquidity Gap	96,873,112	89,436,275	-	7,436,838

30-Jun-19	Carrying amount UGX '000	< 6 months UGX '000	6-12 months UGX '000	Over 1 year UGX '000
Financial assets				
Trade and other receivables	5,794,111	3,432,750	1,475,957	885,404
Cash and bank balances	20,098,038	11,455,583	-	8,642,455
	25,894,229	9,029,373	7,777,728	9,163,043
Financial liabilities				
Trade and other payables	3,398,399	2,579,129	6,270	813,000
	3,398,399	2,727,764	6,270	813,000
	22,495,830	6,301,609	7,771,458	8,350,043

25. NON-FINANCIAL RISK MANAGEMENT

i. Compliance risk

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

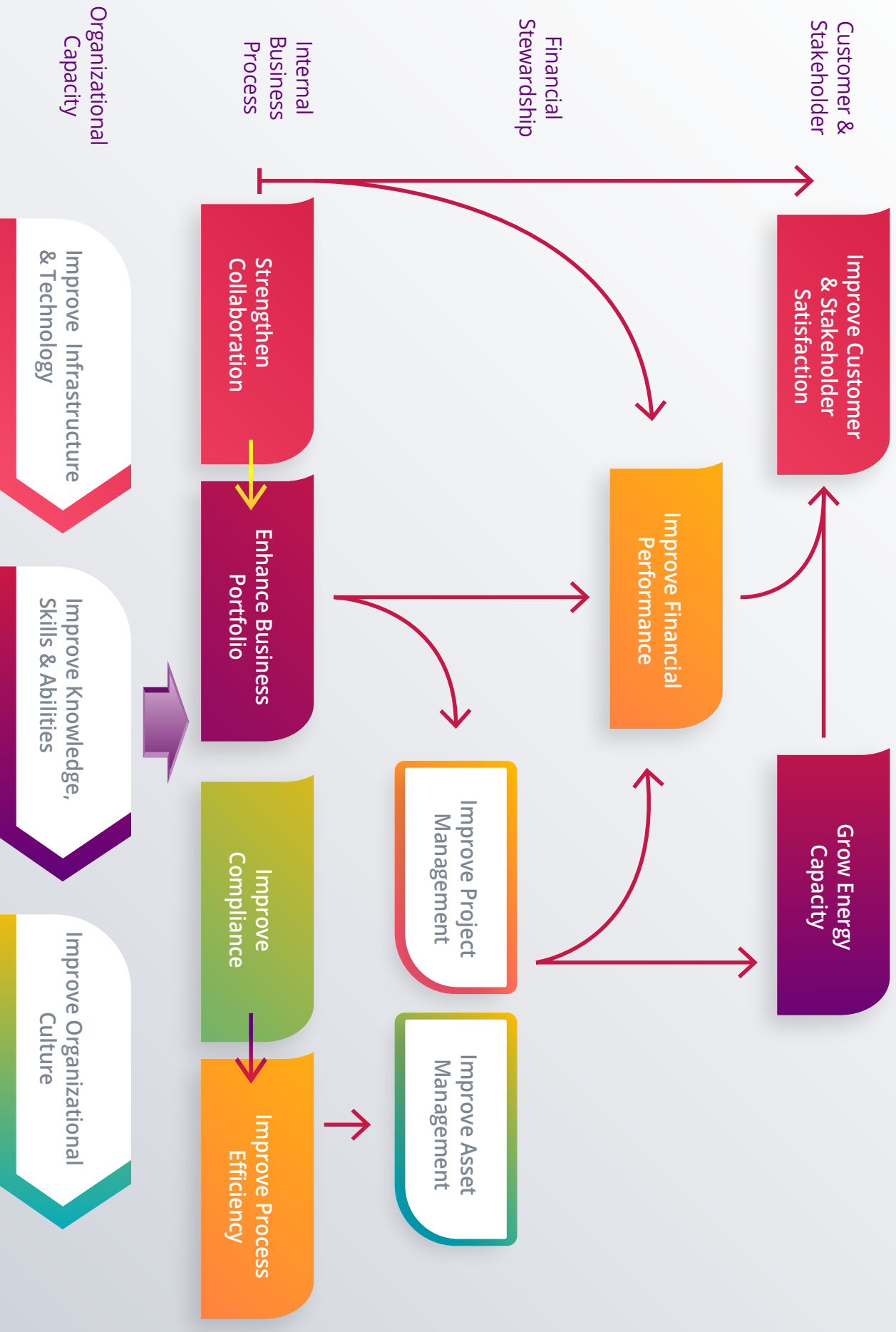
The approach adopted to manage these risks includes a combination of adequate procedures to assist management in achieving adherence to the legislative requirements and effective monitoring and reporting mechanism to ensure compliance. The company's top level management is charged with the responsibility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

ii. Operational risk

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

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

UEGCL CORPORATE STRATEGY





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