UEDCL

Lighting up your world

ANNUAL REPORT
FY 2022/23

Uganda Electricity Distribution Company Limited (UEDCL). Uganda Electricity Distribution Company Limited

@UEDCLTD www.uedcl.co.ug.

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ACRONYMS:

Acronym	Meaning
Bn	Billions
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	Uganda Electricity Transmission Company Limited
DLP	Defects Liability Period
UGX	Uganda Shillings
IFRS	International Financial Reporting Standards
FY	Financial Year
GOU	Government of Uganda
LAA	Lease and Assignment Agreement
INTOSAI	International Organization of Supreme Audit Institutions
ICT	Information Communication Technology
ISSAI	International Standards of Supreme Audit Institution
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance Planning and Economic Development
ERA	Electricity Regulatory Authority
O&M	Operations and Maintenance
MDAs	Ministries Departments and Agencies
PPA	Power Purchase Agreement
WENRECO	West Nile Rural Electrification Company
NEMA	National Environment Management Authority
MV	Medium Voltage
LV	Low Voltage
ECP	Electricity Connection Policy

1.0 | ABOUT UEDCL

After the Uganda Electricity Board (UEB) was divided, the Uganda Electricity Distribution Company Limited (UEDCL) was established in 2001 by the Electricity Act of 1999. The mandate of UEDCL is to own the nation's entire network of electricity distribution systems below 33kV.

The main grid was given to Umeme Ltd. in 2005 for a 20-year concession as part of the Ugandan government's foreign direct investment policy to draw in private money. The UEDCL mandate and operation license have beenmodified as of 2005 to:

1. Keep an eye on Umeme's compliance with the concession's terms, particularly with regard to enhancing the distribution network's efficiency.

2. Distribute power outside of Umeme Ltd's operational footprint, mostly to remote and rural areas that have been connected to the main grid under the GOU's power extension program.

3. Take care of, run, and oversee the Lugogo electric pole treatment plant.

STRATEGIC DESCRIPTION

VISION

To be a reliable, customer-focused and safety-oriented national electricity distributor.

MISSION

To monitor and grow a reliable national electricity distribution network; ensuring safe, efficient and sustainable service delivery.

CORE VALUES

01

Integrity

Doing the right thing according to the Company expectations without compromise.

02

Trust

Being reliable, dependable and respectful of each other.

03

Commitment

Dedication to one's duties and ability to take on challenges by putting heart and head to organizational goals.

04

Teamwork

Supporting each other to drive the company to high performance.

OUR COMMITMENT: **Reliable power for all**

We not only ensure that every customer obtains a steady power supply, but we also guarantee that every customer will be connected within 72 hours after completing the application.

COMPANY PRODUCTS AND SERVICES:

COMPANY SHAREHOLDING:

The Ugandan government is the sole owner of UEDCL. The Ministers of Finance Planning and Economic Development as well as Energy and Mineral Development are its shareholders.

MEMD - 60% of the shares

MoFPED - 40% of Shares

01

MINISTRY OF ENERGY AND MINERAL DEVELOPMENT (MEMD)

60%
shares

02

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (MOFPED)

40%
shares

UEDCL
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CORPORATE STRATEGY:

Key strategic focus areas:

I. Business Growth and Sustainability
II. Customer Service Excellence
III. Operational Efficiency

Business Growth and Sustainability:

When UEDCL sells as many poles and connects as many clients to the grid, it can accomplish business growth. UEDCL will continue to be financially viable in this sense for the ensuing five years. This will be accomplished by boosting pole sales and connections, enhancing supply chain management, and utilizing internal efficacy and efficiency in project execution.

Strategic Outcome: sustained growth in revenue through Increase in the number of customers connected, tones of poles sold and retention of existing customers.

Customer Service Excellence:

The Authority has set standards to be met, and UEDCL's strategy is to surpass the set targets and give customers great value for their money. UEDCL recognizes that the most important need of our customers is an excellent service. Customers are interested in having a reliable supply of electricity and timely service.

Strategic Outcome: Improved quality of supply indices (SAIDI, SAIFI) and improved quality of service to customers

Operational Efficiency:

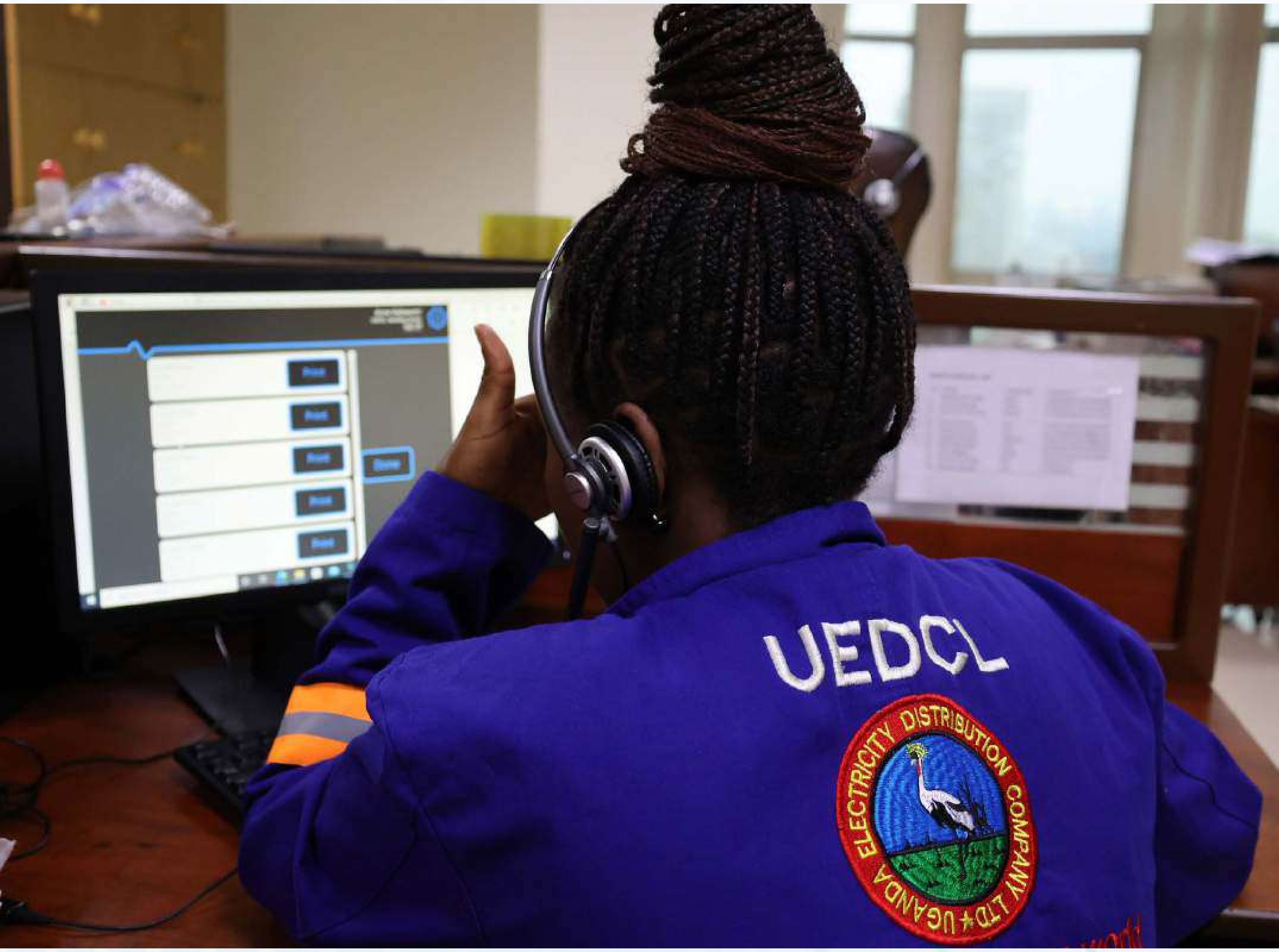
In order to maintain current connections, add new ones, and boost pole sales, UEDCL must function effectively by utilizing the least amount of input to produce the greatest amount of output. The state of governance, human resources, and infrastructure (i.e., tools and equipment) all reflect operational efficiency.

The degree to which UEDCL aims to achieve efficiency will depend on how easily procedures can be handled, resources can be maximized, and waste can be removed.

Strategic Outcome: A reduced input cost from highly motivated staff and efficient service to customers.

Key Strategic Objectives:

1. Increasing investments and asset value
2. Reducing connection time, improving awareness of prospective customers and improve communication and marketing procedures and systems,
3. Improving supply chain management and internal efficiency and effectiveness,
4. Reducing commercial and technical energy losses on the grid,
5. Improving service delivery and improving stakeholder management.
6. Promoting research and development,
7. Enhancing good governance, internal efficiency and sustainability of UEDCL,
8. Promoting compliance with legal, regulatory, and safety health environment requirements as well as enforcement,
9. Enhancing knowledge, skills development and strengthen organizational culture
10. Improving use of tools, technology and promote optimal utilization of organizational resources



2022/2023 TARGETS

i Increased asset useful life and Value for Money expenditure for both owned and leased assets.

ii Total Annual Revenue UShs 117.123bn (UEDCL tower, grid energy sales, pole sales & sundry income).

iii Operating Expenses Projected to Ugx 37.3bn.

iv Capital Investments to Ugx 79.9bn.

v Earnings Before Interest Tax & Amortization of 10%.

vi Increase in customer connection by 50,000 customers per annum.

vii Reduce energy losses to 15% by 2024/2025 (year on year).

viii Increase power availability to 95% by FY 2024/45.

ix Treated wood poles production of 25,000 p.a.

Strategy Implementation:

Initiatives that are annually set during the strategy phase are used to carry out the five-year plan. Every department creates a yearly work plan that details the planned efforts according to the strategic emphasis area, goals, and outcomes. In the first quarter of the next fiscal year, management reviews and evaluates performance.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

2.0 MESSAGE FROM THE CHAIRMAN OF THE BOARD

On behalf of the Board of Directors, management and staff, I am most pleased to present this report on the performance of the Uganda Electricity Distribution Company Limited (UEDCL) for the twelve month's period ended 31st June 2023.

During the period, UEDCL carried on with its cardinal responsibilities, including monitoring the UMEME electricity distribution concession to ensure compliance with the lease and assignment agreement (LAA), power distribution in nine (9) service territories and running its creosote plant for the supply of treated wooden poles to the national electricity grid. In addition to these core functions, UEDCL undertook construction of a number of rural electrification schemes on behalf of the Ministry of Energy and Mineral Development, which it does from time to time.

The company has continuously improved its financial performance, as evidenced by the relevant period (FY 2022/2023) revenues and those of the previous years. The improvement during the FY 2022/2023 was largely due to improved operational efficiency that was achieved as a result of automating most of the company's operations including revenue management, inventory controls, customer and other financial transactions management.

In spite of the improvements in company performance, a number of fiscal challenges remain:-

One, the non-payment of lease fees by UMEME contrary to the LAA agreement and failure, by Ministry of Finance and Economic Planning, to refund UEDCL monies earlier lent to it for settlement of UEB staff pension arrears both of which contribute to UEDCL's failure to make critical investments in the distribution network. These two challenges require the shareholders' attention.

Two, the financing for the escrow account prescribed under the LAA from which UMEME Ltd withdrew UG Shs68 billion as a result of failure by Government entities to pay for power supplied by UMEME.

Three, the power evacuation losses arising from the 9 (nine) power generators embedded in nine (9) service territories as a result of using 33Kv instead of 132Kv lines.

Four, shareholders must also attend to the pension liabilities of former UEB employees that continue to accumulate and, claims for way-leaves already determined in the courts of law and those pending determination in the courts of law in different parts of the country. These obligations should not be ignored, especially because they accumulate interest costs and have occasionally caused disruptions to UEDCL operations.

Lastly, the Government loans to UEDCL were converted into equity in 2014, but the issue of registering the increased equity and allotting corresponding shares is still pending. UEDCL is required to pay registration fees of Shs2.1 billion and does not have the funds. This matter has been highlighted in the Auditor General's reports since 2015 and needs to be resolved once and for all.

I would like to state that the company fiscal and operational challenges notwithstanding, UEDCL achieved its objectives for the period 01st July 2022 – 30th June 2023; and will continue to perform well in accordance with the company's medium-term strategy.

Let me, on behalf of the Board of Directors, convey my sincere appreciation to the Shareholders for their commitment to the company and to management and staff for the ceaseless improvements they continue to record year after year.

I thank you all.

Francis Tumuheirwe
CHAIRMAN, BOARD OF DIRECTORS

MESSAGE FROM THE MANAGING DIRECTOR

3.0 | MESSAGE FROM THE MANAGING DIRECTOR

I would like to use this opportunity to present to you the business performance of Uganda Electricity Distribution Company Limited (UEDCL) for the period of July 1, 2022, to June 30, 2023, on behalf of the management and staff of UEDCL.

UEDCL continued to operate under a business unit model for the twelve months that ended in June 2023, which included: monitoring the Lease and Assignment Agreement (LAA); producing wooden poles; distributing electricity throughout the nine territories; implementing projects; and managing UEDCL towers. Every business unit was able to produce enough revenue on its own at the conclusion of the reporting period to cover its own operational expenses.

In comparison to Shs80.1bn for the period ended June 2022, there was a 10.5% increase in total operating revenues to Shs88.5bn for the period ended June 2023. The Lease Assignment Agreement and the Power distribution business unit both saw increases in operational efficiency and client connections during the time under review, which was credited with this strong performance.

From Shs60.9 billion in June 2022 to Shs73.7 billion in June 2023, the total expenses rose by 21%. This resulted from the acquisition of additional energy units below cost of sales, an increase in fuel prices throughout the year, an increase in the cost of repairs and maintenance for the aged network, and an increase in administrative costs due to wayleave payment court cases.

In spite of the rise in expenses, UEDCL was able to produce a positive Earnings Before Interest Tax Depreciation and Amortization (EBTIDA) for the fiscal year that concluded in June 2023, down from Shs19.2 billion for the same time in 2022—a

22.6% decline. UEDCL has maintained strong financial health due to the aggressive revenue management and cost-control measures implemented by management, which primarily focused on operational efficiency, customer service excellence, and business sustainability as key strategic goals.

Still, a number of obstacles continue to impede the company's ability to conduct its business. They include: (i) the insufficient funds to cover the necessary investments in the distribution networks under the concession areas and those run by UEDCL, which has resulted in a suppression of demand; (ii) the extremely long distribution network distances at 33 kv due to the restricted 132 kv transmission coverage; (iii) the growing number of embedded mini electricity generating plants, the power of which is currently evacuated through a low voltage network at 33 kv, which will cause massive technical energy losses of 21% for 2023 and network failures in select regions of the country. (iv) Vandalism of the distribution network and (v) failure by Umeme Ltd to pay lease fees for the use of UEDCL assets. The implication of unpaid lease fees, has led to the depletion of the surplus Earning Before Tax Interest Depreciation and Amortization (EBTIDA) to a net deficit after tax of Shs2.18bn for the period end June 2023.

UEDCL has persisted in providing its clients with effective and efficient service in spite of the difficulties. We are dedicated to maintaining a close tab on the concession network and supplying the service territories with a steady supply of power through the digitalization of several processes that connect UEDCL to its customers, revenue management, and logistical assistance.

I would like to thank the shareholders, our customers, and other stakeholders for their support throughout this time on behalf of Management and personnel. For the accomplishments of the fiscal year 2021–2022, I also want to congratulate our board, management, and employees.

I'm grateful to everyone.

Paul Mwesigwa
Managing Director

4.0 BUSINESS PERFORMANCE

Financial and other business perfprmance highlights:

Parameter	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Revenue	88,528,169	80,086,706	73,808,900	66,478,346	70,523,440
EBITDA	14,831,102	19,166,679	10,424,766	10,266,421	9,856,507
Net (deficit)/surplus	(2,183,956)	(85,734)	(10,904,075)	(10,127,074)	(9,847,933)
Total Assets	1,915,917,604	1,915,971,170	1,931,379,990	1,795,944,355	1,699,228,226
Equity	174,877,008	169,487,794	169,535,491	191,634,722	201,935,551
Customer numbers	111,164	96,969	93,218	78,835	67,678
Poles produced	14,472	17,691	19,528	25,189	28,577
Energy units sold	117,527	93,289	77,833	51,876	48,812
Energy loss	21%	25%	23%	20%	20%
Employee numbers	346	378	380	335	342
Power availability	91%	92%	91%	91%	91%

Revenue Performance

The company revenue for the period comprised:

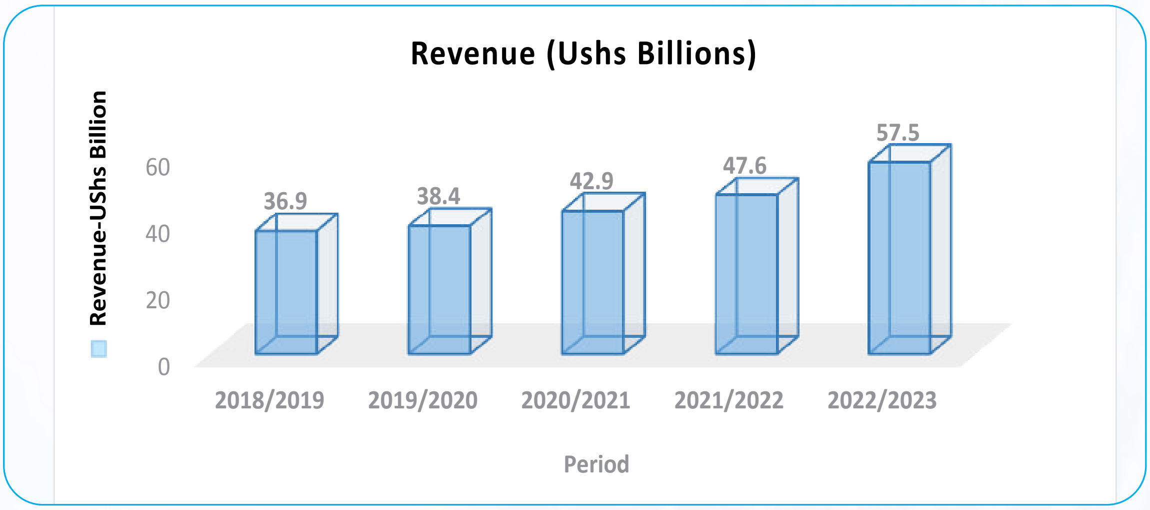
- Revenue from electricity distribution in 9 (nine) REA service Territories licenced by ERA. – UShs 57 billion
- lease revenue which is the administration costs component under the LAA as approved by the Electricity Regulatory Authority (ERA). – UShs 8 billion
- Sale of treated poles from the company's wood pole treatment plant. – UShs 9.1 billion
- Rental Income generated from the company investment property. – UShs 1.2 billion

Total annual revenue increased by 11% year on year; mostly impacted by a 21% increase in energy sales.

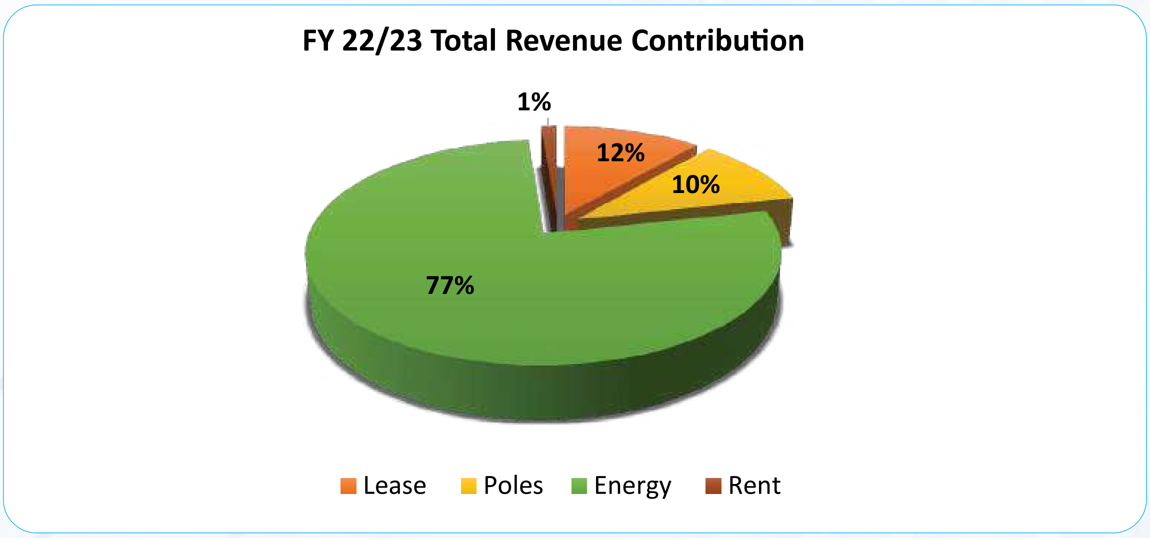
Energy sales:

Energy sales are a factor of; customer numbers, energy losses, power availability and the end user tariff. During the period, a 21% increase in energy sales from the prior year was realized – at a total of UShs 57.5 billion.

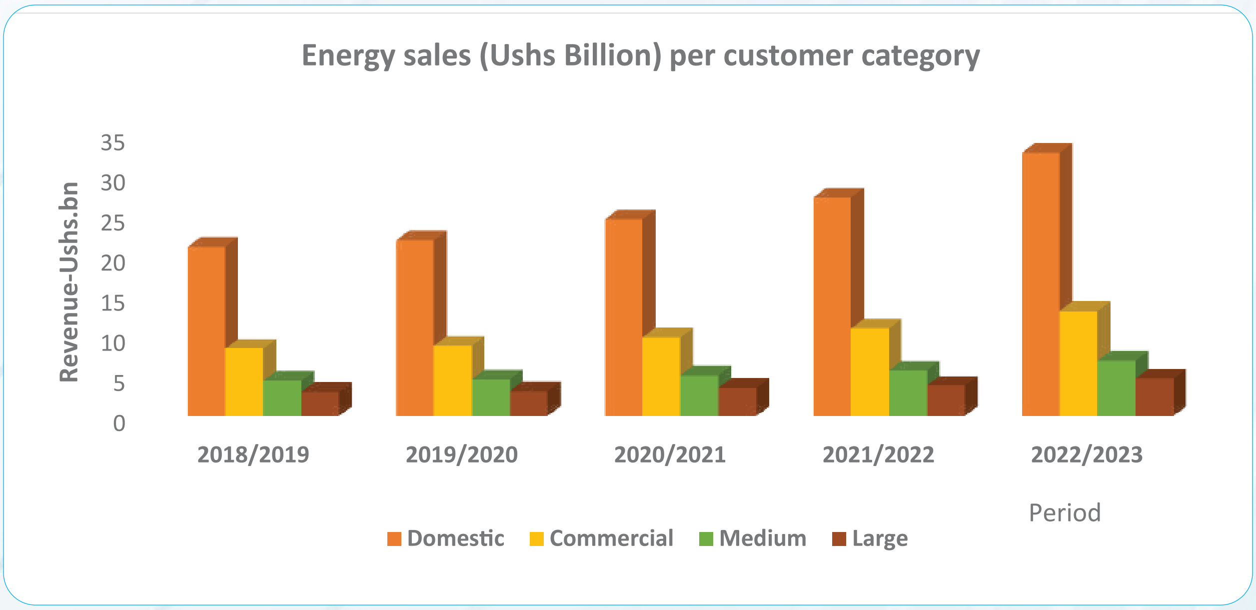
The projections for the period were however not met mainly as a result of low customer connections (12,540 customers remained unconnected at the year-end) owing to the halting of the government connection programmes. In addition, most of the customers on the grid are domestic in nature and their consumption rate has remained low with an average consumption rate of 28Kwh per customer compared to 30 kwh as projected.



Graph 1: Summary energy revenue for the period 2018/2019 to 2022/2023



Graph 2: Energy sales percentage of total revenue.



Graph 3: Energy sales by customer segment

Growth of Customers

The Government has launched several interventions to increase mass access to energy in line with the NDP III goals, and as a result, the customer base has grown over time. The client base had increased to 111,164 as of June 30, 2023, of which 10,886 (or 9.7%) had been acquired through the ECP Program. Unfortunately, a lack of connection materials meant that not all ECP candidates were connected before year's end.

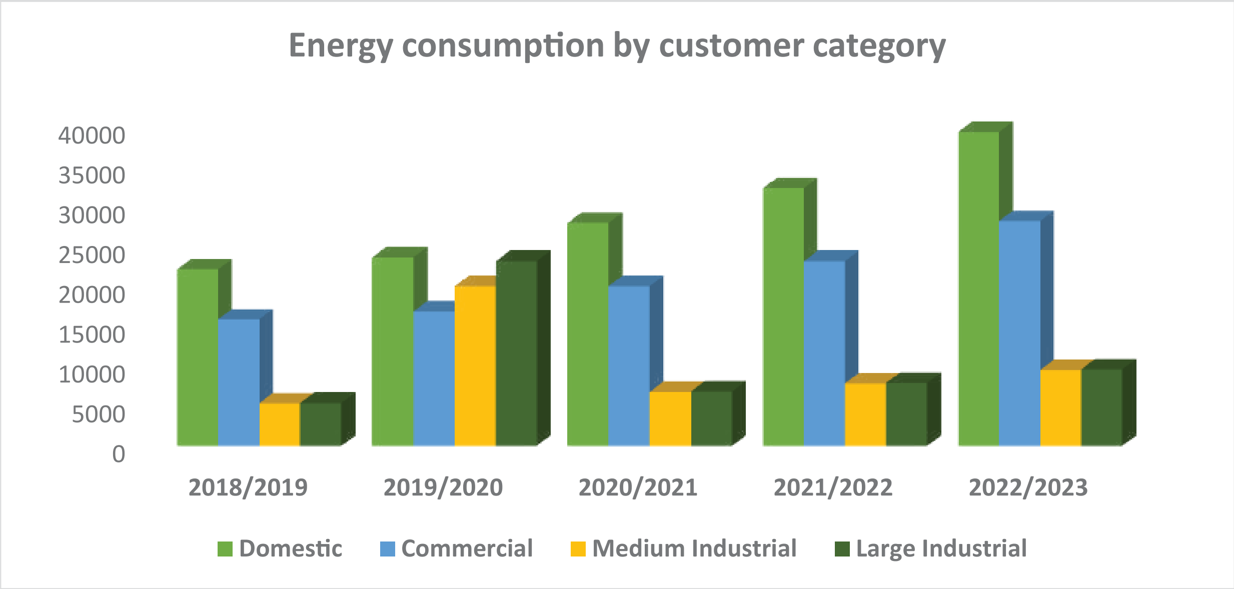
However, throughout the previous five fiscal years, the customer growth rate per category has been less than anticipated, particularly for big and medium-sized industrial clients.

Table 1: Cumulative customer base per category from FY 2018/2019 to 2022/2023.

Customer category	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Domestic	65,926	76,794	87,095	94,390	108,110
Commercial	1,666	1,941	2,164	2,459	2,917
Medium Industrial	81	94	102	112	128
Large Industrial	5	6	7	8	9
Total	**67,678**	**78,835**	**89,368**	**96,969**	**111,164**

Customer energy consumption

At the end of the financial year a 22% increase in consumption was registered partially in relation to a customer growth of 15%. Nevertheless, despite the increase, energy sales performance fell short of expectations, mostly due to low rates of home and commercial customer consumption.



Graph 2: Energy consumption per customer category

Energy Losses

UEDCL's energy loss management has improved over time, going from 25% in 2022 to 21% as of June 30, 2023. However, this is still more than the ERA-approved target of 20.1%. Since 2018, several hydroelectric power plants have come online. These plants, which are a part of the UEDCL network, are producing overloads during evacuation, resulting in significant technical losses.

Technical Losses

The cause of the losses is the evacuation of embedded mini hydro power plants that have been operating since 2018. Newly commissioned distribution lines with no-load transformers are also a cause of these for the losses. These transformers totaled 351 at year's end.
However, at the same time, distribution losses were somewhat lower than the year before because of fewer evacuation losses brought on by the Siti dam, where evacuation via the transmission network started in October 2022.

The causes of the commercial losses include: widespread power theft, where customers interfered with our energy meters, particularly the three phase ones; unauthorized network connections; and some malfunctioning meters that were replaced and are still being replaced. The perpetrators of the detected power theft were disconnected and billed for the fraudulent activity within the allotted time.

EBITDA/profitability:

EBITDA decreased from Ugx 19.1 billion to Ugx 14.8 billion throughout the year, a 23% decline. The main reason for this was that the Regulator provided a one-time payment during FY 2021/22 to help with the reconstruction of an electronic asset registry for the national distribution asset. Since this is a unique endeavor, it is not an issue for operations.

It is important to note that the FY 2022–2023 saw an after-tax loss despite the positive EBITDA. This is mostly due to the significant depreciation cost associated with the distribution network's capital investment, which is not recovered in the end-user tariff. The business's capacity to maintain a stable financial position is still threatened by this situation.

Due to the increase in customers, which raised the amount of energy bought, the cost of sales increased in comparison to FY 2021/22. This is on top of the end customer tariff's modest increase over time. The burden of managing an aged fleet and paying third parties for projects that REA finished before turning them over to UEDCL affected other operating expenses. As more members of the current team were added, employment expenditures increased as well.

Total Non-Current Assets growth by 2%:

- Acquisitions/additions of property, plant and equipment.
- Umeme additions especially under the hybrid connection program (Ushs 50billion), UEDCL constructed lines worth Ushs 21 billion.

Current Assets - a slight drop was recorded:

- Inventory reduced arising from increased connections and network maintenance.
- Increase in trade receivables of 8% arising from; tax credits and arranged prepayments for supply for critical services such as software licences, support and upgrades.

- Amounts due from third parties including credit extended to the pole plant customers.

Non - Current liabilities

A slight increase of UShs 33 million majorly resulting from additions to the leased assets with Umeme. At the same time, there were additions made to the leased assets during the year.

Current liabilities, a 16% drop:

- Settlement of the outstanding amount to UETCL relating to evaluation losses for the prior periods that were offset to retained earnings.
- Increase in the statutory obligations resulting from increased staff numbers and inflationary adjusted salaries.
- Advance from rental customers relating to the three months' rent (July, August, September 2023) billed at the end of the quarter.


GOVERNANCE

THE BOARD OF DIRECTORS

Francis Tumuheirwe
BOARD CHAIRMAN

Mr. Kalanguka – Kayondho
DIRECTOR

Dr. May Christine Sengendo
DIRECTOR

Mr. Godfrey Mundua
DIRECTOR

Mr. Christopher Mugisha
DIRECTOR

Eng. Cecilia Nakianda Menya
DIRECTOR

Ms. Elizabeth Kasenene Rumanyika
DIRECTOR

Mr. Mwesigwa Paul
MANAGING DIRECTOR

Dr. Isabirye Brian
DIRECTOR

TOP MANAGEMENT

Mr. Mwesigwa Paul
MANAGING DIRECTOR

Ms. Naikoba Esther Mulyagonja
COMPANY SECRETARY

Eng. Tibyakinura Protaze
CHIEF TECHNICAL SERVICES OFFICER

Mr. Awateh Moses
CHIEF LOGISTICS & PRODUCTION OFFICER

Ms. Jacqueline Kiwanuka
CHIEF FINANCE OFFICER

5.0 GOVERNANCE

Board of Directors:

On behalf of its shareholders, the company's nine-member Board is in charge of providing leadership, ensuring compliance, and overseeing performance. The Chairman is in charge of overseeing the Board's direction and efficacy in all facets of its work. The Directors discharge their duties independently, in engaging and guiding management in the execution of their duties. As far as performance is concerned, the Board routinely guides management on matters of business policy and practice. The Board of Directors ordinarily carry out their functions through Board meetings.

Composition and functions of the Board:

The Board, as is the law governing appointments, is constituted by its shareholders with a diversity of knowledge and experiences. The Directors' profiles can be viewed on page24. The functions of the Board are contained in a Board Charter that is reviewed from time to time to ensure that members are aware of their duties and responsibilities as well as the various legislation and regulations that govern their conduct. This in turn ensures good corporate governance.

As a Policy Board, it makes medium-term policies and strategies, ensures regulatory compliance, monitors key policy implementation and internal controls. It reviews financial statements, internal and external audits and promotes ethics within the company. It also appoints the Managing Director and senior management and monitors their performance.

The Managing Director reports to the Board on a quarterly basis and more frequently when necessary.

Board Charter:

In accordance with the Board Charter, the directors of UEDCL are chosen at the Annual General Meeting based on nominations made by the Board. In recognition of the various legal instruments from which UEDCL arise and the Memorandum and Articles of Association of UEDCL, applicable best practice and appointment requirements.

The Board Charter sets out the role, function, composition, responsibilities, powers of the Board and how they shall be exercised. It also describes the membership and mandates of the different Board Committees. The international best practices for sound corporate governance that UEDCL accepted include this charter.

Board Induction and Training:

Following their appointment, which is currently staggered, each Director receives a comprehensive induction. This includes relevant documentation, site visits and meetings with senior management to enable them get an understanding of UEDCL. Additionally, the Board of Directors received training on Sustainability, environment, climate change, society and good governance

During the year, directors attended a training on risk governance and management for sustainability. The training enabled them to appreciate the ESG challenges, risks and opportunities and how to integrate effective ESG thinking into corporate strategic decision making and implementation.

Board Evaluation:

The Board acknowledges the need to continuously assess and improve its effectiveness and processes as well as those of its committees, the Chairman and each of the individual Directors. These evaluations are carried out annually and will be published in the company annual reports for the information of the shareholders and other stakeholders.

Board and Management engagements:

The Board and senior management interact regularly both at the Board and Committee meetings, the Annual Board / Staff Strategic Retreat and during client and Project visits. Members of senior management attend both Board and Committee meetings and present proposals and reports. Directors are at liberty to engage with senior managers directly on matters of interest or concern to obtain information.

Board Meetings in FY July 2022 to June 2023:

The attendance of Board meetings in the financial year 1st July 2022 to 30th June 2023 was as follows:

Director	27.07.2022	26.10.2022	20.12.2022	28.02.2023	29.03.2023	27.06.2023
Francis Tumuheirwe	√	√	√	√	√	√
Cecilia Menya	√	√	√	√	√	√
Godfrey Mundua	√	√	√	√	√	A
Christopher Mugisha	√	A	√	√	√	√
Kalanguka- Kayondho	√	√	√	√	√	√
Paul Mwesigwa	√	√	√	√	√	√
Elizabeth Kasenene	√	√	√	√	√	√
Brian Isabirye Eliphazi	√	√	√	√	A	√

√ = Attended; A = Absent with apology; N/A = Not appointed yet; 28.02.2022 = AGM

Delegation of authority

To ensure efficiency within the governance structure and comprehensive focus on critical company issues, the Board has constituted three Board Committees with clear terms of reference and reporting requirements and delegated some of its functions to them. They include:

1. The Finance, Human Resources and Administration Committee
2. The Audit and Risk Committee
3. The Technical Committee

The Board maintains a clear delegation of authority framework to ensure that operations of the company run smoothly within a controlled structure. The Managing Director and senior management run the operations aspect of the company business.

Board Committees:

Finance, Human Resource and Administration Committee

The Finance, Human Resource and Administration Committee of the Board of Directors was established with the responsibility of monitoring the quality and integrity of financial reporting, and review of budget performance. The Committee is also responsible for skills development and remuneration.

Audit and Risk Committee

The Audit Committee has the responsibility of ensuring the effectiveness of the internal controls and risk management systems. The Committee supports the Board to execute its duties and responsibilities in accordance with its mandate regarding; oversight of the activities of the internal audit function, effectiveness of the internal control environment and risk management processes.

Technical Committee

The committee is responsible for assessing the Company's performance in distribution concession monitoring and evaluating the Company's performance at maintaining the Integrity of the distribution network and related assets.

Conflict of interest:

Every Board/Board committee meeting is preceded by a declaration of interests on the matters that are on the agenda. In a case where there are material interests, a member is recused from the meeting and does not participate in the decision-making on the particular matter.

Board Diversity:

The Board is committed to prioritising diversity in determining the optimum composition of the board in order to enable it to discharge its duties and responsibilities effectively.

The Board considers diversity to include diversity in terms of skills, commercial and industry experience, knowledge, background, culture, age, race, gender and other distinctions between members of the Board. When selecting Directors, the process is based on similar criteria.

The Board is also in support of management's actions to increase the proportion of senior leadership roles held by women and other under-represented groups.

The collective skills & experience of the existing Board of Directors includes; • audit & accounting • financial analysis & reporting • risk management & control • corporate governance & regulation skills & experience • financial services /banking • business strategy • digital/technology • engineering and energy sector-related skills and experience • public finance management.

Separation of the role of the Managing Director:

In compliance with the Board Charter, the Board does not have operational involvement in the UEDCL business and operations. The Board's roles are restricted to setting and reviewing policy and strategy direction for the company. Operational management is the preserve of the Managing Director.

Company Secretary and Legal Services:

The Board appoints a Company Secretary as per the various requirements of the requisite regulations and corporate governance. The Company Secretary has a key role to play in ensuring that Board procedures are followed and reviewed regularly and has the responsibility in law to ensure that all Board members are made aware of and provided with guidance as to their duties, responsibilities and powers.

The Company Secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the functions of the Board or otherwise required for its efficient operation.

The Secretary also keeps the Board updated of relevant changes in governance best practices and other relevant legislation. The Company Secretary also oversees the director’s continuous development and induction to enable the Board function effectively.

The legal department was able to fulfil its mandate of providing legal advisory and secretarial services to the Board and Management.

The department continued to manage stranded liabilities arising from the Uganda Electricity Board, including wayleaves liabilities for electricity distribution infrastructure and pension related claims. These liabilities continued to grow without a source for financing.

The liability for wayleaves for power lines is not recognized in the electricity tariff on the grounds that this is a Government liability for which electricity users should not be made to pay.

UEDCL will continue to engage the relevant stakeholders to ensure that all its financial obligations that are not accommodated by the electricity tariff can be funded.
Board of Directors:

As the governing body, the Board governs risk in a way that supports the company achieve its corporate strategy. The Board takes overall responsibility for risk management with a formal process implemented for managing risk. The Audit and Risk Committee oversees the risk management processes within the Company and reports back to the Board.

ETHICAL CULTURE

Enforcing organizational ethics:

The Board provides ongoing oversight of management of ethics in the company including matters as recruitment, employee remuneration, supplier selection, and any independent assessments.

The Board exercises ethical and effective leadership by striving to ensure that all deliberations, decisions and actions are based on the principles underpinning good governance, including integrity, competence, responsibility, accountability, fairness and transparency.

The Board and Senior Management are adequately focused on ensuring adherence to the company values in order to inculcate a sound ethical culture. This is partially done by devoting adequate time to requiring regular comprehensive reporting on ethical issues as well as participating in internal communication about the desired behaviors.

Conflict of interest

Every Executive Management meeting is preceded by a declaration of interests on the matters that are on the agenda. In a case where there are material interests, a member is recused from the meeting and does not participate in the decision-making on the particular matter.

At the same time, for other committees such as Contracts or Evaluation committee or recruitment panels, a declaration of conflict of interest is required as well. Once a situation of conflict of interest arises involving UEDCL, an employee is required to disclose it to the Managing Director. As a result, they will step aside from the processes.

Policies and procedures:

The UEDCL policies and procedures on the different aspects of the business support ethical best practices. The following policies support an ethical culture:

- Conflict of Interest
- Recruitment and selection
- Sexual harassment
- Financial embarrassment
- Confidentiality
- Criminal offences
- Procurement and disposal
- Gifts and other financial and social gains
- Staff disciplinary procedure

The company recruitment policy in particular emphasizes compatibility with the company values in the promotion and hiring processes.

Additionally, the company's supply chain and outsource relationships consider and reflect the desired company values. This ensures that the ethical business culture of suppliers, clients and customers will foster an ethical supply chain for UEDCL.

SUPPLY CHAIN MANAGEMENT:

Management Responsibility:

- Establish the right structure for the company's supply chain function to ensure ethical and responsible practices throughout the entire supply chain process to promote the core principles of transparency, accountability, and sustainability.
- Provide both oversight and management of the supply chain unit by defining roles, responsibilities, and accountability for the team.
- Ensure that all necessary resources are in place and that the staff teams are working on agreed priorities, progressing to agreed time scales, and delivering the required benefits.
- Ensure that the corporate supply chain annual plan is well communicated and reported across the company.
- Identify and deliver adequate training and capacity building for all staff involved in the supply chain processes such as the contracts committee members, evaluation members and others.

Ensuring adherence to principles of supply chain:

1. **Transparency:** the company is committed to providing stakeholders with clear and accurate information about the origin, processes, and impacts of products and services. Transparency is achieved through mechanisms such as public reporting through the media and all company online platforms.

2. **Accountability:** The procurement unit ensures that all stakeholders, including suppliers, contractors, and employees, adhere to; the Public Procurement and Disposal Act, internal company policies and contractual obligations. This is done through mechanisms such as annual internal and external audits, and remediation processes to address non-compliance.

3. **Sustainability:** Sustainable practices that have been adopted by UEDCL include responsible sourcing, fair labour practices, and support for local communities.

Implementing supply chain governance:

Control of all supply chain related functions within the company is centralized at the head office in the procurement unit. This oversight provides a number of benefits; to maintain control, to provide greater transparency throughout the company, it helps with assurance of standardization of service delivery.

To effectively implement supply chain governance, the unit directly responsible for supply chain management within the company deploys the following strategies:

i. **Compliance with established policies and codes of conduct:** effort is made to comply with the applicable requirements of the Public Procurement and Disposal Act. This is achieved by continuously communicating expectations to ensure all parties involved understand and adhere to them as well as undertaking regular independent compliance reviews.

ii. **Supplier selection and evaluation:** UEDCL implements a rigorous supplier selection process that considers ethical criteria, such as labour standards, environmental practices, and social responsibility based on the Public Procurement and Disposal Act. Suppliers are regularly assessed and evaluated based on these criteria.

iii. **Supplier engagement and collaboration:** the company has fostered strong relationships with suppliers and contractors based on trust, open communication, and collaboration. There is regular engagement with the company suppliers to address potential risks, and promote achievement of value for money.

iv. **Regular reporting:** in accordance with the requirements of the Public Procurement and Disposal Authority, the company publishes periodic reports (quarterly and annual) on all procurements completed within a given financial year. Additionally, the procurement unit also publishes all notice relating to specific procurements showing the progress of these procurements at each stage as required. This is published on the company notice boards and the company website.

v. **Risk mitigation:** on a regular basis, the unit reviews the supply chain risk register to identify and mitigate risks. This proactive risk management reduces the likelihood of disruptions and costly legal repercussions.

RISK MANAGEMENT

6.0 RISK AND COMPLIANCE

Management:

The Management Committee is responsible for ensuring that operational management considers and implements the appropriate risk responses. The Committee ensures that risk management is performed continuously and that updates and reports are submitted to the Board annually.

Management reviews the corporate risk register to ensure risks are being managed effectively and that sufficient attention is being paid to reducing risk items where the risk is considered high.

Risk is managed at an operational level with each department and section maintaining their own risk registers, which are in turn consolidated at corporate level where risk is reviewed by Internal Audit and subsequently the Audit and Risk Committee.

Management is also responsible for all compliance requirements across the different business operations. The company compiles an annual compliance report with the Regulator that covers the different aspects of the business including legal, financial, technical operations as well as safety and environmental requirements. This report is subjected to a review and assessment by the regulator.

Internal Audit:

The role of internal audit is to provide independent and objective assurance and consulting services to help the organization accomplish its objectives. The internal audit function evaluates the effectiveness of internal controls, identifies and evaluates risks, and helps improve the organization's operations.

The function also supports the Board of Directors in fulfilling its oversight responsibilities for the internal control environment, financial reporting, legal and regulatory compliance and risk management. This role is performed through the Board Audit committee which steers and offers strategic direction to the Audit function in order to offer assurance on the status of achievement of the company mandate and the key strategic business objectives. It also helps to support compliance with applicable laws, regulations, and policies.

In addition to the assurance and consulting assignments, internal audit is also charged with the responsibility of overseeing the company's risk management process.

The UEDCL risk management process is illustrated in the diagram below:

FY 2022/2023 Summary Performance:

Internal capacity in risk management has been built through creating risk awareness and a positive risk culture throughout the company. This was done through Management arranging both individual and group training in risk management.

Additionally, the company risk register was also revised to align the risk management process to the strategic objectives of the company. The revised risk register is a tool that is used to identify, document, monitor and report on the risk management process.

Based on the results of the risk assessment, a risk based annual audit plan for the FY 2022/23 was developed with emphasis placed on audit of processes with high risks to achievement of the strategic objectives. In total Audit planned to undertake 20 audit activities however only 12 (60%) of these were implemented. In addition, 6 ad hoc activities were also performed based on management requests hence, in total 18 (90%) assignments were implemented.

Internal Audit identified gaps and weaknesses in the processes and made recommendations to Management for continuous improvement. The low staffing levels and absence of an audit software remained the major challenges that hindered the activities of the audit function.

The annual compliance report 2022 was submitted to the Regulator who verified and assessed the company compliance level at 78%. Mitigation measures were agreed to be implemented for continuous improvement in compliance.

Future Outlook

One of the activities that was not concluded during the financial year was the review of the Internal Audit Manual and formulation of a Risk Framework and the Risk Management manual. These when concluded will be the cornerstone for implementation of the 3 lines of defence model which is best practice. It is expected that these shall be completed within the first half of the FY 2023/24.

Management is also pursuing an increase in the staffing levels of the audit function as well as acquisition of audit software to improve its the efficiency and effectiveness. These are both aimed at significantly improving the effectiveness of the internal audit function and inevitably risk management within the company.

In addition, Management has created a compliance function under the Legal department that will improve the company compliance levels that were assessed at 78% in the calendar year ending Dec 2022.

7.0 MANAGING OUR PEOPLE

The planning, evaluating, and implementation of strategies for luring, nurturing, employing, and retaining human resources is the responsibility of the Human Resource and Administration department. This is to guarantee that all of our employees support and are in line with the UEDCL company strategy. We focused a lot of attention on talent management and creating a high-performance culture in 2022–2023 in order to increase our employees' skills.

Our HR strategies are essential to the company's operations. UEDCL has created systems, rules, and practices that offer a favorable work environment that draws in, nurtures, and keeps qualified and driven employees. We anticipate that by involving staff members and providing them with a positive work environment, we will be able to better serve our clients and meet our goals.

More importantly, we understand that our personnel is essential to boosting our productivity and performance in order for management to meet the strategic goal of operational efficiency. Reducing input costs is a prerequisite for achieving the strategic goal of efficiency, and this can only come from highly motivated employees.

Our policies and procedures are periodically reviewed and updated by management and the board in accordance with business needs, legal requirements, and important ILO conventions. In order to achieve this, the Board modified and adopted the Human Resources Manual during the fiscal year ended.

Staffing:

Our hiring and training practices are intended to create a workforce that is both highly productive and likely to be an extended member of the company.

Staffing trends for the past 5 years' period:

Description	June 2019	June 2020	June 2021	June 2022	June 2023
Total Number of staff	342	335	380	378	346

Most of the approved and budgeted open positions were filled by us through recruitment. At the end of the fiscal year 2022–2023, we had 346 employees. Of these, 257 (74%) were employees who were stationed in Uganda's nine service territories.

Our average retention percentage over the past five (5) years has been 95.8%.

Years Trend	2018 -19	2019-20	2020-21	2021-22	2022-2023
Retention %	97.3	96.4	97.1	98.2	89.9

Employee health and wellness:

For our employees, the company offers very competitive health and insurance benefits. A medical insurance coverage covered every UEDCL employee and their dependents (346 employees and 1,650 registered dependents). A comprehensive group life insurance coverage (which included workman's compensation) also covered every employee.

Our goals are to raise employee morale, productivity, safety, and quality of life. This gives workers the freedom to be accountable for their own health. As a result, the company set up an on-site gym that is accessible to all employees who are physically fit.

Additionally, management continues to support employees' retirement preparation by sponsoring a providend fund program for any employee who voluntarily enrolls in it. Of the 290 employees in the UEDE Employees SACCO, 43 enrolled in the insurance savings plan in order to save for a comfortable retirement.

Performance management:

The UEDCL implemented the balanced scorecard system to monitor employee performance in an effort to highlight performance accountability. The beginning of the year marks the agreement and commitment to annual work plans. To guarantee efficient implementation, the plans are created in accordance with the business strategy plan. The organization's various echelons are then informed of this.

To enable better aggregated performance over the course of the year, the entire performance review procedure is conducted twice a year. All employees have their evaluations carried out via the company's HR management information system, which ensures the validity of the procedure and makes it easier for the Human Resources department to create customized, appropriate improvement programs.

Talent development:

In our pursuit of attracting, developing and retaining key skills within the business, management continued to execute the strategy objective under people management.

In order to ensure that we have the appropriate abilities at the appropriate time in the appropriate location, we also promote ongoing professional development. In order to meet the technical criteria of their respective professional bodies, we thereby provide training programs for all of our professionally certified employees.

Staff training and development:

Every year, a corporate training plan is established in a regular manner. Our goal is to train a minimum of 50% of the workforce each time.

In order to focus on important areas pertinent to the business, 208 employees were removed from their workstations to acquire new skills in essential areas of our organization. These were taught to all levels through regional, national, and worldwide training programs.

Below is the score for the FY 2022–23:

Total staff	Staff Trained	%age	Man hours
346	208	60.1	6,800hrs

The approach makes sure that important employees receive a combination of technical training and attention to the fundamental soft skills of management and leadership.

Throughout the year, the corporation allocated 5% of its payroll to training and development.

Trainings held during the year included:

Corporate Strategy	Energy Economics & Planning
Environment Social Governance	Enterprise Risk Management
Revenue Protection	Project Planning, Design and Implementation
Public Investment Management	System Operating Regulations
Data Modelling and Analysis	Human Resource Information Systems
Energy Economics and Planning	Contract Management
Environment Management	Fleet Management
Assets Management	Quality Assurance
Corporate Governance	Marketing
Stakeholder Management	Safety (defensive driving and first aid)
International health and safety	Fire fighting and emergency response
Legal Compliance Management	Customer Care Management

Graduate trainee program:

Every year, UEDCL still conducts a graduate trainee program. The goal of this is to cultivate talent and expertise across the country, especially in the energy industry. It is included in the company's succession planning as well. Three (3) graduate trainees were appointed to substantive roles during the year. Twelve graduate trainees are still enrolled in the course. They will continue to be appointed by UEDCL to substantive roles whenever entry-level vacancies become available.

Administration and management of estates:

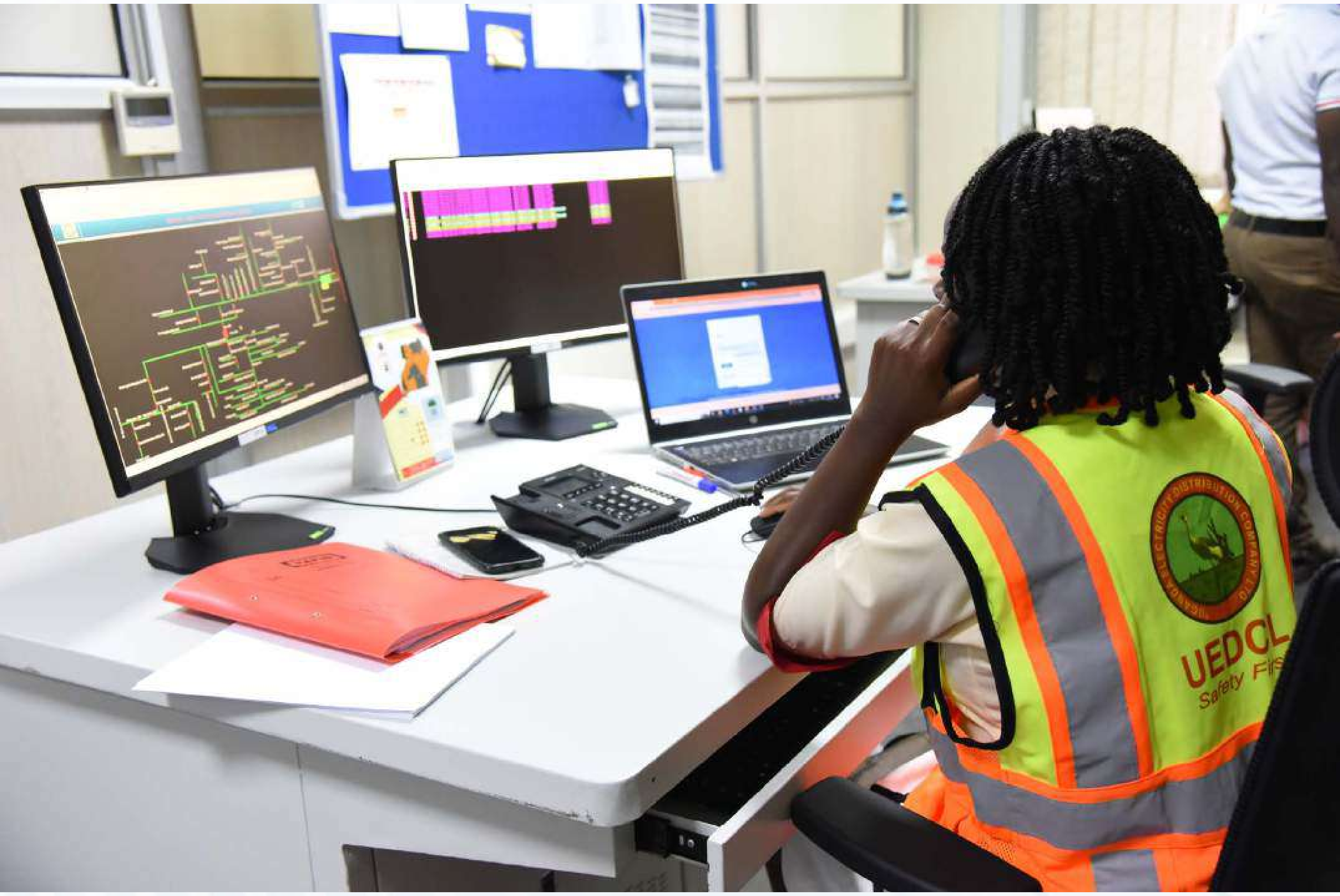
In keeping with the UEDCL strategies, the department is also in charge of general administration and estates management.

Key planned activities for FY 2023-24:

- To provide support to management in the execution of the takeovers of the private electricity concessions (including Umeme) as directed by Government. This shall include staff recruitment, induction, and establishment of fully functional office premises.
- We plan to outsource experts to support change management. This is critical at a time when a number of energy sector changes are happening concurrently. This support will enable the company execute the required mandate successfully.
- We will actively participate in the planning activities geared towards the energy sector rationalization plan of the Government of Uganda.

ENGINEERING AND TECHNICAL SERVICES

8.0 ENGINEERING AND TECHNICAL SERVICES



General Highlights

The country and the world at large were still slowly recuperating from the consequences of COVID-19 as the fiscal year started. Regretfully, an instantaneous Ebola outbreak occurred, affecting certain regions of the nation and prompting the government to declare lockdowns in the District of Mubende and its surrounding areas. The corporation was able to carry on with its regular business of distributing electricity, serving consumers all over the nation, in spite of this epidemic.

The main technical services activities revolved around the following areas:

- Operation and maintenance of the distribution network for electricity supply.
- Enhancement of customer recruitment and connection processes under different financing frameworks.

- Enhancement of ICT in order to facilitate efficient and effective electricity distribution business processes.
- Resumption of routine monitoring (following disruptions by COVID during the previous year) of the Umeme and WENRECO distribution concessions to ensure compliance with concession requirements.
- Commissioning and taking over newly developed distribution assets (by the MEMD), promotion of electricity distribution operations, and customer connections in the newly electrified areas.
- Maintaining the state of readiness for taking over electricity distribution operations in case of early termination or the natural end of the existing concessions.

The COVID-19 pandemic has (relatively) passed, but in the midst of the Ebola outbreak in some areas of the nation, the department of technical services—as well as the entire company—saw noteworthy triumphs, which are featured in this yearly report. The achievements include better electricity reliability, expanded operation coverage, enhanced readiness to take over private distribution operators' assets for electricity distribution, increased use of technology (through automation) for network operation, monitoring and control through SCADA, and increased monitoring of the WENRECO and Umeme concessions.

Achievements during the year

In spite of the outbreaks and additional difficulties related to distribution, certain accomplishments were completed, which together make up our success story. The department stayed focused on the overall strategy and focal areas of the company. We achieved successes in system automation, increased distribution asset size and value, increased steady-state of readiness for taking over concessions, increased coverage of distribution operations to 76 political districts, increased power demand and sales in the UEDCL-operated territories, and increased monitoring and verification of investments in concessioned networks through a well-thought-out annual plan. The company's focus areas of business growth and sustainability, operational efficiency, and excellent customer service aligned with all of the accomplishments.

Growth of the distribution asset

The national distribution assets (network and non-network) are owned by UEDCL. These are resources that are utilized both directly and indirectly in the distribution of energy. An electrical network with a maximum voltage of 33 kilovolts (including lines, switchgear, and related substations) is the main component of the network assets. All assets other than the electrical network, such as land, buildings, vehicles, ICT equipment, and related systems, are considered non-network assets.

Currently, several distribution operators manage the nation's distribution assets, with Umeme managing 79% of the overall assets. About eighteen percent of the distribution asset is operated by UEDCL, and the remaining three percent is operated by other small distribution operators.

a) The government's inclusion of new assets, modifications, and grid extensions resulted in significant growth in the distribution asset's size and value during the time. The most recent information on asset expansion in UEDCL and UMEME-operated territories is provided below.

Network growth in UEDCL-operated distribution network

The total expansion of network assets under UEDCL was 18% (15% growth for MV lines, 21% growth for LV lines, and 19% growth for distribution substations). This expansion was brought about by the government's rural electrification program, which extended the grid into rural areas with the goal of boosting access to power.

NETWORK PARAMETER	YEAR			
	2021/22	2022/23	Growth	Rate (%)
Network RL (LV) in km	6,404	7,809	1,405	22%
Network RL (MV) in km	8,438	9,692	1,254	15%
Transformer Numbers	3,221	3,817	596	19%
Substations	1	2	1	100%
Switching stations	2	2	0	0%

Table 1: Network Asset growth rate

In addition to raising asset values, the steady network expansion has enabled many Ugandans living in remote areas to obtain energy and raise their standard of living.

b) With 47 station offices situated in rural areas, the UEDL-operated territories now encompass 76 political districts for a total of total network coverage.

Network growth in Umeme-operated distribution network

In compliance with Section 2.16(a) and (b), Section 2.9(b) of the Lease and Assignment Agreement (LAA), and the terms of the current O&M Agreement, the concessioned networks, Umeme and WENRECO, were able to resume routine monitoring activities during the financial year due to the pandemic's gradual easing. The applicable agreement was followed in carrying out the mandates for keeping an eye on the condition of the assets used for the distribution of electricity and verifying any additions or modifications to those assets.

The distribution network experienced notable expansion as a consequence of asset acquisitions and modifications during the aforementioned operations. It should be mentioned that significant amounts of the distribution network were added to these concessioned areas by government electrification initiatives. Schedules demonstrating the expansion of different network elements in the two concession areas are provided below.

Table 2: Network growth in Umeme-operated network as at June 30 2023:

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023
Medium Voltage lines (Km)	14,216	14,972	15,298	16,636	17,257	17,689
Low Voltage Lines (Km)	19,930	20,828	21,741	22,405	22,692	23,006
Power Stations	61	62	63	65	65	74
Distribution Transformers	12,405	13,799	14,016	14,274	15,415	15,925
Customer Numbers	1,291,811	1,469,963	1,506,920	1,636,431	1,757,563	1,830,000

WENRECO operated Network

Table 3: Network growth in WENRECO operated network as at June 30 2022:

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Medium Voltage lines (Km)	571.91	571.91	629.2	700.11	881.2	951.3
Low Voltage Lines (Km)	413.05	413.05	478.1	567	621	986
Power Stations	2	2	2	2	2	2
Distribution Transformers	260	279	298	334	463	534

Electricity distribution performance

UEDCL endeavors to uphold stringent compliance requirements with the terms and conditions of the electricity distribution license, particularly concerning service quality and performance metrics that ensure business expansion and longevity. In this report, we particularly focus on performance in three key areas: power availability and reliability, distribution (energy) losses, and customer connections.

Customer Growth

The rate at which new customers are acquired and connected to the grid determines how many customers a typical utility has. Even though the government was successful in expanding most rural areas' access to the grid, customer connections remained difficult. This was caused by the absence of a reliable and long-term funding source for the last mile connections under the GOU Free connection policy(ECP). Since no materials were received during the evaluation time, no free connections could be formed.

However, it should be mentioned that throughout the time, some connections were made as a result of various activities that the MEMD and the Electricity Regulatory Authority supported. The first was the self-financing framework, which permitted Ugandans to finance all of their connections; the second was the hybrid financing framework, which permitted Ugandans to take advantage of a pre-arranged loan facility from UDB, receive a tariff subsidy, and pay a portion of the remaining connection costs.

Only 42.3% of the intended connections (14,195 out of the 33,518 connections) were made by UEDCL through the aforementioned programs. As a result, the overall cumulative client count increased by 14.6% to 111,164.

We have 14,066 cumulative pending ECP connections as of June 30, 2023. Although these had fulfilled all the prerequisites for last-mile connections, they lacked the materials necessary to carry out their physical connections. This remained a significant obstacle to the provision of power throughout all nine service territories.

Energy loss performance

The problem of evacuating the mini-hydro plants via the electricity distribution network has not been resolved by the Ugandan government yet. Nonetheless, throughout the year, the programs and projects continued, and their effects were little. The government was working on a number of projects, including the Agago 132kV/33kV substation and related transmission line to evacuate Achwa dams and the Muzizi 132kV/33kV substation and connected transmission line to evacuate Nkunsi and Bukinda mini-hyro plants.

The ongoing stress on the energy distribution networks caused by the evacuation of mini-hydro power plants has an effect on the overall distribution losses incurred by the electricity industry.

UEDCL recorded an average yearly distribution loss of 42% for the year. This represents the whole of UEDCL's potential losses as well as the losses brought on by the mini-hydro plant's power being largely evacuated through the distribution system. The total distribution losses, the losses attributable to UEDCL operations, and the evacuation losses component are all graphically represented in the figures below.

A little bit more than the 20.1% loss factor specified by ERA, UEDCL's commercial and technical losses during the period under review were 21%, with evacuation from mini hydropower facilities accounting for 21% of the total.

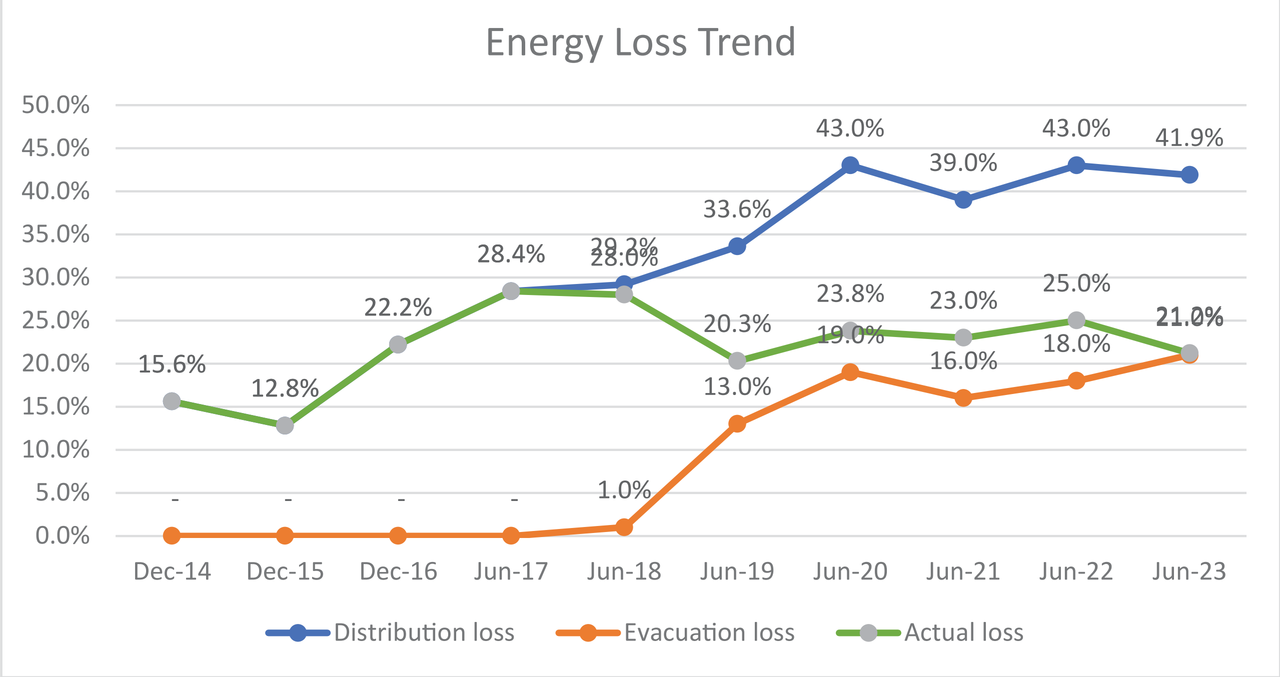
Power availability

The SCADA system was established and successfully put into service in December 2022 of FY 2022–2023, with the goal of enhancing network monitoring and control. As a result, the SCADA system was initially used for remote network control and monitoring throughout half of the evaluation time. As a result, there was a noticeable decrease in the restoration time, which enhanced power availability.

We recorded a 91% system availability index during that time. Even with the improvement, this performance fell short of the 95% target. When we integrate more field points into the SCADA system, this performance will steadily get better. Just 58% of all potential feeders and connecting points were covered by the first link. These have persisted in throwing off the entire show. The strategy is to continue increasing this SCADA coverage every year until we reach 100%. By doing this, the power availability index will rise significantly to the intended 95% level.

It should be mentioned that electricity reliability has also been compromised by network vandalism. When network components are stolen or networks are vandalized, it is frequently not viable to restore power immediately.

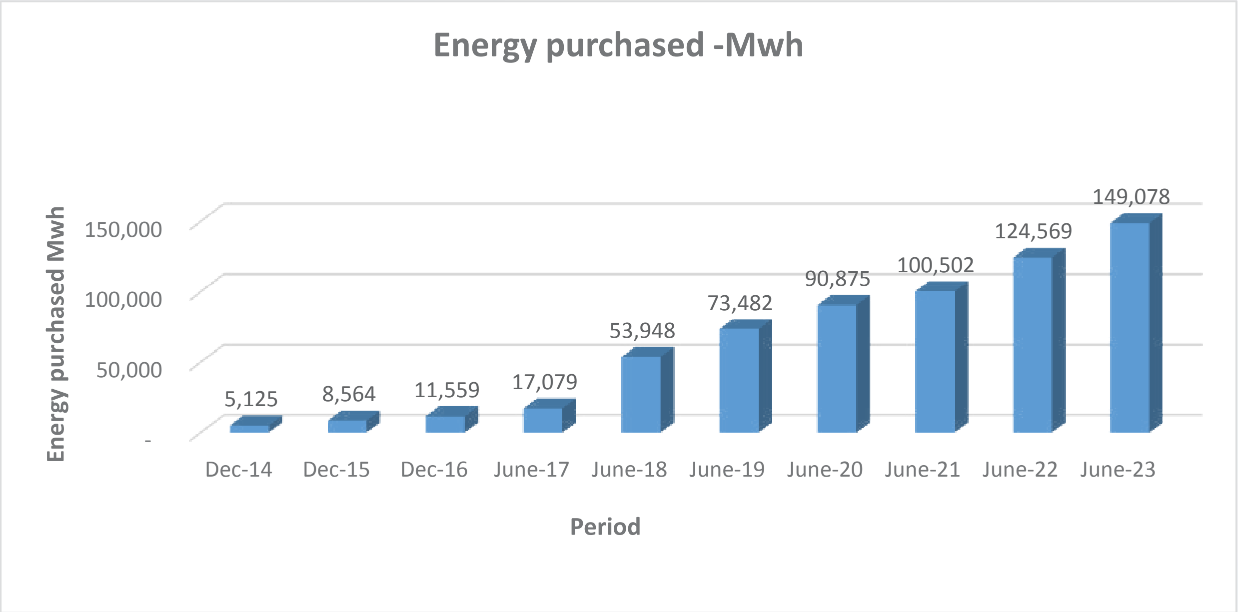
The figure below shows the monthly average availability trends during the year.



Bulk energy purchases

During the period, we observed an increased rate of connection for self-financed commercial customers. As a result, there was a substantial increase in bulk energy purchases. The total bulk energy purchase during the year was 149,078 MWh, representing a 20% growth from the previous period.

The graphical representation below shows the performance of energy purchases for the past ten years



Our consumption patterns are still dominated by the shoulder (representing 50%), followed by peak (representing 32%), and only 12% of the power consumed during the off-peak period. There is a need for enhanced productive use of electricity to increase demand in all the territories under UEDCL.

SAFETY, HEALTH AND ENVIRONMENT IS EVERYONE'S RESPONSIBILITY

9.0 SAFETY, HEALTH AND ENVIRONMENT IS EVERYONE'S RESPONSIBILITY

The Uganda Electricity Distribution Company Limited (UEDCL) is devoted to managing its operations in a way that preserves the environment and the health and well-being of its workers, customers, animals and other wildlife.

The safety, health, and environmental practices, policies, and procedures established by the UEDCL give a way to continuously improve safety, health, and environmental issues while also serving as a set of guiding principles to guarantee that high standards are met.

Because of this, it is crucial that UEDCL's SHE management arrangements keep developing to reflect shifting local and national goals as well as new legal and best practice requirements. The management and board of UEDCL recognize the delicate nature of the "electricity" product we deal in, which is why we are determined to provide safe power to each of the nine service territories in order to support social and economic transformation.

SHE is one of the audits that UEDCL, a regulated entity, is subject to in any given fiscal year. For compliance, the organization also keeps in contact with other parties such as NEMA and the Ministry of Gender, Labor, and Social Development. The necessity of an ESG strategy as a benchmark for ESG firm goals and thorough reporting is recognized by the UEDCL Board. UEDCL is undertaking measures to close the ESG identified gaps in the subsequent financial year.

HEALTH

Promoting employee wellness: The maxim "prevention is better than cure" is well known. Indeed, increased productivity and better corporate success depend on a healthier workforce. Every Thursday of the week, we have organized workout classes for all head office employees, and attendance has been incredibly high, drawing guests from other organizations that we host in the tower. Every district office is urged to set aside time on Thursdays for staff to work out, provided that the territories have playgrounds and other amenities.

Our staff is diverse and represents the areas in which we operate, something we are proud of. Our welcoming workplace promotes the health, happiness, and development of our employees.

BUSINESS CONTINUITY PLAN (BCP)

In the event of a disaster, UEDCL will be able to continue operations thanks to its business continuity plan. This was put to the test during the most recent outbreaks of EBOLA and COVID-19. Because electricity continues to be a significant factor in health management, the corporation was able to carry on with its business activities.

OCUPPATIONAL SAFETY

Throughout the company, the UEDCL Board and Management have made employee and customer safety a top priority. All employees have easy access to ambulance services and approved first aid protocols in case of an emergency at work.

STAFF TRAINING:

Building capacity is a key idea on the board agenda of UEDCL, with approval from the Electricity Regulatory Authority (ERA), in an effort to realize the company's strategic goal. UEDCL realized an average of 6 hours of training per employee in the year of reporting, providing 5,272 hours of training to 314 employees. Training on the International Health and Safety Passport (ECITB), the PPE usage tracking system, systems operating regulations, the proper use of personal protective equipment (PPE), safety communication, safety audits, emergency response, firefighting, and safe driving and riding techniques were all included in this.

Environment

One of the main initiatives of the UEDCL board is environmental sustainability. The board has approved strategic guidelines on the environment in order for management to operationalise. As a power distribution utility, UEDCL is aware of how the environment affects its business and works to reduce waste, greenhouse gas emissions, and other air pollutants.

The company takes care of hazardous materials in compliance with current policy and collaborates with stakeholders to identify ecologically acceptable solutions.

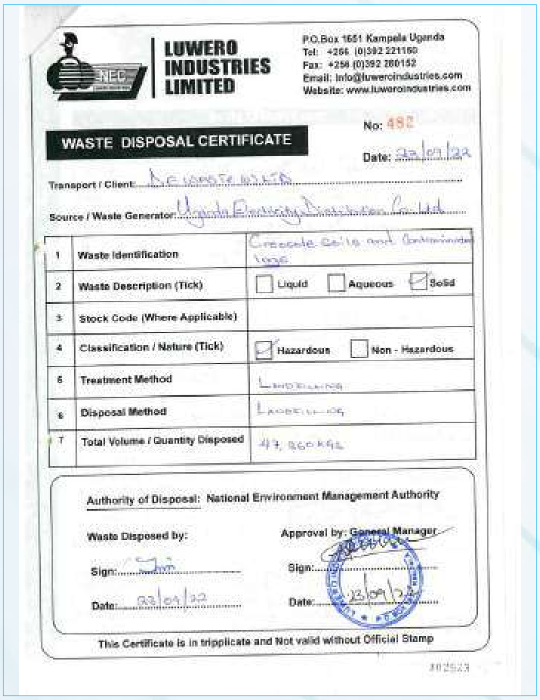
Environmental Sustainability

Tree planting

In collaboration with the National Forestry Authority (NFA), the business obtained a license to establish a 32-hectare commercial forest. UEDCL launched a tree-out growing program in 2013. A total of approximately 344,400 eucalyptus tree seedlings were given to twenty-eight (28) out grower **farmers. Enhancing social livelihoods and** contributing to the carbon cycle were the two company strategic goals.

Waste Management

“Reduce, reuse, recycle” is the simple motto that UEDCL abides by in order to minimize the negative consequences of waste accumulation. In the financial year 2022–2023, UEDCL made major progress in efficient waste management. De-waste handled the draining, storage, and disposal of 47.860 tons of contaminated spent transformer oil, polluted scooped soil, and contaminated creosote soil gathered from pole plant and worn-out pole beds by a NEMA-licensed firm. Desilting avenues and drainages must be included in all substations using the Board approved climatic risk reduction solutions.



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Email: info@luweroindustries.com
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WASTE DISPOSAL CERTIFICATE

No: 482

Date: 23/09/22

Transport / Client: De-waste (U) Ltd

Source / Waste Generator: Uganda Electricity Distribution Co. Ltd

1	Waste Identification	Creosote soils and Contaminated logs
2	Waste Description (Tick)	☐ Liquid ☐ Aqueous ☑ Solid
3	Stock Code (Where Applicable)	
4	Classification / Nature (Tick)	☑ Hazardous ☐ Non - Hazardous
5	Treatment Method	Landfilling
6	Disposal Method	Landfilling
7	Total Volume / Quantity Disposed	47,860 kgs

Authority of Disposal: National Environment Management Authority

Waste Disposed by:

Sign:

Date: 23/09/22

Approval by: General Manager

Sign:

Date: 23/09/22

This Certificate is in tripplicate and Not valid without Official Stamp

102523

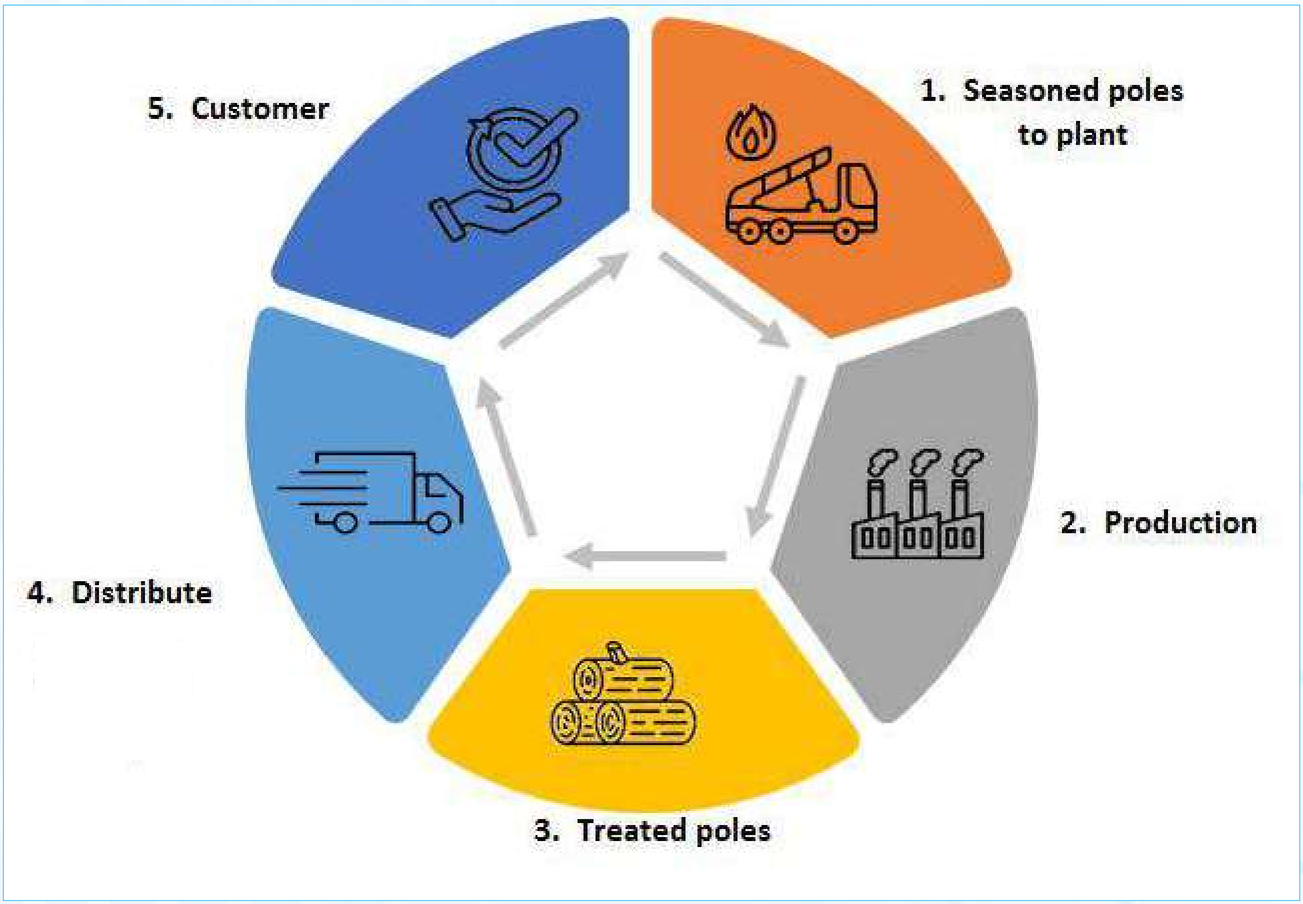
POLE PRODUCTION PLANT& LOGISTICS

10.0 POLE PRODUCTION PLANT& LOGISTICS

Historical Background:

Two years after Owen Falls Dam, the nation's first power plant, was put into operation in 1954, the Lugogo Pole facility was built. One of the assets transferred to UEDCL after the Uganda Electricity Board (UEB) was dissolved was the pole plant. The Plant has been run as a self-sufficient business entity since the early 2000s. It buys seasoned poles from farmers and uses a chemical called creosote oil to cure them. The treated poles are exported to neighboring nations and also used in areas where UEDCL distributes power. They are also sold to UMEME, REP, and other private contractors. The plant is ISO certified under ISO 9001:2015 Quality Management System and US EAS 322:2002 Product certificate.

Pole Plant Business Model:



8.1 Table 7: number of poles sold:

	FY2022/23	FY 2021/222
Sales Category	**Pole Quantities**	**Pole Quantities**
Sold poles (Other Customers)	12,163	12,786
Poles to territories	4,323	2,063
Total Poles sold	16,486	14,849
Budgeted Poles	**20,000**	**27,894**

8.2. Poleproduction

Pole Size	9m (medium)	9m (Stout)	10m	11m	12m (Medium)	12m (Stout)	14m (medium)	14m (Stout)	**Total**
No.of Poles	869	139	5846	2	609	4985	394	1504	**14,348**

Table 8: Total poles treated:

A total of 14,348 poles were treated during the period, 7% of these were 9m, 40% were 10m, 0.014% were 11m, 38.99% were 12m and 13% were 14m.

8.3. Quality and Standards:

Meeting the requirements of the National Environmental Management Authority (NEMA) and Uganda National Bureau of Standards (UNBS) is necessary to maintain the 1SO 9001:2015 Quality Management System and the US EAS 322:2002 Product certificate. Audits were carried out during the reporting year, and the board and management took responsibility for closing any deficiencies that were found. This is in anticipation of the company's plans to continue operating the facility and grow its business as it looks to provide additional goods including CCA Poles and concrete to the market.

The production of poles is anchored on the quality standards adopted by the company.

Certificate
ISO 9001:2015 Quality Management System
US EAS 322:2002 Product certificate

The Green Drive:

The origin of the raw materials used in the manufacturing of the poles is taken into consideration by the Board and Management. A comparable five-year green strategy has been put into place in response to this concept.

Tree Planting:

Kyampisi

In Kyampisi, thirty acres of trees were planted, and they are still there. In order to create space for the concrete plant, CCA, and creosote, a tree ring has been established around the 75 acres. To plant and care for the trees, local communities were employed in line with a reservation plan that the PPDA authorized as requested by UEDCL.

Walumwanyi

After UEDCL secured a lease for the 32 hectares, efforts were the attuned to having it planted with right species of trees using the local communities under the reserve strategy the PPDA. The company has fulfilled its corporate social duty of empowering and transforming local communities near its installation. This reserve scheme targets the mothers, people living disabilities (PWDs) and other vulnerable categories.

8.4. Fleet.

The company's fleet has not increased significantly, but great effort has been made on a constant basis to keep it in good condition. This is achieved by putting in place a regular maintenance schedule, offering dependable service, and selecting qualified garages for repairs. efforts to increase the fleet's size in accordance with the company's expanding geographic reach are defined in the strategic plan.

In order to maintain the fleet in compliance with regulatory requirements and best industrial practices, the following tasks were finished during that time:

Fleet Inspection/Valuation

A third party, the Ministry of Works and Transport, conducted the firm fleet inspection and valuation operation and issued the valuation report. The Ministry of Works and Transport released the fleet report. According to the survey, the majority of the cars have extremely low book values.

New Fleet Addition.

Three brand-new automobiles were bought during this period. The idea behind this was to revitalize the aging fleet. To keep up with the always rising field demands, greater efforts are being made to expand the fleet of new cars.

9.0. Capacity Enhancements.

Four large trucks have been purchased by the company to serve its general bulk transport needs. For the purpose of moving vehicles in bulk (the trailer), one truck is set aside. Pole carriers and lifting cranes were added to the three trucks in order to increase their capacity. The vehicles are now versatile thanks to this initiative, and the areas are benefiting from it. The trucks facilitate the mass transportation of network consumables, transformer pickups, and loading poles.

Vehicle Telematics

In order to improve sustainability, efficiency, and safety, the company implemented a strong track and trace system that enables round-the-clock fleet surveillance. The track and trace tool has improved the fleet management team's ability to locate users and handle emergencies. The entire fleet, including the motorcycles in the territory offices, has been implemented with this. All users of the business cars received a copy of the Transport and Fleet Management Policy, which was implemented to increase safety. Management attends regular driver education sessions with a focus on road safety, fleet maintenance, and defensive driving.

Automated Fuel Management System.

Fuel and Fleet Management technology (FFMS), a powerful technology, provides the organization with an automated fuel management system. This device keeps track of the mileage driven before refueling and allows for immediate transmission of gasoline consumption at the station. The solution improves seamless responsibility for gasoline supply and vehicle usage and allows prompt detection of any misuse of fuel resources.

9.1. Stores:

In order to keep operations running well throughout all UEDCL territories, the stores function is crucial. The central stores in Butto and Lugogo have received and received all of the project materials. After that, the materials are shipped via our transportation network to the designated territories. In the future, the company intends to open larger locations to accommodate the growing need for storage.

Prospects for the financial year 2023-2024

With the start of the Ministry of Energy and Mineral Development project, we anticipate that the treated pole business market will expand.

We expect that shortly ECP work will resume, which will raise UMEME consumption of our poles and open up the market in the UEDCL territory.

Contractors would have access to funds from the Ministry to implement various line refurbishment initiatives across the nation.

After the contract with the project supervisor for Kyampisi construction is signed, the contractors for the supply and installation of the production machinery for CCA, concrete, and creosote oil should be hired.

Renovations being made to the storage areas (Butto and Lugogo)

11.0 INFORMATION COMMUNICATION TECHNOLOGY

OVERSIGHT:

Information and communication technology is governed by the Board of Directors in a manner that facilitates the establishment and accomplishment of the company's strategic goals. The Technical Committee has been given the responsibility of managing UEDCL's ICT environment by the Board as part of its focus on business resilience. The Board authorizes additional ICT investments when needed and kept reviewing the current technology to boost its output.

OPERATING FRAMEWORK:

Information communication technology regulations and procedures control UEDCL's ICT environment. The policies outline management's plans for overseeing operations and undertaking tasks in compliance with applicable laws and regulations as well as ICT best practices. The plans or procedures for ensuring and upholding the availability, confidentiality, and integrity of all ICT assets are represented by the policies. ICT is managed in the ICT section. This section offers ICT services to optimize the company's performance.

STRATEGIC FOCUS:

Information, Technology, and Communication (ICT) are dynamic and offer a competitive advantage over outdated procedures and technology, as acknowledged by UEDCL. Consequently, more is being done in the fields of research and development to take advantage of emerging technology.

UEDCL is going to invest more in Information, Communication, and Technology (ICT) and train staff members to be more proficient in using it and to stay up to speed with new developments in the field. The initiative mentioned above seeks to increase customer service effectiveness and operational efficiency. We will make use of the current systems and update them as needed to accommodate our clients' evolving needs.

To support this vision, key strategic objectives were established for the short and medium term:

i. Implement advanced technologies and solutions to modernize and optimize our power distribution grid, enhancing reliability, efficiency, and resilience

ii. Enhance the customer experience by providing personalized and interactive digital solutions, enabling self-service capabilities and proactive engagement.

iii. Establish robust data management and analytics capabilities to derive actionable insights for efficient grid operations, asset management, and strategic decision making.

iv. Upgrade our ICT infrastructure to ensure scalability, security, and reliability, supporting digital transformation initiatives and future growth.

v. Strengthen our digital security measures to safeguard critical infrastructure, customer data, and ensure operational continuity.

vi. Foster a culture of innovation, explore emerging technologies, and collaborate with partners to drive continuous improvement and develop future-ready solutions

PERFORMANCE DURING THE YEAR:

Within our organization, the ICT sector has significantly improved security, resilience, and operational efficiency. These accomplishments demonstrate our steadfast dedication to using technology to promote long-term growth and provide value to our stakeholders.

There have been a lot of notable successes and developments in the field of information and communication technology (ICT) in the last year. Below is a list of the major accomplishments that have boosted our organization's productivity, adaptability, and creativity:

☐ ICT infrastructure upgrade:

- Upgraded UEDCL electricity vending systems to TID compliance:

- The UEDCL electricity vending systems were successfully modified by our team to adhere to Transaction Identifier (TID) regulations. This significant improvement ensures a smooth transition and continued compatibility by launching the TID rollover project and bringing our systems into compliance with industry best practices.

☐ Digital security and risk management:

- Established disaster recovery links with service providers:

- In order to facilitate quick and effective recovery in the event of unanticipated disruptions, we have forged strong disaster recovery connections with banks and telecom companies. Through the mitigation of potential risks and the guarantee of continuous services to our clients, this effort strengthens our business continuity plan.

☐ Ensured Information Security Measures:

- Throughout the year, information security remained a top priority, with strict procedures in place to protect our digital assets. This strengthened our defenses against any attacks and weaknesses and included consistent database backups, frequent antivirus updates, and careful implementation of system fixes.

☐ Innovation and Collaboration:

- Direct Integration of Third-Party Service Providers with Internally Developed API

- We successfully finished the direct integration of outside service providers with our in-house designed API through smooth teamwork and technical know-how. This accomplishment led to significant cost reductions in addition to process streamlining.

☐ **Customer-Centricity:**

- Achieved 95% system availability uptime:
- Through unwavering attention to performance and dependability, we were able to maintain an amazing 95% system availability over the course of the year. Our commitment to provide our clients with seamless and uninterrupted services is demonstrated by this high degree of availability.

☐ **Routine preventive maintenance for continued productivity:**

- To avoid downtime and maintain efficiency in all operational areas, our team meticulously performed routine preventative maintenance on corporate devices. Our dedication to preserving the best possible performance and dependability in our ICT infrastructure is demonstrated by this proactive approach.

☐ **Conducted comprehensive user training:**

- Understanding the value of user empowerment, we held training sessions to provide our employees with the abilities and know-how to efficiently utilize our ICT systems. These initiatives improve system utilization throughout the company and increase user competency.

12.0 CUSTOMER SERVICE

UEDCL is pleased to deliver dependable, high-quality, and secure power to homes and businesses throughout Uganda. In order to provide our clients with a first-rate experience, this is combined with our ongoing pursuit of service delivery improvement.

We make every attempt to fulfill our mandate and, ideally, surpass their expectations in accordance with our strategic objectives.

To maintain our dedication to providing exceptional customer service, several interventions were implemented during the year inside the company's customer service structure. In order to efficiently run the company's call center, we created and put into place Standard Operating Procedures, or SOPs. Guidelines for consumer protection were also established in order to safeguard our clients' interests. These rules complied with best practices, relevant regulations, and the current Electricity Act.

In order to connect with our clients and express our gratitude and support, we have also taken part in a number of CSR events, including blood drives in Moroto, community cleanup efforts in Kazo, and the Rotary cancer run.

Our Commitment:

UEDCL is committed to

- Respecting the rights of our customers to access good quality electricity at all times, providing accurate and timely information about their consumption, respond in a timely manner to their enquires, and to always provide timely notification about any service interruption.
- Seeking and welcoming suggestions from customers on service improvement areas.
- Providing a pleasant customer experience by attending to our customers proficiently.

Service Delivery:

To ensure our customers enjoy efficient service delivery, we have put in place a number of strategies such as:

- The customer service structure is designed in such a way that allows our customers access us conveniently. We operate a 24-hour call centre, and we have customer service representatives across all the regions of the country where we operate. UEDCL operates in 9 service territories from border to border with service centres located in all these political districts.
- Regular communication to customers as well as community engagements to create awareness especially of power interruptions, connection procedures, to foster community safety and create social cohesion between us and our customers. We are also responsive on all our social media platforms to come to the rescue of the customers.
- We have enabled ease of payment for energy for all our customers by leveraging ICT. Customers have various payment options through online platforms like mobile money (MTN &Airtel) as well as Payway.

FY 2023/24 Focus:

Our outlook for 2023/24 is to further improve service delivery basing on feedback from our customers. A comprehensive satisfaction survey shall be embarked on to understand our customers' pain points and identify areas for improvement. An improvement plan shall be drawn from this study in order to inform future management of our service delivery.

13.0 STAKEHOLDER ENGAMENT AND COMMUNICATION

The UEDCL Board continues to cherish and recognize the importance of cooperating and communicating with its stakeholders. The UEDCL board and management understand that exchanging knowledge, broadening horizons, and altering our business perspectives will help UEDCL better meet its environmental, social, governance, and business goals. For this reason, they have established engagement principles throughout the organization and set aside time to hear from stakeholders.

Even in the face of challenges, the board, management, and employees are committed to collaborating with stakeholders and the general public to guarantee the continuation of the electricity supply. The Board is grateful for its shareholders and the discussions that resulted from the AGM in 2022.

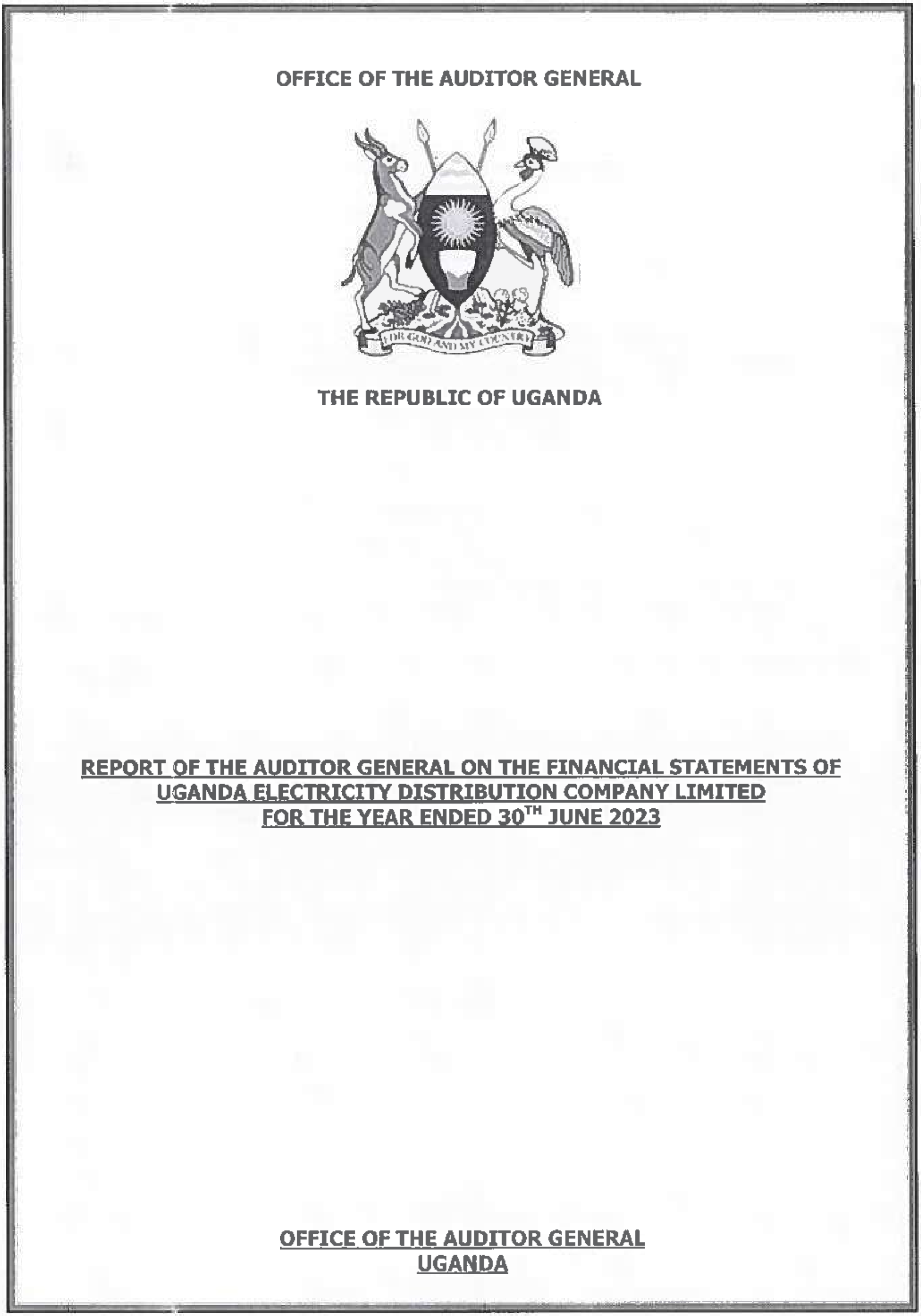
Our stakeholders' ongoing commitment, support, and increased two-way interaction are essential to our business's success. Our company-wide stakeholder engagement strategy is centred on increasing openness and fostering a more positive view of UEDCL while also fostering trust. Since then, in order to better notify consumers with timely and useful information, we have evaluated and enhanced our communications with stakeholders and customers both before and during outages other incidents affecting reliability.

By completing the aforementioned tasks, UEDCL will build a solid reputation, increase the number of its clients, and maintain open communication with its investors while aiming to improve living standards by providing steady and dependable electricity to communities.

Corporate Social Responsibility and Accountability

Giving back to the community is encouraged by UEDCL as a means of encouraging social responsibility and accountability. In the year of reporting, vandalism is still wreaking havoc on the distribution network. The company's goal is still to build partnerships with the communities that host the infrastructure for electricity. This is naturally accomplished through the various CSR initiatives that are occasionally carried out.

REPORT OF THE AUDITOR GENERAL



OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

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

OFFICE OF THE AUDITOR GENERAL
UGANDA

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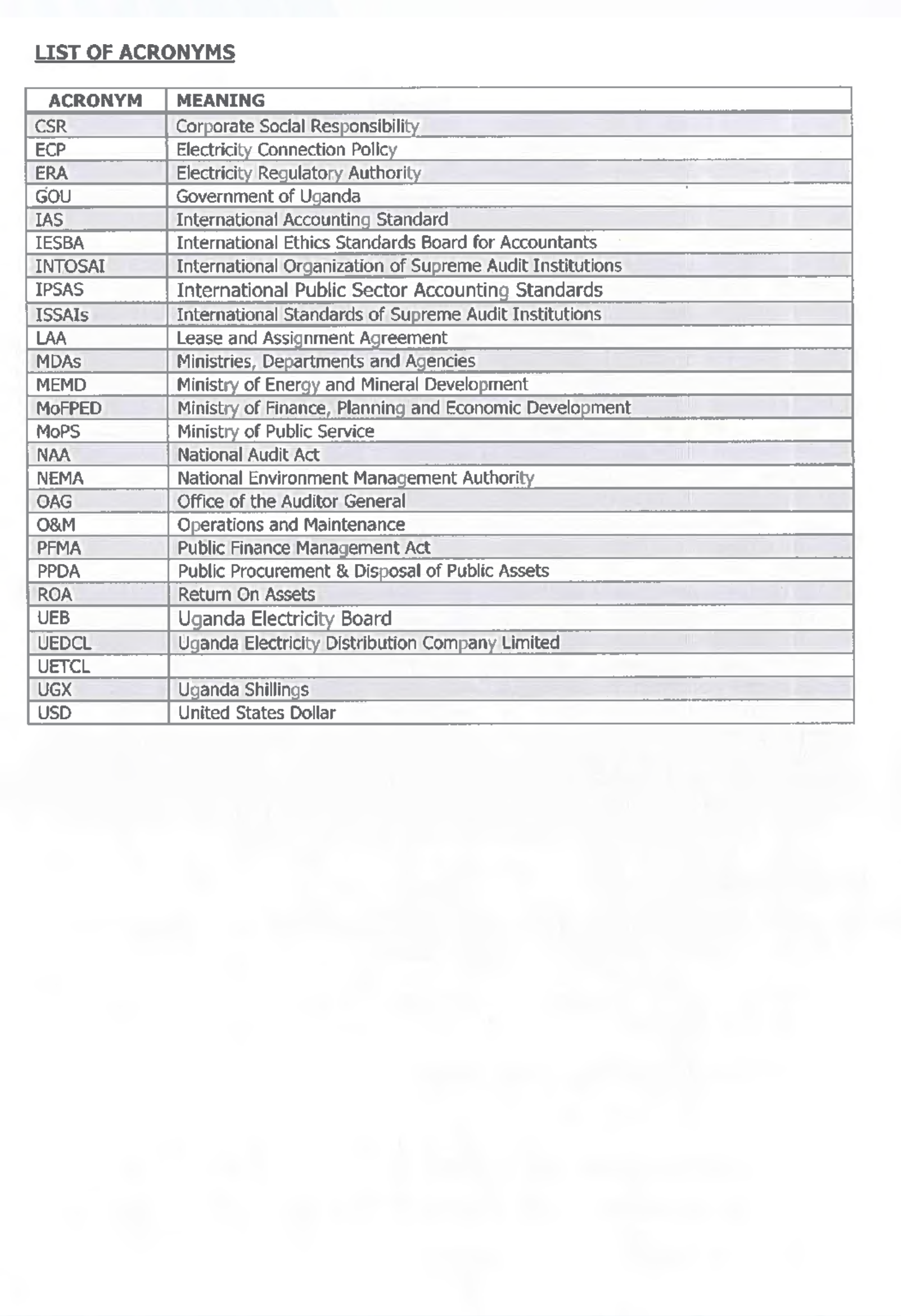


LIST OF ACRONYMS

ACRONYM	MEANING
CSR	Corporate Social Responsibility
ECP	Electricity Connection Policy
ERA	Electricity Regulatory Authority
GOU	Government of Uganda
IAS	International Accounting Standard
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
LAA	Lease and Assignment Agreement
MDAs	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoPS	Ministry of Public Service
NAA	National Audit Act
NEMA	National Environment Management Authority
OAG	Office of the Auditor General
O&M	Operations and Maintenance
PFMA	Public Finance Management Act
PPDA	Public Procurement & Disposal of Public Assets
ROA	Return On Assets
UEB	Uganda Electricity Board
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	
UGX	Uganda Shillings
USD	United States Dollar

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

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Uganda Electricity Distribution Company Limited (UEDCL), which comprise the Statement of Financial Position as at 30th June 2023, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Uganda Electricity Distribution Company Limited as at 30th June 2023, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS), and the requirements under the Companies Act 2012, of Uganda.

Basis for Opinion

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

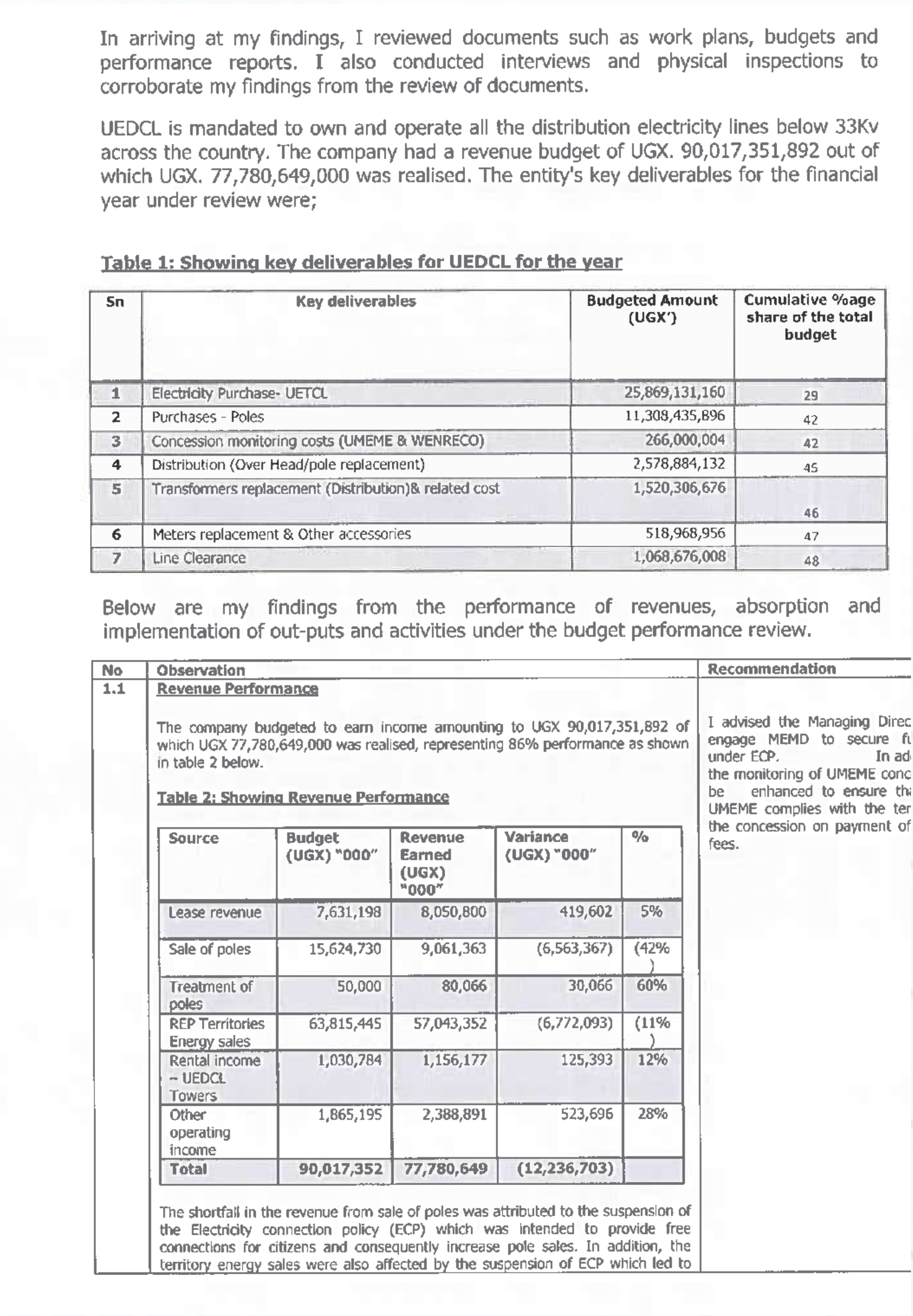
Key Audit Matter

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.

1.0 Implementation of the Approved Budget

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

Electricity Regulatory Authority(ERA) and the Board of UEDCL approved budgets which specified the resources available to the entity for implementation of activities and out-puts aimed at delivering services to citizens.



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

UEDCL is mandated to own and operate all the distribution electricity lines below 33Kv across the country. The company had a revenue budget of UGX. 90,017,351,892 out of which UGX. 77,780,649,000 was realised. The entity's key deliverables for the financial year under review were;

Table 1: Showing key deliverables for UEDCL for the year

Sn	Key deliverables	Budgeted Amount (UGX')	Cumulative %age share of the total budget
1	Electricity Purchase- UETCL	25,869,131,160	29
2	Purchases - Poles	11,308,435,896	42
3	Concession monitoring costs (UMEME & WENRECO)	266,000,004	42
4	Distribution (Over Head/pole replacement)	2,578,884,132	45
5	Transformers replacement (Distribution)& related cost	1,520,306,676	46
6	Meters replacement & Other accessories	518,968,956	47
7	Line Clearance	1,068,676,008	48

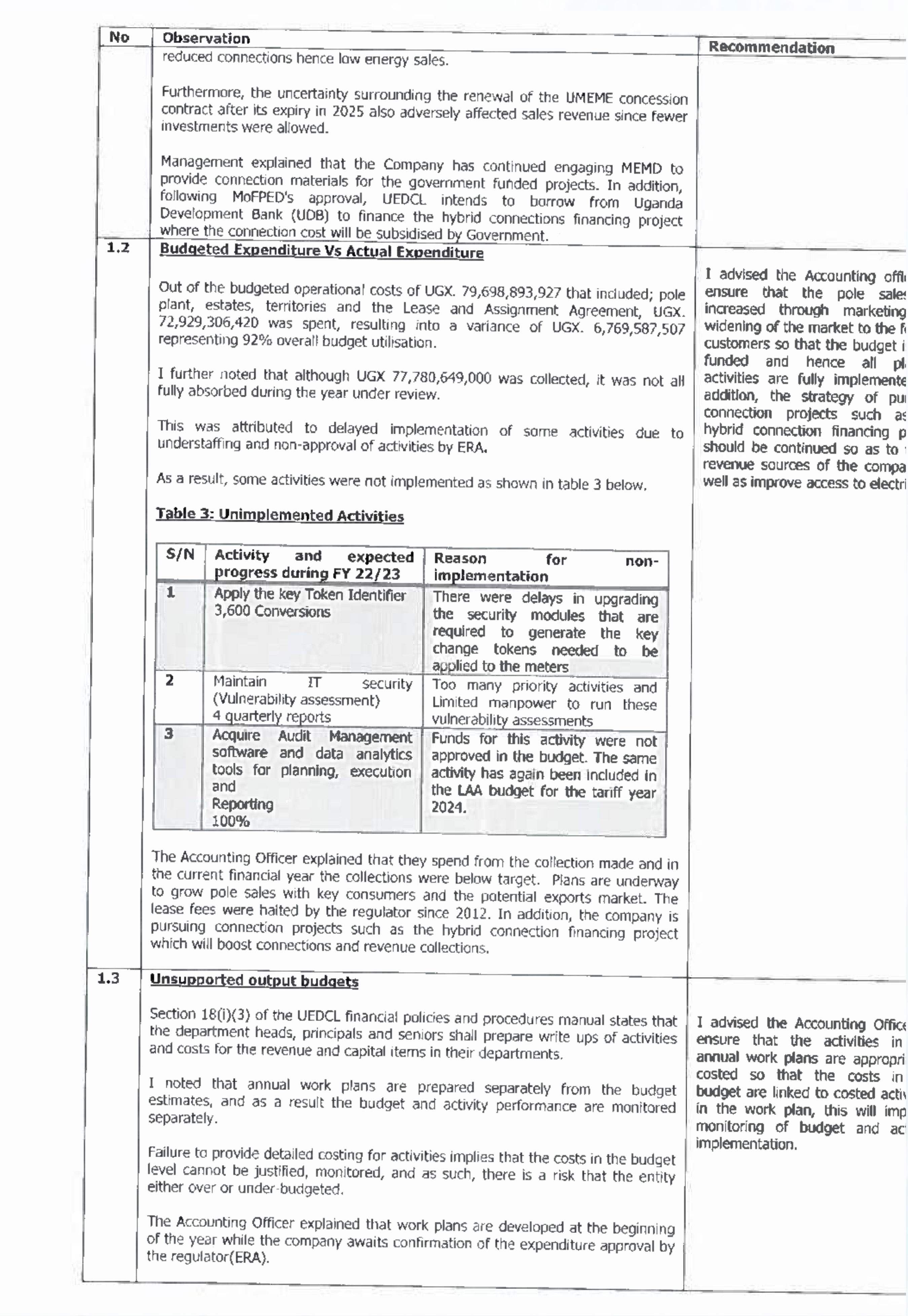
Below are my findings from the performance of revenues, absorption and implementation of out-puts and activities under the budget performance review.

No	Observation	Recommendation
1.1	**Revenue Performance** The company budgeted to earn income amounting to UGX 90,017,351,892 of which UGX 77,780,649,000 was realised, representing 86% performance as shown in table 2 below.	I advised the Managing Direc engage MEMD to secure fu under ECP. In ad the monitoring of UMEME conc be enhanced to ensure tha UMEME complies with the ter the concession on payment of fees.

Table 2: Showing Revenue Performance

Source	Budget (UGX) "000"	Revenue Earned (UGX) "000"	Variance (UGX) "000"	%
Lease revenue	7,631,198	8,050,800	419,602	5%
Sale of poles	15,624,730	9,061,363	(6,563,367)	(42%)
Treatment of poles	50,000	80,066	30,066	60%
REP Territories Energy sales	63,815,445	57,043,352	(6,772,093)	(11%)
Rental income – UEDCL Towers	1,030,784	1,156,177	125,393	12%
Other operating income	1,865,195	2,388,891	523,696	28%
Total	**90,017,352**	**77,780,649**	**(12,236,703)**	

The shortfall in the revenue from sale of poles was attributed to the suspension of the Electricity connection policy (ECP) which was intended to provide free connections for citizens and consequently increase pole sales. In addition, the territory energy sales were also affected by the suspension of ECP which led to



<table>
<tr><th>No</th><th>Observation</th><th>Recommendation</th></tr>
<tr><td></td><td>reduced connections hence low energy sales.

Furthermore, the uncertainty surrounding the renewal of the UMEME concession contract after its expiry in 2025 also adversely affected sales revenue since fewer investments were allowed.

Management explained that the Company has continued engaging MEMD to provide connection materials for the government funded projects. In addition, following MoFPED's approval, UEDCL intends to borrow from Uganda Development Bank (UDB) to finance the hybrid connections financing project where the connection cost will be subsidised by Government.</td><td></td></tr>
<tr><td>1.2</td><td>**Budgeted Expenditure Vs Actual Expenditure**

Out of the budgeted operational costs of UGX. 79,698,893,927 that included; pole plant, estates, territories and the Lease and Assignment Agreement, UGX. 72,929,306,420 was spent, resulting into a variance of UGX. 6,769,587,507 representing 92% overall budget utilisation.

I further noted that although UGX 77,780,649,000 was collected, it was not all fully absorbed during the year under review.

This was attributed to delayed implementation of some activities due to understaffing and non-approval of activities by ERA.

As a result, some activities were not implemented as shown in table 3 below.

Table 3: Unimplemented Activities

<table>
<tr><th>S/N</th><th>Activity and expected progress during FY 22/23</th><th>Reason for non-implementation</th></tr>
<tr><td>1</td><td>Apply the key Token Identifier 3,600 Conversions</td><td>There were delays in upgrading the security modules that are required to generate the key change tokens needed to be applied to the meters</td></tr>
<tr><td>2</td><td>Maintain IT security (Vulnerability assessment)
4 quarterly reports</td><td>Too many priority activities and Limited manpower to run these vulnerability assessments</td></tr>
<tr><td>3</td><td>Acquire Audit Management software and data analytics tools for planning, execution and Reporting
100%</td><td>Funds for this activity were not approved in the budget. The same activity has again been included in the LAA budget for the tariff year 2024.</td></tr>
</table>

The Accounting Officer explained that they spend from the collection made and in the current financial year the collections were below target. Plans are underway to grow pole sales with key consumers and the potential exports market. The lease fees were halted by the regulator since 2012. In addition, the company is pursuing connection projects such as the hybrid connection financing project which will boost connections and revenue collections.</td><td>I advised the Accounting offi ensure that the pole sale increased through marketing widening of the market to the f customers so that the budget i funded and hence all pl activities are fully implemente addition, the strategy of pu connection projects such as hybrid connection financing p should be continued so as to revenue sources of the compa well as improve access to electri</td></tr>
<tr><td>1.3</td><td>**Unsupported output budgets**

Section 18(i)(3) of the UEDCL financial policies and procedures manual states that the department heads, principals and seniors shall prepare write ups of activities and costs for the revenue and capital items in their departments.

I noted that annual work plans are prepared separately from the budget estimates, and as a result the budget and activity performance are monitored separately.

Failure to provide detailed costing for activities implies that the costs in the budget level cannot be justified, monitored, and as such, there is a risk that the entity either over or under-budgeted.

The Accounting Officer explained that work plans are developed at the beginning of the year while the company awaits confirmation of the expenditure approval by the regulator(ERA).</td><td>I advised the Accounting Office ensure that the activities in annual work plans are appropri costed so that the costs in budget are linked to costed acti in the work plan, this will imp monitoring of budget and ac implementation.</td></tr>
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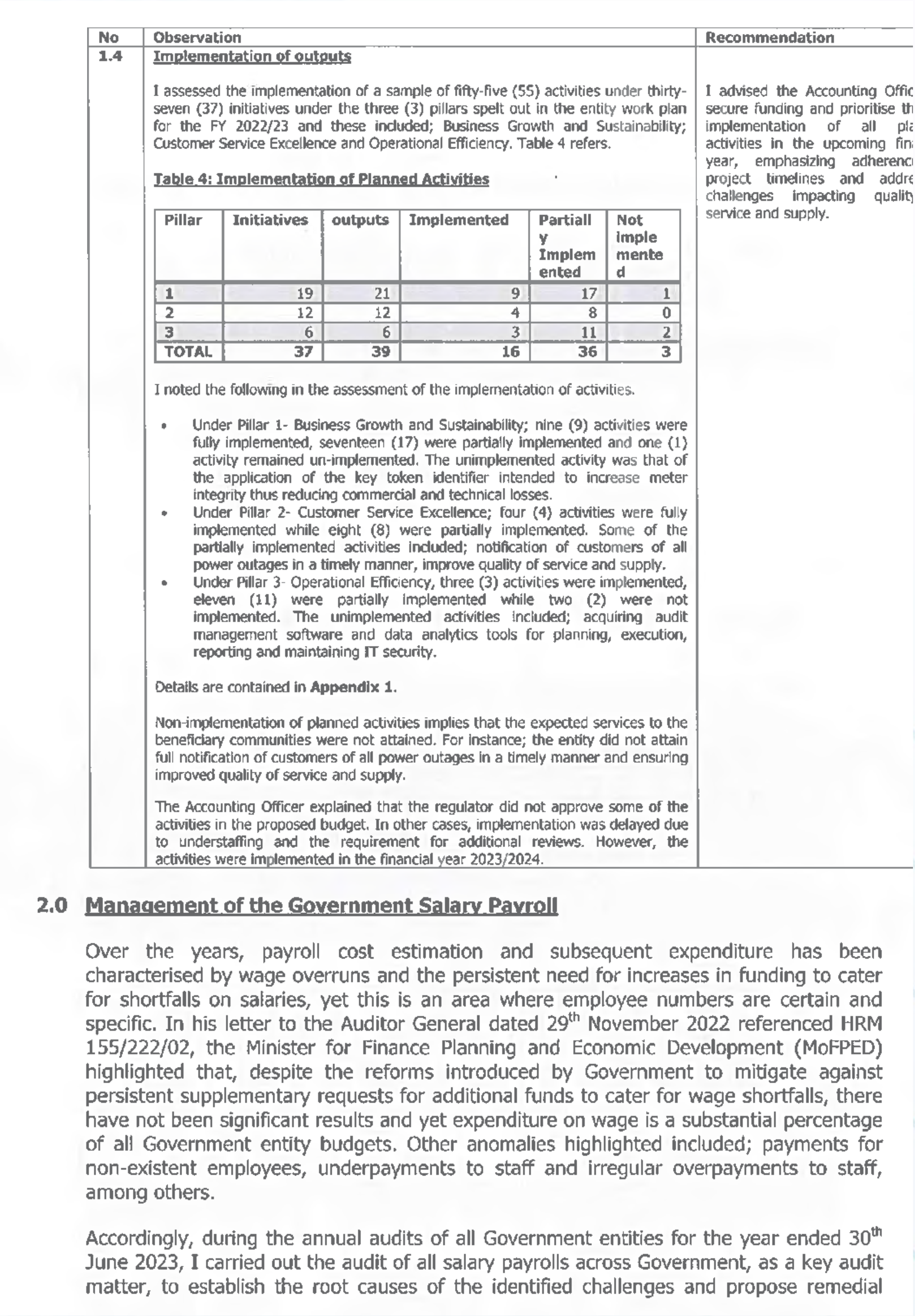

<table>
<tr><th>No</th><th>Observation</th><th>Recommendation</th></tr>
<tr><td>1.4</td><td>
<p><u>Implementation of outputs</u></p>
<p>I assessed the implementation of a sample of fifty-five (55) activities under thirty-seven (37) initiatives under the three (3) pillars spelt out in the entity work plan for the FY 2022/23 and these included; Business Growth and Sustainability; Customer Service Excellence and Operational Efficiency. Table 4 refers.</p>
<p><u>Table 4: Implementation of Planned Activities</u></p>
<table>
<tr><th>Pillar</th><th>Initiatives</th><th>outputs</th><th>Implemented</th><th>Partially Implemented</th><th>Not implemented</th></tr>
<tr><td>1</td><td>19</td><td>21</td><td>9</td><td>17</td><td>1</td></tr>
<tr><td>2</td><td>12</td><td>12</td><td>4</td><td>8</td><td>0</td></tr>
<tr><td>3</td><td>6</td><td>6</td><td>3</td><td>11</td><td>2</td></tr>
<tr><td>TOTAL</td><td>37</td><td>39</td><td>16</td><td>36</td><td>3</td></tr>
</table>
<p>I noted the following in the assessment of the implementation of activities.</p>

Under Pillar 1- Business Growth and Sustainability; nine (9) activities were fully implemented, seventeen (17) were partially implemented and one (1) activity remained un-implemented. The unimplemented activity was that of the application of the key token identifier intended to increase meter integrity thus reducing commercial and technical losses.
Under Pillar 2- Customer Service Excellence; four (4) activities were fully implemented while eight (8) were partially implemented. Some of the partially implemented activities included; notification of customers of all power outages in a timely manner, improve quality of service and supply.
Under Pillar 3- Operational Efficiency, three (3) activities were implemented, eleven (11) were partially implemented while two (2) were not implemented. The unimplemented activities included; acquiring audit management software and data analytics tools for planning, execution, reporting and maintaining IT security.

<p>Details are contained in Appendix 1.</p>
<p>Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. For instance; the entity did not attain full notification of customers of all power outages in a timely manner and ensuring improved quality of service and supply.</p>
<p>The Accounting Officer explained that the regulator did not approve some of the activities in the proposed budget. In other cases, implementation was delayed due to understaffing and the requirement for additional reviews. However, the activities were implemented in the financial year 2023/2024.</p>
</td><td>
<p>I advised the Accounting Offic
secure funding and prioritise th
implementation of all pla
activities in the upcoming fina
year, emphasizing adherenc
project timelines and addre
challenges impacting quality
service and supply.</p>
</td></tr>
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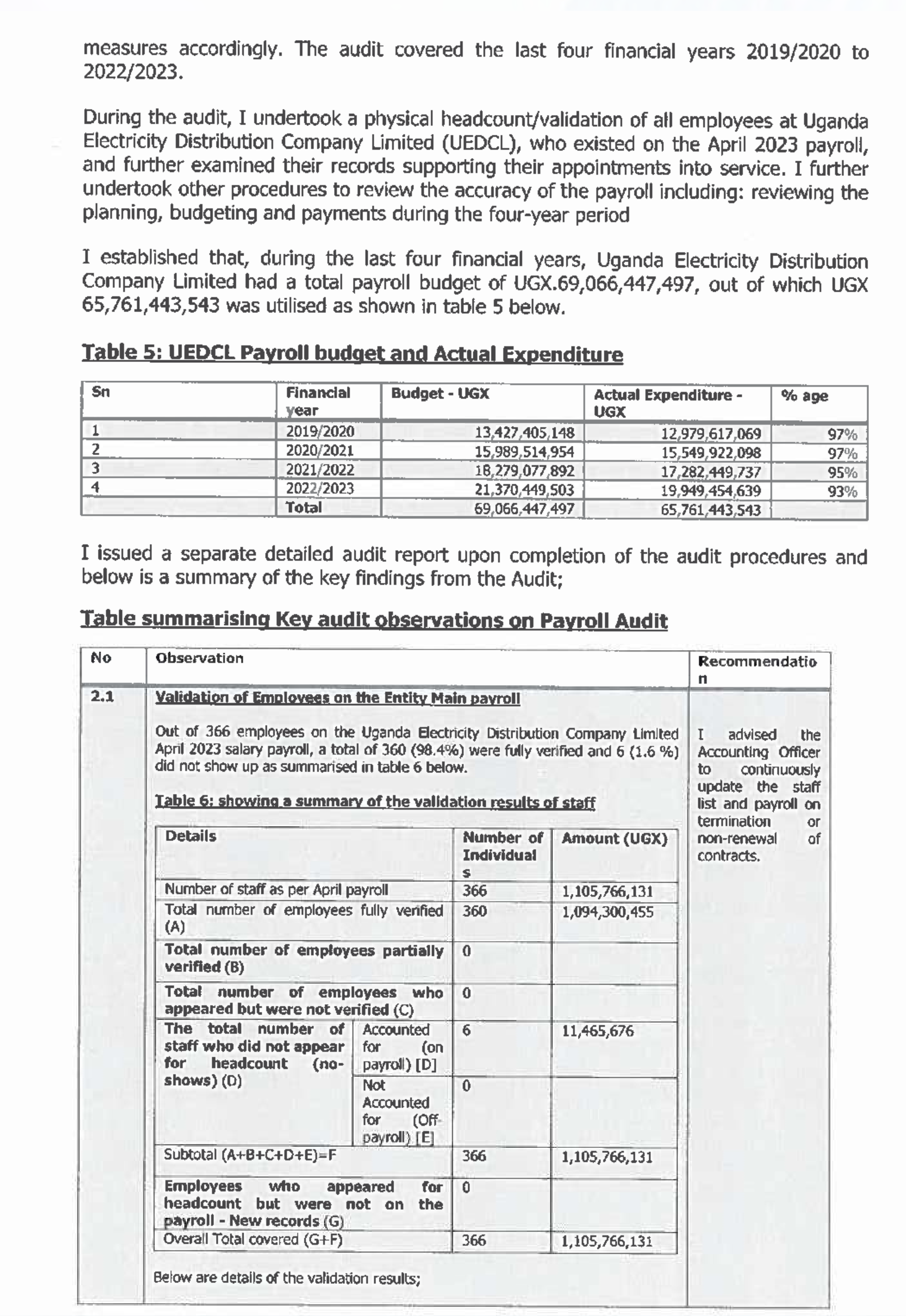
2.0 <u>Management of the Government Salary Payroll</u>

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

Accordingly, during the annual audits of all Government entities for the year ended 30th June 2023, I carried out the audit of all salary payrolls across Government, as a key audit matter, to establish the root causes of the identified challenges and propose remedial



measures accordingly. The audit covered the last four financial years 2019/2020 to 2022/2023.

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

I established that, during the last four financial years, Uganda Electricity Distribution Company Limited had a total payroll budget of UGX.69,066,447,497, out of which UGX 65,761,443,543 was utilised as shown in table 5 below.

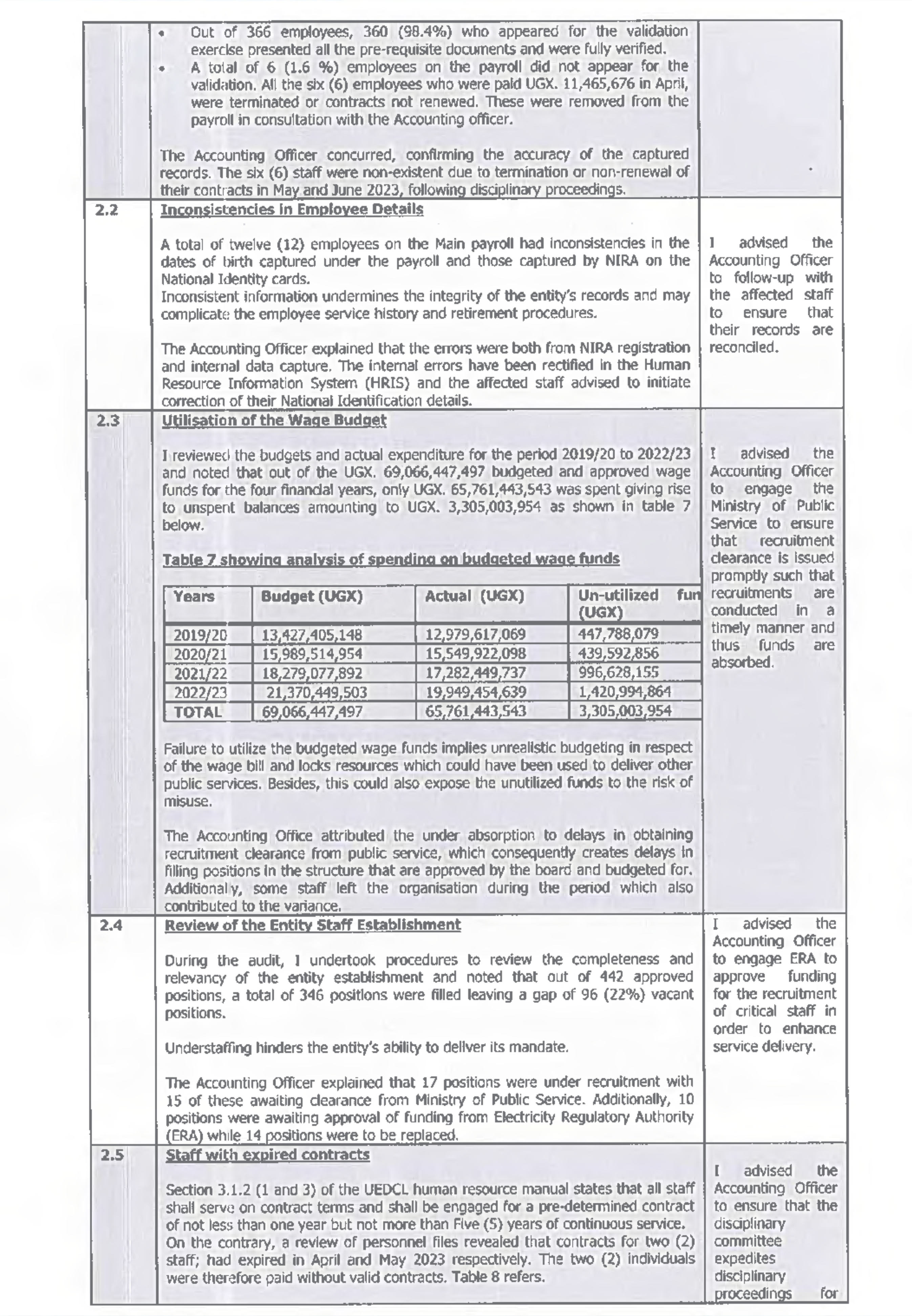
Table 5: UEDCL Payroll budget and Actual Expenditure

Sn	Financial year	Budget - UGX	Actual Expenditure - UGX	% age
1	2019/2020	13,427,405,148	12,979,617,069	97%
2	2020/2021	15,989,514,954	15,549,922,098	97%
3	2021/2022	18,279,077,892	17,282,449,737	95%
4	2022/2023	21,370,449,503	19,949,454,639	93%
	Total	69,066,447,497	65,761,443,543	

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

Table summarising Key audit observations on Payroll Audit

<table>
<tr><th>No</th><th>Observation</th><th>Recommendation</th></tr>
<tr><td>2.1</td><td>
Validation of Employees on the Entity Main payroll
Out of 366 employees on the Uganda Electricity Distribution Company Limited April 2023 salary payroll, a total of 360 (98.4%) were fully verified and 6 (1.6 %) did not show up as summarised in table 6 below.
Table 6: showing a summary of the validation results of staff
<table>
<tr><th>Details</th><th></th><th>Number of Individuals</th><th>Amount (UGX)</th></tr>
<tr><td colspan="2">Number of staff as per April payroll</td><td>366</td><td>1,105,766,131</td></tr>
<tr><td colspan="2">Total number of employees fully verified (A)</td><td>360</td><td>1,094,300,455</td></tr>
<tr><td colspan="2">Total number of employees partially verified (B)</td><td>0</td><td></td></tr>
<tr><td colspan="2">Total number of employees who appeared but were not verified (C)</td><td>0</td><td></td></tr>
<tr><td rowspan="2">The total number of staff who did not appear for headcount (no-shows) (D)</td><td>Accounted for (on payroll) [D]</td><td>6</td><td>11,465,676</td></tr>
<tr><td>Not Accounted for (Off-payroll) [E]</td><td>0</td><td></td></tr>
<tr><td colspan="2">Subtotal (A+B+C+D+E)=F</td><td>366</td><td>1,105,766,131</td></tr>
<tr><td colspan="2">Employees who appeared for headcount but were not on the payroll - New records (G)</td><td>0</td><td></td></tr>
<tr><td colspan="2">Overall Total covered (G+F)</td><td>366</td><td>1,105,766,131</td></tr>
</table>
Below are details of the validation results;
</td><td>I advised the Accounting Officer to continuously update the staff list and payroll on termination or non-renewal of contracts.</td></tr>
</table>



<table>
<tr><td></td><td>

- Out of 366 employees, 360 (98.4%) who appeared for the validation exercise presented all the pre-requisite documents and were fully verified.
- A total of 6 (1.6 %) employees on the payroll did not appear for the validation. All the six (6) employees who were paid UGX. 11,465,676 in April, were terminated or contracts not renewed. These were removed from the payroll in consultation with the Accounting officer.

The Accounting Officer concurred, confirming the accuracy of the captured records. The six (6) staff were non-existent due to termination or non-renewal of their contracts in May and June 2023, following disciplinary proceedings.</td><td></td></tr>
<tr><td>2.2</td><td>

Inconsistencies in Employee Details

A total of twelve (12) employees on the Main payroll had inconsistencies in the dates of birth captured under the payroll and those captured by NIRA on the National Identity cards.
Inconsistent information undermines the integrity of the entity's records and may complicate the employee service history and retirement procedures.

The Accounting Officer explained that the errors were both from NIRA registration and internal data capture. The internal errors have been rectified in the Human Resource Information System (HRIS) and the affected staff advised to initiate correction of their National Identification details.</td><td>I advised the Accounting Officer to follow-up with the affected staff to ensure that their records are reconciled.</td></tr>
<tr><td>2.3</td><td>

Utilisation of the Wage Budget

I reviewed the budgets and actual expenditure for the period 2019/20 to 2022/23 and noted that out of the UGX. 69,066,447,497 budgeted and approved wage funds for the four financial years, only UGX. 65,761,443,543 was spent giving rise to unspent balances amounting to UGX. 3,305,003,954 as shown in table 7 below.

Table 7 showing analysis of spending on budgeted wage funds

<table>
<tr><th>Years</th><th>Budget (UGX)</th><th>Actual (UGX)</th><th>Un-utilized fun (UGX)</th></tr>
<tr><td>2019/20</td><td>13,427,405,148</td><td>12,979,617,069</td><td>447,788,079</td></tr>
<tr><td>2020/21</td><td>15,989,514,954</td><td>15,549,922,098</td><td>439,592,856</td></tr>
<tr><td>2021/22</td><td>18,279,077,892</td><td>17,282,449,737</td><td>996,628,155</td></tr>
<tr><td>2022/23</td><td>21,370,449,503</td><td>19,949,454,639</td><td>1,420,994,864</td></tr>
<tr><td>TOTAL</td><td>69,066,447,497</td><td>65,761,443,543</td><td>3,305,003,954</td></tr>
</table>

Failure to utilize the budgeted wage funds implies unrealistic budgeting in respect of the wage bill and locks resources which could have been used to deliver other public services. Besides, this could also expose the unutilized funds to the risk of misuse.

The Accounting Office attributed the under absorption to delays in obtaining recruitment clearance from public service, which consequently creates delays in filling positions in the structure that are approved by the board and budgeted for. Additionally, some staff left the organisation during the period which also contributed to the variance.</td><td>I advised the Accounting Officer to engage the Ministry of Public Service to ensure that recruitment clearance is issued promptly such that recruitments are conducted in a timely manner and thus funds are absorbed.</td></tr>
<tr><td>2.4</td><td>

Review of the Entity Staff Establishment

During the audit, I undertook procedures to review the completeness and relevancy of the entity establishment and noted that out of 442 approved positions, a total of 346 positions were filled leaving a gap of 96 (22%) vacant positions.

Understaffing hinders the entity's ability to deliver its mandate.

The Accounting Officer explained that 17 positions were under recruitment with 15 of these awaiting clearance from Ministry of Public Service. Additionally, 10 positions were awaiting approval of funding from Electricity Regulatory Authority (ERA) while 14 positions were to be replaced.</td><td>I advised the Accounting Officer to engage ERA to approve funding for the recruitment of critical staff in order to enhance service delivery.</td></tr>
<tr><td>2.5</td><td>

Staff with expired contracts

Section 3.1.2 (1 and 3) of the UEDCL human resource manual states that all staff shall serve on contract terms and shall be engaged for a pre-determined contract of not less than one year but not more than Five (5) years of continuous service. On the contrary, a review of personnel files revealed that contracts for two (2) staff; had expired in April and May 2023 respectively. The two (2) individuals were therefore paid without valid contracts. Table 8 refers.</td><td>I advised the Accounting Officer to ensure that the disciplinary committee expedites disciplinary proceedings for</td></tr>
</table>

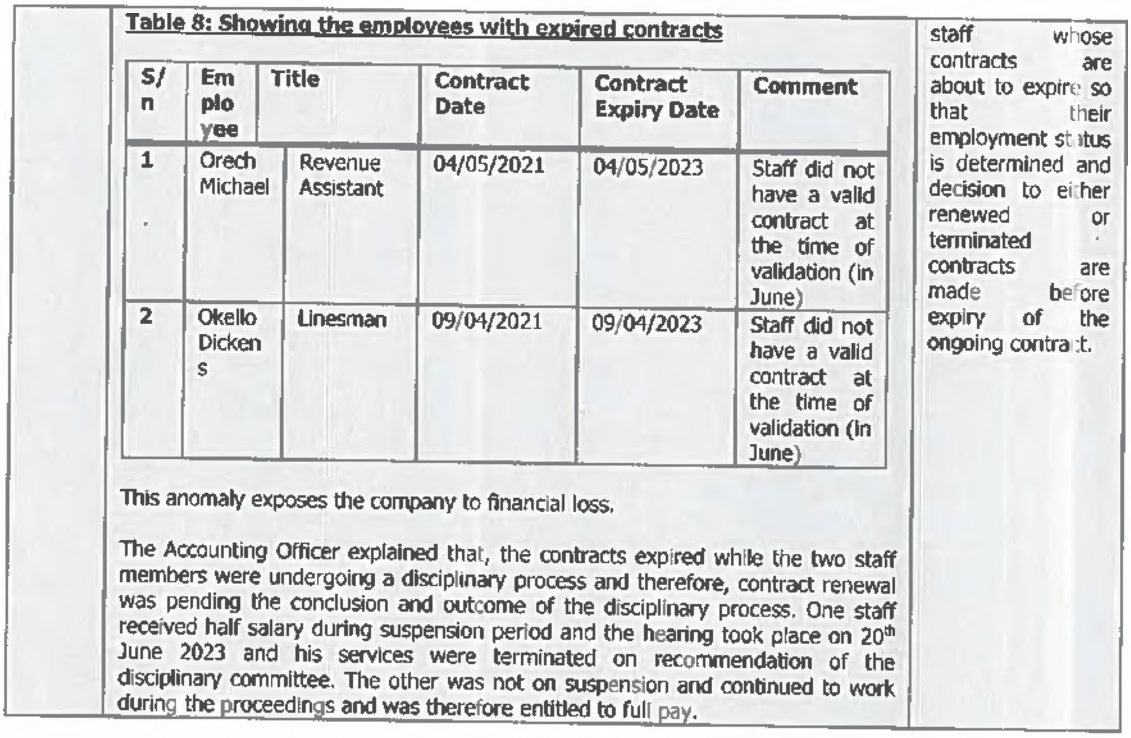


Table 8: Showing the employees with expired contracts

S/n	Employee	Title	Contract Date	Contract Expiry Date	Comment
1	Orech Michael	Revenue Assistant	04/05/2021	04/05/2023	Staff did not have a valid contract at the time of validation (in June)
2	Okello Dickens	Linesman	09/04/2021	09/04/2023	Staff did not have a valid contract at the time of validation (in June)

This anomaly exposes the company to financial loss.

The Accounting Officer explained that, the contracts expired while the two staff members were undergoing a disciplinary process and therefore, contract renewal was pending the conclusion and outcome of the disciplinary process. One staff received half salary during suspension period and the hearing took place on 20th June 2023 and his services were terminated on recommendation of the disciplinary committee. The other was not on suspension and continued to work during the proceedings and was therefore entitled to full pay.

staff whose contracts are about to expire so that their employment status is determined and decision to either renewed or terminated contracts are made before expiry of the ongoing contract.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matters disclosed in Notes 7.11, 7.18.1 and 7.18.2 to the financial statements that in my judgment are of such importance and fundamental to the users' understanding of the financial statements;

3.0 Increase in Trade Receivables

According to Note 7.11 of the financial statements, the trade receivables increased by UGX. 475,526,000 (8%) from UGX. 5,882,949,000 in the Financial year 2021/2022 to UGX. 6,358,475,000 in FY 2022/23. This growth was primarily driven by an increase of UGX. 399,492,000 in receivables from UEDCL energy customers. In addition, receivables were adjusted for impairment allowances, of UGX. 431,540,000 and UGX. 573,311,000 in in 2021/2022 and 2022/23 respectively.

Also, a significant component of receivables was attributed to customers in the treated wood poles segment (UMEME and REP territory Subsidies), witnessing a marginal reduction of UGX 62,188,000 (2%) from UGX 2,636,440,000 in 2021/22 to UGX. 2,574,252,000 in 2022/23.

The presence of substantial receivables from power customers indicates that certain customers still continue to operate on post-paid meters. The increase indicates delayed recovery of outstanding receivables. This will affect the Company's liquidity and its ability to meet its obligations.

The Accounting Officer explained that there is a scheduled project to convert all post-paid meter customers to prepaid mode. This will lead to reduction of outstanding sums with customers in the long-term. In addition, a credit policy for the sale of treated poles was approved by the Board of Directors during the FY 2023/24 and is currently being implemented.

Recommendation

I advised the Accounting Officer to expedite the implementation of the project for conversion of post-paid customers to prepaid meters to minimise further accumulation of receivables.

4.0 Amount Due from related parties

A review of note 7.18.1 to the financial statements revealed that the amount due from related parties increased by UGX 1,961,558,000 (18%) from UGX 109,317,290,000 to UGX 111,278,848,000 during the financial years 2021/2022 and 2022/2023, respectively.

This amount was primarily from UMEME and the Government of Uganda (GOU), with outstanding balances of UGX 72,645,161,000 and UGX 38,633,687,000, respectively. The UMEME-related sum pertains to lease fees offset from 2006 to 2013, covering unpaid electricity bills by government and accumulated unpaid lease fees from 2011 to the present by UMEME.

Furthermore, within the UMEME-related sum of UGX 72,645,161,000, UGX 68,333,895,572 represents energy offsets, UGX 4,311,265,428 accounts for unpaid lease fees, and the UGX 38,633,687,000 due from the government reflects a commitment to fully reimburse the funds paid by UEDCL to UEB pensioners.

The tied up funds in receivables affects the liquidity of the Company and consequently the company may not be in position to settle its current obligations in a timely manner.

The Accounting Officer explained that UMEME Ltd has a right under the support agreement to withdrawal from the Escrow Account or offset the outstanding amount from MDAs against the energy supply invoices whenever MDAs do not settle energy bills in the stipulated time. UMEME has engaged the respective institutions to settle the outstanding amounts but they have not been responsive.

In addition, the Accounting Officer noted that Management had also already embarked on a plan to convert all government institutions to pre-paid meters.

Recommendations

I advised the Accounting Officer to engage UMEME and government to pay the outstanding receivables. Furthermore, to avoid future offsets, all government institutions should be changed to prepaid meters.

5.0 Amounts due to related parties

Note 7.18.2 of the financial statements, shows an amount due to related parties of UGX 5,408,490,000. This had reduced by UGX. 3,898,571,000 (42%), from UGX 9,307,061,000 outstanding in the FY 2021/2022.

These obligations stems from power evacuation losses incurred due to utilising low voltage lines for evacuating electricity generated from; Kikagati, Nkusi, Mpanga, and Siti Power Plants. The power is wheeled through UEDCL-operated low voltage lines, contributing to increased energy losses.

The reduction in this obligation was attributed to prior-year adjustment of UGX 7,525,883,000 in the statement of changes in equity. This adjustment has positively impacted the Company's equity position, by reducing the prior-year accumulated deficit of UGX 80,481,051,000 to UGX 75,139,123,000 at year-end.

I also noted that Despite the debt reduction, UEDCL management has continued to dispute the adjusted obligation balance. This scenario could potentially affect the relationship between the Company and related parties as well as service delivery if these parties decide to discontinue wheeling power over UEDCL's infrastructure.

According to the Accounting Officer, the matter of evacuation losses has been outstanding in the sector for a long time. The Regulator was required to provide guidance on its treatment in the affected entities. During the approval for the FY 2022/23 tariff application, the regulator allowed UEDCL to offset these losses against the monthly transmission bills. Based on this approval, UEDCL did offset the amounts for the prior periods accordingly, and this treatment is the same for the current billing.

Recommendations

I advised the Accounting Officer to;

- negotiate with related parties to reach an agreement on the exact outstanding amounts, and
- ensure continuous monitoring of related party obligations. This should include regular reviews, updates, and reconciliation processes to ensure that the financial statements accurately reflect the current status of the obligations.

Other matter

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

6.0 ASSESSMENT OF FINANCIAL PERFORMANCE

Section 51 (2) of the Public Finance Management Act (PFMA), 2015 (as amended), requires an Accounting Officer of a public corporation to, within two months after the end of each financial year, prepare and submit to the Accountant-General, a Summary Statement of Financial Performance of the Public Corporation/State Enterprise and give a copy to the Secretary. These enterprises, which are independently managed, are supposed to operate efficiently, make profits and pay dividends to their shareholders. Their financial performance is therefore of interest to the stakeholders. Accordingly, I computed and analysed the Financial Performance ratios of UEDCL and provide details of the assessment below;

6.1 Operating Margin

Operating margin is the ratio that indicates how much profit an enterprise makes from its core business in relation to its total revenues. It is calculated from Operating income or EBIT divided by the Total revenue. It measures the extent a company is able to pay for its operating costs, while remaining profitable. Generally, an operating margin higher than 15% is considered good. A higher operating margin means that the enterprise has less financial risk.

The analysis revealed that the company's operating margin stands at 16.8%, surpassing the 15% threshold and indicating a decrease of 8.1% from the previous year's figure of 24.9% in 2021/22.

The performance decline was attributed to rising costs of sales and staff and administrative expenses. Additionally, there was a substantial decrease in lease revenue, by 46%, from UGX.14,914,807,000 to UGX.8,050,800,000 between the financial years 2021/22 and 2022/23. A decreasing operating margin signifies inefficiencies in operations.

A decreased operating margin may indicate potential challenges to the company in covering operating costs, which poses a risk to the company's financial stability. It could also lead to challenges in investing in expansion.

The significant drop in revenue compared to the prior financial year was due to the impact of one-off funding that was received from the regulator to reconstruct the distribution network fixed assets of UGX.7.4 billion.

The Accounting Officer that main focus of the company was to grow revenue. As such, strategies are being implemented to increase customer connections. Financing projects such as the hybrid connections project are being executed. Strategies are also being deployed to grow pole sales particularly with key consumers and the potential export market. These will all boost the top line growth in order to improve EBITA.

Recommendation

I advised the Accounting Officer to institute measures to improve the Operating margin such as better management controls, more efficient use of resources, increased connections and sales from treated poles. By Conducting a review of the company's cost structure, including costs of sales, staff and administrative expenses. Identify areas where cost efficiencies can be achieved without compromising the quality of products or services.

6.2 DEFICIT FOR THE YEAR

I noted that the Company made a deficit of UGX. 2,183,956,000 after tax in the year under review down from a deficit of UGX. 85,734,000 realized in the previous year representing a percentage increase in loss of 2447%.

I further noted that the Company had a negative accumulated deficit of UGX 75,091,838,000 as at the end of the financial year. This may affect the entity's ability to meet future contingencies or investments in growth.

The net deficit was attributed to unclaimed depreciation charge disallowed by ERA is order to keep the tariff low.

The loss implies that the company is not doing well, and may struggle to meet its current and long term obligations.

The Accounting Officer explained that the revenue that was approved by the regulator was lower than the company's application due to the end user tariff restrictions. The increase in expenditure was attributed to additional staff, network repairs and maintenance which were necessary to, maintain the network, since the annual refurbishments are always not fully authorized.

Management has also continued to request for depreciation recovery annually but the regulator has continued to decline it.

Recommendation

I advised the Accounting Officer to continue engaging ERA to have the depreciation charge allowed, in order to improve the financial performance. In addition, strategies should be developed to improve operations and adopt efficient financial management practices in order to earn profit.

6.3 RETURN ON ASSETS

The Return on Assets (ROA) shows the percentage of how profitable a company's assets are generating revenue. It measures management's efficiency in using the company's assets to generate earnings. Although companies that require large initial investments will generally have lower return on assets (ROA), ROAs below 5% is generally considered inadequate.

I noted that the company's ROA for the year ended 30th June 2023 is -0.113%, down from -0.004% posted in the previous year 2022/2023, representing a reduction in ROA of -0.109%.

This decline in ROA could be attributed to various factors, such as; ineffective asset management, increased operational costs, increased technical and commercial losses or a decline in revenue generation relative to the asset base.

The company may face challenges in achieving financial sustainability and profitability.

The Accounting Officer pledged to continue improve the current position. Additionally, a new financing scheme for increasing connections has been kicked off in the FY 2023/24. A number of interventions have also been instituted to reduce the commercial losses. Engagements are also being made with stakeholders to reduce the technical losses.

Recommendation

I advised the Accounting Officer to institute mechanisms to increase income generation from use of its assets in terms of reducing both technical and commercial losses as well as increase connections and coverage.

6.4 LIQUIDITY ASSESSMENT

I analysed the ability of the Company to meet its short-term financial obligations by comparing the current assets and current liabilities using the current ratio. The ratio of Current Assets to Current Liabilities between 1.5 and 2 is desirable, although acceptable current ratios vary between industrial sectors.

I noted that the Company had a current ratio of 12.5 for the year under review which was above the desirable ratio of 1.5. I further noted that the current ratio for the year increased by 19% from 10.5 recorded in the previous year.

This performance was attributed to an increase in the Company's current asset during the year under review.

The 12.5 current ratio implies that the Company is efficiently using its current assets or its short-term financing facilities and it can easily settle its short term obligations.

Recommendation

Although I commend the Accounting Officer for the good performance; I also advised management to adopt more effective working capital management strategies to ensure efficient collection of debts and reduction of liabilities.

6.5 DEBT RATIO ANALYSIS

State enterprises should be able to meet their long-term debt obligations. Debt ratios measure the proportion of the enterprises' assets that are financed by debt. Although the risk levels vary from industry to industry, a debt ratio of more than 50% is considered undesirable.

I noted that the Company's debt ratio stood at 82.55% at the end of the financial year, reflecting a marginal increase of 0.25% from the previous year's ratio of 82.30%. The Company debt primary arises from the financial liability on the buy-out amount of UMEME

A debt ratio exceeding the 50% threshold raises concerns about the company's ability to fulfill its long-term debt obligations adequately. Such a situation may hinder the company's access to future loans, impacting its financial flexibility and potentially leading to increased financing costs

The Accounting Officer explained that the responsibility of financing of the buy-out amount lies with the Government of Uganda. However, Management is currently engaging the various stakeholders to develop and agree on a sustainable financing framework that may provide solutions to settlement of the buyout as well as ensuring financial sustainability of the electricity supply industry.

Recommendation

I advised the Accounting Officer to continue liaising with relevant stakeholders including MEMD, MOFPED and ERA to examine diverse financing alternatives for the buyout amount

7.0 Failure to Budget for Court Awards

According to Section 18(i)(3) of the UEDCL financial policies and procedures manual, department heads, principals, and seniors are required to prepare detailed write-ups outlining activities and costs for both revenue and capital items within their respective departments.

I observed that the company disbursed a total of UGX 975,141,931 to fulfil court-ordered obligations. However, there was no budget allocation for these settlements in the year under review, and management did not account for contingent liabilities associated with ongoing court cases.

The absence of a budget for court awards, as restricted by the regulator, may lead to potential fund diversions from other budgeted areas, impacting the implementation of planned activities and potentially incurring penalties in the form of interest due to delayed settlement of court awards resulting from insufficient funding.

The Accounting officer explained that the majority of the court awards relate to compensation to third parties for projects that were implemented by the Rural Electrification Agency which were handed over to UEDCL. Funding should therefore be provided by the Ministry of Energy or ERA should approve a provision of the same in the electricity user tariff.

UEDCL has continuously included provisions for the potential court awards in the past annual budget submissions but these have not been approved fully owing to tariff restrictions. Management shall however continue engaging the Authority to get adequate funding.

Recommendation

I advised the Accounting Officer to continue engaging ERA for sufficient budget allocation to meet actual and potential court obligations. Management was advised to also provide for contingent liabilities.

8.0 Failure to fund the Escrow Account

Section 4.2 b (i) of the Lease and Assignment Agreement states that, from and after the Transfer date and throughout the Term, the company (UMEME) shall pay and deposit all Rent in the Escrow Account, net of the Administration Fee component of the Rent. In addition, GOU and UEDCL may deposit funds into the Escrow Account at any time. Furthermore, clause 6 (1) of the Escrow agreement, provides that, the required Amount on the Transfer Date shall be US$5 million and shall increase each month during the first year following the Transfer Date as set forth in Schedule 5, and according to note 7.9A to the Financial Statements the Escrow account is expected to have reached USD 20 Million at the end of the concession.

However, a review of the Escrow Account bank statements for both USD and UGX revealed that the Escrow Account was not funded. Both the USD and UGX Accounts had closing balance of USD 8,121.52 and UGX 21,247 respectively as of 30th June 2023 which was equivalent to UGX. 29.8 Million as reported in note 7.9A to the financial statements.

The available funds at end of the financial year are less than 1% of the expected USD 20 Million at the end of the concession.

This shortfall was attributed to Electricity Regulatory Authority (ERA) decision not to allow the financing of the Escrow Account through the tariff since 2012, in order to keep the tariff low, this led to a depletion of the account.

Failure to fund the escrow account implies that government will have to mobilise funds to pay for the outstanding buy-out amount at the expiry of the concession in 2025.

The Accounting Officer explained that the determination of the buy-out amount is a responsibility of the regulator.

Recommendation

I advised the Accounting Officer to engage the regulator on assessment of the possible outstanding buy-out amount so as to aid government in resource mobilisation and allocation in 2024/2025 budget and also minimise significant supplementary request to pay for the UMEME buy-out amount.

9.0 MANAGEMENT OF THE UMEME CONCESSION

According to Section 2.16 (a) & (b) of the LAA, UEDCL as lessor/owner of the Distribution System is required to among others continuously monitor the Repair and Maintenance(R&M); installations, retirement, and modifications carried out by UMEME Limited, as the concessionaire, on the assets making up the Distribution System.

I reviewed Q3 and Q4 concession monitoring reports and noted the following;

9.1 State of Transformers on the UMEME Network

An assessment of five distribution lines within the northern and eastern regions of the country, part of the UMEME distribution network, aimed to evaluate UMEME's compliance with repair and maintenance obligations outlined in the lease and assignment agreement with UEDCL, highlighted that nearly half of the transformers on these lines were unsatisfactory.

Issues included; faulty surge arrestors, risking equipment and personnel safety; missing/bypassed High-tension (HT) and Low Voltage (LV) protection systems, posing hazards to equipment and personnel; and oil leakage, contravening environmental protection guidelines.

The deficiencies not only endanger the reliability and stability of the power supply but also present environmental risks and pose a threat to human life.

The Accounting Officer explained that routine monitoring exercises are done to ascertain the maintenance level carried out by UMEME. The reports are also shared with the Regulator who approves the budget for the operations and maintenance activities. Whereas UEDCL owns the assets, it has no control over the deployment of the operations and maintenance budget and therefore cannot ascertain whether the non-conformities are a result of insufficient provision of the O&M funding or misappropriation of such funds.

Recommendation

I advised the Accounting Officer to ensure that UMEME Limited addresses the observed deficiencies and conducts the necessary repairs, maintenance, installations, and modifications to the distribution network in accordance with the terms outlined in the lease and assignment agreement.

9.2 Other Weaknesses along the UMEME distribution Network

The quarter 4 concession monitoring report for western region, also revealed inefficiencies in specific sections of the distribution network. This indicated inadequacies in management of the grid assets contrary to Section 2.16 (a) & (b) of the lease and assignment agreement as elaborated below;

a) Power Quality Issues

- Long feeder lines, along Mbarara North-Kabale 33Kv and Ishaka-Rukungiri 33Kv which are 483km and 467km respectively, implying greater voltage drop leading to higher power losses, increase in chances of faults and failures along the line.
- Supply reliability of Mbarara North-Kabale 33Kv line under the UMEME network is negatively impacted by faults from the UEDCL managed network at Muhanga, Kamwezi and Kabale.

b) Land Encroachment

- Substation land encroachment at Mityana, Mubende and Fortportal substations.

I further noted that there is an urgent need for UMEME Limited to determine the true extent of land related assets and the integrity of their boundaries before their retransfer date as required by the Lease and Assignment Agreement.

c) Vandalism

Vandalism of Stay assemblies, conductor and underground cables. For instances, Mutundwe-Masaka West 33 kV feeder had been vandalized on five separate sections of the line as per the Q4 report. While Mbarara North - Ibanda 33 Kv line had been vandalised on three sections and almost all conductors on the T-off of Masaka West - Mbarara North 33 kV feeder had been vandalised.

Furthermore, a number of assets were registered as vandalised and are summarised in the table 9 below.

Table 9: UEDCL materials vandalised in 2022/23

SN	Item	Quantity
1.	MV Poles Vandalized	16
2.	MV Bare Conductor (meters)	15,542
3.	LV Bare Conductor (meters)	280
4.	50 sqmm ABC Vandalized (meters)	21,480
5.	75 sqmm ABC Vandalized (meters)	210
6.	35 sqmm ABC Vandalized (meters)	300
7.	Transformers Vandalized	7
8.	Transformer Oil Siphoning (Ltrs)	2,442
9.	MV Stay Assembly Vandalized	16
10.	LV Poles	5

The table above indicates the extent of vandalism, with 15.5 Km of ABC.MV Bare conductor and 2,442 litres of transformer oil being the most significantly vandalised items. Vandalism of MV bare conductors disrupts electricity transmission, impacting network efficiency and reliability, potentially causing power outages and increasing maintenance needs. Similarly, the vandalism of 50sqmm Aerial Bundled Conductor (ABC) hampers power distribution, leads to reduced capacity and reliability in affected areas.

Furthermore, vandalised transformers not only entail direct replacement costs but also disrupt power distribution, affecting a larger consumer base and necessitating extensive repairs. The act of siphoning transformer oil poses a direct threat to the insulation and cooling properties of transformers, potentially causing overheating, malfunctions, and requiring costly repairs or replacements. Addressing and mitigating these acts of vandalism are crucial for maintaining a stable and reliable power supply.

d) SCADA system and biometric access control

Un-reliable SCADA system and ineffective biometric access control system at Mbarara Central, Kabale, Kiriri, Mubende and Busunju substations.

Un-reliable SCADA system hinders remote operations of the network such as fault detection and diagnosis which affects power supply availability. The ineffective biometric system compromises the security of equipment within the substations.

e) Safety

Several safety concerns were identified within the UEDCL infrastructure. Houses constructed under the Kiriri - Kibibi 11 kV Line present a safety risk, potentially endangering residents. Along the Mubende-Kakumiro 33Kv Line, sagging conductors touching the papyrus in the swamp pose a threat of fire hazards.

Additionally, there were instances of contravention of safety regulations and standards, such as at the Rugombe substation, where the Direct Current system was housed in the same room as the switchgear, violating regulations. Furthermore, at the Kabale substation, a cracked ceiling in the switchgear and battery room poses a risk to the switchgear system, impacting its primary function of remote monitoring and control of the distribution network.

f) Rotten Poles

Audit further noted cases of either damaged, cracked, rotten, vandalized or leaning poles on the UEMEME network. For instance; -

- Several leaning structures due to rotten poles and vandalized stay assemblies on the Kumi- Serere 33kV Line.
- It was also noted that 36.39% and 27.33% of the poles on Mityana town 11 kV and Kibibi 11 kV feeders respectively were either damaged, cracked, rotten or leaning and require replacement

A regional assessment of defective poles as per Q3 & Q4 reports is shown in table 10 below;

Table 10: A region wise assessment of defective poles

Region	Total Number of Poles	Poles in Good condition	No. of Defective Poles	% of defective poles
Northern & Eastern	16,932	15,212	1,720	11%
Western	14,667	13,684	983	7%

The table above shows that for the Northern & Eastern region, out of a total of 16,932 poles, 15,212 are in good condition, while 1,720 poles are deemed defective, representing 11% of the total. Similarly, in the Western region, out of 14,667 poles, 13,684 are in good condition, with 983 poles classified as defective, constituting 7% of the total. This regional assessment underscores a concern, particularly in the Northern & Eastern region, where nearly 11% of network poles are identified as defective.

The malfunctioning of even a single pole or a series of poles within a network can pose hazards and disrupt power supply to the final consumer.

The Accounting Officer explained that the parameters of quality of service and associated power quality are regulated parameters stipulated in license and therefore enforcement is a responsibility of the Regulator as they enforce the license terms and conditions.

UEDCL's role is to monitor and report on the findings since the LAA does not give the company any form of enforcement for such discrepancies.

Furthermore, the rotten poles were an indication of inadequate repairs and maintenance of the asset by UMEME. It should be noted that UEDCL cannot hold UMEME responsible for failing to maintain the network it's not privy to UMEME's operations and maintenance budget and expenditures.

Recommendation

I advised the Accounting Officer to follow-up the resolution of the mentioned inefficiencies on the UMEME network to ensure reliability of power supply.

10.0 MANAGEMENT OF THE WENRECO CONCESSION

UEDCL signed an Operation and Management agreement on the 27th of February 2017 with WENRECo to operate, maintain, and manage UEDCL Assets in the West Nile Region. In addition, on 12th June 2019, GOU represented by Rural Electrification Agency (REA) further handed over assets that it had constructed in West Nile to UEDCL for ownership.

This Asset transfer and handover agreement states that ownership of any future extensions constructed by REA under Energy for Rural Transformation Project Phase III (ERT III) would similarly be handed over to UEDCL. UEDCL also handed over the same assets to WENRECo to operate and maintain.

UEDCL is mandated under Article 9.1 of the O&M Agreement to monitor the operations and maintenance activities undertaken by WENRECO on the UEDCL Assets in the region.

I reviewed UEDCL's monitoring reports and noted the following;

10.1 Inadequate Maintenance of Electricity Line Accessories

The quarter 3 report revealed in-adequacy in the maintenance of electricity line accessories inspected during the quarter. It indicated that; 71% and 50% of the insulators and cross arms respectively, were broken/leaning, 40% of the stays were loose and 100% of both the drop out fuses and the surge arrestors were faulty. Table 11 refers.

Table11: Condition of the Electricity Line Accessories

Line Accessories	In good condition	Broken/Leaning	Loose	Faulty	Total inspected	%age of broken/leaning
Insulators	295	739	0	0	1034	71%
Cross arms	56	56			112	50%
Stays	646		438		1084	40%
Drop Out Fuse	0	0	0	34	34	100%
surge arrestors	0	0	0	44	44	100%

The above anomaly was attributed to failure to include replacement/maintenance of faulty line accessories in the maintenance plan. As such the line accessories were not replaced/maintained. This affects reliability of power supply which impedes the social and economic wellbeing of the community.

The Accounting Officer explained that routine monitoring exercises are done to ascertain the maintenance level carried out by WENRECO. The reports are also shared with the Regulator who approves the budget for the operations and maintenance activities. Whereas UEDCL owns the assets, it has no control over the deployment of the operations and maintenance budget and therefore cannot ascertain whether the non-conformities are a result of insufficient provision of the O&M funding or misappropriation of such funds.

Recommendation

I advised the Accounting officer to ensure that WENRECO maintenance plan includes the accessories that require maintenance or/and replacement. In addition, the entity should continue reporting on the deficiencies to ensure that the concessionaire maintains the integrity of the infrastructure.

10.2 WENRECO Utilisation and Movement of UEDCL Assets without prior approval by UEDCL

Article 9.1 of the O&M Agreement states that " UEDCL or its agents shall, from time to time (it not being the intention of the parties that such observation visits shall occur frequently), have the right, upon reasonable prior notice to WENRECo, to observe the repair, maintenance, operation, installation & retirement of the UEDCL assets provided that any decommissioning, retirement on any UEDCL asset shall be with the written approval of UEDCL. WENRECo shall comply with all reasonable requests of UEDCL for, and assist in arranging, any such observation visits".

However, I noted that WENRECo down sized UEDCL transformers and moved some of the assets from the UEDCL grid to WENRECo network without notification and prior approval of UEDCL and ERA. For instance, WENRECO took away higher rated transformers from UEDCL Owned Network to the WENRECo network and replaced them with smaller rated transformers. **Table 12** refers.

Table 12: Assets used or Moved without UEDCL Approval

S/N	Asset	Findings	Remarks
1	Katrini	Original 100kVA transformer at Katrini (UEDCL network) was relocated to ministry of works (WENRECo network). A 50kVA repaired transformer from Giligili (WENRECo) network was then deployed at Katrini.	No prior notification & approval by UEDCL
2	Ministry of works	100kVA transformer relocated from Katrini (UEDCL network) now deployed at ministry of works (WENRECo network) after the 50kVA at this location failed.	No prior notification & approval by UEDCL
3	Junior quarters	Original transformer at Junior quarters (WENRECo network) failed and was replaced with a 100kVA LTL transformers from the GEP stock.	No prior notification & approval by UEDCL
4	Nebbi sunrise	Original 200kVA LTL transformer that was at Nebbi sunrise (UEDCL network) was relocated to Paidha town (WENRECo network) and replaced with a repaired 200kVA Korica transformer from stores.	No prior notification & approval by UEDCL
5	UCU Ringili	Original transformer at UCU Ringili (WENRECo network) failed and was replaced with a 50kVA LTL transformer.	No prior notification & approval by UEDCL
6	Go-down	Original transformer at Go-down (UEDCL network) failed and was taken to the yard and now replaced with a 200kVA LTL transformer.	No prior notification & approval by UEDCL

***Source:** October 2022 monitoring report*

The above anomaly was attributed to the fact that WENRECo does not segregate between the UEDCL owned network and the WENRECo network during Repair & Maintenance activities and

In addition, I noted that there was inadequate monitoring and presence of UEDCL in the field during the period.

Consequently, the installed capacity on the UEDCL West Nile Grid at handover in 2017 had downscaled at the expense of WENRECo network capacity enhancement and hence affecting reliability of power supply.

The Accounting Officer explained that routine monitoring exercises are done quarterly using the available human resources.

Recommendation

I advised the Accounting Officer to attach staff to ensure close monitoring of WENRECO operations.

11.0 POLE PLANT

Inspections of the pole plant was undertaken and the following issues were observed;

11.1 Non-performance of Environmental Compliance Audits

Regulation 12(1) - (5) of the National Environment (Audit) Regulations 2020 mandates developers of projects or activities listed in schedule 3 to conduct annual environmental compliance audits. These audits must be conducted by a certified and registered environmental audit team, as per the National Environment (Conduct and Certification of Environmental Practitioners) Regulations, 2003, and supervised by a duly certified and registered lead environmental auditor.

However, it was observed that the company did not fulfil the obligation of undertaking environmental compliance audits as stipulated by the regulations. The ramifications of this lapse are that; it jeopardizes the company's adherence to environmental laws, regulations, and standards, potentially leading to legal and regulatory punitive actions.

The absence of compliance audits may result in a lack of insight into the environmental impact of the company's activities. This could lead to unchecked environmental risks, such as; pollution, habitat disruption, or resource depletion, going unnoticed and unmitigated. It also undermines the company's commitment to sustainable practices, corporate responsibility, and environmental stewardship.

The Accounting Officer explained that the Company was sourcing funds to relocate the pole plant to a 75-acre land that was procured for plant expansion in Kyampisi. However, in case of delay, the services of a NEMA certified company would be sought to carry out the annual environmental audits.

Recommendation

I advised the Accounting Officer to undertake environmental compliance audits in order to ensure compliance with the law and conducting business in environmentally friendly manner.

11.2 Inadequate maintenance of the pole plant

During the inspection of the pole plant, it was observed that maintenance and housekeeping practices were suboptimal, as depicted in the figure below. The site exhibited overgrown vegetation, and there were clear signs of creosote sludge blending with the soil and infiltrating drainage channels.

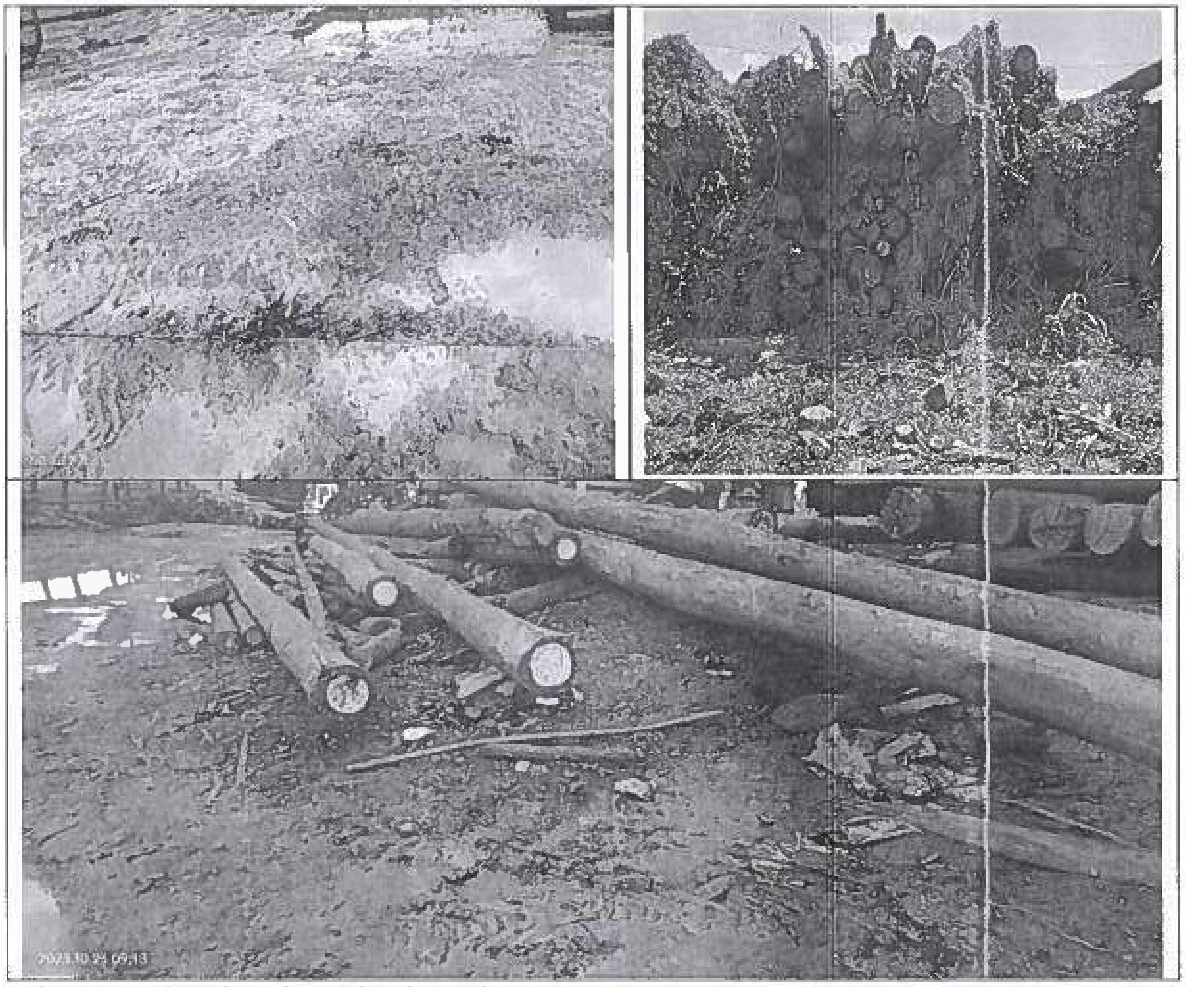


Figure 1: showing the pole plant site

This lapse in maintenance and housekeeping practices carries significant technical implications. Firstly, it poses safety hazards as overgrown vegetation can impede operational areas and create unsafe working conditions. Secondly, the blending of creosote sludge with the soil raises concerns about the structural integrity of the plant, potentially leading to premature degradation of equipment and infrastructure. Moreover, the infiltration of contaminants into drainage channels poses environmental risks, impacting soil and water quality.

The Accounting Officer explained that the procurement process of a NEMA certified company was underway to scrap off and dispose the creosote contaminated soil at a NEMA certified disposal area. This is done annually whenever substantial quantities accumulate. Furthermore, there is plan to relocate the Pole Plant from its current location (Lugogo) to Kyampisi in Namayumba Town council. The relocation is intended to provide a more spacious place to carry out operations safely. Based on the above, minimal civil work repairs can be carried out at the current location to improve the working area surface.

Recommendation

I advised the Accounting Officer to address the deficiencies in order to ensure; a safe working environment, prevent structural deterioration, and mitigate environmental risks and undertake immediate corrective actions to rectify maintenance and housekeeping issues, promoting the facility's proper functioning and ensuring its longevity.

Other Information

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

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

Management Responsibilities for the Financial Statements

The Directors are also responsible for the preparation of financial statements in accordance with the requirements of IPSAS and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors have a realistic alternative to the contrary.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

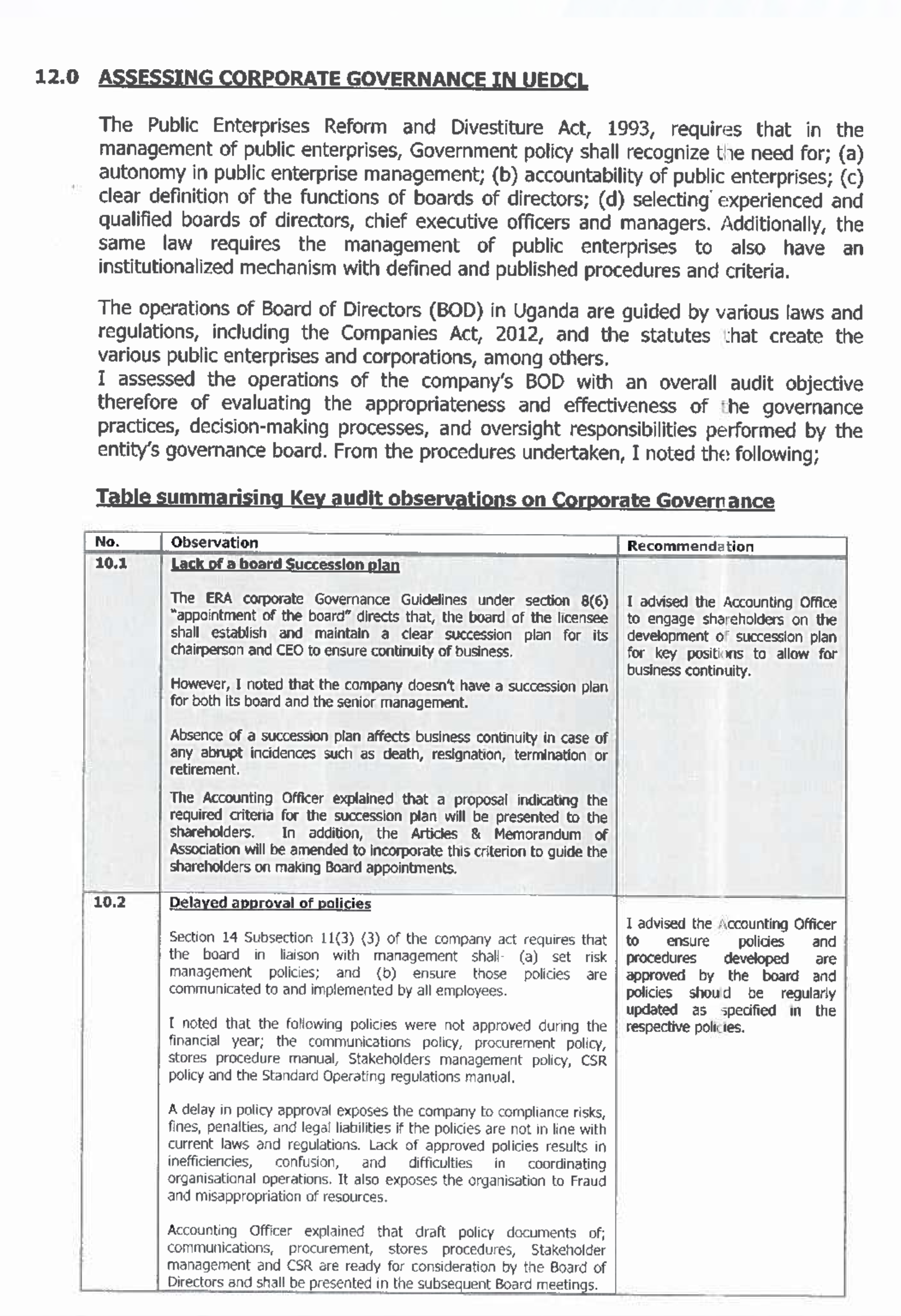
Other Reporting Responsibilities

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

Report on the Audit of Compliance with Legislation

In accordance with Section 19 of the NAA 2008, I have a responsibility to report material findings on the compliance of the Company with specific matters in key legislations. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

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



12.0 ASSESSING CORPORATE GOVERNANCE IN UEDCL

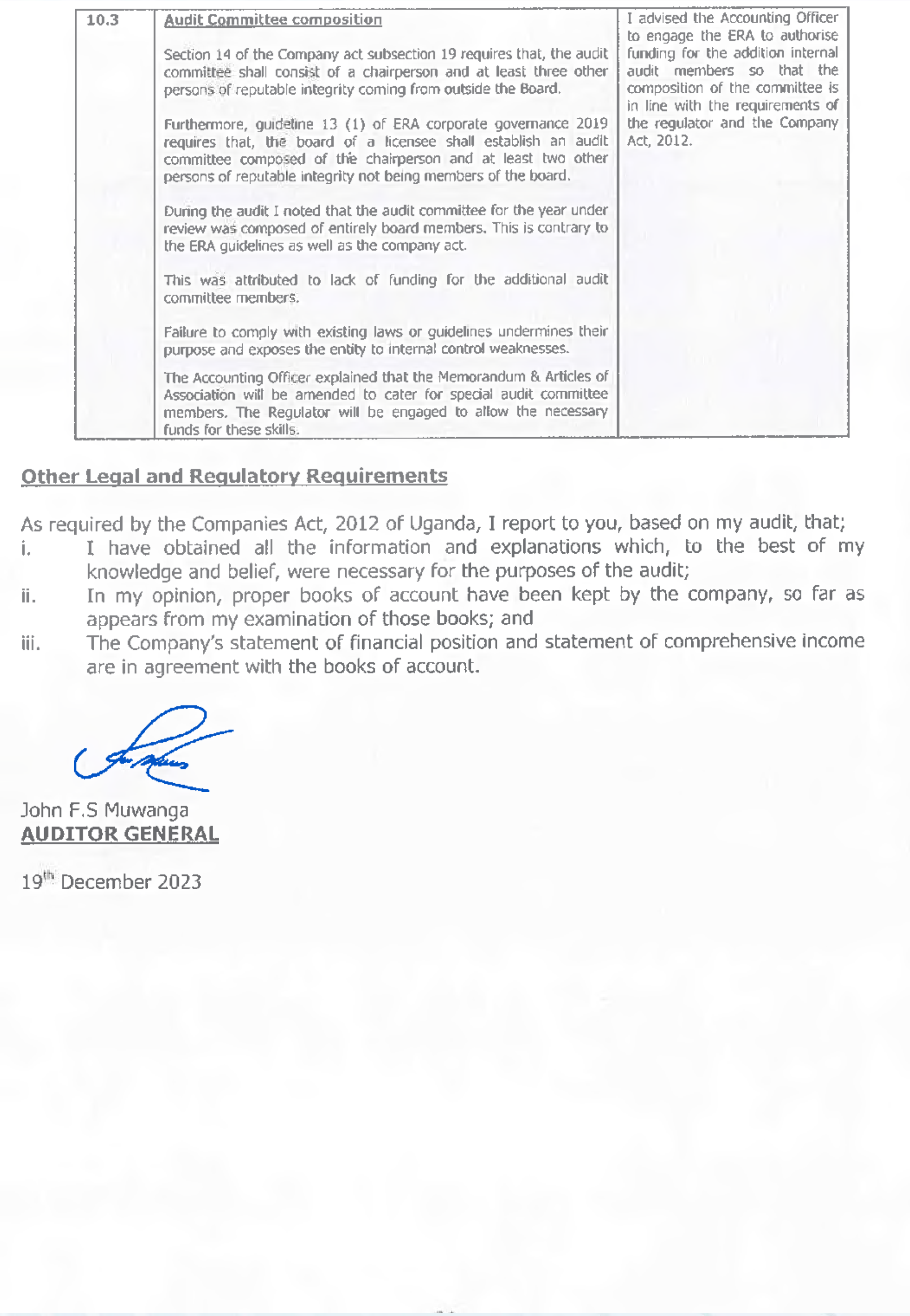
The Public Enterprises Reform and Divestiture Act, 1993, requires that in the management of public enterprises, Government policy shall recognize the need for; (a) autonomy in public enterprise management; (b) accountability of public enterprises; (c) clear definition of the functions of boards of directors; (d) selecting experienced and qualified boards of directors, chief executive officers and managers. Additionally, the same law requires the management of public enterprises to also have an institutionalized mechanism with defined and published procedures and criteria.

The operations of Board of Directors (BOD) in Uganda are guided by various laws and regulations, including the Companies Act, 2012, and the statutes that create the various public enterprises and corporations, among others.

I assessed the operations of the company's BOD with an overall audit objective therefore of evaluating the appropriateness and effectiveness of the governance practices, decision-making processes, and oversight responsibilities performed by the entity's governance board. From the procedures undertaken, I noted the following;

Table summarising Key audit observations on Corporate Governance

No.	Observation	Recommendation
10.1	**Lack of a board Succession plan** The ERA corporate Governance Guidelines under section 8(6) "appointment of the board" directs that, the board of the licensee shall establish and maintain a clear succession plan for its chairperson and CEO to ensure continuity of business. However, I noted that the company doesn't have a succession plan for both its board and the senior management. Absence of a succession plan affects business continuity in case of any abrupt incidences such as death, resignation, termination or retirement. The Accounting Officer explained that a proposal indicating the required criteria for the succession plan will be presented to the shareholders. In addition, the Articles & Memorandum of Association will be amended to incorporate this criterion to guide the shareholders on making Board appointments.	I advised the Accounting Office to engage shareholders on the development of succession plan for key positions to allow for business continuity.
10.2	**Delayed approval of policies** Section 14 Subsection 11(3) (3) of the company act requires that the board in liaison with management shall- (a) set risk management policies; and (b) ensure those policies are communicated to and implemented by all employees. I noted that the following policies were not approved during the financial year; the communications policy, procurement policy, stores procedure manual, Stakeholders management policy, CSR policy and the Standard Operating regulations manual. A delay in policy approval exposes the company to compliance risks, fines, penalties, and legal liabilities if the policies are not in line with current laws and regulations. Lack of approved policies results in inefficiencies, confusion, and difficulties in coordinating organisational operations. It also exposes the organisation to Fraud and misappropriation of resources. Accounting Officer explained that draft policy documents of; communications, procurement, stores procedures, Stakeholder management and CSR are ready for consideration by the Board of Directors and shall be presented in the subsequent Board meetings.	I advised the Accounting Officer to ensure policies and procedures developed are approved by the board and policies should be regularly updated as specified in the respective policies.



10.3	**Audit Committee composition** Section 14 of the Company act subsection 19 requires that, the audit committee shall consist of a chairperson and at least three other persons of reputable integrity coming from outside the Board. Furthermore, guideline 13 (1) of ERA corporate governance 2019 requires that, the board of a licensee shall establish an audit committee composed of the chairperson and at least two other persons of reputable integrity not being members of the board. During the audit I noted that the audit committee for the year under review was composed of entirely board members. This is contrary to the ERA guidelines as well as the company act. This was attributed to lack of funding for the additional audit committee members. Failure to comply with existing laws or guidelines undermines their purpose and exposes the entity to internal control weaknesses. The Accounting Officer explained that the Memorandum & Articles of Association will be amended to cater for special audit committee members. The Regulator will be engaged to allow the necessary funds for these skills.	I advised the Accounting Officer to engage the ERA to authorise funding for the addition internal audit members so that the composition of the committee is in line with the requirements of the regulator and the Company Act, 2012.

Other Legal and Regulatory Requirements

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of the audit;

ii. In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and

iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

John F.S Muwanga
AUDITOR GENERAL

19th December 2023

APPENDIX 1: Implementation of Outputs

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Business Growth and Sustainability									
Finance Department									
Increased customer numbers	Review customer connection procedures	Efficient customer connection process		% completion	1	Q4	100%	100% Achieved. Proposed improvement in SMS message sent to customers pending connection time.	Implemented
	Initiate community engagement activities	New customers		No. of engagements	4 monthly engagements per territory	Q1-Q4	25%	Average of 1 monthly engagement held per territory. Budget limitations hindered achieving this target fully	Partially Implemented
	Analyse consumption trends and project demand	New customers		Monthly reports	One report per month	Q1 - Q4	100%	Achieved. Monthly customer service report is submitted.	Implemented
	Follow-up processing of customer applications from inspection to connection for timeliness.	Increased connections		Working days	10 days	Q1-Q4	68%	QOS . 1 Performance: - ECP- N/A1 - Hybrid -46days - Self-financing 13days QOS 2 Performance: - ECP- N/A - Self-financing 51 days QOS 3 Performance: 9days QOS 4 Performance: 14days QOS 5 Performance: 7.5days	Partially Implemented

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Increased investments and asset [useful] value.	Carry out physical verification of Umeme assets.	Verification reports, Report on the status of assets.		Quarterly report	10th day of the month following the quarter	Q1 - Q4	100%	Asset Monitoring Report was submitted to Management	Implemented
	Acquire and update electronic Asset register.	Updated electronic asset		%age completion	1	Q4	40%	This was not completed;	Partially Implemented
Reduced commercial and technical energy losses on the grid.	Prepare periodic energy loss analysis	Improved energy loss management		Timely and accurate reports	16th day of each following month	Q1 - Q4	100%	Loss statistics were shared averagely on 15th day of each month.	Implemented
	Support the technical in enforcing laws on power theft and promoting incentives for reporting power theft.	Reduced commercial losses.		%age loss reduction.	5% reduction annually	Q1 - Q4	80%	There has been a 4% reduction in losses compared to last FY. Finance has emphasized meter Audits and disconnection of Power theft culprits.	Partially Implemented
Technical Services									
Improve connection time, improve awareness of current and prospective customers and improve marketing procedures and systems	Enhance performance	Reduced connection turnaround time	Quarterly analysis performance from CMMS	Quarterly reports and actions taken	4 quarterly reports	Quarterly	100%	4-quarterly reports were made	Implemented
			Timely surveys of Scheme identified by MEMD for financing and commercial schemes	Time taken from date of survey request to date of submission of BOQs	30 days schemes greater than 1km, 15 days for schemes below 1 km	June 2023	80% greater than 1km, 60% below 1km	Target affected by workload & shared transport from the pool	Partially Implemented
Increase investments and asset [useful] value.	Improve asset performance monitoring processes under LAA and Territories	Increased asset useful life	Monitor concessionaire investments in distribution network	Approved investment plans and implementation reports	Reports prepared and distributed to stakeholders	Quarterly	100%	The 4 quarterly reports were submitted, approved by Management & shared	Implemented
Reduce commercial l and technical energy losses on the grid.	Continuous meter auditing	Increased meter integrity	Improve on Meter Inspection and verification	Inspection Reports	3Phase - Monthly 1phase - Annual Reports	5th day of subsequent Month	45% Average score	70% Submission of 3phase reports Annual report available	Partially Implemented

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
				Meter testing / verification report	Monthly Report	Monthly	100%	Monthly reports were made	Implemented
				Develop a field meter auditing System / Application	A commissioned Application	Jan-23	40%	The App was developed, awaiting test running	Partially Implemented
			Joint audit of Bulk supply metering points	Joint audit reports	Annual report	May-23	100%	The high risk metering points were jointly audited,	Implemented
				Develop a proposal for remote meter reading at points of common coupling	Approved proposal	Apr-23	10%	Consultation with System Operator is underway to allow UEDCL to design for installation	Partially Implemented
			Apply the key Token Identifier	Number of meters converted to TID	3,600 Conversions	Jun-23	0%	None by June 2023	Not Implemented
		Reduced commercial losses	Segregation of Commercial and technical losses	Commercial and technical losses reported separately	Bi-annual report	Jun-23	78%	18 grouped feeders out of 23 were successfully analysed, the Tech. Loss levels were developed. The remaining 5 grouped feeders had challenge of meter downloads	Partially Implemented
Legal									
Reduce Energy losses	Commence civil and criminal action for energy loss	Recovered amount		Number of cases on loss reduction handled	70%	Q1 – Q4	10%	Pending police investigation and others in court	Partially Implemented
Logistics and Production Department									

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Increase customer numbers/Sales growth	Develop and implement a sales strategy for customer growth , Participate in ITT for poles supplies	Sales growth , Approved Documented Pole sales strategy		%age growth in number of poles sold	5%	Q1-Q4	30%	New Markets and Export markets penetrated. More efforts to enhance is WIP. 14,000 Poles to 20,000 (Kicking blocks incl)	Partially Implemented
	Grow product range to include creosote oil treated poles, CCA and concrete poles	More product options for customers (2more)		No. of product options in place (3)	3 products	Q1-Q4	33%	Implementation of the Kyampisi investment project is still work in progress. Delay in securing funding. 1 Product available	Partially Implemented
		Increased no. of poles produced from 21000 to 36000		% increase in of poles produced annually	70%	Q1-Q4	50%	The target was to increase the number of poles produced using creosote oil plus at least one other line of production implemented first i.e. concrete or CCA production line	Partially Implemented
Increase Investments and useful asset value	Accelerate Implementation of the Pole Plant investment strategy	Approved Implementation Plan on file, Approvals made by the Board and Financier, Advertisements places for site works , Site works commenced		%age of Site Works lots commenced	100%	Q1-Q4	50%	Implementation of the Kyampisi investment project is still work in progress. Full scale implementation delayed due to delayed acquisition of funds	Partially Implemented
INTERNAL AUDIT									
Increased customer numbers (Improved internal control processes)	Carry out risk based audit geared towards closing revenue	Number of Audits		Perform all Audits as per Annual Audit Plan	19 planned Audits (departments and service	Q1 to Q4	60%	In total we concluded 18 activities. (12 Planned and 6 ad-	Partially Implemented

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
	leakages				territory audits)			hoc) Total planned activities were 20 which implies 60% coverage of the plan. Or 90% by activities.	
Increase investments and asset value	Support investment monitoring and verification.	Investment verification and monitoring reports with Audit support and contribution		Monitoring exercises with Audit input. (6)	2 Umeme asset verifications and 4 WENRECO monitoring exercises	Q1 to Q4	50%	The section supported in 2 Umeme asset verification exercises and 1 Wenreco activity.	Partially Implemented
Human resource and administration									
Improve supply chain Management	Improve supply chain Management	Monthly reconciliation reports with Finance		Timely and accurate reports	Revenue of 1.3bn/=	Q1 to Q4	80%	TH rent has been collected and reconciled aside from PAC SPA that has an ongoing issue of VAT exemption	Partially Implemented
	Analyse Monthly Staff reports (attendance, staff, payroll etc.)	Monthly reconciliation reports (Payroll).		Timely and accurate reports	100%	Q1 to Q4	100%	Payroll submissions have been made on time to finance for processing	Implemented
Customer Service Excellence									
Finance Department									
Improved service delivery.	Respond proficiently to customer calls made to the Call Centre	Satisfied customer		Call abandonment rate	0.05	Q1 - Q4	67%	Call abandonment for the period is at 36.3%. This is due to limited human resources in the Call Center following resignation of 2 agents as well as vending downtime.	Partially Implemented
				% of calls picked within 30 seconds	90% of total call hits	Q1 - Q4	100%	100% Target achieved. All answered calls totalling to 130,212 were	Implemented

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Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
								picked within 30 seconds	
	Develop Call Center SOPs	Approved SOPs		Time of completion and approval	Q2 and Q4	Q2 and Q4	100%	These were developed and approved by management,. and the BOD.	Implemented
	Develop Customer protection guidelines	Informed public		Time of completion and approval	Q2 and Q4	Q2 and Q4	100%	These were developed and approved by management, and the BOD.	Implemented
	Resolve customer complaints in a timely manner	Satisfied customer.		No. of days.	7 Days	Q1 - Q4	75%	The score stands at 75% complaints resolved within 7 days as at the end of the year under review. The 25% is resolved within 3days for non-technical while 60days for technical issues like meter replacements, Transformer replacements and pole replacement in some areas.	Partially Implemented
	Notify customers of all power outages in a timely manner	Satisfied customer.		Hours	Planned -within 48 hours, Unplanned within 2 hours	Q1 - Q4	85%	100% achievement. All notifications were made on time	Partially Implemented
Technical Services									

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Improve service delivery	Improve on the quality of service	Satisfied customer	Improve compliance with QoS	Percentage of compliance	90% compliance e level	Quarterly	68%	68% achievement, main shortcoming being lack of connection materials. And low staff level in the Call Centre for calls handling. These two concerns have been addressed in the subsequent financial year	Partially Implemented
	Improve quality of supply	Satisfied customer	Establish initiatives for improvement of quality of supply	Power availability	95%	Q1-Q4	96% of the target performance e	90.94%	Partially Implemented
Logistics and Production Department									
Promote research and development	Increase collaboration with institutions and professional bodies.	Signed off Research reports on file		No. of research projects completed	At least one (1)	Q1-Q4	50%	Efforts were directed to establish causes of damages of Poles (Longitudinal splits) and Mitigations enforced from farm gate to the production line. This has reduced damages due to cross-sectional splits. Reports-WIP	Partially Implemented
INTERNAL AUDIT									

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Improved service delivery	Advise and guide during the process of automating critical UEDCL processes	Improved operational efficiency and customer satisfaction		No of due diligence and IT system reviews prior to installation and rollout.	All new IT systems and annual IT system review for existing systems.	Q1 to Q4	75%	Participated in the token vending system cut off project, Supported improvement of 2 processes in the finance department	Partially Implemented
	Coordinate Management responses for outstanding Audit recommendations	Number of outstanding g issues closed		Number of monitoring & follow up exercises on implementation on of Audit reviews.	4 quarterly follow ups and timely update of the log with open findings and recommendation	Quarterly y	100%	All the 4 Quarterly follow ups on the implementation status of Audit recommendations were done. The average implementation status of Audit recommendations for the last four F/Ys is as follows:- Implemented 64%, Partially implemented 28%, Pending 8%.	Implemented
Human Resource and admin									
Improve stakeholder management	Visits to Territories & General Communication with Staff & 3rd Parties	Engaged staff and supportive community leaders		Twice a year	100%	Q1 & Q3	20%	HR Clinics conducted NWST, NST. There was no budget provision to visit all regions	Partially Implemented
	Placement of Graduate Trainees and Interns	Ensure continued supply of skills/Talent to the Electricity supply Industry		90% of the targeted numbers: 12 Graduate - 100 Interns	100%	Q1 – Q4	100%	We successfully recruited and on boarded all the 12 Graduate Trainees. 150 Interns from different institutions trained with UEDCL	Implemented
Operational Efficiency									
Technical Services									

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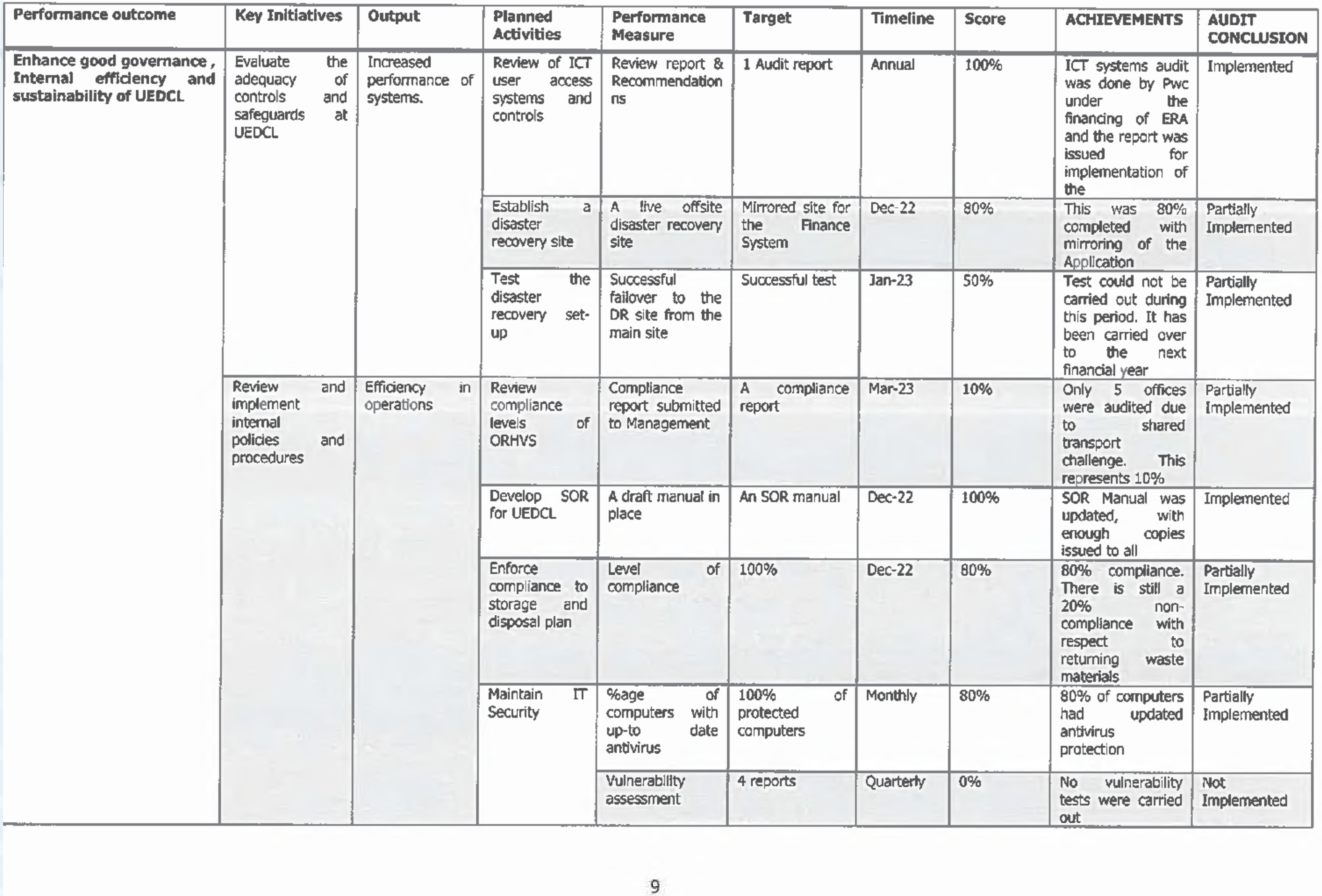


Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Enhance good governance , Internal efficiency and sustainability of UEDCL	Evaluate the adequacy of controls and safeguards at UEDCL	Increased performance of systems.	Review of ICT user access systems and controls	Review report & Recommendations	1 Audit report	Annual	100%	ICT systems audit was done by Pwc under the financing of ERA and the report was issued for implementation of the	Implemented
			Establish a disaster recovery site	A live offsite disaster recovery site	Mirrored site for the Finance System	Dec-22	80%	This was 80% completed with mirroring of the Application	Partially Implemented
			Test the disaster recovery set-up	Successful failover to the DR site from the main site	Successful test	Jan-23	50%	Test could not be carried out during this period. It has been carried over to the next financial year	Partially Implemented
	Review and implement internal policies and procedures	Efficiency in operations	Review compliance levels of ORHVS	Compliance report submitted to Management	A compliance report	Mar-23	10%	Only 5 offices were audited due to shared transport challenge. This represents 10%	Partially Implemented
			Develop SOR for UEDCL	A draft manual in place	An SOR manual	Dec-22	100%	SOR Manual was updated, with enough copies issued to all	Implemented
			Enforce compliance to storage and disposal plan	Level of compliance	100%	Dec-22	80%	80% compliance. There is still a 20% non-compliance with respect to returning waste materials	Partially Implemented
			Maintain IT Security	%age of computers with up-to date antivirus	100% of protected computers	Monthly	80%	80% of computers had updated antivirus protection	Partially Implemented
				Vulnerability assessment	4 reports	Quarterly	0%	No vulnerability tests were carried out	Not Implemented

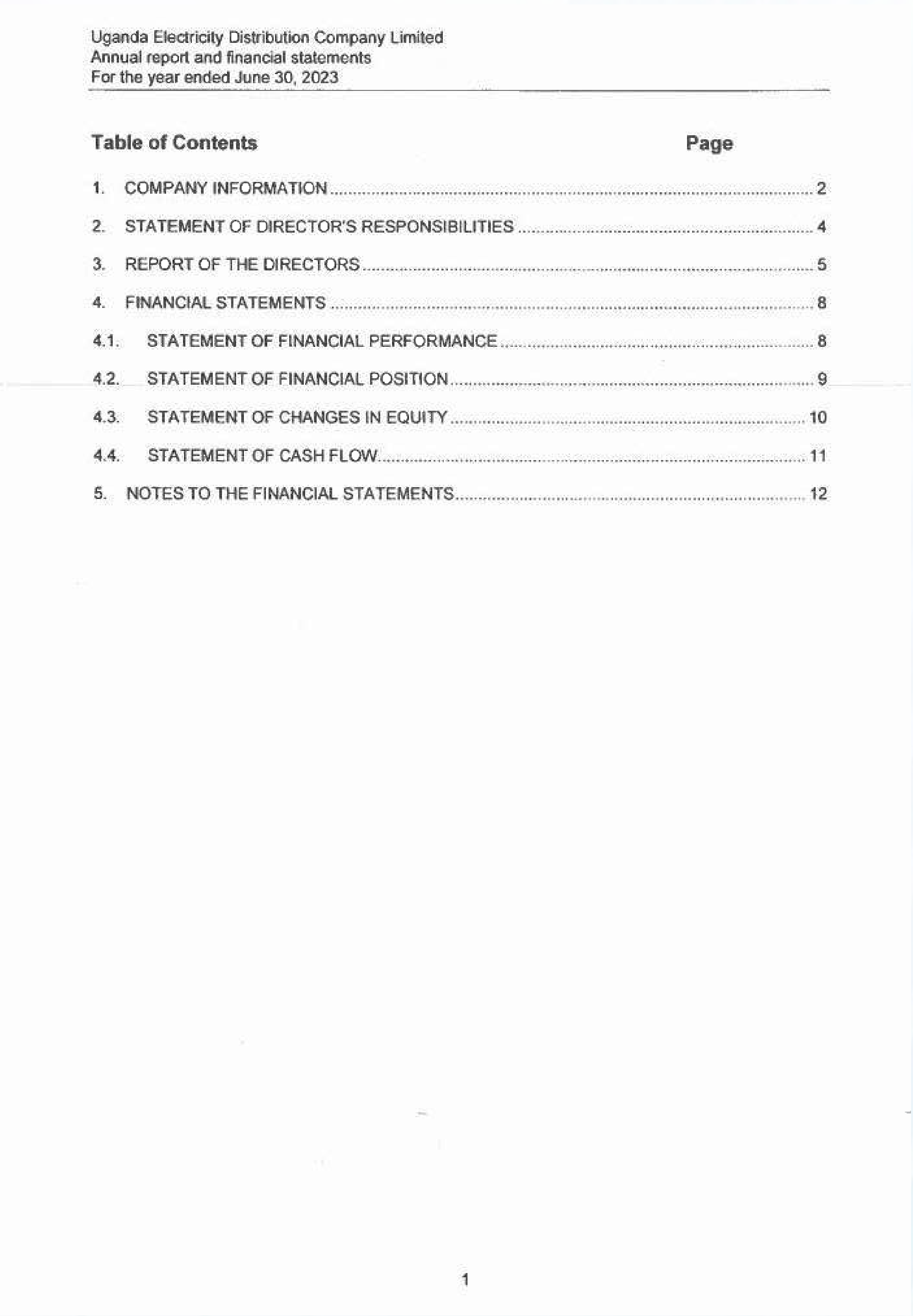
Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
			Develop a tools management system	A functional tools management system	Functional tools management system in place	Feb-23	85%	85% developed and currently being piloted awaiting roll	Partially Implemented
			Develop a transformer replacement tracking system	A functional transformer replacement tracking system	Functional system in place	Feb-23	45%	Still under development but at 45%	Partially Implemented
			Improve the lifespan and performance of ICT equipment	Percentage of ICT equipment maintained	100%	Jun-23	85%	85% of equipment has been maintained. We are challenged with some territories like NEST that were not serviced.	Partially Implemented
				Routine maintenance frequency	4	Quarterly	50%	Whereas quarterly maintenance at head office and Lugogo was achieved	Partially Implemented
Legal									
Improve use of tools, technology and promote optimal utilization of organizational resources.	Manage office files by use of EDRMS	File all documents on EDRMS		% completion	100%	Q1 – Q4	50%	Agreements filed on EDRMS	Partially Implemented
Internal Audit									
Improve use of tools, technology and promote optimal utilization of organizational resources	Acquire Audit Management software and data analytics tools for planning, execution and reporting	Saved time and improved business efficiency		Availability and use of audit software	100%	End of 2022/202 3	0%	Audit software is not yet acquired because the budgetary requirement was not approved by the regulator.	Not Implemented

Performance outcome	Key Initiatives	Output	Planned Activities	Performance Measure	Target	Timeline	Score	ACHIEVEMENTS	AUDIT CONCLUSION
Promote compliance with laws, policies and procedures	Periodic review compliance to Legal, Regulatory and company requirements	Compliance e reviews Improved compliance indicators		Number of compliance review audits performed as per the audit plan.	2 regulatory compliance reviews and compliance checks on the various departments	Q1 to Q4	75%	Regular follow-up on . the implementation status on external Audits sanction by ERA, Evaluation of compliance to the QOS during field operational Audits , Planned regulatory compliance review was supported by Audit	Partially Implemented
Human Resource and admin									
Enhance knowledge, skills development and change organizational culture	Conduct online Managerial and other staff Trainings 200 staff	Improved managerial and technical skills		53%	Annually	Q1- Q4	100%	201 Staff Trained (Local, Online & International) 4,924 Man-hours.	Implemented

FINANCIAL STATEMENTS

UGANDA ELECTRICITY DISTRIBUTION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2023



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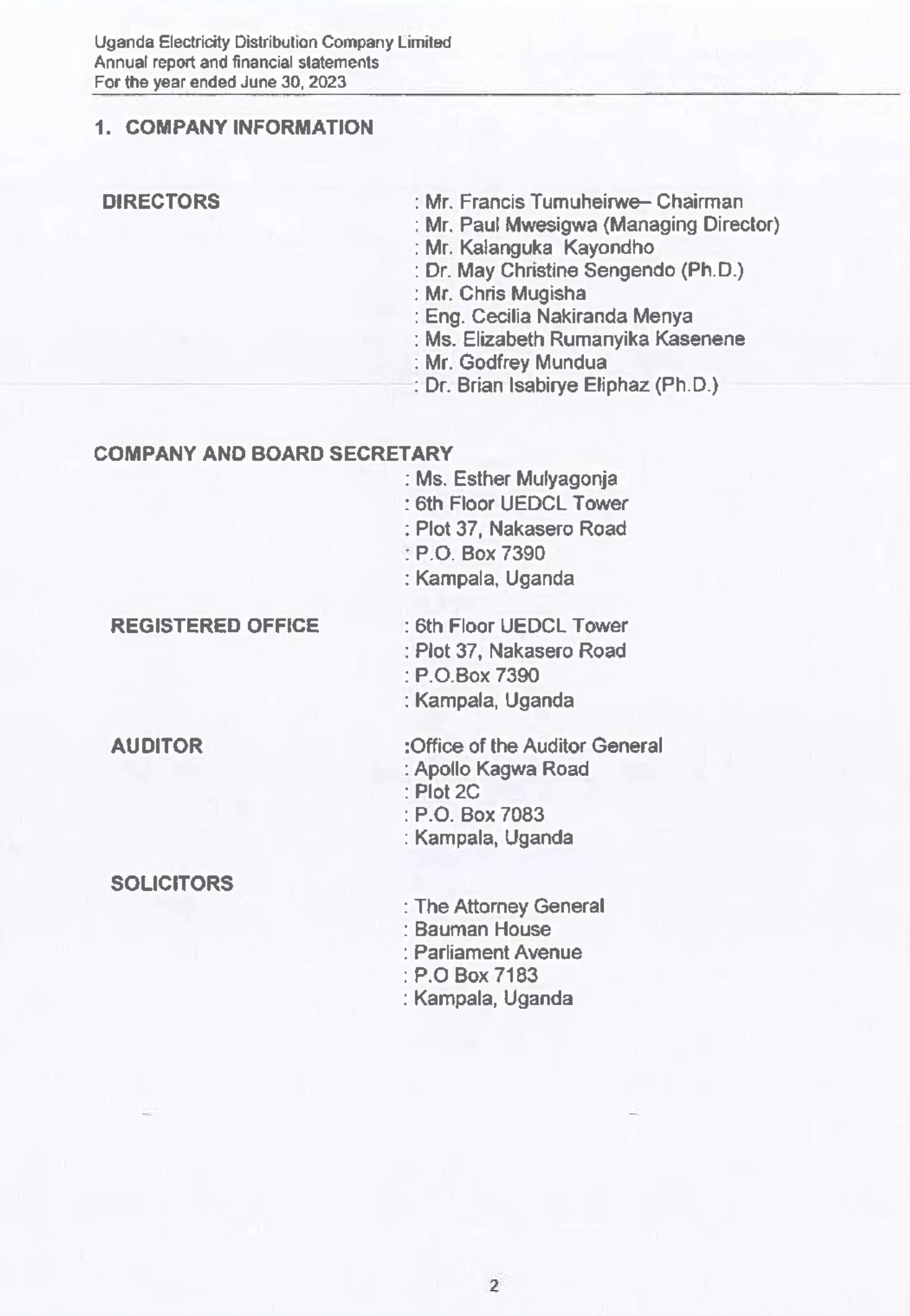


1. COMPANY INFORMATION

DIRECTORS
: Mr. Francis Tumuheirwe– Chairman
: Mr. Paul Mwesigwa (Managing Director)
: Mr. Kalanguka Kayondho
: Dr. May Christine Sengendo (Ph.D.)
: Mr. Chris Mugisha
: Eng. Cecilia Nakiranda Menya
: Ms. Elizabeth Rumanyika Kasenene
: Mr. Godfrey Mundua
: Dr. Brian Isabirye Eliphaz (Ph.D.)

COMPANY AND BOARD SECRETARY
: Ms. Esther Mulyagonja
: 6th Floor UEDCL Tower
: Plot 37, Nakasero Road
: P.O. Box 7390
: Kampala, Uganda

REGISTERED OFFICE
: 6th Floor UEDCL Tower
: Plot 37, Nakasero Road
: P.O.Box 7390
: Kampala, Uganda

AUDITOR
:Office of the Auditor General
: Apollo Kagwa Road
: Plot 2C
: P.O. Box 7083
: Kampala, Uganda

SOLICITORS
: The Attorney General
: Bauman House
: Parliament Avenue
: P.O Box 7183
: Kampala, Uganda

BANKERS	**: Stanbic Bank Uganda Limited** : Plot 45, Kampala Road : P.O. Box 7131, : Kampala, Uganda
	: Standard Chartered Bank Uganda Limited : 5 Speke Road, : P.O. Box 7111, : Kampala, Uganda
	: Absa Bank of Uganda Ltd : Plot4, Hannington Road, : P.O. Box 7101 : Kampala, Uganda
	: DFCU Bank Limited : Plot 2, Jinja Road : P.O. Box 70, : Kampala, Uganda
	: Citibank Uganda Limited : Plot No. 4 Ternan Avenue : P.O. Box 7505, : Kampala, Uganda

2. STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The directors are required under the Companies Act, 2012 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended. Also, under the Public Finance Management Act (PFMU) 2015 section 45 (2), it requires establishing effective systems of risk management and internal controls to manage the institution resources.

Thus, the directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, that, the system of internal control and risk management as implemented by management within the company provides reasonable assurance that the financial records are reliable for the preparation of the financial statements under the International Public Sector Accounting Standards (IPSAS).

The directors have reviewed the company's cash flow forecast for the year to June 2023 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The Directors report and financial statements as set out below on pages 5 to 52, which have been prepared on the going concern basis, were approved by the Board on this day of; ______________________ and were signed on their behalf by:

CHAIRMAN **MANAGING DIRECTOR** **DIRECTOR**

____

Kampala, Uganda

3. REPORT OF THE DIRECTORS

UEDCL'S MANDATE

Government created UEDCL on 01st April 2001 after unbundling the defunct Uganda Electricity Board with the mandate to own and operate all the distribution electricity lines below 33Kv across the country. It also entered a Public Private Partnership in order to attract private capital by signing a concession agreement called the Lease and Assignment Agreement (LAA) with Umeme Ltd in 2005 for a period of 20 years.

PRINCIPAL ACTIVITIES

As prescribed under the UEDCL's mandate, The principal business activities Include; - monitoring the electricity distribution concession with Umeme Limited, pole treatment plant at Lugogo, electricity retail distribution in the 9 rural service territories and provision of other energy related services in the energy sector.

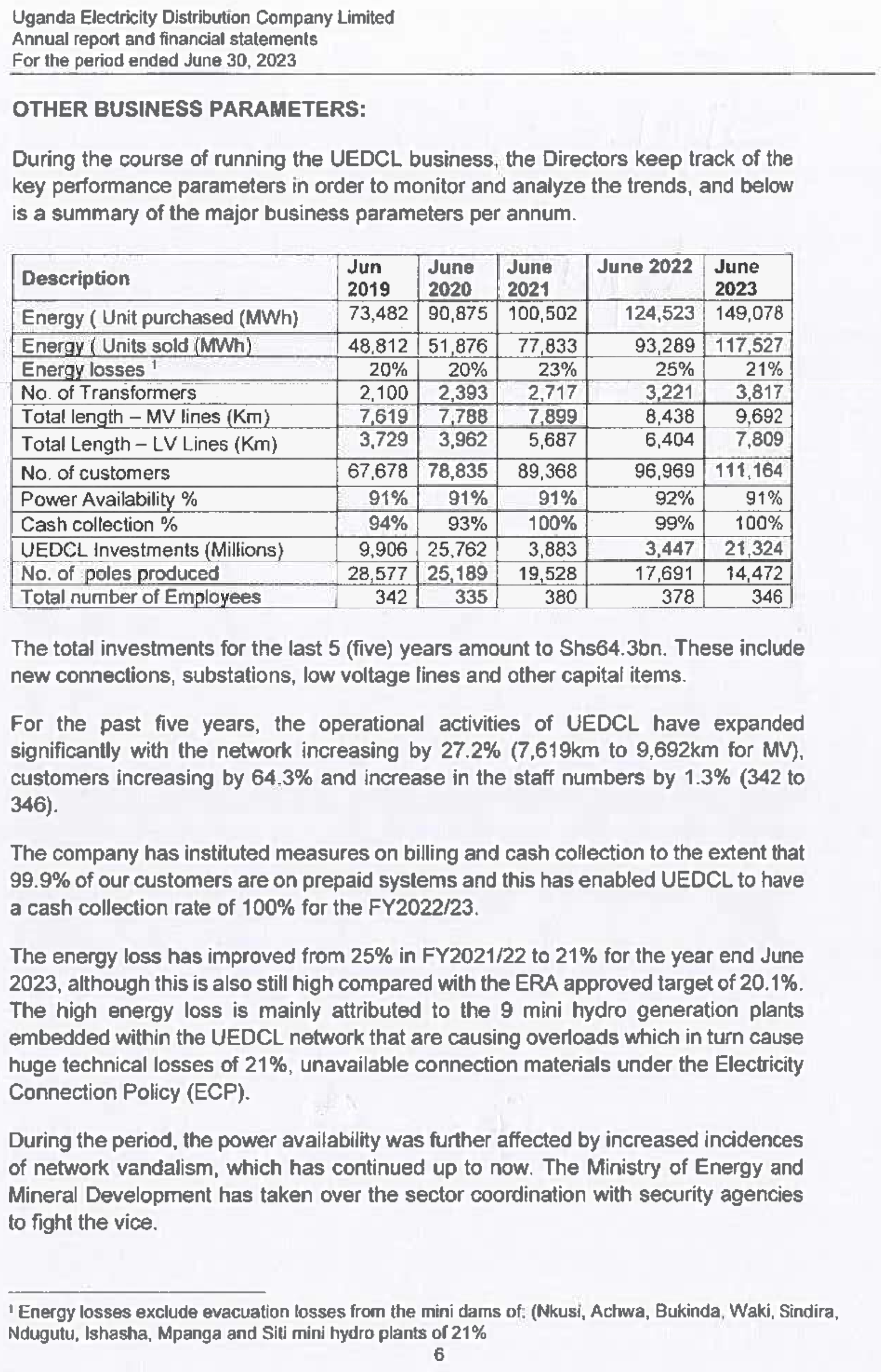
SUMMARY OF FINANCIAL RESULTS

For the period ending 30th June 2023, the net surplus/(deficit) after deducting the total operating costs but before charging Depreciation and Amortization has been summarized below.

	12 months year ended June 30, 2023 Ushs'000	**12 months year ended June 30, 2022 Ushs'000**
Surplus before Tax, Depreciation & Amortization	14,831,102	19,166,679
Less: Amortization & Depreciation	(17,015,058)	(19,252,413)
(Deficit)before Tax	(2,183,956)	(85,734)
Less: Tax (charge)/Credit	-	-
Net Deficit	**(2,183,956)**	**(85,734)**

DIVIDEND

The directors do not recommend payment of a dividend for the current period 2022/2023.



OTHER BUSINESS PARAMETERS:

During the course of running the UEDCL business, the Directors keep track of the key performance parameters in order to monitor and analyze the trends, and below is a summary of the major business parameters per annum.

Description	Jun 2019	June 2020	June 2021	June 2022	June 2023
Energy (Unit purchased (MWh)	73,482	90,875	100,502	124,523	149,078
Energy (Units sold (MWh)	48,812	51,876	77,833	93,289	117,527
Energy losses [1]	20%	20%	23%	25%	21%
No. of Transformers	2,100	2,393	2,717	3,221	3,817
Total length – MV lines (Km)	7,619	7,788	7,899	8,438	9,692
Total Length – LV Lines (Km)	3,729	3,962	5,687	6,404	7,809
No. of customers	67,678	78,835	89,368	96,969	111,164
Power Availability %	91%	91%	91%	92%	91%
Cash collection %	94%	93%	100%	99%	100%
UEDCL Investments (Millions)	9,906	25,762	3,883	3,447	21,324
No. of poles produced	28,577	25,189	19,528	17,691	14,472
Total number of Employees	342	335	380	378	346

The total investments for the last 5 (five) years amount to Shs64.3bn. These include new connections, substations, low voltage lines and other capital items.

For the past five years, the operational activities of UEDCL have expanded significantly with the network increasing by 27.2% (7,619km to 9,692km for MV), customers increasing by 64.3% and increase in the staff numbers by 1.3% (342 to 346).

The company has instituted measures on billing and cash collection to the extent that 99.9% of our customers are on prepaid systems and this has enabled UEDCL to have a cash collection rate of 100% for the FY2022/23.

The energy loss has improved from 25% in FY2021/22 to 21% for the year end June 2023, although this is also still high compared with the ERA approved target of 20.1%. The high energy loss is mainly attributed to the 9 mini hydro generation plants embedded within the UEDCL network that are causing overloads which in turn cause huge technical losses of 21%, unavailable connection materials under the Electricity Connection Policy (ECP).

During the period, the power availability was further affected by increased incidences of network vandalism, which has continued up to now. The Ministry of Energy and Mineral Development has taken over the sector coordination with security agencies to fight the vice.

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[1] Energy losses exclude evacuation losses from the mini dams of: (Nkusi, Achwa, Bukinda, Waki, Sindira, Ndugutu, Ishasha, Mpanga and Siti mini hydro plants of 21%

The financial statements set out on pages 8 to 52 were approved by the board on 20/12/2023, and were signed on its behalf by:

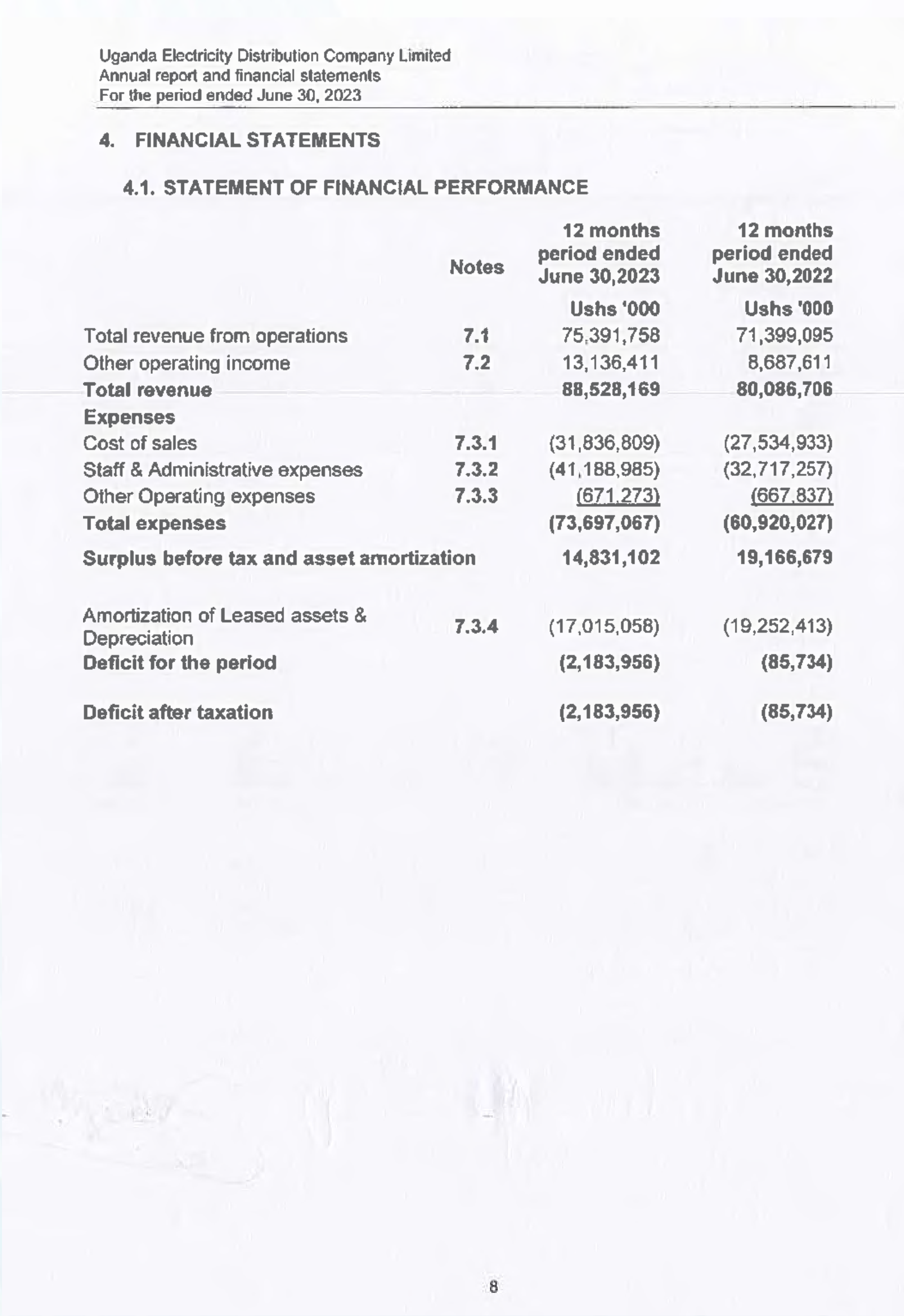
BY ORDER OF THE BOARD

………………………………………………………………………

COMPANY SECRETARY

Date: ……20/12…… 2023

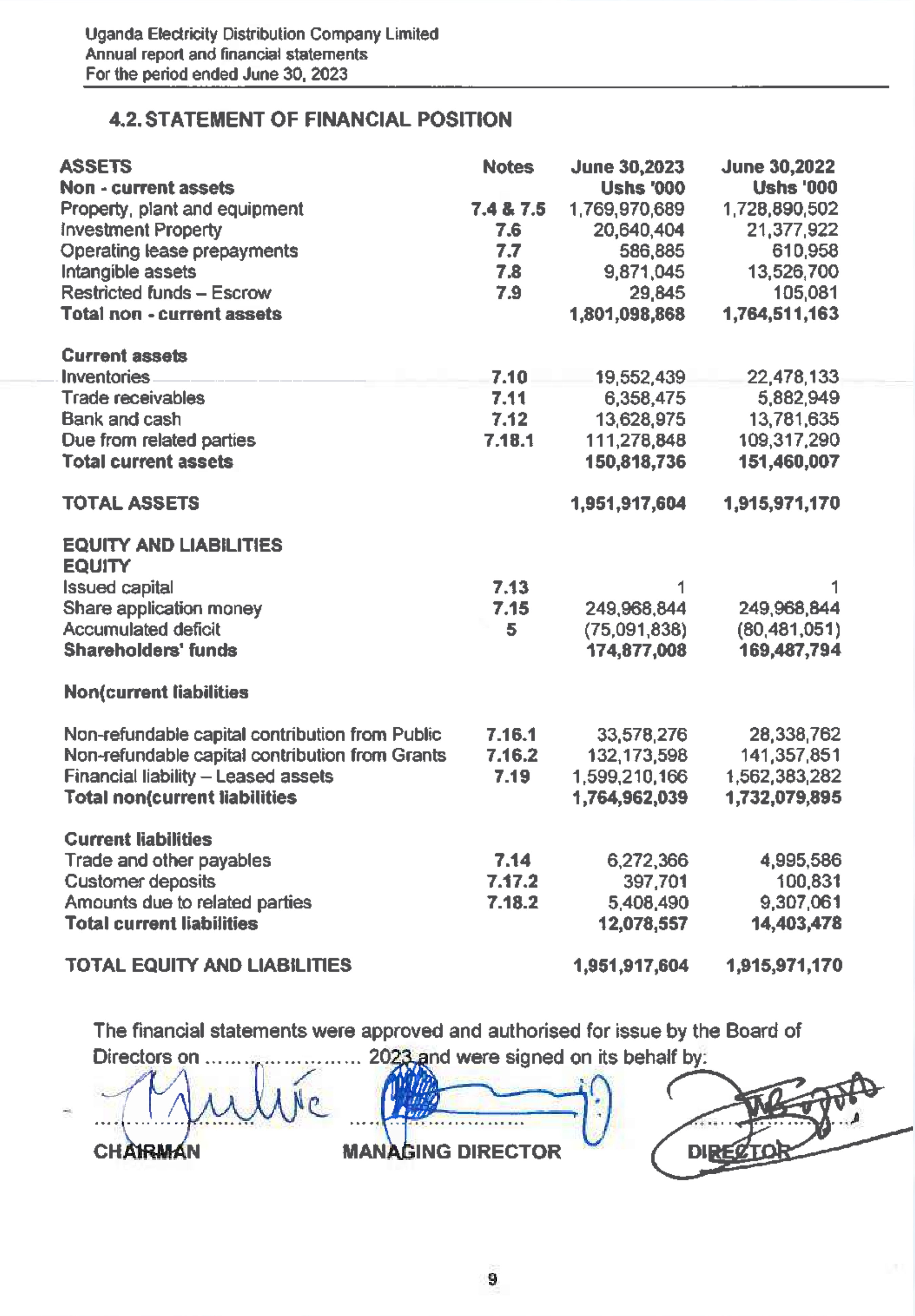
Kampala Uganda



4. FINANCIAL STATEMENTS

4.1. STATEMENT OF FINANCIAL PERFORMANCE

	Notes	12 months period ended June 30,2023	12 months period ended June 30,2022
		Ushs '000	Ushs '000
Total revenue from operations	7.1	75,391,758	71,399,095
Other operating income	7.2	13,136,411	8,687,611
Total revenue		**88,528,169**	**80,086,706**
Expenses			
Cost of sales	7.3.1	(31,836,809)	(27,534,933)
Staff & Administrative expenses	7.3.2	(41,188,985)	(32,717,257)
Other Operating expenses	7.3.3	(671,273)	(667,837)
Total expenses		**(73,697,067)**	**(60,920,027)**
Surplus before tax and asset amortization		**14,831,102**	**19,166,679**
Amortization of Leased assets & Depreciation	7.3.4	(17,015,058)	(19,252,413)
Deficit for the period		**(2,183,956)**	**(85,734)**
Deficit after taxation		**(2,183,956)**	**(85,734)**



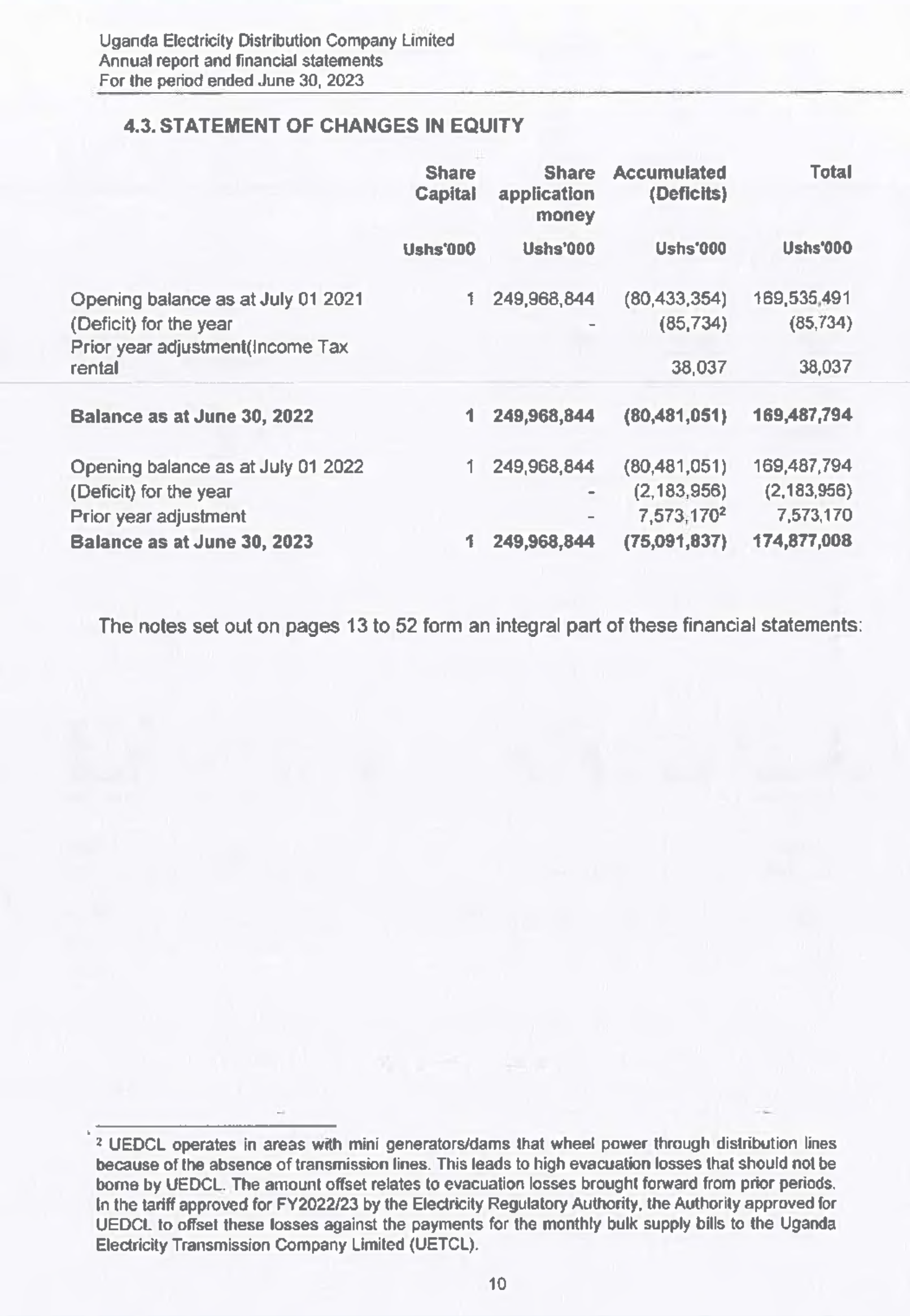
4.2. STATEMENT OF FINANCIAL POSITION

ASSETS	**Notes**	**June 30,2023**	**June 30,2022**
Non - current assets		**Ushs '000**	**Ushs '000**
Property, plant and equipment	7.4 & 7.5	1,769,970,689	1,728,890,502
Investment Property	7.6	20,640,404	21,377,922
Operating lease prepayments	7.7	586,885	610,958
Intangible assets	7.8	9,871,045	13,526,700
Restricted funds – Escrow	7.9	29,845	105,081
Total non - current assets		**1,801,098,868**	**1,764,511,163**
Current assets			
Inventories	7.10	19,552,439	22,478,133
Trade receivables	7.11	6,358,475	5,882,949
Bank and cash	7.12	13,628,975	13,781,635
Due from related parties	7.18.1	111,278,848	109,317,290
Total current assets		**150,818,736**	**151,460,007**
TOTAL ASSETS		**1,951,917,604**	**1,915,971,170**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	7.13	1	1
Share application money	7.15	249,968,844	249,968,844
Accumulated deficit	5	(75,091,838)	(80,481,051)
Shareholders' funds		**174,877,008**	**169,487,794**
Non(current liabilities			
Non-refundable capital contribution from Public	7.16.1	33,578,276	28,338,762
Non-refundable capital contribution from Grants	7.16.2	132,173,598	141,357,851
Financial liability – Leased assets	7.19	1,599,210,166	1,562,383,282
Total non(current liabilities		**1,764,962,039**	**1,732,079,895**
Current liabilities			
Trade and other payables	7.14	6,272,366	4,995,586
Customer deposits	7.17.2	397,701	100,831
Amounts due to related parties	7.18.2	5,408,490	9,307,061
Total current liabilities		**12,078,557**	**14,403,478**
TOTAL EQUITY AND LIABILITIES		**1,951,917,604**	**1,915,971,170**

The financial statements were approved and authorised for issue by the Board of Directors on …………………… 2023 and were signed on its behalf by:

………………………… ………………………… …………………………

CHAIRMAN **MANAGING DIRECTOR** **DIRECTOR**



4.3. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share application money	Accumulated (Deficits)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Opening balance as at July 01 2021	1	249,968,844	(80,433,354)	169,535,491
(Deficit) for the year		-	(85,734)	(85,734)
Prior year adjustment(Income Tax rental			38,037	38,037
Balance as at June 30, 2022	**1**	**249,968,844**	**(80,481,051)**	**169,487,794**
Opening balance as at July 01 2022	1	249,968,844	(80,481,051)	169,487,794
(Deficit) for the year		-	(2,183,956)	(2,183,956)
Prior year adjustment		-	7,573,170[2]	7,573,170
Balance as at June 30, 2023	**1**	**249,968,844**	**(75,091,837)**	**174,877,008**

The notes set out on pages 13 to 52 form an integral part of these financial statements:

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[2] UEDCL operates in areas with mini generators/dams that wheel power through distribution lines because of the absence of transmission lines. This leads to high evacuation losses that should not be borne by UEDCL. The amount offset relates to evacuation losses brought forward from prior periods. In the tariff approved for FY2022/23 by the Electricity Regulatory Authority, the Authority approved for UEDCL to offset these losses against the payments for the monthly bulk supply bills to the Uganda Electricity Transmission Company Limited (UETCL).

4.4. STATEMENT OF CASH FLOW

	12 months period ended June 30,2023 Ushs '000	12 months period ended June 30,2022 Ushs '000
CASHFLOWS FROM OPERATING ACTIVITIES		
(Deficit) before taxation reconciled to operating activities	(2,183,956)	(85,734)
Adjustment for:		
Amortization of leased assets and depreciation	16,104,326	18,341,680
Amortization of Investment Property	910,732	910,732
Release of Capital Contributions	(10,747,521)	(6,689,248)
Provision for Bad debts: Increase/decrease	241,602	-
Realized Exchange (gain)/loss	156,680	65,103
Interest earned	(56,460)	-
Stock Write off	95,081	330,772
Loss/Gain on disposal of Property, plant and Equipment	-	(14,533)
Movement before working capital changes	**4,520,485**	**12,858,772**
Change in Inventories	2,925,694	(6,163,443)
Change in trade and other receivables	(2,437,083)	318,846
Change in trade and other payables	(2,324,923)	(7,118,702)
Net cash generated/(used in) from operating activities	**2,684,172**	**(104,527)**
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(170,069,284)	(131,489,959)
Disposal of Property, Plant and Equipment	-	22,986,708
Payment of Purchase of Intangible Assets	(2,603,660)	(3,451,804)
Purchase of land, Leased and freehold	-	(353,979)
Stock write off	(95,081)	(330,772)
Interest earned	56,460	-
Change in restricted funds – Escrow	75,236	(23,980)
Net cash used in investing activities	**(172,636,329)**	**(112,663,786)**
CASHFLOWS FROM FINANCING ACTIVITIES		
Deferred Income assets – Umeme Limited	162,676,561	104,051,710
Non-refundable capital contribution; Donor, GOU & Public	7,122,934	7,325,265
Net cash generated from financing activities	**169,799,496**	**111,376,975**
Net change in cash and cash equivalents	(152,660)	(1,391,338)
Cash and cash equivalents at start of year/period	13,781,635	15,172,973
Cash and cash equivalents, at end of year/period	**13,628,975**	**13,781,635**

The notes set out on pages 13 to 52 form an integral part of these financial statements

5. NOTES TO THE FINANCIAL STATEMENTS

5.1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

The financial statements of the Company for the period ended June 30, 2023 were authorized for issue in accordance with the resolution of the Board of Directors. The Company's principal business activities involve monitoring the electricity distribution concession, creosote wood pole treatment at Lugogo, electricity distribution under REA territories and provision of related services within the energy sector.

5.2. Statement of compliance and basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements have been presented in Uganda Shillings, which is the functional and reporting currency of the Company and all values are rounded to the nearest thousand (Ushs '000).

5.3. Going concern

The financial performance of the company is set out in the Director's report and in the statement of financial performance. The financial position of the company is set out in the statement of financial position and the disclosures in respect of risk management are set out in the notes.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Ugandan Companies Act, 2012.

The statement of financial performance represents the profit and loss account, while the Statement of Financial position represents the balance sheet both referred to in the Act.

5.4. Financial assets

a) Initial recognition and measurement

Financial assets within the scope of International Public Sector Accounting Standard (IPSAS 29) Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include: cash and short term deposits; trade and other receivables; loans and other receivables and due from related parties

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit in the year immediately.

d) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

e) De-recognition

The company derecognizes a financial asset or, where applicable, a part of a financial asset or part of a company of similar financial assets when:

The right to receive cash flows from the asset has expired or is waived. 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; 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 asset, but has transferred control of the asset.

f) Impairment of financial assets

The company does an assessment of its assets at each reporting date whether there is objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

g) Impairment of Financial assets carried at amortized cost

For financial assets carried at amortized cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

5.5. Financial liabilities

a) Initial recognition and measurement

Financial liabilities within the scope of International Public Sector Accounting Standards (IPSAS 29) are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification.

c) Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by International Public Sector Accounting Standards (IPSAS 29).

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

d) Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

e) De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the 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 recognized in surplus or deficit.

f) 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

g) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

5.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a) Sale of energy

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods/services and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Company.

b) Rendering of services

The Company recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to:

- The stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting.

- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods; and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses incurred.

c) Rental income

Rental income arising from operating leases on investment properties is accounted for on as realized over the lease terms and included in revenue.

5.7. Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Uganda Shillings (functional currency) at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Uganda Shillings at rates ruling at the reporting date.

The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

5.8. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

	Rate % => months
Substations	6.5% (185 months)
Low voltage lines	4.8% (250 months)
Pole services	4.5% (267 months)
Furniture and fittings	25.0% (48 months)
Computers and Peripherals	25.0% (48 months)
MIS and communications	30.0% (40 months)
Office equipment	20.0% (60 months)
Motor vehicles	25.0% (48 months)
Tools and field Equipment	30.0% (40 months)
Pole plant machineries	5.0% (240 months)

Leased assets consist of all the network assets as defined in the Lease Assignment Agreement in use by Umeme Limited, leased land in use by UEDCL and any other asset that qualifies under a lease arrangement by the company.

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable.

The Company derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. 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 the surplus or deficit when the asset is derecognized.

5.9. Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognized investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of the components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day maintenance of an investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the life span of the property or the lease period, whichever comes earlier.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future

economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.
Investment properties are amortized according to IPSAS 17: 72(d) which states that legal or similar limits on the use of the asset, such as the expiry dates of related leases

Transfers are made to or from investment property only when there is a change in use.

Depreciation for investment properties is calculated using the straight-line method to write down the cost of the property to its residual value over its estimated useful life using the following annual rate

	Rate %
Freehold land	Nil
Leased Land and Building	Lease period (40 years)

5.10. Research and development costs

The Company expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Company can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

5.12. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non exchange transactions (for no cost or for a nominal cost), the cost of that inventory is recognized at its fair value on the date of acquisition.

After Initial recognition, various categories of inventories are valued as under;

- Raw Materials - At weighted average Cost,
- Work in progress – At weighted average cost,
- Finished goods – At lower of cost and net realizable value.

Costs includes all the costs incurred in bringing each product to its present location and condition.

Cost of finished goods and work in progress includes cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as a capital/revenue expense when deployed for utilization on a capital project or consumption in the ordinary course of operations of the Company.

5.14. Leases

The company as lessee

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Company also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

5.15. Employee benefits

The costs of all short-term employee benefits, such as: medical insurances, gratuity, leave pay, National Social Security Fund (NSSF) and others are recognized during the period in which the employee renders the related service. The Company recognizes the expected cost of performance bonuses only when the Company has a good financial performance period and has secured an approval from the Board of Directors to make such payment.

The NSSF costs to the company is the mandatory employer's contribution as a percentage specified by the NSSF Act to the employee's consolidated salary.

5.16. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.
Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

5.18. Related parties

The Company regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Company, or vice versa. The shareholders and Members of key management are regarded as related parties.

5.20. Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the company also recognizes a corresponding financial liability, adjusted by a cash consideration paid or received.

5.22. Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Company. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statement giving reasons for overall variance with comparatives between budget and actuals within the year.

5.24. Significant judgements and sources of estimation uncertainty

The preparation of the Company's financial statements in conformity with International Public Sector Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.25. Judgments

In the process of applying the company's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

5.26. Operating lease commitments – company as lessor

The company enter into property leases of certain of its properties. The status of the lease is determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

5.27. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

a) Provisions; these are contingents as they are uncertain in timing or amount, however they arise as a result of occurrence of an event that may be within or outside the company's control. Provisions are recognized in the circumstances when: any entity has a present obligation (legal or constructive) as a result of a past event, it's probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligations.

b) Depreciation and Amortizations – Useful life of assets; any entity depreciation different categories of assets with different deprecation rates in line with the expected useful life of the asset. Additionally, the company may choose to depreciate separately the parts of an item that do have a different life expectancy with a significant cost in relation to the total value of the asset. The depreciation charge for the period is usually recognized in surplus or deficit. Sometimes, the future economic benefit or service potential embodied in an asset is absorbed in producing other assets (e.g. stock in the manufacturing plant), in this case the depreciation charge constitutes part of the cost of other assets. The depreciable value is determined after deducting its residual value and depreciation of an asset begins when it is available for use at the same time depreciation ceases when the asset is derecognized.

The company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

5.28. Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5.30. Impairment of non-financial assets and cash-generating assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

The company reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Company undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

5.31. Grants from Donors

Donor funded projects are accounted for and disclosed accordingly, the asset/s constructed from those funding is recorded as part of property plant and equipment.

The corresponding grant income is recognised as deferred income and it's amortized as per the useful life of the asset.

6. New Standards and Interpretations:

6.1. Standards and interpretations effective and adopted in current year:

There was no new issued standards and interpretations applicable to the entity that are effective for the current financial year and that are relevant to its operations.

6.2. Standards and interpretations not yet effective

The entity has chosen not to early adopt standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after January 01, 2017.

Standards and interpretations	**Effective dates: Year beginning on or after**	**Expected impact**
PBE IPSAS 34 Separate Financial Statements	January 1, 2019	Unlikely there will be material Impact
PBE IPSAS 35 Consolidated Financial Statements	January 1, 2019	Unlikely there will be material Impact
PBE IPSAS 36 Investment in associates and Joint ventures	January 1, 2019	Unlikely there will be material Impact
PBE IPSAS 37 Joint Arrangements	January 1, 2019	Unlikely there will be material Impact
PBE IPSAS 38 Disclosure of Interests in Other Entities	January 1, 2019	Unlikely there will be material Impact
PBE IPSAS 39 Employee Benefits		Unlikely there will be material Impact
PBE IFRS 9 Financial Instruments	January 1, 2021	Unlikely there will be material Impact

7 SPECIFIC FINANCIAL STATEMENT NOTES

	12months period ended June 30,2023 Ushs '000	12 months period ended June 30,2022 Ushs'000
7.1 Revenue from operations		
Lease revenue (a)	8,050,800	14,914,807
Sale of poles (b)	9,061,363	7,825,279
Treatment of poles (external)	80,066	-
REP Territories Energy sales (c)	57,043,352	47,474,220
Rental income – UEDCL Towers(d)	1,156,177	1,184,789
	75,391,758	**71,399,095**

a) The lease revenue is the administration costs component under the LAA as approved by the Electricity Regulatory Authority (ERA).

b) Sale of poles; the company operates a creosote wood pole treatment plant at Lugogo as a business unit.

c) Revenue from electricity distribution in 9(nine) REA service Territories licenced by ERA.

d) Rental Income, refers to the revenue generated from the UEDCL tower as an investment property for the un-occupied space by the company. This space is leased out to the public and a rental fee is charged.

7.2 Other Operating income

Amortization - Deferred income (Note 7.16)	10,747,521	6,689,248
Other non-operating Income	121,444	143,435
Inspection fees; Customer connections	454,134	182,982
Sale of scrap/disposals	9,771	121,852
Realized exchange gains/(Loss)	(156,680)	(65,103)
Interest income	934,168	630,490
Sundry Income	1,026,054	984,706
	13,136,411	**8,687,611**

	12 months period ended June 30,2023 Ushs '000	12 months period ended June 30,2022 Ushs'000

7.3 Operating Costs

7.3.1 Cost of sales

Electricity Purchase(UETCL	24,771,148	21,140,025
Cost of old material stock sold	-	-
Cost of poles sold ***(Note i)***	7,065,661	6,394,908
	31,836,809	**27,534,933**

Note (i); Cost of Poles Sold		
Opening stock for the year	2,616,740	1,646,386
Add: Purchases and direct expenses	8,036,015	7,365,262
Less: Closing stock as the end of the year	(3,587,094)	(2,616,740)
	7,065,661	**6,394,908**

7.3.2 Staff and Administrative expenses

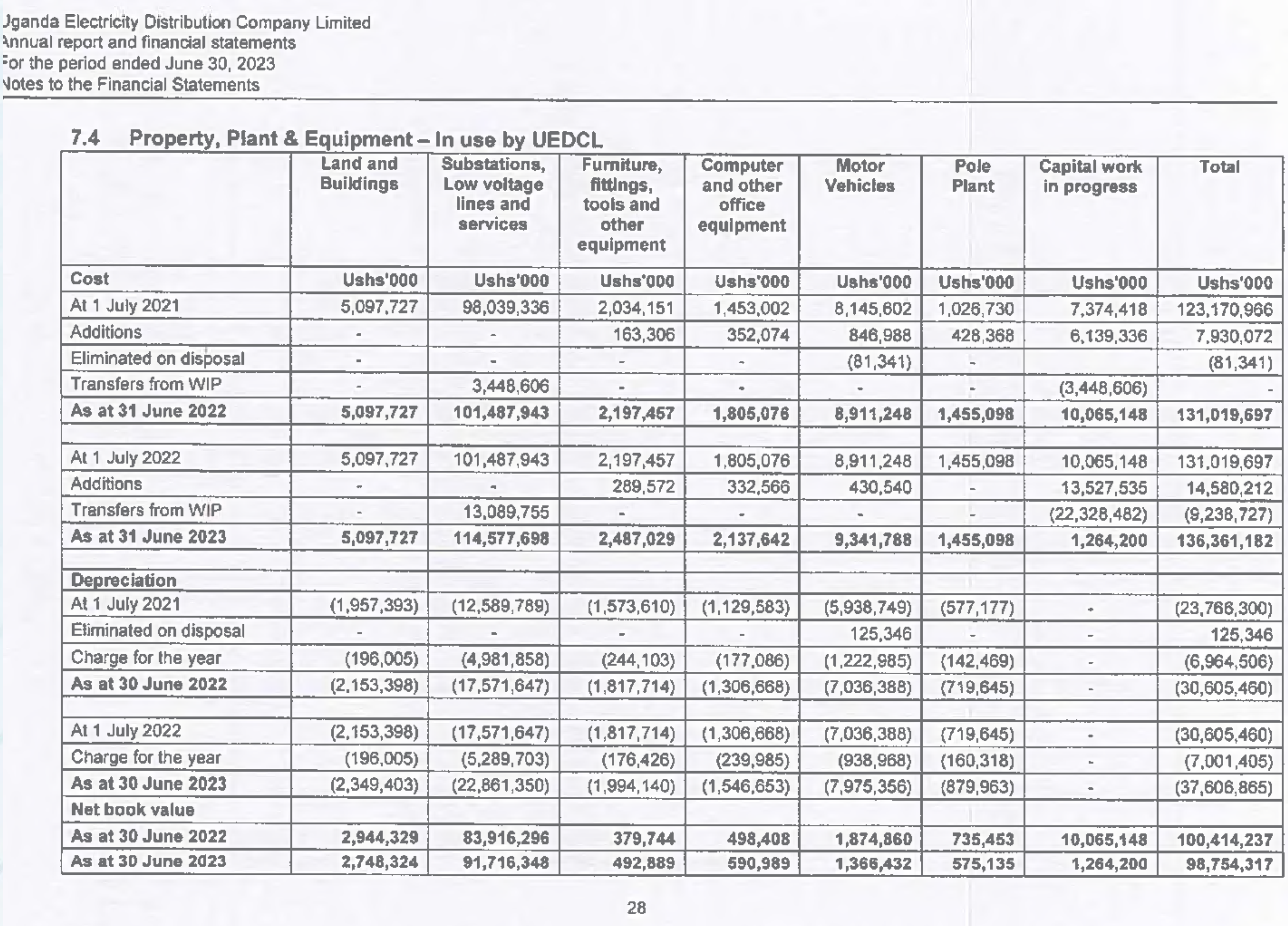
Staff Costs		
Salaries and wages	15,951,139	13,483,896
NSSF contributions	1,709,003	1,527,190
Gratuity allowance	2,289,313	2,271,364
Other staff costs	3,387,981	1,970,622
	23,337,435	**19,253,071**

Other administration expenses		
General administration expenses	3,796,628	2,479,396
Directors remuneration and benefits	958,612	598,194
Transport costs	3,580,358	2,497,152
Repairs and maintenance	7,598,815	6,102,451
Rent	469,634	442,069
Legal expenses	177,662	60,914
Bank Charges	57,812	49,840
Security/Police Guards	792,979	673,380
Electricity	248,887	161,602
Escrow Agency & Issuance fees	75,082	72,464
Provision for Stock write(off	95,081	330,772
	17,851,549	**13,464,186**
Total administrative expenses	**41,188,985**	**32,717,257**

	12 months period ended June 30, 2023 Ushs '000	12 months period ended June 30, 2022 Ushs'000
7.3.3 Other operating expenses		
Provision for Bad debts write off	241,602	-
Insurance	309,251	542,297
Umeme Monitoring Costs	120,420	125,540
Corporation Tax Charge	-	-
	671,273	667,837

7.3.4 Depreciation and Amortisation		
UEDCL – Depreciation charges (Note 7.4)	7,001,405	6,964,506
UEDCL – Lease amortization (Note 7.7.2)	-	191
UEDCL – Intangible asset amortization (Note 7.8.1)	579,979	138,359
Amortization of Investment property (Note 7.6)	737,517	737,517
Umeme Leased assets –Depreciation charge (Note 7.5)	128,842,425	125,657,076
Umeme deferred income – Amortization (Note 7.19)	(125,849,677)	(119,213,030)
Umeme – Lease amortisation (Note 7.7.1)	24,073	16,420
Umeme Intangible asset amortisation (Note 7.8.2)	5,679,335	4,951,374
	17,015,058	19,252,413

Some assets in use by Umeme Ltd were handed over by UEDCL therefore the depreciation is charged in the Statement of Financial Performance.



7.4 Property, Plant & Equipment – In use by UEDCL

	Land and Buildings	Substations, Low voltage lines and services	Furniture, fittings, tools and other equipment	Computer and other office equipment	Motor Vehicles	Pole Plant	Capital work in progress	Total
Cost	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
At 1 July 2021	5,097,727	98,039,336	2,034,151	1,453,002	8,145,602	1,026,730	7,374,418	123,170,966
Additions	-	-	163,306	352,074	846,988	428,368	6,139,336	7,930,072
Eliminated on disposal	-	-	-	-	(81,341)	-		(81,341)
Transfers from WIP	-	3,448,606	-	-	-	-	(3,448,606)	-
As at 31 June 2022	**5,097,727**	**101,487,943**	**2,197,457**	**1,805,076**	**8,911,248**	**1,455,098**	**10,065,148**	**131,019,697**
At 1 July 2022	5,097,727	101,487,943	2,197,457	1,805,076	8,911,248	1,455,098	10,065,148	131,019,697
Additions	-	-	289,572	332,566	430,540	-	13,527,535	14,580,212
Transfers from WIP	-	13,089,755	-	-	-	-	(22,328,482)	(9,238,727)
As at 31 June 2023	**5,097,727**	**114,577,698**	**2,487,029**	**2,137,642**	**9,341,788**	**1,455,098**	**1,264,200**	**136,361,182**
Depreciation								
At 1 July 2021	(1,957,393)	(12,589,789)	(1,573,610)	(1,129,583)	(5,938,749)	(577,177)	-	(23,766,300)
Eliminated on disposal	-	-	-	-	125,346	-	-	125,346
Charge for the year	(196,005)	(4,981,858)	(244,103)	(177,086)	(1,222,985)	(142,469)	-	(6,964,506)
As at 30 June 2022	(2,153,398)	(17,571,647)	(1,817,714)	(1,306,668)	(7,036,388)	(719,645)	-	(30,605,460)
At 1 July 2022	(2,153,398)	(17,571,647)	(1,817,714)	(1,306,668)	(7,036,388)	(719,645)	-	(30,605,460)
Charge for the year	(196,005)	(5,289,703)	(176,426)	(239,985)	(938,968)	(160,318)	-	(7,001,405)
As at 30 June 2023	(2,349,403)	(22,861,350)	(1,994,140)	(1,546,653)	(7,975,356)	(879,963)	-	(37,606,865)
Net book value								
As at 30 June 2022	**2,944,329**	**83,916,296**	**379,744**	**498,408**	**1,874,860**	**735,453**	**10,065,148**	**100,414,237**
As at 30 June 2023	**2,748,324**	**91,716,348**	**492,889**	**590,989**	**1,366,432**	**575,135**	**1,264,200**	**98,754,317**

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Annual report and financial statements
For the period ended June 30, 2023
Notes to the Financial Statements

7.5 Property, Plant & Equipment – In use by Umeme Limited

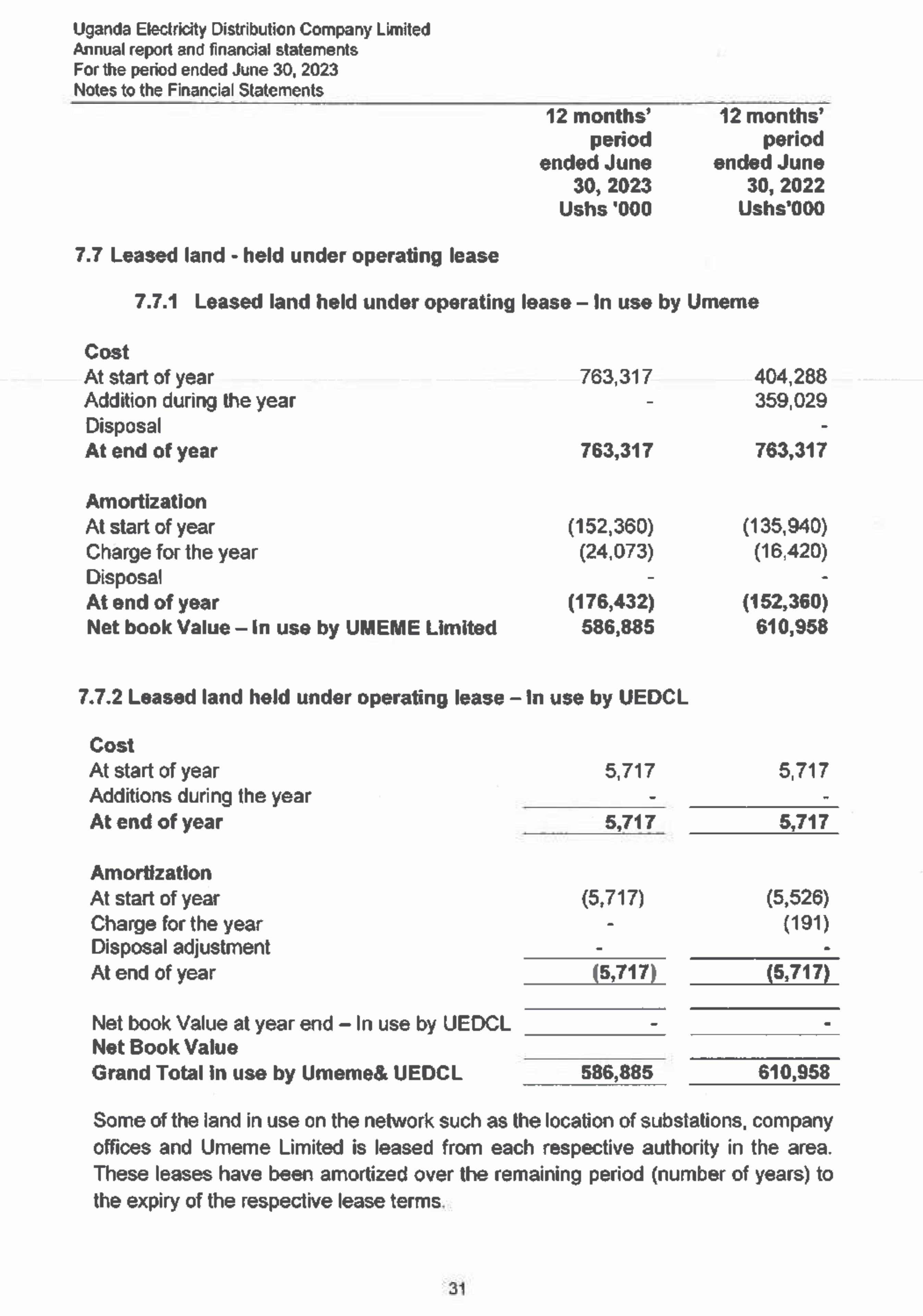
	Land and Buildings	Substations, Low voltage lines & services	Furniture, fittings, tools and other equipment	Computer & other office equipment	Motor Vehicles	Pole Plant	Capital work in progress	Total
Cost	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
At 1 July 2021	25,003,857	2,335,132,641	34,775,377	44,104,441	51,108,847	-	-	2,490,125,163
Additions	499,964	111,161,116	3,999,002	1,975,106	5,924,701	-	-	123,559,888
Disposals	-	(22,991,710)	-	(6,010)	-	-	-	(22,997,720)
As at 30 June 2022	**25,503,821**	**2,423,302,047**	**38,774,379**	**46,073,538**	**57,033,547**	**-**	**-**	**2,590,687,332**
At 1 July 2022	25,503,821	2,423,302,047	38,774,379	46,073,538	57,033,547	-	-	2,590,687,331
Additions	3,054,190	146,343,488	4,603,177	1,000,331	7,383,121	-	-	162,384,306
Disposals	-	-	-	-	-	-	-	-
Transfers from WIP	-	9,238,727	-	-	-	-	-	9,238,727
As at 30 June 2023	**28,558,011**	**2,578,884,262**	**43,377,555**	**47,073,869**	**64,416,669**	**-**	**-**	**2,762,310,365**
Depreciation								
At 1 July 2021	(5,668,199)	(735,673,420)	(27,581,224)	(33,964,608)	(39,942,262)	-	-	(842,829,713)
Eliminated on disposal	-	6,320,915	-	-	-	-	-	6,320,915
Charge for the year	(538,356)	(111,251,807)	(4,253,328)	(4,434,749)	(5,224,027)	-	-	(125,702,267)
As at 30 June 2022	**(6,206,555)**	**(840,604,313)**	**(31,834,552)**	**(38,399,357)**	**(45,166,289)**	**-**	**-**	**(962,211,065)**
At 1 July 2022	(6,206,555)	(840,604,313)	(31,834,552)	(38,399,357)	(45,166,289)	-	-	(962,211,066)
Charge for the year	(592,842)	(114,609,310)	(3,937,085)	(4,437,631)	(5,306,060)	-	-	(128,882,927)
As at 30 June 2023	**(6,799,397)**	**(955,213,623)**	**(35,771,637)**	**(42,836,988)**	**(50,472,349)**	**-**	**-**	**(1,091,093,993)**
Net book value								
At 31 June 2022	**19,297,266**	**1,582,697,734**	**6,939,827**	**7,674,181**	**11,867,258**	**-**	**-**	**1,628,476,266**
At 30 June 2023	**21,758,614**	**1,623,670,638**	**7,605,919**	**4,236,881**	**13,944,320**	**-**	**-**	**1,671,216,372**

All the Property, Plant and Equipment under note 7.8,7.6,7.7.2 and 7.8.1 are owned by UEDCL but those under note 7.9,7.7.1 and 7.8.2 are in use by the operator of the electricity distribution network (Umeme Limited) following the concession lease in line with the Lease and Assignment Agreement (LAA).

The leased assets include all the assets that were taken over during the handover of the network by UEDCL to Umeme Limited in 2005 as well as both additions by UEDCL and Umeme Limited after the handover date of February 28, 2005 to date. All the asset additions by Umeme Limited as per the end of the UEDCL financial year are registered into the UEDCL books of accounts.

	12 months' period ended June 30, 2023 Ushs '000	**12 months' period ended June 30, 2022 Ushs'000**
7.6 Investment Properties		
Cost		
At start of year	29,776,736	29,776,736
Cost value at end of year	**29,776,736**	**29,776,736**
Amortization		
At start of year	(8,398,814)	(7,661,297)
Charge for the year	(737,517)	(737,517)
	(9,136,332)	**(8,398,814)**
Net Book Value at end of year	**20,640,404**	**21,377,922**

The asset held under investment properties is the UEDCL Tower. This project was acquired to be utilized as the UEDCL head office and all the un-occupied space to be rented out to the public in order to generate additional revenue. Currently, UEDCL occupies 2 of the 6 floors and the other floors have been made available to the public for rent.



7.7 Leased land - held under operating lease

7.7.1 Leased land held under operating lease – In use by Umeme

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000
Cost		
At start of year	763,317	404,288
Addition during the year	-	359,029
Disposal		-
At end of year	**763,317**	**763,317**
Amortization		
At start of year	(152,360)	(135,940)
Charge for the year	(24,073)	(16,420)
Disposal	-	-
At end of year	**(176,432)**	**(152,360)**
Net book Value – In use by UMEME Limited	**586,885**	**610,958**

7.7.2 Leased land held under operating lease – In use by UEDCL

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000
Cost		
At start of year	5,717	5,717
Additions during the year	-	-
At end of year	**5,717**	**5,717**
Amortization		
At start of year	(5,717)	(5,526)
Charge for the year	-	(191)
Disposal adjustment	-	-
At end of year	(5,717)	(5,717)
Net book Value at year end – In use by UEDCL	-	-
Net Book Value		
Grand Total in use by Umeme& UEDCL	**586,885**	**610,958**

Some of the land in use on the network such as the location of substations, company offices and Umeme Limited is leased from each respective authority in the area. These leases have been amortized over the remaining period (number of years) to the expiry of the respective lease terms.

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000

7.8 Intangible assets

The intangible assets are made up of Management Information Systems (MIS) in use by UEDCL and Umeme Limited. Also included for Umeme Limited is the Government of Uganda concession transaction fee that was paid at the inception of the concession in 2005 to support the company's operations.

7.8.1 Intangible assets (In use by UEDCL)

Cost		
At start of year	1,450,217	1,177,393
Additions	2,270,902	272,824
Disposal	-	-
At end of year	**3,721,119**	**1,450,217**
Amortization		
At start of year	(1,176,695)	(1,038,336)
Charge for the year	(579,979)	(138,359)
Disposal	-	-
At end of year	**(1,756,674)**	**(1,176,695)**
NBV – Intangibles – in use by UEDCL	**1,964,445**	**273,522**

7.8.2 Intangible assets (In use by UMEME)

Cost		
At start of year	39,944,184	36,808,621
Additions	332,757	2,566,057
Disposal	-	(43,418)
At end of year	**40,276,941**	**39,944,184**
Amortization		
At start of year	(26,691,006)	(21,739,632)
Charge for the year	(5,679,335)	(4,951,374)
Disposal		-
At end of year	**(32,370,341)**	**(26,691,006)**
NBV – Intangibles in Use by UMEME	**7,906,600**	**13,253,178**
TOTAL INTANGIBLE ASSETS	**9,871,045**	**13,526,700**

7.9 Restricted fund (ESCROW)

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000
At start of year	105,081	81,100
Charges	(76,426)	71,348
Deposits by UEDCL to service account	1,361	89,421
Forex Exchange Movement	(171)	5,908
At end of year	**29,845**	**105,081**

(a) Under the lease and assignment agreement UEDCL was required to set up an escrow account of an amount not less than US$ 2.5 million as at the transfer date of March 01, 2005, increasing it to US$ 5 million on the first anniversary of the transfer date. The account is managed by Citibank Uganda - the escrow agent who determines when withdrawals can be made by Umeme in line with the set limits. UEDCL has restricted access to the funds held in this account until the end of the concession. At the end of the concession, the fund is expected to have grown to US$ 20million.

(b) The ERA has not provided for financing of the Escrow Account through the electricity end user tariff since the financial year 2012, thus leading to a depletion of this account.

(c) The ERA only approved costs for agency fees and bank charges on this account until such a time when the escrow funding from lease rentals would be restated in the tariff.

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000
7.10 Inventories		
Treated creosote poles	1,373,535	2,616,740
Seasoned poles	2,467,259	857,157
Creosote oil	1,553,266	1,226,002
Other pole treatment accessories	214,641	88,790
Network materials	13,442,434	16,404,016
Work in progress	596,385	1,754,559
	19,647,520	**22,947,265**
Stock Control Account (a) below	(95,081)	(469,131)
Total Inventories	**19,552,439**	**22,478,133**

Items held under inventories include all the stock held at the company stores in Lugogo and Bweyogerere for materials for the pole production processes, electricity network construction and maintenance work done by UEDCL across the country.

(a) The movements in impairments are through the stock control account as per the analysis below.

Opening Balance	471,815	(250,079)
Add: Stock adjustments/Written off	466,070	144,500
Less: Impairment	(95,081)	(469,131)
Closing Balance	**842,804**	**(574,710)**

(b) Network materials of Ushs13.4bn include conductors, communication cables, stay wires, cable solidal 16sqmm, ABC core, communication wires, treated poles.

7.11 Trade and other receivables	**Ushs'000**	**Ushs'000**
Withholding tax – URA (a)	488,829	343,194
Prepayments and other receivables (b)	2,574,252	2,636,440
Staff debtors	55,382	62,796
	3,118,463	**3,042,430**
Energy consumers (c)	3,813,323	3,272,059
Less impairment Allowance	(573,311)	(431,540)
	3,240,011	**2,840,519**
	6,358,475	**5,882,949**

(a) Withholding tax:

The withholding tax receivable is mainly from interest on bank balances held on both fixed deposit accounts and operational accounts. The claim for a cash refund for this receivable was submitted to URA since UEDCL does not expect to utilize it as an offset in the near future to be applied under corporation tax.

(b) Prepayments and Other receivables:

Prepayment was made for the different insurance policies acquired for the business as well as licences for the different software applications. Additionally, the other receivables include amounts owed from the UEDCL Tower tenants as well as the three months' rent advance bills as stipulated in the rental agreements. It is expected that this rent shall be collected in the subsequent quarters.

Movements in the provision for impairment allowance on receivable balances:

	12 months' period ended June 30, 2023 Ushs '000	12 months' period ended June 30, 2022 Ushs'000
At start of year	431,540	431,540
Charge for the year	200,133	-
Adjustment	(99,831)	-
At end of year	**573,312**	**431,540**

7.12 Cash and cash equivalents

Bank balances	13,628,975	13,781,635
	13,628,975	**13,781,635**

7.13 Share Capital

	12 months period ended June,30 2023 Ushs'000	12 months period ended June,30 2022
Authorized, issued and fully paid up 2022: 2 (2023: 2) ordinary shares of Ushs. 500 each	1	1
	1	**1**

Reconciliation of number of shares issued:

Ordinary shares reported as at 1 January	2	2
	2	**2**

7.15 Share application money

This represents net assets acquired from UEB on April 01, 2001 and subsequent additions in December 2014 after converting all the GOU unpaid principal loans into share application money for conversion to equity on issue of shares to GOU.

At start of year	249,968,844	249,968,844
Additions/conversions to equity during period	-	-
At end of year	**249,968,844**	**249,968,844**

7.14 Trade and other payables

Trade payables (a)	2,637,347	2,707,563
Accruals and other payables (b)	2,759,382	1,683,242
Provision for gratuity (c)	875,637	604,782
	6,272,365	**4,995,587**

a) Trade and other payables are non-interest bearing and are normally settled on 30-day terms. These are mainly suppliers of pole treatment related materials, network materials and accruals.

b) Accruals and other payables relate to NSSF, PAYE, Insurance payable, customer advances.

c) Gratuity is the amount paid to each staff at his/her anniversary in line with the contracted employment date. This gratuity is computed at 25% of the gross salary and an accrual is made for this amount on a monthly basis. It is important to note that a section of staff opted for a pension scheme in which case their respective pension (computed similarly) is paid into the pension scheme on a monthly basis.

7.16 Deferred Income

During the year 2022/2023, the company received capital contribution from the; public and GOU. Below is the movement:

7.16.1 Non Refundable capital contribution from Public

At start of year	28,338,762	27,645,684
Contributions received from general customers	6,914,884	1,950,914
Release to the performance statement (note 7.2)	(1,675,370)	(1,257,836)
At end of year	**33,578,276**	**28,338,762**

The contribution from GOU relates to the project financing though the Ministry of Energy for UEDCL to construct specific electricity projects in different parts of the country. Under this arrangement, all the completed projects were handed over to UEDCL or Umeme Ltd for operation and maintenance depending on the specific jurisdiction.

7.16.2 Non-Refundable capital contribution from Grants (GOU)

	12 months' period ended June 30, 2023 Ushs '000	**12 months' period ended June 30, 2022 Ushs'000**
At start of year	141,357,851	141,414,913
Contributions from GOU	167,700	5,374,351
Write off materials	(279,802)	-
Release to the performance statement (note 7.2)	(9,072,151)	(5,431,413)
At end of year	**132,173,598**	**141,357,851**
Total Non-Refundable capital; Public, GOU	**165,751,873**	**169,696,614**

The amount of Ushs168 million arises from receipt of materials during the year from Government (REA) that is valued at average market prices.

7.16.3 Long Term Payables:

At start of year	(7,685,462)	(7,601,967)
Reclassify trade payables for the year	(243,064)	(121,532)
Payables reversed to reserve account	7,473,339	38,037
At end of year	**(455,187)**	**(7,685,462)**

The long-term payables were reclassified from the trade payables exceeding 12 months' period.

7.17 Customer Deposits:

These are long outstanding deposits that were received from post-paid energy customers in prior periods as security for non-payment of electricity bills. At the time, energy customers were required to pay a deposit representing the estimated consumption for one month and this deposit would be refundable once a customer ceased to purchase electricity from the Company.

Additionally, UEDCL tower tenants make advance payments for rent. These prepayments are utilized by the UEDCL on the materialization of the payment period.

	12 months' period ended June 30, 2023 Ushs '000	**12 months' period ended June 30, 2022 Ushs'000**
7.17.1 Customer Deposits – Energy consumers		
At start of year	17,850	17,850
Claimed/release during the year	-	-
At end of year	**17,850**	**17,850**
7.17.2 Customer Deposits – UEDCL Tower tenants		
At start of year	82,982	62,162
Received during the year	1,157,148	723,154
Claimed/release during the year	(860,279)	(702,335)
At end of year	**379,851**	**82,981**
Total Customer deposits	**397,701**	**100,831**

7.18 Related party transactions

The Company is controlled by the Government of Uganda, which owns 100% of the Company's shares. Related party transactions include transactions between the sister companies i.e., Uganda Electricity Generation Company Limited, Uganda Electricity Transmission Company Limited, Umeme Limited and Government.

7.18.1 Due from related parties

Umeme Limited (a)	72,645,161	70,683,603
GoU entities (b)	38,633,687	38,633,687
	111,278,848	**109,317,290**

7.18.2 Due to related parties

Uganda Electricity Transmission Company Ltd	5,435,897	9,350,100
Umeme Limited	(27,407)	(43,039)
	5,408,490	**9,307,061**

The UETCL balance of Ushs5,436 billion comprises a liability for the May and June 2023 bills for energy purchased, each due for payment in 45 days from the respective invoice date.

7.18.3 Related party transactions during the year

Purchases and Sales to Related parties:

- Power Purchases (UETCL)	24,771,148	21,140,025
- Admin fees and Pole sales (UMEME)	20,279,451	22,870,474
- Rental Income (UEGCL)	52,034	47,771
- Rental Income (PPDA)	-	104,871

Compensation to directors and key management staff:

- Directors' remuneration	958,612	598,194

a) Amount due from Umeme Limited

Under the lease and assignment agreement (LAA), Umeme Limited is allowed to offset any outstanding amounts from GoU entities for energy consumed against lease rentals payable to UEDCL if such bills are not settled with in the stipulated period.

The total amount offset by Umeme Limited representing unpaid bills by GOU entities was **UShs68.3 billion** as at **31.12.2013** while the company escrow account was being funded. The amount due from Umeme Limited relates to the lease fees offset from 2006 to 2013 due to the GOU entities' failure to pay electricity bills as per the power supplies by Umeme Limited and the accumulated unpaid lease fees from 2011 to 2013 as specified in the LAA. This amount has not changed to date because the ERA halted the funding of the Escrow account since the financial year 2012. UEDCL could therefore no longer collect these fees from Umeme.

It is also important to note that as per the LAA, Umeme has the obligation of refunding the offset amount to the Escrow account once the GOU institutions honour their obligation to Umeme. Over the years, these institutions have since made partial payments of their outstanding bills with Umeme. As at 30th June 2023, the UMEME – GOU Institutions account stood at **Ushs 48 billion**, net of all offsets. Umeme was therefore in position to honour its obligation to the escrow account.

b) Due from Government entities

The amount due from Government of Ushs 38.6 bn relates to the UEB pension payment that was paid off by the Company and the Government undertook full responsibility to refund the money in a 3-instalment payment plan during the 2014/2015 and 2015/2016 financial years. However, the plan was not executed and to date, this amount remains outstanding.

7.19 Deferred Income – Leased Assets

The Deferred Income – leased assets relates to the assets leased out under the concession arrangement to Umeme Limited at the inception of the lease and all the additions thereafter. Under the International Public Sector Accounting Standards (IPSAS) 13, all such assets belong to the grantor (UEDCL) due to the fact that the operator will be fully compensated for all investments made.

Cost	**Period ended June 30,2023**	**Period ended June 30,2022**
At start of year	2,219,258,334	2,115,206,624
Asset additions during the year	162,676,561	123,089,847
Disposals	-	(19,038,137)
At end of year	**2,381,934,895**	**2,219,258,334**
Amortization		
At start of year	(656,875,052)	(543,982,936)
Charge during the year	(125,849,677)	(119,213,030)
Depreciation on Disposals	-	6,320,914
At end of year	**(782,724,729)**	**(656,875,052)**
	1,599,210,166	**1,562,383,282**

7.20 Risk management objectives and policies

7.20.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's credit risk is primarily attributable to its trade and other receivables, estimated by the company's accounts departments based on prior experience, existing financial and economic factors faced by the debtor and the exit options available.

The credit risk on trade and other receivables is limited because the company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds with financial institutions is also low, because the institutions are banks with high credit-ratings.

The amount that best represents the company's maximum exposure to credit as at June 30, 2023 is made up as follows:

	Total	Fully Performing	Past due	Impaired
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
As at June 30, 2023				
Financial assets				
Cash and cash equivalents	13,628,975	13,628,975	-	-
Trade and other receivables (excl. VAT)	6,358,475	4,567,599	1,217,564	573,311
Due from related parties	111,278,848	4,311,265	106,967,583	-
	131,266,297	**22,507,839**	**108,185,147**	**573,311**
As at June 30, 2022				
Financial assets				
Cash and cash equivalents	13,781,635	13,781,635	-	-
Trade and other receivables (excl. VAT)	5,882,949	5,092,663	358,746	431,540
Due from related parties	109,317,290	2,349,707	106,967,583	-
	128,981,874	**21,224,005**	**107,326,329**	**431,540**

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is impaired has been fully written off although efforts to recover continue. The amounts due from related parties i.e. Umeme Limited for the Escrow account withdraw refunds due to the failure of GOU institutions to pay for their energy bills, and UEB pension refund claim from the Ministry of Finance Planning and Economic Development; both of these amounts are overdue and possess a big credit risk onto the company's working capital.

7.20.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuously monitoring forecasts and matching the maturity profiles of financial liabilities and ongoing review of future commitments and credit facilities available to the company.

From the liquidity management analysis below, the company has a serious exposure arising from the Umeme Limited asset additions onto the network as a future buyout amount disclosed as a financial lease liability. The commitment is supposed to be financed by the escrow account, unfortunately this account is not financed as a result of the Electricity Regulatory Authority (ERA) decision of not providing for the required amount into the tariff.

As at June 30, 2023	**Total**	**Less than 1 month**	**Between 1 & 3 months**	**Between 3 & 12 months**	**Over 1 Year**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Financial assets					
Inventories	19,552,439	9,776,220	4,888,110	3,125,260	1,762,850
Trade receivables	6,358,475	5,086,780	1,271,695	-	-
Bank and cash	13,628,975	13,628,975	-	-	-
Due from related parties	111,278,848	4,311,265	-	-	106,967,583
	150,818,736	**32,803,239**	**6,159,805**	**3,125,260**	**108,730,432**
Financial liabilities					
Amounts owing to related parties	5,408,490	2,120,584	2,428,900	-	859,007
Trade and other payables	6,272,366	6,272,366	-	-	-
Customer deposits	397,701	379,851	-		17,850
Financial Liability	1,599,210,166	8,662,388	17,324,777	77,961,496	1,495,261,505
	1,611,288,723	**17,435,189**	**19,753,677**	**77,961,496**	**1,496,138,362**
Net liquidity (gap) surplus	**(1,460,469,986)**	**15,368,051**	**(13,593,872)**	**(74,836,236)**	**(1,387,407,929)**

7.20.3 Market risk

7.30.3.1 Interest risk

As the company has no significant interest-bearing assets and liabilities, the mpany's income and operating cash flows are substantially independent of changes the market interest rates.

7.20.3.2 Foreign currency risk

The company's operations are predominantly in Uganda where the currency was relatively stable against the major convertible currencies. Majority of the purchases were denominated in local currency and therefore no mismatch existed between sales and purchases. In terms of non-uniformity in currency of trade, for some other businesses like the pole plant; all sales are in USD as a way of managing the risks since most of the inputs in the pole productions like creosote are in USD.

7.20 Events after reporting date

The management is not aware of any material events which occurred after the reporting date and up to the date of this report; which requires adjustments to or disclosures in the accompanying financial statements.

7.21 Commitments

The Company does not have any significant commitment as at year-end.

7.22 Other Contingencies

The Company is a defendant in various legal actions and has received several claims in respect of way leaves, electrocution and former employees. The way leaves cases relate to rural electrification scheme lines that were constructed by UEDCL on behalf of the ministry of energy and mineral development through REA plus others from UEB times.

Any liability arising out of the UEB related cases will be the responsibility of Government and has to be settled by the Government of Uganda and the other claims are supposed to be financed by the cash generated from the use of UEDCL assets through the lease fees payable as approved by the ERA. However, no approval has been secured from the regulator. The insurance companies will meet liability, if any, arising out of electrocution cases. The directors have been advised by their Legal counsel that it is possible, but not probable, that the action will succeed and accordingly no provision for any claims has been made in these financial statements.

CIVIL CASES

1. UEDCL/1065/2021; Wandera Moses Vs AG & UEDCL

Brief Facts

Mr. Wandera Moses sued the Attorney General and UEDCL for damages for unlawful trespass by the Defendants to his land situated at Bwoya East Village, Bwoya Parish, Banda Sub- County in Namayingo District.

Claim

General damages, an order of vacant possession, permanent injunction and costs of the suit.

Progress in Court/ Comments

Attended court in Iganga on several dates although the hearing has not yet commenced because the AG has not yet filed any witness statements contrary to court's directions. When the matter last came up on 8/6/2023, the representative of the AG informed court that the process of valuation was still ongoing with a view of making an offer to settle. Court granted a final adjournment to 24th August 2023 when the hearing shall commence in case no further steps have been taken by AG to settle.

2. UEDCL/1037/2019; Ayub Kalibagwa Ahmed vs UEDCL & REA

Brief Facts

The Plaintiff sued UEDCL and REA for alleged cutting down of his acacia trees during wayleaves creation for construction of an electricity powerline at Napeya Cell in Buliisa Town Council, Buliisa District.

Claim

An order for compensation of Ugx 2,390,000/=, general damages, interest at 25% on the aforementioned and costs of the suit.

Progress in Court/ Comments

We raised a Preliminary Point of Law that the Plaint does not disclose any Cause of Action against UEDCL and filed Written Submissions on the same. We managed to obtain evidence showing that REA had undertaken to pay compensation to the Plaintiff. A Ruling on the P.O will be delivered on 13/08/2023.

3. UEDCL/1034/ 2023; NITCO (U) Ltd v UMEME, UEB (in Liquidation) & UEDCL

Brief Facts

The Complainant sued the Respondents for trespassing on his land when they passed a 3-phase line therein without his consent and have used the lines to date for their business.

Claim

Compensation for loss of expected earnings from rent estimated at 1,500,000/= per month for 4 years totalling UGX 216 million.

Progress in Court/ Comments

Hearing of the case is ongoing at the tribunal. In the last hearing session, Cross examination of the UEDCL witness was stopped as Counsel for the Plaintiff got an emergency. Further hearing will be on 15th August, 2023

4. UEDCL/1078/2022; Namusisi Betty vs UEDCL & Muhindo Moris

Brief Facts

The case arose out of a claim for compensation for the Plaintiff's cottages which were damaged by fire from an electricity conductor that was passed above them to connect her neighbour to power supply.

Claim

Special damages of Ugx 13,100,000=, general damages and costs of the suit.

Progress in Court/ Comments

We negotiated an out of court settlement between UAP Old Mutual Insurance Uganda Limited, which covered UEDCL against public liability, and the Plaintiff. A Consent Judgment was signed on 5th May 2023 between the Plaintiff and UEDCL which agreed to pay a total sum of Ugx. 15,919,000= as compensation and taxed costs. The money has since been paid and on 27th June 2023, the Plaintiff's lawyer acknowledged receipt of the funds in the Consent Judgment. File was closed.

5. UEDCL/1069/ 2022; UEDCL v Airtel (U) Ltd

Brief Facts

This case was filed before an Arbitrator by UEDCL for breach of Contract, Negligence and Refund of lost revenue.

Claim

UGX 288, 214,095 as special damages, interest at Bank rate, General damages and costs of the suit.

Progress in Court/ Comments

All parties have filed submissions in this case as instructed and now we await the Arbitral award which the Arbitrator undertook to give 30 days after all submissions have been filed.

6. UEDCL/1083/ 2023; Akullu Susan & ORS v UEDCL

Brief Facts

This case was filed in Lira High Court for negligence, special damages, general damages, interest and costs of the suit

Claim

UGX 500,000,000 to each of the Plaintiffs as general damages, UGX 1,750,000 as Special damages, interest and costs of the suit.

Progress in Court/ Comments

We filed our WSD on 19th June, 2023 and we await the directions of court. Case is newly filed. We need to do more investigations and also explore an out of court settlement

7. UEDCL/1070/ 2021; Opolot John v UMEME & UEDCL

Brief Facts

This case was filed in Soroti High Court for Negligence causing death, special damages of UGX 11,395,000, General damages for loss of earnings, mental anguish, shock, suffering and loss.

Claim

UGX 11,700,000 special damages, general damages, interest and costs of the suit.

Progress in Court/ Comments

We last attended court on 20th June, 2023 and UMEME's lawyers informed court that they were working on an out of court settlement of the case. The court gave them up to 24th August, 2023 when the matter will be called again for mention by court for an update on the settlement. UMEME has already kick started the process of compensating the Plaintiff. We shall endeavour to attend court until the suit is settled in finality.

8. UEDCL/ 1052/ 2020; Bisaso Emmanuel & Kasumba Deo v UEDCL

Brief facts

The Claimants who are former employees of UEDCL filed this suit claiming unlawful dismissal, orders to pay salary loans, salary arrears, untaken leave, gratuity, severance pay, general damages and costs of the suit.

Claim

A declaration of unlawful dismissal, orders to pay salary loans, salary arrears, untaken leave, gratuity, severance pay, general damages and costs of the suit.

Progress in Court/ Comments

On the last court appearance on 22nd May, 2023 the matter was adjourned to 30th August, 2023. The court asked that all parties file pre-trial documents before then which we have done. Mediation failed. We shall proceed with defending the case in court.

9. UEDCL/1082/2023; Wesigye Christopher & Byaruhanga Eric v UEDCL & AG

Brief Facts

The Claimants filed this suit in the EDT for a declaration that the Respondents are trespassers and that they destroyed the Complainants' crops and other properties on their land in Rutaka Sub County, Kisoro district.

Claim

Compensation of UGX 884,210,000, payment of statutory disturbance allowance of 30%, General damages of UGX 2,000,000,000, interest and costs of the suit

Progress in Court/ Comments

Matter coming up for mention/ hearing on 7th August, 2023 at 10am. Our investigations show that UEDCL doesn't operate in the said area. We have written to REA for clarity on whether they set up the said lines.

10. UEDCL / 1029/ 2018; Josephine Nakkungu v UEDCL

Brief Facts

The suit was brought for recovery of land, trespass, permanent injunction, general, punitive and exemplary damages, mesne profits and costs of the suit.

Claim

Declaration that the suit land belongs to the Plaintiff, Declaration that the Defendant trespassed on the Plaintiff's land, Vacant possession, Mesne profits, permanent injunction and costs

Progress in Court/ Comments

We last appeared in court on 1st June, 2023 and the matter was adjourned to 28th November, 2023 for hearing to commence. We filed all pre-trial documents and await the hearing.

11. UEDCL /021/ 2009; Aggrey Mugisha v UEDCL

Brief Facts

The suit was brought for recovery of general damages, interest and costs of the suit.

Claim

General damages and 25% interest on the general damages.

Progress in court/ Comments

The matter had not taken off on the last time we appeared. We are yet to get directions from court

12. UEDCL/1045/ 2020Aggrey Mugisha v URSB, UEDCL, Basasha & Co. Advocates & Auditor General

Brief Facts

This suit was filed by the Plaintiff against the Defendants for recovery of pension, service gratuity, general damages, punitive damages, 50% interest on Economic loss and costs of the suit.

Claim

Special damages of UGX 300,000 per day as profit, Economic loss of UGX 150m, Loss of business, disruption fee of UGX 50 million and 2 billion overall fees.

Progress in Court/ Comment

On the last hearing, the trial judge advised the Plaintiff to dismiss the case because he could not sustain the cause of action. He has however filed pre-trial documents and we shall also file ours. The last mention date fixed fell on a public holiday (Eid- El- Fitr) so we await a new date. There are high chances of success in this suit given that the Plaintiff was dismissed from employment by UEDCL and as such doesn't qualify for the prayers sought.

13. UEDCL/ 1072/ 2022; Agaba Johnson v UEDCL

The Plaintiff filed the suit against UEDCL for a declaration that the death of Byamukama Johnson was a result of the negligent acts of the Defendant.

Claim

Special damages of UGX 20,000,000 and General damages of UGX 300 million. Exemplary damages, punitive damages and costs of the suit.

Progress in Court/ Comments

We filed our defence in the case and summons for directions were extracted on 20th September, 2022 but no action and/or further hearing has happened. UEDCL made an offer to the Plaintiff which was rejected.

14. UEDCL/1073/ 2022; Byaruhanga Africano v UEDCL

Brief Facts

The suit was filed claiming negligence, general, special and punitive damages, interest and costs of the suit.

Claim

General, special and punitive damages, interest and costs of the suit

Progress in Court/ Comments

We appeared to defend an application to strike out the WSD and court stated that the ruling is on notice which we are still waiting for. No further action has been taken on the file. We offered the Plaintiff money to settle the case but he has never communicated acceptance or rejection of the same.

15. UEDCL/ 1081/ 2023; Namusubo Basimasi v UEDCL

Brief Facts

The claim was brought for trespass to the Plaintiff's land without consent

Claim

UGX 600,000,000 for the land, UGX 20,000,000 as damages for loss.

Progress in Court/ Comments

We filed our response. The matter has not taken off. More investigations need to be done to ascertain what is on ground.

16. UEDCL/1068/2021; Ndibanoha Selgius & ORS v UEDCL & Attorney General

Brief Facts

This claim was brought for trespass to the Complainants' land.

Claim

Compensation of UGX 300,000,000 for their land and costs of the suit

Progress in Court/ Comments

The case was dismissed as against UEDCL on prayers of the Complainants' Advocates. The Tribunal discharged UEDCL from any further appearance in the suit. We are no longer a party to the case.

17. UEDCL/1066/2021; Kaahwa Wilson v UEDCL

Brief Facts

The Plaintiff's claim against UEDCL is for trespass to land, general damages, and an order that the powerline be removed from his land at Katooke LC1, Katooke Town Council, Kyenjojo District.

Claim

A declaration that UEDCL is a trespasser on the Plaintiff's land. An order to remove the powerline from the Plaintiff's land, a permanent injunction, general damages of Ugx. 15,000,000= and costs of the suit.

Progress in Court/ comments

At the last session on 23/06/2023, the Plaintiff's Counsel prayed for leave to amend the Plaint to add the Attorney General. Court granted this prayer, timelines to serve the amended plaint were given and the matter was adjourned to 18/08/2023.

18. UEDCL/1044/2019; Batambuze Paul v AG & UEDCL

Brief Facts

The Plaintiff filed this suit at Bugiri Chief Magistrate's Court for alleged trespass to his airspace.

Claim

A declaration that UEDCL is a trespasser, mandatory and permanent injunctions, general damages and costs of the suit.

Progress in Court/ Comments

We raised a Preliminary Point of Law that the Plaint does not disclose any Cause of Action against UEDCL and filed Written Submissions on the same. We are waiting for a Ruling on the P.O.

19. UEDCL/ 1084/ 2023; Pader-Abim Community Multipurpose Electric Cooperative Society Ltd (PACMES) v Attorney General & UEDCL

Brief Facts

The Plaintiff sued UEDCL and Attorney General for a declaration that termination of their power supply contract was illegal and a breach of contract, that a takeover of the assets and distribution network is conversion, orders to stop the Defendants stopping the Defendants from committing the breach, general damages, interest and costs.

Claim

Payment of full assessed value of assets and compensation for loss of business, General damages, interest and costs of the suit

Progress in court/ Comments

We filed our Written Statement of Defence and the matter is ongoing in court. The Plaintiff filed Misc. App 10 of 2023 to stop UEDCL from taking over operations in the North Service Territory but the same was frustrated Engagements to try and settle these cases are in the offing.

20. UEDCL/1085/ 2023; Sentayi Peter v UEDCL & Attorney General

Brief Facts

The Complainant filed this case against UEDCL and the Attorney General for allegedly destroying his 100 eucalyptus trees and constructing a distribution line through his land without his consent.

Claim

No monetary claim was stated in the statement of Claim. However, we gather that the Complainant wants compensation for his trees and land.

Progress in Court/ Comments

We filed our Response to the Complaint and now await directions from court. This line was constructed by REA in or around 2015 and no compensation was paid to the Complainant. We have written to the Ministry of Energy and Mineral Development regarding this.

21. UEDCL/1086/ 2023; Mugisha Patrick v UEDCL

Brief Facts

The Complainant filed this case alleging that UEDCL put a line through his land without his consent and destroyed 271 eucalyptus trees of his. UEDCL offered the Complainant UGX 819,000 for the trees on recommendation of the District Forestry Officer but he rejected it.

Claim

No clear claim was stated. However, his issue is whether the money offered was substantial to cover his loss

Progress in court/ Comments

We filed our Response to the Complaint and now await directions from court. This line was constructed by REA in or around 2015 and no compensation was paid to the Complainant. We have written to the Ministry of Energy and Mineral Development regarding this.

CRIMINAL CASES

22. CRIM. CASE No. 227/2023; Uganda v Aziku Victor & Gerald Muhumuza

Brief Facts

The two accused are charged with orchestrating illegal connections in Elegu under the Electricity Act. The two were arrested and later granted bail.

Progress in court

Hearing of the case is ongoing in court. The prosecution has so far produced in court two witnesses and we anticipate bringing up to 7 witnesses. The case will come up for further hearing on 18th September, 2023

23. UEDCL/1081/2022; Uganda v Mukabire Sam

Brief Facts

The accused was charged with one count of careless or inconsiderate use of a motor vehicle contrary to section 119 of the Traffic and Road Safety Act 1998 and 3 counts of causing bodily injury through reckless driving contrary to section 108 (1) (a) of the same Act

Progress in court/ Comments

The case was dismissed in court for want of prosecution on 11th July 2023 by the Chief Magistrate in Sembabule Magistrates Court. We are

7.23 Going concern:

During the year ended June 30, 2023 the company has a positive shareholders' funds of Ushs175billion (2022: Ushs169billion). These conditions indicate the existence of a material certainty for going concern for the future.

7.24 Comparatives:

The current period Financial Statements are prepared for 12 months ended June 30, 2023 and previous year financial statement prepared for 12 months ended June 30, 2022 therefore the comparative figure is comparable.

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