

UGANDA ELECTRICITY DISTRIBUTION CO. LTD

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6TH FLOOR UEDCL TOWERS

PLOT 37 NAKASERO ROAD

P. O. BOX 7390,

KAMPALA- UGANDA

“Lighting up your World”



08th Nov 2017

The Chief Executive Officer
Electricity Regulatory Authority
P.O.Box 10332
Kampala, Uganda

UEDCL ANNUAL TARIFF REVIEW FOR 2018/2019

Reference is made to your communication regarding budget submission for UEDCL in line with the annual tariff review for the year 2018. UEDCL has prepared the budget for the period Jan 2018 – Jun 2019 (18 months) as a transition period for changing the accounting period as per your advise, in line with it's operation license No. 053 and the subsequent amendments that allowed the company to manage and operate other business units relating to:- the pole plant, UEDCL Tower, project construction and retail power distribution for the service territories under the management contract with the Rural Electrification Agency.

The UEDCL operational budget for Jan 2018 – Jun 2019 is as per the copy attached with a title 'Budget for 18 months period' and this includes comparatives for Budget 2017 and Full year Forecast 2017.

Yours Sincerely

Paul Mwesigwa
Ag. Managing Director

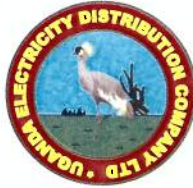
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Budget Paper.....

Draft budget for 18 months period (Jan 2018 to Jun 2019)

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1. Executive Summary

The budget for the 18 months period January 2018 to June 2019 has been prepared in line with the strategic business plan per business unit as per ERA licensed activities. Due to the changes of the accounting periods for UEDCL to align with the requirements for the Public Finance Management Act 2015, the period January 2018 – June 2018 (6 months) has been taken as the budget transition period then a full year's budget July 2018 – June 2019 (12 months but split into 2 periods), thus having a total of 18 months budget period.

The assumptions for the parameters and financial figures are for the period January 2018 to June 2019.

Below are some of the assumptions that have been considered when preparing this budget:-

1.1. Market and Liquidity rates and/or prices.

The parameters that have been considered under the market and liquidity rates includes the items that directly affect the monetary values of the business.

Table 1; Market and Liquidity parameters

No	Description	Jan 2018 to Jun 2018	Jul 2018 to Jun 2019	Comment
1	Inflation rate	5%	5%	Subject to approval by ERA
2	Foreign Exchange rate per USD	3,660/=	3,840/=	Subject to approval by ERA
3	Fuel – Petrol per liter	3,650/=	3,930/=	As per the current pump prices
4	Fuel – Diesel per liter	3,100/=	3,335/=	As per the current pump prices
5	Stock and material prices		As per the projected prices for 2018/2019 using the current stock values as a base price.	
6	Capital items		As per the projected prices for 2018/2019 using 2017 as a base year for prices.	

1.1.1. Inflation.

It has been assumed that for the period Jan – Jun 2018 at 5% and for Jul 2018 – Jun 2019 at 5% inflationary rates will apply and this has been incorporated into the budget.

1.1.2. Foreign Exchange Rates

The budgeted exchange rate for the period Jan – Jun 2018 of Shs3,660/= per USD is based on the current rate and for Jul – Jun 2019, a depreciation rate of 5% as been assumed thus a projection of Shs3,840/= per USD.

Note: The final inflation rate and the foreign exchange rates are subject to approval by the Electricity Regulatory Authority.

1.1.3. Fuel Prices

The fuel annual inflation for 2017 have increased by 7.6% (*source the Oct 2017 UNBOS publication table 2*) , for the period Jan – Jun 2018 the actual current pump fuel prices have used as this is expected to be in the same range for this period. Whereas for the period Jul 2018 to Jun 2019, an inflationary adjustment of 7.6% (the same as for this year) has been assumed.

1.1.4. Working Capital and Inventory Pricing

The budget estimates for inventory, repairs and capital expenditures have been derived from the applicable parameters with the corresponding prices taking into considerations the quantities that are likely to be required to execute the tasks.

1.2. Other budget parameters

The other parameters includes the non-monetary drivers for the business that affects the budget in terms quantities consumed and/or used during the period.

Table 2; other budget parameters across all business units

No	Description	Rate	Comment								
1	Total no. of poles to be sold by the pole plant	20,000	It's budgeted that all the produced poles will be sold in order to maintain the current optimal stock levels								
2	Total no. of drums for creosote oil to be used for the budget period	3,600	On average the consumption rate of litres of oil per pole is between 30 - 45 litres depending of the size of the pole								
3	UEDCL Tower occupancy rate	80%	The occupancy has been budgeted to increase from the current 65% to 80% now that UEDCL has engaged several commission agents for marketing the available space for rent.								
Territories											
	CNST	NEST	NNWST	MWST	EST	NWST	SWST	SST	Budget 2018 / 2019	FYE 2017 / 2018	
4	Pole replacements under REA service territories(No. of poles)	100	200	100	100	10	250	134	100	994	676
5	Transformers replacement under REA service territories	5	5	5	8	1	12	9	6	51	40
6	Energy Purchases- Territories ; Gwh	3.77	4.24	5.13	3.43	1.65	18.50	7.10	11.14	54.97	49.70
7	Energy sales- Territories ; Gwh	3.12	3.51	4.25	2.84	1.37	13.88	5.33	8.36	42.66	33.48
8	Energy loss per territory	20.68%	20.68%	20.68%	20.68%	20.68%	25.00%	25.00%	25.00%	22.30%	
9	Power availability	85%	85%	80%	80%	90%	85%	85%	85%	84%	
10	Additional customers for the 12 months	868	1114	1856	1056	1239	3577	2112	2471	14293	7852
11	Total No. customers closing by end of 2017/2018 fy June 2018	2913	4081	6933	3868	3592	14742	8685	10160	54974	

1.3. Staff establishment as per licensed activity per location

Table 3; Staff establishment

Actual Staff numbers as at end of Oct 2017

License	LAA Admin Corporate	Head Office	Pole Plant	MWST	NEST	NNWST	CNST	EST	SST	NWST	SWST	Grand Total
LAA Corporate	20											20
Pole Plant			22									22
Project		2										2
REA Territory		7		11	19	29	13	16	24	29	19	167
UEDCL Tower		3										3
Total Actual staff No.	20	12	22	11	19	29	13	16	24	29	19	214

Number of Vacancies included in the budget for 2018 FY

License	LAA Admin Corporate	Head Office	Pole Plant	MWST	NEST	NNWST	CNST	EST	SST	NWST	SWST	Grand Total
LAA Corporate	6											6
Pole Plant												0
REA Territory		11	2	4	12	10	13	5	14	27	14	112
UEDCL Tower		1										1
Total Vacant staff No.	6	12	2	4	12	10	13	5	14	27	14	119

Grand Total Staff Nos	26	24	24	15	31	39	26	21	38	56	33	333
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The staff number is budgeted to increase from the current 214 to 333 by the end of 2018/2019. This is mainly due to an additional 119 staffs that are supposed to fill the planned vacant positions in the different territories following the expansion from 5 to 8 territories and other positions from the other business units including LAA Admin, pole plant and the Customer service section.

1.4. Summary of Income and Expenses

1.4.1. Budgeted Income and Expenses for 6 months (Jan 2018 – Jun 2018) per Business Unit

Description	LAA - Admin fees	UEDCL Tower	Pole Plant	Territories	Total Budget; Jan 2018 - Jun 2018	Actual; Jan 2017 - Jun 2017	Var; Act 2017 - Bud 2018	%
Total Revenue (Table 5 for details)	85,103	800	8,010	12,600	106,513	15,088	606%	
Cost of Sales	-	-	6,592	6,552	13,144	6,690	-96%	
Gross Profit	85,103	800	1,418	6,048	93,369	8,398	1012%	
Total DOMC	4,478	402	667	5,600	11,147	8,075	-38%	
EBTIDA	80,625	398	752	448	82,223	323	25356%	
Depreciation & Others	80,625	721	105	125	81,576	5,927	-1276%	
Profit/(Loss)	-	(323)	647	323	647	(5,604)	-112%	

1.4.2. Budgeted Income and Expenses for 12 months (Jul 2018 – Jun 2019) per Business Unit

Description	LAA - Admin fees	UEDCL Tower	Pole Plant	Territories	Budget; Jul 2018 - Jun 2019	FYF; Jan 2017 - Dec 2017	Var; FYF 2017 Vs Bud 2019	%
Total Revenue	97,755	1,600	16,021	28,800	144,176	34,410	319%	
Cost of Sales	-	-	13,184	14,976	28,160	17,012	-66%	
Gross Profit	97,755	1,600	2,837	13,824	116,016	17,398	567%	
Total DOMC	7,216	891	1,039	12,800	21,946	15,803	-39%	
EBTIDA	90,540	709	1,798	1,024	94,071	1,595	-5798%	
Depreciation & Others	90,540	1,442	211	250	92,443	11,729	-688%	
Profit/(Loss)	(0)	(733)	1,587	774	1,628	(10,134)	116%	

For the period Jan 2018 to Jun 2018 and Jul 2018 to Jun 2019, it has been budgeted that the Net profit all the business units will be **Shs0.65bn** and **Shs1.6bn** respectively. This amount will be used to finance some of the capital expenditure requirement out of **Shs5.5bn** as detailed in paragraph 1.5.

1.5. Capex

Below is the summary of capital expenditures for the period Jan 2018 – Jun 2019

Table 4; Capital budget summary by financing unit

Summary	Financed by;				Amount
	LAA Corporate	UEDCL Tower	Pole Plant	Territories	
Department Manager					
Compliance and Monitoring	746,200,000				746,200,000
Computers and Equip'ts - ICT	180,000,000				180,000,000
Finance - Furniture					0
UEDCL Tower -		500,000,000			500,000,000
Human Resource - Furniture					0
Pole plant all capex			1,912,300,000		1,912,300,000
Territories - Equipments				2,200,000,000	2,200,000,000
Total	926,200,000	500,000,000	1,912,300,000	2,200,000,000	5,538,500,000

2. Corporate LAA Administration

The summary of comparative below is for the approved budget by ERA for 2017, Full Year Forecast (FYF) and the budget for 2018/2019 FY.

Table 5; LAA Corporate budget 2018/2019 with comparatives

All figures are in million UGX shillings						
	2016 ERA Approval	2017 ERA Approval	FYF 2017	Budget; Jan 2018 -Jun 2018	Budget; Jul 2018 - Jun 2019	Var; Budget 2017 Vs Budget 2018/2019
Employment Costs	3,370	3,720	3,705	2,735	5,684	53%
Administrative Costs	914	1,003	1,015	768	1,110	11%
Transport Costs	105	116	109	69	116	0%
Monitoring Costs	122	539	430	247	528	-2%
Insurance	105	112	113	65	115	2%
Capital Expenditure	317	272	333	550	376	38%
Total Costs - LAA Admin	4,933	5,763	5,704	4,435	7,929	38%
Less: Management fees 3.3% from other units				(603)	(1,205)	
		5,763	5,704	3,832	6,724	17%
Other Costs						
Legal fees; UEB related pension cases	-	-	6,700	4,100	4,100	
Wayleaves and 3rd party compesations	-	-	-	785	3,200	
Leased land renewals	-	-	-	-	-	
Consultancy; Network asset revaluation	-	-	-	600	400	
Regulatory Fees	89	90	85	46	92	
Total Other Costs	89	90	6,785	5,531	7,792	
Depreciation and ROI fees for Use of UEDCL assets by Umeme	-	-	-	7,500	15,000	
Minimum Escrow requirement \$20m	-	-	-	68,240	68,240	
Totals; Admin & Other costs	5,022	5,853	12,490	85,706	98,961	

The overall budget for LAA corporate admin excluding other costs will increase by 20% against the budget 2017. This increase is due to the 5% inflationary adjustment each period (i.e 6 months Jan – Jun 20118 and the 12 months Jul 2018 – Jun 2019) plus filling the 2 vacant staff positions for the Planning engineer and Legal

Additionally, the capital budget is budgeted to increase by 38% mainly due to the planning software and other assets for network investment totaling to Shs926m that has been budgeted as per the details note 2.4

Financing of the escrow account requirements of Shs68.24bn is the requirement as per the LAA in order to have an amount for the buyout based on the level of Umeme investment into the network. As at the beginning of 2017, Umeme has invested USD500m of which USD162m has not yet been cleared by the verification teams and USD338m has been cleared for capital recovery into the tariff of which USD117m has already been recouped from the tariff by Umeme, thus leaving a balance of USD221m (an amount that is equivalent to the net buy-out amounts before the current years ROI and the asset additions for this year). For this matter, failure for financing the escrow account creates a huge risk exposure to the agreement and the future of financing the corresponding liabilities. It's from this back ground that UEDCL has at least budgeted for a minimum escrow amount required onto the escrow account of USD20m to be included into the tariff.

2.1. Staff Costs

2.1.1. The financial implication of staff costs

The total staff costs by 2018/2019 will be Shs4.48bn Vs Shs3.72bn for 2017 budget as per the details below and the reconciliation Analysis of staff movement

Descriptions	Approved budget 2018	6 months (Jan - Jun 2018)	12 months (Jul 2018 - Jun 2019)
Consolidated salary (<i>Note; 2.1.3.1</i>)	2,151	1,863	3,853
Gratuity	538	315	662
Annual Leave & Standby allowance	15	9	18
NSSF	271	158	333
	2,975	2,346	4,866
Other non taxable staff costs	-		
Training Expenses	569	294	617
Subscription To Professional B	16	7	15
Medical & Dental Expenses	59	35	74
First Aid Materials	1	1	1
Staff Welfare	30	23	47
Subsistence allow	9	4	7
Protective clothings	4	2	4
Strategic planning, Workshops and staff	58	25	51
Grand Total	745	390	818
Total budget employment costs	3,720	2,735	5,684

2.1.1.1.Reconciliations of Consolidated salary from the approved 2017 budget by ERA to the proposed budget 2018/2019 Financial year

Description	Amount (Shs'm)	Amount (Shs'm)
Approved Consolidated salary budget as per ERA for 2017 FY		2,151
Add:		
- Inflation Adjustments at 5% p.a for 18 months	188	
- Vacant and New positions	309	
- Financing from the Man't fees	1,205	
		1,702
Consolidated salary budget proposal for 2018/2019 FY		3,853

Due to the ERA's requirement for each business unit to fully finance its activities including staff emoluments, a management fees of 3.3% of revenue will be levied from each respective business unit of:- Pole plant, UEDCL and the REA territories totaling to **Shs1.53bn**. Of the total management fees, 80% (i.e.Shs1.2bn) of this amount is planned to be applied onto the emolument increase for the effort towards the BODs retainer fees and all the UEDCL staff. In that regards, the impact of the staff cost increase to the tariff under the LAA admin fees will only be as a result of inflationary adjustments, the two new staff members' one being a Legal officer and the Planning engineer.

2.1.1.2. Management fees

Management fees is delivered as a 3.3% of the revenues from the other business units as per the summary table below. The proposed budget expects a surplus of Shs320.6m after the recharges and this will be re-invested into UEDCL business developments.

	Annual Revenue	Man't Fee; 3.3% of revenue
Pole plant	15,820,945,408	522,091,198
UEDCL Tower	1,600,000,000	52,800,000
REA Territories	28,800,000,000	950,400,000
		1,525,291,198
Financing requirements for the management fees		
1. Recharge for the BODs		323,303,700
2. Recharge for UEDCL Overhead admin staff; 35% of Salary		882,548,194
		1,205,851,894
Surplus of the management fees		319,439,304

As per the budget projections, the expected surplus from the management fees will be redeployed on other issues in terms of logistical support and welfare in order to improve the business revenues.

As per table 3; the staff establishment, the budgeted number of staff members under the LAA administration is at 26 members with 20 positions fully filled and 6 positions vacant as analyzed below.

No.	Descriptions	Comments
1.	Senior Legal	This position was approved in 2017 budget; the recruited candidate turned down the offer, now second recruitment is in the final stages
2.	Legal Officer	New position. The department has 3 members and they represent UEDCL country wide, thus having too much load.
3.	Senior planning & Dev Engineer	This position was approved in 2017 budget; the recruitment is in the final stages.
4.	Planning Dev Engineer	New position. He will be mainly handling the planning software.
5.	Investment Monitoring Officer	Refilling a staff who resigned.

2.1.2. The Planning and Senior planning engineer

➤ Introduction:

UEDCL has the dual responsibility of monitoring Umeme compliance to Lease and Assignment Agreement (LAA), monitoring the performance of the Electricity distribution network and approving the Umeme distribution network investment needs.

UEDCL has taken on a more prominent position in justifying the development and expansion of the Distribution Network in the concession area, besides monitoring its operation and maintenance. Additionally, UEDCL is now actively participating in Electricity Sector planning activities through the Sector Planning Coordination Committee (SPCC).

All these have necessitated elevation of the planning function within UEDCL through establishment of a fully-fledged Planning Section.

As part of the enhancement of UEDCL's ability to determine the capacity of the electricity distribution backbone to take on more load and expansion to other areas; UEDCL has embarked on vigorous updating of the distribution network on the newly acquired GIS system and now desires to build human and analysis capacity to enable system planning and enhance the relevance of UEDCL in planning for the electricity distribution function in the power sector.

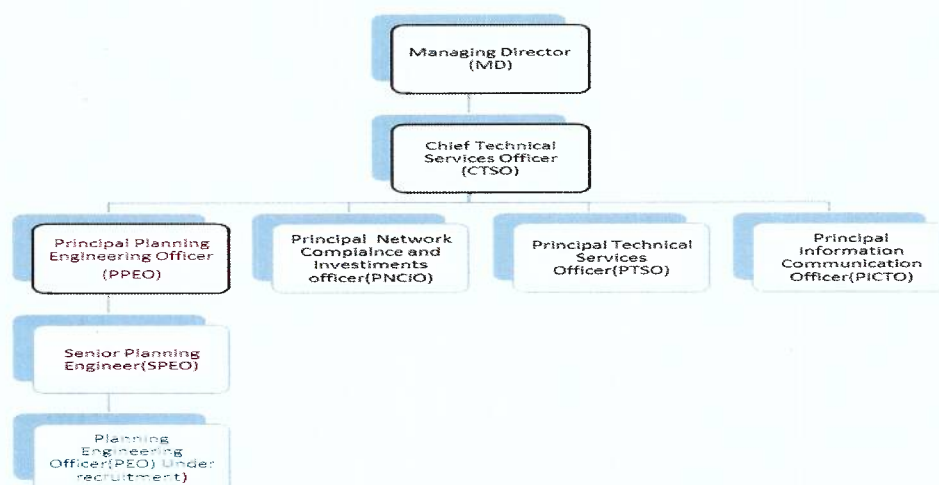
As part of enhancing capacity to plan for the distribution sector, UEDCL has acquired basic planning software that has to be upgraded to tally with the SPCC recommended one.

➤ **Additional Staff Requirements:**

To improve UEDCL capacity as envisaged above, a planning Engineer who is due to be interviewed will be acquired in December 2017; however there is need to bring on board additional capacity as follows:

- A Principal Planning Engineering Officer (PPEO) assisted by;
- A Senior Planning Engineering Officer (SPEO)

➤ **Proposed Organisation Chart:**



➤ **Key result Areas of the Positions on the Chart:**

a) **Principal Planning Engineering Officer(PPEO)**

- i) Ensure that the planning function of UEDCL is executed effectively and efficiently as required by Management;
- ii) Liaise with Concessionaire and other stakeholders to develop appropriate Sector plans;
- iii) Compilation regular reports on Unit activities as requested by Management and in accordance with UEDCL policies and procedures;
- iv) Carry out any other duties as assigned by Management.

b) **Senior Planning Engineer(SPEO)**

- i) Collect all necessary data and information to enable carrying out assessments for the development of the distribution network;
- ii) Carry out load flows and other assessments as necessary, hence come out with appropriate plans that will enable effective development of the distribution network to meet Sector needs;
- iii) Liaise with Concessionaire and other stakeholders to develop appropriate Sector plans;

- iv) Compilation regular reports on Unit activities as requested my Management and in accordance with UEDCL policies and procedures;
- v) Carry out any other duties as assigned by Management.
- vi)

2.1.3. The Legal Officer

The budget for 2017 approved the Senior Legal officer, this increased the staff numbers to 3 members but since UEDCL activities are across the country and all the new cases are to be handled in house by the permanent staff as opposed to use the services of the external counsel, there is a need for an additional staff.

2.2. Administrative Costs

The administrative costs for the year 2018/2019 have been budgeted to increase by Shs11% (i.e from Shs1.003bn to Shs1.11bn) with the main expenses being the up-date of the GIS asset register and the activities for the planning department after installing the planning software.

Description	Budget 2017	Jan 2018 - Jun 2018	Jul 2018 to Jun 2019
Office Equipment	2,200	1,000	2,310
Computer Consumables & repairs	49,419	51,890	51,890
Repairs and Maintenance	51,619	54,200	56,910
Audit fees	51,000	40,000	80,000
Directors Allowances & Expenses (<i>note 2.2.1</i>)	468,948	246,198	519,477
Advertisement	18,400	22,000	19,320
Stationary	8,000	20,660	8,400
Printing Annual report	4,000	5,000	4,200
Photocopying & printing	7,200	3,600	7,560
Books and Periodicals	13,000	20,000	13,650
Telephone and Telegraphic	12,000	24,090	12,600
Postag, Fax and Courier	780	390	819
Bank Charges	37,000	41,200	38,850
Software Support Costs	117,249	65,100	123,111
Internet and E-mail fees	45,598	26,215	47,878
Publicity & Social Corporate responsibility	31,600	55,400	33,180
Escrow Agency and Issuance fees	67,104	34,000	70,459
Cleaning & Related Materials	3,759	5,500	3,947
Consultancy fees (Procurment)	14,600	51,540	15,330
Total	1,003,476	767,983	1,109,892

2.3. Transport

The transport expenses for 2018/2019 have been budgeted to increase from Shs109m as per the FYF 2017 to Shs116m (i.e. 6% increase).

2.4. Capex

A capital expenditure budget of Shs926m has been worked out for 2018/2019 to be financed under the LAA out of Shs3.34bn for the entire company.

No	Description	Unit	Qty	Unit Cost	Amount	Justification	Depart
1	Distribution Planning Software	Unit	1	500,000,000	500,000,000	Facilitate Distribution Network planning (Sector Planning Coordination Committee) FY 2017 allowed 60m	Monitoring
2	Earth Resistance Tester	Unit	3	15,000,000	45,000,000	Enhance Asset Management (Investments & Compliance with LAA)	Monitoring
3	Clampmeter	Unit	3	1,900,000	5,700,000	Enhance Asset Management (Investments & Compliance with LAA)	Monitoring
4	Infrared Camera	Unit	1	5,500,000	5,500,000	Enhance Asset Management (Investments & Compliance with LAA)	Monitoring
5	Range Finder	Unit	1	10,000,000	10,000,000	Enhance Asset Management (Investments & Compliance with LAA)	Monitoring
10	Motor Vehicle	Unit	1	180,000,000	180,000,000	Support activities to map and update entire Distribution Network on GIS platform	Monitoring
1	scan camera [Nakasero towers]	Unit	1	150,000,000	150,000,000	Security of UEDCL tower by ICT	Estates
	Roofing the Tower				350,000,000	To roof the Building with sound proof materials	Estates
	Furniture	unit	2	900,000	1,800,000	Legal department for 2 new staffs	LAA
	Establishment of the DRS	Unit	1	180,000,000	180,000,000	from ICT	LAA
	General Land Scapping and civil works				380,000,000		Pole plant
	Steel works & general shelter establishment				400,000,000		Pole plant
	Office infrastructure				360,800,000		Pole plant
	Fire hydrant				200,000,000		Pole plant
	Office chairs (3)				1,500,000		Pole plant
	Filing cabinet (1)				2,000,000		Pole plant
	Paper shreder				9,000,000		Pole plant
	Pole hand held tag reader				48,000,000		Pole plant
	Printer stores				5,000,000		Pole plant
	Utility costs				450,000,000		Pole plant
	Forest establishment - Kyampisi				50,000,000		Pole plant
	Motorcycle (Production)				6,000,000		Pole plant
	Total				3,340,300,000		

Action Required;

The Authority is here by requested to approve the budget for LAA administration for the 6 months and 12 month period 2018/2019

3. UEDCL Tower

The UEDCL is hosting the head quarter of the company with a FYF occupancy rate of over 75% as at end of 2017. The budget analysis below is based on the 2018 budget expectations in line with the business strategy.

Descriptions	FYF 2017	Bud: 6 Mths Jan - Jun 2018	Bud: 12 Mths 2018/2019	Var; FYF 2017 Vs 2018/2019
Total Revenue	1,493	800	1,600	7%
Total Direct staff costs	102	55	110	-8%
Total - Other staff costs	60	29	62	-3%
Total - Transport costs	9	4	8	3%
Total - Repair and Maintenance	420	62	445	-6%
Total - Administration costs	240	252	265	-10%
DOMC	831	402	891	-7%
EBTIDA	662	398	709	7%
Depreciation		721	1,442	
Net profit/(Loss)		(323)	(733)	

3.1. Revenues

The revenues for the tower are expected to increase by 7% by the period ending Jun 2018/2019 against the FYF for 2017. This is due to the planned increase in the occupancy rate to over 83% since the company has now engaged marketing agents to look for the clients and this strategy is expected to improve the occupancy level.

3.2. Costs

The DOMC for UEDCL Tower is expected to be maintained with a slight increase of 6% by 2018/2019, the main cost remains R&M onto the building since the building has to get a face lift in order to remain competitive onto the market.

4. Pole Plant

The budgeted revenue for 2018/2019 includes 20,000 pieces of poles to be sold having shifted to the new factory site at Kyampisi where it's expected to increase the productions efficiency that is budgeted to have fair prices for better sells.

	FYF 2017	6 Mths; Jan - Jun 2018	12 Mths; Jul 2018 - Jun 2019	Var: FYF Vs 2018/2019
Revenues				
Total Revenue	9,191	8,010	16,021	74%
Total - Other staff costs	117	126	160	-36%
Total - Production costs/cost of sales	7,681	6,592	13,184	-72%
Total - Transport costs	84	24	49	42%
Total - Repair and Maintenance	76	54	100	-32%
Total - Administration costs	543	462	942	-73%
Grand total costs	8,502	7,259	14,434	-70%
Net profit/(Loss)	689	752	1,587	130%

4.1. Revenues:

The revenues are budgeted to increase by 74% Vs the FYF 2017 this increase is due to the increase in quantity of sales from FYF 2017 10,300 pcs to 20,000 pcs and a depreciation of the Uganda shilling since sell of poles are in USD.

4.2. Operating Costs

At the same time, the operating costs will increase by 70% due to the corresponding increase in the cost of sales due to the more revenues.

4.3. Net profit/(Loss)

The overall position is a budgeted profit of Shs1.59bn representing a 130% increase in profit.

4.4. REQUEST

The Board is requested to approve the budget estimates for the period Jan 2018 – Jun 2019 to allow the Pole Plant Management start the implementation of the plans therein.

5. REA Territories

For all the 8 territories below are the major assumptions:

- Revenue from Territories is projected to increase by 20%
- Energy Loss to be maintained below 20%,
- whereas power availability is at 95%

Description	Territories Jan- June 2018	Territories July- June 2019	FYF 2017	Var, FYF 2017 Vs Bud 20199
	Shs'mn	Shs'mn	Shs'mn	%
Total Revenue	12,600	28,800	19,295	49%
Cost of Sales	6,552	14,976	10,975	-36%
Gross Profit	6,048	13,824	8,320	-66%
Total DOMC	5,600	12,800	8,862	-44%
EBTIDA	448	1,024	(542)	289%
Depreciation & Others	125	250	95	-163%
Profit/(Loss)	323	774	(637)	222%

5.1. Revenues

The revenues from all the 8 service territories are expected to increase by 49% against 2017 FYF due to the budgeted increase in customer numbers. It has also been assumed that power availability will be maintained above 95% will keeping the energy losses below 20% on average for all the territories.

5.2. Costs

The total operation and maintenance costs including cost of sales has been budgeted to increase by 44% against 2017 FYF, this is due to the increased wide area of operation for the 8 territories with major repairs for poles and transformer replacements as per the business parameters.

5.3. EBITDA

It has been budgeted that by the end of Jun 2018 and for the year 2018/2019 the consolidated EBITDA for all the territories will be at Break Even with a surplus of Shs1bn.

Action Required

This is to request the Board of Directors to approval the draft budget presented.