ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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AGM	Annual General Meeting	MV	Medium Voltage
BST	Bulk Supply Tariff	MEMD	Ministry of Energy and Mineral Development
Capex	Capital Expenditure	NSSF	National Social Security Fund
CGU	Cash Generating Unit	OBA	Output Based Aid
DOMC	Distribution, Operating and Management Costs	OCI	Other Comprehensive Income
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	Opex	Operating Expenditure
ECL	Expected Credit Losses	PSP	Power Supply Price
EIR	Effective Interest Rate	PL	Profit and Loss
ERA	Electricity Regulatory Authority	PV	Present Value
ESG	Environmental, Social and Governance	RQ	Reconciling Amount
FVOCI	Fair Value through Other Comprehensive Income	SHE	Safety, Health and Environment
FVTPL	Fair Value through Profit or loss	SMT	Senior Management Team
GDP	Gross Domestic Product	SPPI	Solely Payment of Principal and Interest
GoU	Government of Uganda	TOU	Time of Use
HVE	Total Energy Purchased	UEDCL	Uganda Electricity Distribution Company Limited
IAS	International Accounting Standards	UETCL	Uganda Electricity Transmission Company Limited
IFC	International Finance Corporation	URA	Uganda Revenue Authority
IFRS	International Financial Reporting Standards	Ushs	Uganda Shillings
IFRIC	International Financial Reporting Interpretations Committee	USD	United States Dollars
IPP	Independent Power Producer	VAT	Value Added Tax
ISA	International Standards on Auditing	WHT	Withholding Tax
KV	Kilo-Volts	WIP	Work In Progress
IT	Information Technology		
LED	Light-Emitting Diode		
LV	Low Voltage		

Principal place of business and registered address
Umeme Limited
Rwenzori House
Plot 1, Lumumba Avenue
P. O. Box 23841
Kampala, Uganda

Company Secretary
Shonubi, Musoke & Company Advocates
SM Chambers
Plot 14, Hannington Road
P. O. Box 3213
Kampala, Uganda

Auditor
Ernst & Young
Certified Public Accountants
Plot 18, Clement Hill Road
Shimoni Office Village
P. O. Box 7215
Kampala, Uganda

Share Registrars
Custody and Registrar Services Uganda Limited
12th Floor, DTB Centre
Kampala Road
Kampala, Uganda

Main Bankers
Standard Chartered Bank Uganda Limited
Plot 5, Speke Road
P. O. Box 7111
Kampala, Uganda

Citibank Uganda Limited
Centre Court, Ternan Avenue
P. O. Box 7505
Kampala, Uganda

dfcu Bank Limited
Plot 26, Kyadondo Road
Nakasero
P. O. Box 70
Kampala, Uganda

Main Bankers
Stanbic Bank Uganda Limited
Corporate Branch, Crested Towers
P. O. Box 7131
Kampala, Uganda

Absa Bank Uganda Limited
Plot 4, Hannington Road
P. O. Box 7101
Kampala, Uganda

Main Lawyers
Shonubi, Musoke & Company Advocates
SM Chambers
Plot 14, Hannington Road
P. O. Box 3213
Kampala, Uganda

Sebalu & Lule Advocates,
14 Mackinnon Road, Nakasero
P.O. Box 2255 Kampala

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which show the state of affairs of Umeme Limited ("Umeme" or the ''Company").

1. GENERAL INFORMATION

Company background

Umeme Limited is incorporated as a limited liability company under the Companies Act, 2012 of Uganda and licensed by the Electricity Regulatory Authority (ERA) under Licence No. 047 and Licence No. 48 to (together, the ''licences'') carry on the business of electricity distribution and supply under the provisions of the Electricity Act 1999, (Cap 145) of Uganda.

The Company took over the system for the distribution and supply of electricity (the ''Distribution System'') in Uganda from Uganda Electricity Distribution Company Limited (UEDCL) under a concession arrangement (the ''Concession'') for a period of 20 years which commenced on 1 March 2005 and expires on 28 February 2025. Under the Concession, Umeme is also required to operate, maintain, upgrade, and expand the Distribution System within Uganda and such contiguous areas as Umeme and ERA may agree.

Through the Concession, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing 95% of the generated electricity to Ugandan residents, commercial, industrial and government entities. UEDCL owns the distribution network that was assigned to Umeme under the Privatisation Agreements. Umeme purchases electricity from Uganda Electricity Transmission Company Limited (UETCL), which owns and operates the high voltage transmission network of up to 132KV. UETCL purchases electricity from several sources including: Eskom (U) Limited, operators of the Nalubaale and Kiira hydroelectric power generation stations; Bujagali Energy Limited that operates the Bujagali hydroelectric power plant; Uganda Electricity Generation Company Limited, operators of the Isimba Hydroelectric power plant, Jacobsen thermal power plant, Elektro AS, Electro-Maxx, Tronder Power Limited, and other smaller Independent Power Producers (IPPs).

The management of the Distribution System in Uganda requires Umeme to maintain and operate the distribution network; to collect revenues from customers based on the prevailing tariffs set by ERA in accordance with the licences and the privatisation agreements; to make investments in upgrading, expansion and maintenance of the assets forming the distribution network; and to return control of the distribution assets, including new investments, to UEDCL at the end of the concession.

Umeme's core business activities are summarized as follows:

a) Electricity distribution that involves the operation, maintenance, upgrading and expansion of the distribution network within Uganda. The distribution network consists of approximately 35,586 (2018: 34,146) kilometres of low voltage, 11kV and 33kV network lines covering all major hubs in Uganda; and

b) Electricity supply and after sales service, which includes:

- Connection of new customers to the distribution network
- Meter reading, billing and revenue collections
- Customer complaints resolution
- Restoration of power after interruptions
- General customer care including provision of information on services
- Customer sensitization on energy efficiency, energy losses and safety
- Marketing of available power to customers.

1. GENERAL INFORMATION (Continued)

Shared purpose and values

Umeme's shared purpose is "electricity retail and distribution business providing exceptional customer services in a safe, reliable and cost-effective manner with a workforce that is well motivated and skilled, generating sufficient profits to sustain and build the business while providing value to shareholders".

Umeme's values are:

- We place the **Safety** of our employees and the public at the centre of our actions.
- We provide an experience of exceptional **Customer Service**.
- We act with **Integrity**, fairness and transparency in all our dealings.
- We deliver our services as one **Team.**
- We deliver quality services and value through **Innovation** and the zeal to succeed, continuously raising the bar on our performance.

Administrative structure

The countrywide operations are categorised, for administrative purposes, into the following four regions under the supervision of Regional Managers and Customer Service Engineering Managers: Kampala East, Kampala West, North Eastern, and Western regions. These regions are further subdivided into 25 districts under the supervision of a District Manager reporting to the Regional Manager. The Company delivers its strategic business objectives through the devolved district structure.

2. KEY SHAREHOLDER INFORMATION

Umeme Limited is a public limited liability company listed on the Uganda Security Exchange (USE) and cross- listed on the Nairobi Stock Exchange (NSE).

The top shareholders are indicated in Note 24 to the financial statements.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks including liquidity risk, interest rate risk, credit risk, foreign exchange risk and regulatory risk. The Company's overall risk management strategy focuses on analysis, quantification and implementation of mitigation options available against such risks. The main challenges facing the Company that may expose it to financial risk include:

- The regulatory environment
- The remaining concession tenor limiting financing options
- Sustainable end user tariff regime that is adequate to meet the electricity sector revenue requirements.
- Ability of the Company to meet set regulatory targets of; energy losses, revenue collections, working capital and operating costs.
- Compliance with statutory codes on power quality, reliability, customer service standards and safety.
- The general economic conditions that affect the cost of doing business and customers' ability to settle their electricity bills in time.
- Vandalism of the distribution network and theft of operational materials.
- Significant capital financing requirements to maintain, rehabilitate and expand the distribution network.
- Volatility of interest rates, fuel prices and foreign exchange rates.
- Power supply availability to meet the growing electricity demand.

4. FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following statistics summarize the key financial and operational information of the Company:

Financial statistics	**2019 Ushs million**	**2018 Ushs million**	**2019 USD '000**	**2018 USD '000**
Financial results - for the year				
Revenue	1,776,597	1,493,232	478,947	400,297
Gross profit	594,100	581,198	160,166	155,687
EBITDA	376,347	353,773	101,463	94,829
Operating profit	245,571	243,756	65,517	65,379
Profit before tax	204,357	195,085	54,406	52,305
Profit for the year	139,152	132,815	36,828	35,790
Capital investments – for the year				
Investment in the distribution network	104,817	230,600	28,257	61,784
Financial position - At year-end				
Total assets	2,541,774	2,344,158	692,541	630,699
Equity	833,520	773,836	227,103	208,159
Outstanding interest - bearing term borrowings	556,934	528,535	151,744	142,204
Cash flow data – for the year				
Net cash flows from operating activities	194,205	395,213	52,004	106,255
Net cash flows used in investing activities	(104,683)	(230,600)	(28,221)	(61,784)
Net cash flows used in financing activities	(20,529)	(162,899)	(5,169)	(43,392)
Per share	**Ushs**	**Ushs**		
Basic and diluted earnings per share	86	82	0.023	0.0220
Proposed dividend per share – final dividend	41.34	28.2	0.0113	0.0076

Operating and other statistics	**2019**	**2018**
Electricity sales during the year (GWh)	3,183	3,011
Electricity purchases during the year (GWh)	3,806	3,610
Energy losses (percentage)	16.4%	16.6%
Revenue collections rate (percentage)	99.7%	102.5%
Total length of distribution lines (Km)	14,923	14,216
Total length of low voltage lines (Km)	20,933	19,930
Total distribution transformers at year-end	13,142	12,523
Bulk supply off take points (UETCL substations 132KV/66KV/33KV/11KV)	19	17
Distribution substations (33KV/11KV)	58	58
Number of pending service applications	138	109
New connections during the year	178,152	166,520
Total number of consumers	1,469,963	1,291,811
Total number of Company employees	1,635	1,514
Exchange rate: US Dollar (USD) to Uganda Shilling (Ushs) - at year-end	3,670	3,717
Exchange rate: USD to Ushs (annual average)	3,709	3,732

The detailed results for the year and financial position as at year-end are presented in the statement of profit or loss and statement of financial position, respectively.

5. DIVIDENDS

Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 41.34per ordinary share or Ushs 67,133million be paid for the year ended 31 December 2019 (2018: Ushs 28.2 per share or Ushs 45,793 million), subject to deduction of withholding tax where applicable, to the shareholders registered in the books of the Company at close of business on 22 June 2020. The total dividend for the year will be Ushs 67,133million or Ushs 41.34per share (2018: Ushs 40.9 per share or Ushs 66,416 million). If approved, the outstanding dividend will be paid on or about 17 July 2020. No interim dividend was proposed for the year ended 31 December 2019 (2018: Ushs 12.7 per share or Ushs 20,623 million was paid in January 2019).

6. MANAGEMENT BY THIRD PARTIES

No business of the Company has been managed by a third party or an entity in which a director of the Company had an interest during the year.

7. DIRECTORS

The directors who held office during the year and to the date of this report were:

	Name	Role	Nationality
a)	Patrick Bitature	Chairman	Ugandan
b)	Selestino Babungi	Managing Director	Ugandan
c)	Hon. Gerald Ssendaula	Non-executive Director	Ugandan
d)	Piet Faling	Non-executive Director	South African
e)	Florence Namatta Mawejje	Non-executive Director	Ugandan
g)	Andrew Buglass	Non-executive Director	British
h)	Anthony Marsh	Non-executive Director	British
i)	Stephen Emasu	Non-executive Director	Ugandan
j)	Riccardo Ridolfi	Non-executive Director	Italian
h)	Florence N. Nsubuga	Executive Director	Ugandan

8. DIRECTORS' INTEREST IN THE COMPANY'S SHARES

At the date of this report, some directors held directly an interest in the Company's ordinary issued share capital as reflected in the table below:

Director	Number of shares	% of shareholding	Number of shares	% of shareholding
	2019		2018	
Selestino Babungi	3,900,000	0.24%	3,900,000	0.24%
Patrick Bitature	2,011,100	0.12%	2,011,100	0.12%
Florence N. Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Hon. Gerald Ssendaula	586,800	0.04%	586,800	0.04%

9. INSURANCE

The Company maintained directors' and officers' liability insurance during the year.

10. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors have assessed that, at the time of issuing the financial statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Company. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in the financial statements.

There are no other events after the reporting period which require adjustment to, or disclosure, in the financial statements.

11. AUDITOR

The auditor, Ernst & Young, was appointed during the year and has expressed willingness to continue in office in accordance with section 167 (2) of the Companies Act, 2012 of Uganda.

Approval of the financial statements

These financial statements were approved at a meeting of the directors held on....20/03/.... 2020.

By order of the Board,

Signed: ....

Shonubi, Musoke& Co. Advocates
Secretary, Board of Directors

The Companies Act, 2012 of Uganda requires the directors to prepare financial statements that present fairly, in all material respects, the Company's financial results and position. The financial statements comprise the statement of financial position as at the end of the reporting period, and the statements of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management. The directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial results and position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda. The directors are of the opinion that the financial statements present fairly, in all material respects, the state of financial affairs of the Company and of the Company's financial results in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the directors to meet these responsibilities, they set 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. These controls are monitored throughout the Company and employees are required to maintain the highest ethical standards in ensuring that the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring the known risks 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, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditor is responsible for independently auditing and reporting on the financial statements. The external auditor's report on the financial statements is presented on pages 8 to 12.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the Company will not be a going concern for the foreseeable future.

Approval of the financial statements

The financial statements of Umeme Limited, as identified in the first paragraph, were approved by the Board of Directors on ......20/03/2020 and signed on its behalf by:

Signature	**Signature**
Patrick Bitature	Babungi Selestino
Director's name	**Director's name**

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Certified Public Accountants of Uganda
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REPORT OF THE INDEPENDENT AUDITOR
To the shareholders of Umeme Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Umeme Limited (the "Company") set out on pages 13 to 92, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and of the financial performance and the cash flows of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2012 of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying financial statements.

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REPORT OF THE INDEPENDENT AUDITOR (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key audit matters (Continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Accounting for capital investments in the Distribution Network**	
	The concession is structured so that if Umeme's operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme's annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. The annual return is based on the unrecovered USD based capital investments as approved by the Electricity Regulatory Authority. The investments made by the Company into the Distribution Network are recovered through the tariff methodology as annual capital recovery charges factored into the tariffs charged to the customers. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The investments not yet recovered through the tariff methodology at the time of transfer of the Distribution Network to UEDCL are to be paid to the Company as a buy out amount. We considered this to be a key audit matter because: • The amounts involved and related disclosures, as presented in Notes 17 and 18, are significant to the Company's financial results and position. • The accounting for the related intangible asset and buy out amount involves assumptions and management judgement such as determining: the investments that are expected to be recovered through the tariff methodology vis-a-vis through the buy out amount; and the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement.	Our audit procedures included but were not limited to: • Understanding the Company's processes for recording and accounting for capital investments. • Checking the occurrence of capital investment transactions through review, on a sample basis, of supporting documentation. • Evaluating the management assumptions and judgements applied in determining the capital investments expected to be recovered through the tariff methodology vis-a-vis the buy out amount. • Evaluating the management assumptions and judgements applied in determining the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement and checking the arithmetic correctness of the calculations. • Evaluating the rates applied in the amortisation of the intangible asset and checking the arithmetic correctness of the amortisation calculations. • Assessing the adequacy of the Company's disclosures regarding the capital investments.

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REPORT OF THE INDEPENDENT AUDITOR (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key audit matters (Continued)

No.	Key audit matter	How our audit addressed the key audit matter
2.	**Accounting for open tax positions**	
	Open tax positions were significant to our audit because the assessment process involves judgement in the interpretation and application of tax laws and in assessing tax liabilities and contingencies that could arise from tax audits. The Company is required to comply with a number of tax laws and regulations including income taxes, Value Added Tax and payroll taxes. Determination of provisions and contingent liabilities for the taxes requires the directors to make judgements and estimates in relation to the tax exposures arising from open tax years and assessments. As disclosed in Note 41 to the financial statements, during the year, the Company had open tax assessments amounting to Ushs 16,600 million (2018: Ushs 16,600 million) which are significant to the financial statements. We also considered that the disclosures on taxation in Notes 15 and 41 are significant to the understanding of the Company's tax positions.	Our audit procedures included but were not limited to: • Understanding the Company's processes for recording and assessing of tax provisions and contingent liabilities. • Determining the completeness and reasonableness of the amounts recognized as tax liabilities and contingencies, including the assessment of the matters in the correspondence with Uganda Revenue Authority (URA) and reports of the Company's external tax consultants, and the evaluation of the related tax exposures. • Including in our team tax specialists to analyse the tax positions and to evaluate the assumptions used to determine tax provisions and contingent liabilities. • Assessing relevant historical and recent judgements passed regarding tax objections in considering relevant precedent. • Assessing the adequacy of the Company's disclosures regarding taxation.

Other information issued with the audited financial statements

Other information consists of the information included in the Company Information, Report of the Directors, Statement of Directors' Responsibilities and the Supplementary Information appended to the audited financial statements, which we obtained prior to the date of this report, and the other information included in the Annual Report, which is expected to be made available to us after that date, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the contents of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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REPORT OF THE INDEPENDENT AUDITOR (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda, and for such internal control as the directors determine is 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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 directors.

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

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REPORT OF THE INDEPENDENT AUDITOR (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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.

We 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 we identify during our audit.

We also provide the directors with a statement that we 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 our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act, 2012 of Uganda, we report to you, based on our audit, that:

i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit;

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

iii. The statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Julius Rwajekare – P0307.

Ernst & Young
....
Ernst & Young
Certified Public Accountants
Kampala, Uganda

20 | 03 | **2020**

....
Julius Rwajekare
Partner

UMEME LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Ushs million	2018 Ushs million Restated[1]
Revenue from contracts with customers	6	1,776,597	1,493,232
Cost of sales	7	(1,182,497)	(912,034)
GROSS PROFIT		**594,100**	**581,198**
Repair and maintenance expenses	8	(30,911)	(45,693)
Administration expenses	9	(182,982)	(173,255)
Foreign exchange losses	10(a)	(7,782)	(6,076)
Other expenses	10(b)	-	(1,791)
Increase in expected credit losses	10(c)	(3,860)	(6,686)
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX		**368,565**	**347,697**
Amortisation and write off of intangible assets	11	(122,994)	(103,941)
OPERATING PROFIT		**245,571**	**243,756**
Finance income	12	17,639	17,289
Finance costs	13	(58,853)	(65,960)
PROFIT BEFORE TAX	**14**	**204,357**	**195,085**
Income tax expense	15(a)	(65,205)	(62,270)
PROFIT FOR THE YEAR		**139,152**	**132,815**
		2019 Ushs	**2018 Ushs**
BASIC AND DILUTED EARNINGS PER SHARE	**16**	**86**	**82**

[1]Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made. Refer to Note 48.

The notes set out on pages 18 to 92 form an integral part of these financial statements.

	2019 Ushs million	2018 Ushs million Restated[1]
Profit for the year	**139,152**	**132,815**
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Differences on translation from functional currency to presentation currency	(13,052)	12,429
Total comprehensive income for the year, net of tax	**126,100**	**145,244**

[1]*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made. Refer to Note 48.*

The notes set out on pages 18 to 92 form an integral part of these financial statements.

UMEME LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019 Ushs million	31 Dec 2018 Ushs million Restated[1]	1 Jan 2018 Ushs million Restated[1]
ASSETS				
Non-current assets				
Intangible assets	17	808,631	1,011,730	1,023,798
Other financial asset	18	855,497	679,017	499,770
Concession financial asset	19	327,570	327,074	314,857
		1,991,698	**2,017,821**	**1,838,425**
Current assets				
Inventories	20	69,778	64,657	58,490
Contract assets	21	85,215	6,744	12,461
Current income tax recoverable	15(b)	11,077	4,680	-
Trade and other receivables	22	216,309	199,704	317,392
Prepayments		68,501	29,344	12,370
Bank balances	23	99,196	21,208	22,044
		550,076	**326,337**	**422,757**
TOTAL ASSETS		**2,541,774**	**2,344,158**	**2,261,182**
EQUITY AND LIABILITIES				
Equity				
Issued capital	24	27,748	27,748	27,748
Share premium	25	70,292	70,292	70,292
Retained earnings		546,030	473,294	355,981
Translation reserve		189,450	202,502	190,073
		833,520	**773,836**	**644,094**
Non-current liabilities				
Borrowings: Non-current portion	27	428,457	343,200	460,960
Concession obligation	28	327,570	327,074	314,857
Long term incentive plan	29	866	-	-
Deferred tax liability	15(c)	195,455	162,682	120,757
		952,348	**832,956**	**896,574**
Current liabilities				
Borrowings: Current portion	27	128,477	185,335	198,656
Customer security deposits	30	492	791	615
Contract liabilities	31	138,095	87,363	37,768
Long term incentive plan	29	-	6,965	-
Accrued expenses	32	15,704	30,161	25,088
Provisions	32	1,318	-	-
Trade and other payables	33	425,480	387,622	409,164
Current income tax payable	15(b)	-	-	5,554
Bank overdrafts	34	46,340	39,129	43,669
		755,906	**737,366**	**720,514**
TOTAL EQUITY AND LIABILITIES		**2,541,774**	**2,344,158**	**2,261,182**

[1] *Certain amounts shown here do not correspond to the 2018 and 2017 financial statements and reflect adjustments and reclassifications made. Refer to Note 48.*

The financial statements were approved by the Board of Directors on 20/03/2020 and were signed on its behalf by:

Signature	**Signature**
Patrick Bitature	Babirye Selestino
Director's name	**Director's name**

The notes set out on pages 18 to 92 form an integral part of these financial statements.

	Notes	Issued capital Ushs million	Share premium Ushs million	Retained earnings Ushs million	Translation reserve Ushs million	Total equity Ushs million
				Restated[1]	Restated[1]	Restated[1]
At 1 January 2018		27,748	70,292	369,658	149,971	617,669
Prior year adjustment	48	-	-	(13,677)	40,102	26,425
At 1 January 2018 – Restated before IFRS 9 impact		**27,748**	**70,292**	**355,981**	**190,073**	**644,094**
Impact of initial application of IFRS 9 (net of tax)	45	-	-	(3,161)	-	(3,161)
At 1 January 2018 – Restated		**27,748**	**70,292**	**352,820**	**190,073**	**640,933**
Profit for the year		-	-	132,815	-	132,815
Other comprehensive income, net of tax		-	-	-	12,429	12,429
Total comprehensive income for the year, net of tax		**-**	**-**	**132,815**	**12,429**	**145,244**
Dividend paid - 2017 final dividend	26	-	-	(12,341)	-	(12,341)
At 31 December 2018		**27,748**	**70,292**	**473,294**	**202,502**	**773,836**
At 1 January 2019		27,748	70,292	473,294	202,502	773,836
Profit for the year		-	-	139,152	-	139,152
Other comprehensive income, net of tax		-	-	-	(13,052)	(13,052)
Total comprehensive income for the year, net of tax		**-**	**-**	**139,152**	**(13,052)**	**126,100**
Dividend paid – 2018 interim dividend	26	-	-	(20,623)	-	(20,623)
Dividend paid - 2018 final dividend	26	-	-	(45,793)	-	(45,793)
At 31 December 2019		**27,748**	**70,292**	**546,030**	**189,450**	**833,520**

[1]Certain amounts shown here do not correspond to the 2018 and 2017 financial statements and reflect adjustments and reclassifications made. Refer to Note 48.

The translation reserve comprises the translation differences arising from the translation of the financial statements from the Company's functional currency to the presentation currency.

The notes set out on pages 18 to 92 form an integral part of these financial statements.

	Notes	2019 Ushs million	2018 Ushs million Restated[1]
Profit before tax		204,357	195,085
Adjustment for non-cash items:			
Gain on disposal of assets	6	(134)	-
Loss on disposal of non-network assets	10	-	620
Amortisation of intangible assets	11	120,034	92,881
Write off of intangible assets	11	2,960	11,060
Interest income on bank deposits	12	(330)	(314)
Finance income on other financial asset	12	(12,668)	(11,145)
Finance income on concession financial asset	12	(4,641)	(5,830)
Finance cost on concession obligation	13	4,641	5,830
Other financing costs	13	9,330	6,062
Expected credit losses on other financial asset	18	-	111
Expected credit losses on trade and other receivables	10(c)	3,860	6,686
Interest expense on long and short term borrowings	27	41,845	49,486
Amortisation of deferred transaction costs	27	2,608	3,777
Increase in long term incentive plan liability	29	775	7,035
Unutilised long term incentive provision	29	(937)	-
Increase in provisions	32	1,318	-
Cash flows before working capital changes		**373,018**	**361,344**
Changes in working capital items:			
Increase in inventories		(5,121)	(6,167)
(Increase)/decrease in contract assets		(78,471)	5,717
(Increase)/decrease in trade and other receivables		(20,465)	107,052
Increase in prepayments		(39,157)	(16,974)
Increase in contract liabilities		50,732	49,595
(Decrease)/increase in accrued expenses		(14,457)	4,758
Increase/(decrease) in trade and other payables		37,858	(21,541)
Cash generated from operating activities		**303,937**	**483,784**
Interest received from banks		330	314
Current income tax paid	15(b)	(38,829)	(33,081)
Long and short term borrowings interest paid	27	(47,197)	(47,819)
Other financing costs paid		(9,330)	(6,062)
Borrowings transaction costs paid	27	(8,769)	(1,853)
Long term incentive plan payment	29	(5,993)	-
Net cash flows from operating activities		**194,149**	**395,283**
Investing activities			
Investment in the distribution network	17	(104,817)	(230,600)
Proceeds from sale of intangible assets		134	-
Net cash flows used in investing activities		**(104,683)**	**(230,600)**
Financing activities			
Dividend paid	26	(66,416)	(12,341)
Repayment of principal for long term borrowing facilities	27	(127,376)	(131,158)
Repayment of principal for short term borrowing facilities	27	(104,500)	(128,650)
Proceeds from term borrowing facilities	27	186,613	-
Proceeds from short term borrowing facilities	27	91,150	109,250
Net cash flows used in financing activities		**(20,529)**	**(162,899)**
Net increase in cash and cash equivalents		**68,937**	**1,784**
Cash and cash equivalents at 1 January		(18,712)	(22,240)
Translation differences		2,139	1,744
Cash and cash equivalents at 31 December	**35**	**52,364**	**(18,712)**

[1]*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments and reclassifications made. Refer to Note 48.*

The notes set out on pages 18 to 92 form an integral part of these financial statements.

1. COMPANY INFORMATION AND GOING CONCERN

1.1 Company information

Umeme Limited (''Umeme'' or ''the Company'') entered into a concession arrangement (the ''concession'') effective from 1 March 2005 in which, among other terms, it signed a Lease and Assignment Agreement ("LAA") with Uganda Electricity Distribution Company Limited ("UEDCL") for the Power Distribution Network for a period of 20 years ending on 28 February 2025. The LAA provides for termination of the agreement by either party, but a "Buy-Out Amount", as defined in the agreement, is payable to the Company by Government of Uganda ("GoU").

The concession is structured so that if Umeme's operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme's annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. This contractual return is set through the life of the concession and is not part of the tariff review. The return is on investment in capital expenditure. The annual return is based on the unrecovered capital investments, in nominal United States Dollar ("USD"), approved by the Electricity Regulatory Authority (''ERA'').

In addition, Umeme receives all of the rewards and bears all the risks of achieving its tariff targets, including Distribution Losses, Uncollected Debt and Distribution Operation and Maintenance Costs (DOMC). Performance above these targets results in a positive impact on the Company's profitability while performance below the targets negatively impacts profitability. The Company is incentivized to exceed its tariff targets as it receives the reward of earning additional revenues following the payment of its power supply and operating costs in accordance with the tariff methodology, but conversely there is limited protection of downside risks in circumstances where targets are not met due to underperformance. The costs related to the four set tariff parameters of distribution losses, uncollected debt, DOMC and working capital days lag are reflected in the retail tariffs and thereby provide the Company baseline revenues that should just cover expenses relating to these parameters. To the extent that actual operating performance is better than that envisaged in the tariff parameters, the Company's revenues in respect of these operating parameters will exceed the related expenses leading to a positive impact on the overall profitability of the Company, and vice versa.

More information about the Company, including the principal place of business and registered address, is included under Company Information and the Directors' Report.

1.2 Going concern

The directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 19 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

The financial statements are prepared on a historical cost basis except where otherwise stated. The financial statements provide comparative information in respect of the previous period.

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Companies Act, 2012 of Uganda. For purposes of reporting under the Companies Act, 2012 of Uganda, the statement of financial position represents the balance sheet in these financial statements and the statement of profit or loss represents the profit and loss account.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

b) Functional and presentation currencies and translation of foreign currencies

Functional currency and translation to functional currency

The Company's functional currency is USD, which is the currency that most influences the Company's business and financial statements.

Transactions in foreign currencies are initially recorded by the Company at the spot exchange rates between the functional currency and the foreign currencies at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Presentation currency and translation from functional to presentation currency

The financial statements are presented in Uganda Shillings (Ushs) rounded to the nearest million (Ushs million) except where otherwise indicated.

For presentation of the financial statements, assets and liabilities are translated into Ushs at the rate of exchange prevailing at the reporting date. The statement of profit or loss items are translated at the exchange rates prevailing at the dates of the transactions or, where appropriate, period average exchange rates. The exchange differences arising on translation from functional to presentation currency are recognised in a translation reserve under equity through other comprehensive income (''OCI''). On winding up the Company, the translation reserve is reclassified to profit or loss.

Issued capital and share premium are translated into Ushs at the exchange rates as at the date of the related initial transition.

The translation reserve is not considered to be distributable to the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Service concession arrangement

The concession agreements set out terms, conditions and obligations of the parties to the different contracts as indicated in Note 43. The directors assessed that the concession is within the scope of IFRIC 12 *Service Concession Arrangement* (''IFRIC 12'') because:

- the Government (grantor) controls and regulates what services the Company must provide with the infrastructure, to whom it must provide them, and the tariffs that are charged; and,

- the Government controls, through ownership and beneficial entitlement, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Company received possession of the concession assets but not ownership and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years on 28 February 2025, unless the contract is terminated before that date. Umeme also has the rights and obligation to make the necessary modifications to the Distribution Network as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. The Company also has an obligation to receive capital contributions from customers and construct and install the infrastructure paid for. ERA may also include within the tariffs a component for recovery of funds from customers for financing assets that are not directly used in the Distribution Network but are necessary for the operation of the Distribution Network (non-network assets).

UEDCL retains title to the modifications and additions funded by the Company and/or customers from the effective date of the modification. The investments made by the Company into the Distribution Network are recovered through the tariff methodology as annual capital recovery charges factored into the tariffs charged to the customers. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The investments not yet recovered through the tariff methodology at the time of transfer of the Distribution Network to UEDCL are to be paid to the Company as a buy out amount.

The buy out amount is computed as the gross accumulated capital investments less cumulative capital recovery charges at the time of transfer and is accounted for as described in Note 18. In order for Umeme to recover its investments in the Distribution Network and earn a return, the investments need to be verified and approved by ERA.

The Company is only allowed to recover actual costs incurred and earns no profit on the construction services relating to the customer-funded investments.

IFRIC 12 is applied to the infrastructure that the Company constructs or acquires from a third party and the existing infrastructure to which UEDCL gave the Company access for the purpose of the concession. The Company applies IFRIC 12 to the five categories of assets, that is, assets taken over from UEDCL, assets financed by the Company, assets financed by customers, cash capital contributions and assets financed by customer capital contributions collected through the tariffs.

Infrastructure within the scope of IFRIC 12 is not recognised as property, plant and equipment of the Company because the concession arrangement does not convey the right to control the use of the Distribution Network to the Company. The Company has access to operate the Distribution Network to provide the public service on behalf of Government in accordance with the terms specified in the concession contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Service concession arrangement (continued)

The nature of the consideration received by the Company for the services performed and obligations assumed determines its accounting treatment. The consideration received or receivable by the Company for the services it performs under the concession arrangement may be rights to a financial asset or an intangible asset. The Company recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of Government for the construction services; the Government has little, if any, discretion to avoid payment because the concession agreements are enforceable by law. The Company recognises an intangible asset to the extent that it receives a right, e.g. a licence, to charge users of the Distribution Network. A right to charge users of the Distribution Network is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The nature of the consideration given by the Government to the Company is determined by reference to the contract terms and relevant contract law.

The Company is required to make monthly rental payments to UEDCL for the concession assets taken over from UEDCL and the IDA financed modifications. The Company recognises a liability in respect of the unfulfilled obligations it assumed in exchange for these assets. This rental payment obligation is accounted for as a financial liability measured at amortised cost as described under the accounting policy on financial liabilities. The liability is to the extent that the Company receives cash in the tariff for rental payments made to UEDCL regardless of the performance of the Distribution Network assets that were taken over from UEDCL and therefore the Company does not assume any demand risk. Umeme has, in terms of the rental payments, an unconditional right to receive cash. The right to receive cash is accounted for by the Company as a financial asset as described in Note 19.

The recovery of the investments in the Distribution Network is dependent on the performance of the network assets over the concession period and the Company therefore assumes demand risk with respect to these investments. The Company recognises an intangible asset that is accounted for as described in Notes 2(f) and 17.

Under the terms of the contractual arrangements, the Company acts as a service provider with respect to expansion and upgrading (construction services) and operating and maintaining (operations services) of the Distribution Network. The Company accounts for revenue and costs relating to construction services and operations services in accordance with IFRS 15 as described in the accounting policy on revenue.

d) Revenue from contracts with customers

Revenue represents income arising in the course of Company ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applies the portfolio approach in assessing contracts. Revenue is stated net of VAT.

Revenue is primarily derived from the sale of electricity and provision of related services, and provision of construction services. Payments from customers for which no services or goods have been transferred are carried in the statement of financial position as a contract liability until when the control of the related services or goods passes to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue from contracts with customers (Continued)

The five-step model stipulated in IFRS 15 *Revenue from contracts with customers* is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company recognises revenue from sale of electricity and from provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of electricity, services and goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers with these characteristics.

Electricity sales

There is only one performance obligation, which is to stand ready to supply electricity to the customer. The transaction price includes both a fixed monthly fee and a variable fee that depends on the customer tariff category as determined by ERA. The fixed and variable components are recognised based on the amount chargeable to the customer. For customers on post-paid metering, where the meter reading is not available, the electricity consumption between the last meter reading and the end of the reporting period is estimated.

Rate-regulated activities

The end-user tariffs approved by ERA at the beginning of each year are used as the base tariffs subject to quarterly adjustments for changes in the macro-economic factors of fuel prices, foreign exchange rates and inflation rates (together, 'the adjustment factors'). The tariffs are adjusted with the actual amounts for the three macro-economic factors lagged by a quarter. The base tariffs are based on the actuals for the period up to 30 November, the second, third and fourth quarter tariffs are based on the actuals up to 28 February, 31 May and 31 August, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue from contracts with customers (Continued)

Rate-regulated activities (Continued)

The future tariffs that the Company is allowed to charge customers is therefore influenced by past fuel prices, foreign exchange rates and inflation rates. The Company does not recognise assets and liabilities arising from the future tariffs that the Company will be allowed to charge since the ability to charge a higher or lower price in the future does not meet the definition for an asset or a liability respectively. The ability to charge higher tariffs for electricity to be supplied in the future does not meet the definition of an intangible asset in IAS 38. In particular, the higher prices to be allowed by the regulator in future are not accompanied by a legal requirement for a customer to buy electricity in future, meaning that the Company cannot demonstrate sufficient control over the related benefits to meet the definition of an intangible asset. The requirement to charge a lower price for the supply of electricity in the future does not meet the definition of a past obligating event, or a liability.

Other regulated income

Other regulated income includes reconnection fees, meter-testing fees, inspection fees, fines and other sundry incomes. They are recognised at the point when the related performance obligation has been fulfilled at the rates prescribed by applicable regulations or at the amounts agreed with the customers.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A contract asset is initially recognised for revenue earned from construction services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

The Company recognises a contract asset from the costs incurred to fulfil a contract if those costs meet all of the following criteria:

- The costs are not within the scope of another IFRS;
- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- The costs generate or enhance resources of the Company that will be used in satisfying, or in continuing to satisfy, performance obligations in the future; and,
- The costs are expected to be recovered.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised from costs to fulfil a contract exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognised as expenses. For the purposes of determining the amount of consideration that the Company expects to receive, the Company uses the principles for determining the transaction price, except for the requirements on constraining estimates of variable consideration, and adjusts that amount to reflect the effects of the customer's credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue from contracts with customers (Continued)

Contract balances (Continued)

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional, that is, only the passage of time is required before payment of the consideration is due. Refer to the accounting policy on financial assets.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due, whichever is earlier. Contract liabilities are recognised as revenue when the Company performs under the contract.

Customers are required to fully or partly fund the cost of new installations to their facilities. This amount is paid in advance to the Company as a non-refundable capital contribution. The non-refundable capital contribution is treated as a contact liability until when utilised for the construction of the installation paid for.

ERA may include in the tariffs a component for recovery of funds to finance non-network assets. The amounts billed to customers in this respect are not revenue for the Company and are hence offset from the billings to customers and recognised as contract liabilities.

Construction revenue and construction costs are recognised by reference to the satisfaction of the performance obligations of the project.

e) Finance income and finance costs

The Company's finance income and finance costs comprise of interest income and interest expense on financial instruments. Interest income and interest expenses are recognised using the effective interest amortised cost method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

f) Intangible assets

Property, plant and equipment that are part of the concession are not recognised in the Company's financial statements in accordance with IFRIC 12. Under the concession agreements, the Company received the right to access, operate and use the concession assets, charge customers for the supply of electricity, and other rights in the form of government support and assurances for a period of 20 years in exchange for the transaction fee, monthly rental payments and obligations to restore, reinforce and modify the Distribution Network.

The Company recognised an intangible asset for the initial transaction fee, that is, the amount paid for GoU support and assurance rights. This intangible asset is amortised over the concession period of 20 years.

The Distribution Network restoration, reinforcement and modification costs that are funded by the Company and meet the recognition criteria of property, plant and equipment are added to the intangible asset and in cases where the costs are not expected to be recovered through the tariff methodology by the end of the concession, they are classified as a financial asset, that is, the buy out amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets (Continued)

The buy out amount represents capital investments by the Company in the distribution system which would not have been recovered through the tariff methodology at the end of the concession. The buy out amount is adjustable depending on the circumstances of the concession termination.

Under the LAA, the investment in the intangible assets is recovered basing on depreciation rates of the underlying property, plant and equipment. The intangible assets are therefore amortised using the straight-line method over the useful lives of the underlying property, plant and equipment as this reflects the pattern in which the asset's future economic benefits are expected to be consumed by Umeme, that is, the pattern in which the investment will be recovered through capital recovery charges as allowed by ERA in the tariff as part of Umeme's revenue requirement. The following are the depreciation rates for the underlying property, plant and equipment that are used as the basis for amortising the intangible asset.

Buildings	5%
Substations	9%
Low voltage lines	6.3%
Pole and no-pole service lines (services)	5%
Furniture and fittings, tools and other equipment	25 – 30%
Computer equipment and other office equipment	30%
Motor vehicles	25%

The residual values, useful lives and amortisation methods of the intangible assets are reviewed and adjusted through review and adjusting prospectively, if appropriate, of the underlying tangible assets' residual values, useful lives and methods of depreciation at least at each reporting date.

Intangible assets are derecognised when the underlying property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is de-recognised.

No amortisation is charged for the intangible asset arising from property, plant and equipment in the course of construction (capital work-in-progress). Upon completion of the project, the accumulated cost is amortised using the amortisation rate of the underlying property, plant and equipment category set out above.

g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an objective indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less costs of disposal is higher than its carrying amount; or the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of non-financial assets (Continued)

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Value in use is determined using budgets.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised in prior years are reversed through profit or loss if, and only if, there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset, net of amortisation or depreciation, had no impairment loss been recognised in prior years.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 as further detailed under the accounting policy on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'SPPI' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (Continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company's financial assets at amortised cost include trade receivables, buy out amount (other financial asset), concession financial asset, bank balances and other assets that are financial assets.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures on impairment of financial assets are included under the disclosures on significant judgements, estimates and assumptions and the notes on the respective financial assets.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of incremental transaction costs.

The Company’s financial liabilities include borrowings, concession obligation, customer security deposits, accrued expenses, trade payables, other payables that are financial instruments and bank overdrafts. These are all classified as financial liabilities at amortised cost.

Subsequent measurement
After initial recognition, the Company’s financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised 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 effective interest amortisation is included as finance costs in profit or loss.

Derecognition
A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Offsetting of financial instruments

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

i) Cash and cash equivalents

Cash on hand, bank balances on demand and time deposit accounts with banks whose original maturities do not exceed three months, and which are subject to an insignificant risk of changes in value, less bank overdraft amounts and bank balances not available for use in the Company's operations, are classified as cash and cash equivalents in the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the weighted average purchase cost and includes transport, handling costs, duties and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

National Social Security Fund contributions
The Company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross emoluments. The Company's contributions are charged to profit or loss in the period to which they relate.

Staff retirement benefit scheme
The Company contributes to a staff retirement scheme that is registered with Uganda Retirement Benefits Regulatory Authority as Umeme Limited Staff Retirement Benefit Scheme (Licence No. RBS.0069). This is a defined contribution scheme registered under the Uganda Retirement Benefits Regulatory Authority Act, 2011. The Company's obligations under the scheme are limited to specific contributions, currently 5%, of the employees' gross salary as approved by the Board of Directors. The Company's contributions are charged to profit or loss in the period to which they relate.

Long term incentive plan (LTIP)
The Company will recognise an annual cost of employment expense in respect of the deferred bonus scheme in each financial period covered by the scheme and will recognise a liability equal to the anticipated cash award that the employees will ultimately be entitled to when the award vests. The cost is recognised over the period during which the qualifying employees provide services. If the effect of the time value of money is material, the liability is discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Tax

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

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the income tax returns in respect to aspects where the Income Tax (Cap 340) of Uganda is subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided for in full, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in OCI is recognised in OCI and not in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Tax (Continued)

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

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and,

- receivables and payables that are stated with the amount of VAT included.

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

m) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

n) Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per Companies Act, 2012 of Uganda, a distribution is authorized when it is approved by the shareholders. The approved dividends are charged to retained earnings and recognised as liabilities until when paid. Interim dividends are charged to retained earnings when paid. Withholding tax is deducted, where applicable, in accordance with the prevailing tax laws and regulations.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest expense and other costs, e.g., exchange differences arising from foreign currency borrowings and other financing costs to the extent that they are regarded as an adjustment to interest costs that the Company incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Comparatives

Except when IFRSs permit or require otherwise, the Company presents comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. The Company includes comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.

The Company presents, as a minimum, two statements of financial position, two statements of profit or loss, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity, and related notes. The Company presents a third statement of financial position as at the beginning of the preceding period in addition to these minimum comparative financial statements required if:

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in the financial statements or reclassifies items in the financial statements; and,

- the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

In these circumstances, the Company presents three statements of financial position as at:

- the end of the current period;

- the end of the preceding period; and,

- the beginning of the preceding period.

The Company does not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

If the Company changes the presentation or classification of items in the financial statements, it reclassifies comparative amounts unless reclassification is impracticable.

r) Equity

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company's lease arrangements are under the concession and hence scoped out of IFRS 16 *Leases*.

t) Fair value measurement

The Company has no assets or liabilities for which the carrying amounts are at fair value at each reporting date. Fair value measurements are therefore done for the purposes of initial measurement of financial instruments and for fair value disclosure purposes. Refer to Note 44 for further disclosures on fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation, based on the lowest level input that is significant to the fair value measurement as a whole, at the end of each reporting period.

The Company's management determines the policies and procedures for fair value measurement. Generally, the discounted cash flows method is used to determine fair values of assets and liabilities for which fair value disclosures are required. Otherwise, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have had significant effects on the measurement and presentation of the amounts recognized in the financial statements:

Impairment at cash generating unit level
The Company's market capitalization as at year-end was Ushs 378,364 million which was lower than the carrying amount of the Company's net assets of Ushs 833,520 million. The directors consider that this is not an impairment indicator whereby the carrying amount of the net assets of the Company may not be recoverable. The judgements applied in this assessment include that the Company's business fundamentals remain positive as expected, with increasing profitability and investments in the Distribution Network. Furthermore, the market capitalization is higher than the carrying amount of the net operating assets. The directors also consider that the carrying amount of the net assets of the Company is supported by the buy out amount for which the Company has contractual and legal remedies that support its recoverability.

Lease arrangements
The Company has entered into lease agreements for office space and residential premises. The Company has determined, based on an evaluation of the terms and conditions of the concession agreements, that all the lease arrangements are under the concession arrangement for which IFRIC 12 is applied. As such, the lease arrangements are scoped out of IFRS 16 *Leases*.

Useful lives of intangible assets
The estimated useful lives and residual values of items of the intangible assets are reviewed annually and are in line with the rates at which they are amortised. Refer to Notes 2(f) and 17 for further disclosures on intangible assets.

Investments in the Distribution Network
The directors have determined that the Company has rights in the concession agreements to recover all investments in the Distribution Network that are done in accordance with the concession agreements. The investments are firstly recovered through the intangible asset mechanism, that is, through the tariff methodology during the concession period, and secondly, investments not recovered through the tariff methodology by the end of the concession period are recovered through the buy out amount mechanism. The amounts recovered through the intangible asset mechanism are derived from the investments verified and approved by ERA for recovery through the tariff rate asset base. Investments verified by ERA and not approved for recovery through the tariff methodology, but for which there is reasonably sufficient evidence that the investments were done in accordance with the concession agreements, are considered to be recoverable through the buy out amount option. The directors apply judgement in determining that the Company has sufficient evidence that the investments were done in accordance with the concession agreements. The directors also apply judgement in determining the discount rate to use in calculating the fair value on initial recognition of these financial assets, that is, the market rate applicable to similar investments. Refer to Note 18 for further disclosures on the buy out amount financial asset.

Functional currency
The directors have assessed that USD continues to be the Company's functional currency since it is the currency that influences most the Company's operations and financial results and position. Some of the factors considered in this assessment are that the Company's revenue requirements are contractually based in USD, a number of expenses are incurred in USD and that financing is mainly sourced in USD.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgments (Continued)

Concession obligation and asset
The directors have assessed that despite the LAA requiring the Company to pay rental amounts to UEDCL in the subsequent year, the Company will not have this obligation since the related debt service amounts are not included in the base tariffs for the subsequent year. As such, the Company has no rights to collect the related financial asset from billing customers. On this basis, the concession obligation and financial asset have been considered to be non-current. Refer to Notes 19 and 28 for further disclosures.

Floating rate borrowing and borrowing transaction costs
Where a floating rate financial liability is initially recognised at an amount equal to the principal repayable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the financial liability. The directors consider that this implies that the Company may simply account for periodic floating-rate payments on an accrual basis in the period they are incurred. An alternative treatment would consist of calculating the effective interest rate based on a market-derived yield curve applicable for the entire life of the instrument. Applying this alternative approach, the calculated effective interest rate is applied until estimated future cash flows are revised, at which point a new effective interest rate is calculated based on the revised cash flow expectations and the current carrying amount. The Company considers the former treatment to be more appropriate.

Borrowing incremental costs are deferred and amortised over the term of the related borrowing. The directors' assessment is that the impact of using this approach is not materially different from amortising the costs using the effective interest method.

Refer to Note 27 for further disclosures on borrowings.

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of the construction service performance obligations: The Company concluded that revenue from construction services contracts is to be recognised over time as the constructed asset is installed. The directors have applied judgement in determining that the Company's performance creates an asset that the customer controls as the asset is created or enhanced.

Identifying performance obligations relating to electricity sales: The Company sells electricity and provides related after sales services. The Company determined that these services are not capable of being distinct. The fact that the Company does not sell the services separately on a stand-alone basis indicates that the customer cannot separately benefit from services provided on their own.

Refer to Note 6 for further disclosures on revenue.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimates and assumptions (Continued)

Fair value of financial instruments
Where the fair value on initial measurement of a financial instrument or disclosed in the financial statements cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as expected cash flows and discount rates. Changes in assumptions about these factors could affect the disclosed fair values. Refer to Note 44 for further disclosures on fair value measurements.

Impairment of non-financial assets
Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Company performs the annual impairment assessment at year-end. The Company considers the relationship between value in use and the carrying amount of the asset, among other factors, when reviewing for indicators of impairment. As at year-end, the impairment assessment indicated that there were no indicators that the carrying amounts of the non-financial assets could be impaired.

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing off the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Refer to Notes 2(g) and 17 for the accounting policy on impairment of non-financial assets and the carrying amounts of the non-financial assets.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the country.

Further disclosures on tax and tax contingencies are included in Notes 15 and 41.

Expected credit losses on financial assets
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Notes 22 and 44.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimates and assumptions (Continued)

Contingencies and provisions
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case and differences in applicable law. Upon resolution of any pending legal matter, the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavorable outcome of litigation.

Refer to Note 41 for further disclosures.

Prepaid revenue cut off
The Company operates a prepaid metering system for some of the domestic consumers and government bodies. The electricity units paid for but not consumed by year-end are determined basing on the customers' consumption patterns. The customers' historical consumption patterns may not be representative of the unutilised units at year-end. Refer to Note 31 for further disclosures.

Regulatory adjustments
Some aspects of the following regulatory adjustments involve estimation:

Computation of Power Sales Price: Annex A of the Supply of Electricity License provides for Power Sales Price (PSP) reconciliations based on actual power purchases from UETCL and the cost of power purchased (Bulk Supply Tariff) from UETCL as set by ERA. The reconciliation mainly occurs due to differences between inputs used in setting bulk supply tariffs and actual out turns. The resulting differences or reconciliations are allowed for recovery in the subsequent tariff periods. Refer to Note 40 for further disclosures.

Computation of growth factor revenues: Amendment 5 to the Company's Electricity Supply Licence recognises that the Company generates excess sales volume over and above the targeted sales volume used in setting the tariffs. ERA determines the growth factor (HVE) resulting from this by applying the actual distribution price approved and the actual out turn of energy losses to the excess sales volume. Refer to Note 6 for further disclosures.

4. STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE DURING THE YEAR

The accounting policies applied are consistent with the prior year policies. The new and amended standards and interpretations that were effective during the year did not have a significant impact on the Company's financial statements.

Lease contracts that are under arrangements that are in the scope of IFRIC 12 are not in the scope of IFRS 16 *Leases*. The Company's only business is to operate a twenty-year service concession arrangement. As such, IFRS 16 did not have an impact on the Company's financial statements.

The Company has open income tax assessments as disclosed in Note 41 which raise uncertainty over the income tax treatment of the related matters. IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment* did not have an impact on the Company's financial statements because the Company's accounting approach was already in line with the approach stipulated in the interpretation.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the Company's financial statements.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's primary geographical market is Uganda. Revenue from sale of electricity including lifeline surcharge revenue is recognised at a point in time when the customer consumes electricity, based on the end user tariff set by ERA.

Changes in prices charged to customers arise through changing tariffs over the contract term through the quarterly price changes made by ERA, and pricing by time of day, that is, peak, shoulder and off-peak. The pricing by time of day reflects the value of electricity that the customer consumes during the different time segments during the day. In line with the IFRS 15 practical expedients, the Company has assessed that the tariff adjustments are not variable considerations but rather a reflection of the value of providing electricity units during the tariff period. Moreover, the changes in tariffs are accounted for in the same reporting period.

The Company's revenue is disaggregated by tariff code of billing and nature as follows:

	Notes	2019 Ushs million	2018 Ushs million
Domestic		460,764	428,208
Commercial		247,953	251,413
Street lighting		686	749
Medium industrial		339,046	328,592
Large industrial		359,066	330,519
Extra-large industrial		247,115	260,693
Total amount billed to customers		**1,654,630**	**1,600,174**
Less: Amounts collected from customers that are not revenue for the year:			
Growth factor amounts	(a)	(56,610)	(30,398)
Recovery of amounts for funding non-network assets	(b)	(9,274)	(9,345)
Recovery of surcharge revenue (Lifeline revenue)	(c)	(13,521)	(107,188)
Recovery of amounts for industrial tariff rebates and meter testing costs	(d)	(642)	(10,582)
Add: Other revenue earned:			
Lifeline surcharge revenue approved	(e)	-	17,000
		1,574,583	**1,459,661**
Other revenue streams:			
Construction revenue - construction of assets	(f)	3,910	22,142
Construction revenue - ECP revenue	(g)	190,439	-
		194,349	**22,142**
Other regulated income:			
Reconnection fees		2,103	1,290
Inspection fees		4,129	7,608
		6,232	**8,898**
Other non-regulated income:			
Sale of scrap and other income		1,299	1,758
Gain on disposal of assets		134	-
OBA income		-	773
		1,433	**2,531**
Total revenue from contracts with customers		**1,776,597**	**1,493,232**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Modification Number Five to Umeme's Electricity Supply Licence No.048 requires that the Growth Factor (Hvey) revenues arising from actual total energy purchases being higher than the total energy purchases used in determining the year-on-year tariffs should be deployed towards investment in the Distribution Network in a manner as approved by ERA, and that the amounts should be used to leverage grant or other counterpart financing applied towards investment in the Distribution Network. The Company is not entitled to a Return on Investment on the investments implemented using the Growth Factor amounts in line with similar terms for projects funded using concessionary financing but will earn a one-off management fee. Ushs 56,610 million (2018: Ushs 30,398 million) has been determined as the excess amount billed to customers by the Company through growth. As such, in line with Amendment No. 5, this amount has been ring fenced for future investment into the Distribution Network once approved by ERA.

(b) In accordance with Amendment Number 4 of the Company's Electricity Supply License, ERA approved Ushs 9,274 million (2018: Ushs 9,345 million) to be collected from customers through the retail tariffs for purchase of non-network assets. Non-network assets are those assets which do not directly improve or expand the Distribution Network but are necessary for operation of the Distribution Network. This amount is excluded from the amounts billed to customers to arrive at the reported revenue in line with the funding mechanism.

(c) As disclosed in the 2018 annual financial statements, the Company earned surcharge revenue relating to 2016 (Ushs 46,038 million), 2017 (Ushs 57,672 million) and January 2018 to March 2018 (Ushs 17,000 million) as a result of an under provision in the tariff model in relation to the computation of surcharge on the lifeline tariff that resulted into under recovery of Umeme revenue requirements for the respective financial periods. ERA approved the recovery/collection of these amounts through the tariffs effective from April 2018. The adjustment of Ushs 13,521 million relates to the portion of the revenue amount of Ushs 17,000 million recognised in 2018 but billed and recovered from customers during 2019 (2018: Ushs 107,188 million recognised as revenue in 2017 and 2016 but billed and collected from customers in 2018 and the portion of the Ushs 17,000 million that was billed and collected from customers in 2018).

(d) ERA approved recovery from customers of Ushs 392 million for the Skills Development Program within the Electricity Sector (2018: Nil). In 2018, Ushs 10,332 million was approved by ERA and recovered from customers as industrial tariff rebates for partial offset of monthly bills of industrial consumers who finance connections that have a potential to benefit third party customers. ERA also approved the recovery from customers of Ushs 250 million (2018: Ushs 250 million) to finance the testing of electricity meters in order to ensure compliance with the Weights and Measures (Electricity Meters) rules. Refer to Notes 31 (f) and 31 (g) for further disclosures.

(e) Surcharge revenue adjustments relate to revenue earned, and recognised, during the period from January 2018 to March 2018 as a result of under provision in the tariff model in relation to the computation of surcharge on the lifeline tariff that resulted into under recovery of Umeme revenue requirements for the respective financial period. ERA confirmed that the amounts were earned as the Company fulfilled the performance obligation of supply of power during the respective period and therefore approved the recovery of the amount through the tariffs for the subsequent year.

(f) The Company provides construction services relating to the upgrading and expansion of the Distribution Network in accordance with the concession agreements. The expenses that are incurred on the assets additions funded by direct cash contributions paid by customers are recognised in profit or loss as construction cost of sales and the amounts paid by the customers for the construction services (''non-refundable capital contributions'' or ''NRCC'') are recognised as construction revenue when utilized. The costs incurred on the upgrading and expansion additions funded by the Company are offset from the related construction revenue as this reflects the substance and legal form of the transactions.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(g) Under the Electricity Connections Policy (ECP), the Company was engaged by the Rural Electrification Agency (REA) to provide construction services regarding connection of no-pole and one-pole electricity connections. The agreement for this service entitles the Company to bill REA at specified approved standard cost rates plus a margin of 5%. Billing for the connections constructed is subject to verification and clearance by the IVA. The Company recognises construction revenue and cost of sales to the extent of the connections verified and cleared by the IVA.

7. COST OF SALES

	2019 Ushs million	2018 Ushs million
Electricity purchase from UETCL	984,276	885,398
Generation levy	4,726	4,494
Construction costs: construction of assets [Note 6(f)]	3,910	22,142
Construction costs: ECP [Note 6(g)]	189,585	-
	1,182,497	**912,034**

8. REPAIRS AND MAINTENANCE EXPENSES

	2019 Ushs million	2018 Ushs million
Distribution (overhead and underground)	5,234	9,261
Transformers, meters and other electrical equipment	9,051	12,512
Other repairs and maintenance	16,626	23,920
	30,911	**45,693**

Other repair and maintenance costs include pole replacement costs, vegetation management, substation repairs and other maintenance related costs.

9. ADMINISTRATION EXPENSES

	2019 Ushs million	2018 Ushs million Restated
Staff and network contractor management costs[1]	104,665	99,179
Transport costs	16,455	12,663
Software support agreements	6,098	6,903
Publicity, advertisement and sms communication	6,243	4,839
ERA licensing fees	3,398	3,573
Operating concession charges - UEDCL	6,555	6,177
Rental expenses	3,235	3,037
Directors' expenses and allowances	3,090	3,017
Other administration costs	20,320	18,535
Consultancy fees	2,459	5,070
Telephone expenses	5,968	5,255
Debt collection expenses	1,881	2,571
Insurance premium charges	2,615	2,436
	182,982	**173,255**

[1]**Staff and network contractor management costs**		
Salaries and wages	55,308	49,486
National Social Security Fund (NSSF) contributions	7,133	6,201
Long term incentive plan expenses	775	7,035
Other employment related costs	41,449	36,457
	104,665	**99,179**

9. ADMINISTRATION EXPENSES (Continued)

The other employment related costs include the following amounts:

	2019 Ushs million	2018 Ushs million
Employee performance bonus	9,960	10,095
Contractor management fees[1]	10,453	8,348
Staff medical expenses	3,346	2,903
Travel expenses	3,951	3,572
Retirement benefit scheme	2,118	1,859
	29,828	**26,777**

[1]Contractor management fees mainly relate to fees paid to contractors that are involved in the repair and maintenance of the distribution network.

10. OTHER OPERATING EXPENSES

	Notes	2019 Ushs million	2018 Ushs million
a) Net foreign exchange losses		7,782	6,076
		7,782	**6,076**
b) Other expenses			
Loss on disposal of non-network assets and stock items[1]		-	1,791
		-	**1,791**
c) Increase in expected credit losses	**Notes**		
Increase in ECL - trade receivables	22	3,822	6,686
Increase in ECL - other receivables	22	38	-
		3,860	**6,686**

[1]The 2018 amount includes loss on disposal of non-network assets of Ushs 620 million.

11. AMORTISATION AND WRITE OFF OF INTANGIBLE ASSETS

	2019 Ushs million	2018 Ushs million
Amortisation of intangible assets (Note 17)	120,034	92,881
Write off of intangible assets (Note 17)	2,960	11,060
	122,994	**103,941**

12. FINANCE INCOME

	2019 Ushs million	2018 Ushs million Restated
Interest on bank deposits	330	314
Finance income on other financial asset (Note 18)	12,668	11,145
Financing income on concession financial asset (Note 19)	4,641	5,830
	17,639	**17,289**

13. FINANCE COSTS

	2019 Ushs million	2018 Ushs million Restated
Finance costs relating to debt facilities		
Interest expense on Facility A (Note 27)	16,058	18,783
Interest expense on Facility B (Note 27)	18,039	23,280
Interest expense on Facility C (Note 27)	208	-
Interest expense on Facility D (Note 27)	174	-
Interest on short term borrowings (Note 27)	7,366	7,423
Amortisation of borrowings transaction costs[1]	2,722	3,914
Other financing costs	9,330	6,062
	53,897	**59,462**
Finance costs related to other financial liabilities		
Accrued interest on customer security deposits	315	668
Finance charge on concession obligation (Note 28)	4,641	5,830
	4,956	**6,498**
Total finance costs	**58,853**	**65,960**

[1]This relates to deferred costs on the borrowings in Note 27 of Ushs 2,608 million (2018: Ushs 3,777 million) and overdraft facilities in Note 34 of Ushs 114 million (2018: Ushs 137 million).

The other financing costs comprise of the following:

	2019 Ushs million	2018 Ushs million
Interest expense on overdraft facilities	7,263	4,375
Discount allowed on advance energy payments	-	657
Late payment interest-UETCL	2,067	1,030
	9,330	**6,062**

14. PROFIT BEFORE TAX

	2019 Ushs million	2018 Ushs million
Profit before tax is stated after charging:		
Amortisation of intangible assets	120,034	92,881
Impairment of intangible assets	2,960	11,060
Auditor's remuneration[1]	725	877
NSSF- employer's contributions	7,133	6,201
Directors' expenses and allowances	3,090	3,017
Performance bonus	9,960	10,095
Long term incentive plan expenses	775	7,035
Loss on disposal of non-network assets and stock items	-	1,791
Donations	136	2
Unrealised foreign exchange losses	476	-
Staff medical and welfare expenses	4,743	3,994
And after crediting		
Interest on bank deposits	330	314
Unrealised foreign exchange gains	-	292

[1]Included in other administration costs in Note 9.

15. TAXATION

The current income tax liability is provided for in the financial statements based on the financial results included therein adjusted in accordance with the provisions of the Income Tax Act (Cap 340) of Uganda less any tax credits and withholding tax recoverable.

a) Income tax expense

	2019 Ushs million	2018 Ushs million
Amounts recognized in profit or loss		
Current income tax charge for the year	32,090	18,990
Current income tax charge – prior years	342	-
Deferred tax charge for the year	30,592	43,280
Deferred tax charge – prior years	2,181	-
	65,205	**62,270**

The effective tax rate is 31.91% (2018: 31.92%) The reconciliation between the income tax expense and the product of accounting profit and the tax rate is as follows:

	2019 Ushs million	2018 Ushs million
Accounting profit before income tax	204,357	195,085
At statutory income tax rate of 30% (2018: 30%)	61,307	58,526
Tax effect of:		
Expenses not allowable for tax purposes	1,375	3,744
Current income tax – prior years	342	-
Deferred tax (credit)/charge – prior years	2,181	-
Income tax expense charged to profit or loss	**65,205**	**62,270**

b) Current income tax (recoverable)/payable

	2019 Ushs million	2018 Ushs million Restated
At 1 January	(4,680)	(8,123)
Prior year adjustment (Note 48)	-	13,677
At 1 January - Restated	(4,680)	5,554
Current income tax charge for the year	32,432	18,990
Payment of current income tax	(38,829)	(33,081)
Translation gain	-	3,857
At 31 December	**(11,077)**	**(4,680)**

15. TAXATION (CONTINUED)

c) Deferred tax liability

Deferred tax is calculated on all temporary differences using the liability method at the applicable rate of 30%. The net deferred tax liability is attributed to the following:

	Closing balance	Movement for the year		Opening balance		
		Profit or loss	Prior year	Restated	Prior year adjustment (Note 48)	As previously stated
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 31 December 2019						
Deferred tax liabilities / (assets)						
Accelerated tax depreciation	212,671	23,012	2,597	187,062	(45,325)	232,387
Provision for bad debts	(12,894)	6,673	(357)	(19,210)	556	(19,766)
Other provisions	(4,178)	1,125	(96)	(5,207)	127	(5,334)
Unrealised foreign exchange gains	(144)	(218)	37	37	(48)	85
Net deferred tax liability	**195,455**	**30,592**	**2,181**	**162,682**	**(44,690)**	**207,372**

	Closing balance	Movement for the year		Opening balance		
		Profit or loss	Retained earnings	Restated	Prior year adjustment (Note 48)	As previously stated
		Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 31 December 2018						
Deferred tax liabilities / (assets)						
Accelerated tax depreciation	187,062	31,922	-	155,140	(39,601)	194,741
Provision for bad debts	(19,210)	3,146	(1,355)	(21,001)	154	(21,155)
Other provisions	(5,207)	(690)	-	(4,517)	36	(4,553)
Unrealised foreign exchange gains	37	(1,478)	-	1,515	(11)	1,526
Tax losses carried forward	-	10,380	-	(10,380)	(680)	(9,700)
Net deferred tax liability	**162,682**	**43,280**	**(1,355)**	**120,757**	**(40,102)**	**160,859**

16. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2019 Ushs million	2018 Ushs million
Profit attributable to ordinary equity holders (Ushs million)	**139,152**	**132,815**
Basic number of ordinary shares (million) [Note 24]	1,624	1,624
Diluting shares (million)	-	-
Basic and diluted weighted average number of ordinary shares (millions)	1,624	1,624
Basic and diluted earnings per share (Ushs)	**86**	**82**

17. INTANGIBLE ASSETS

	GOU support and assurances rights Ushs million	Other concession rights Ushs million	Total Ushs million
Cost			
At 1 January 2018	3,548	1,454,600	1,458,148
Additions	-	230,600	230,600
Write offs	-	(11,060)	(11,060)
Disposals	-	(2,380)	(2,380)
Transfer to financial asset (Note 18)	-	(159,144)	(159,144)
Translation differences	72	29,449	29,521
At 31 December 2018	**3,620**	**1,542,065**	**1,545,685**
Additions		104,817	104,817
Write offs	-	(2,960)	(2,960)
Disposals	-	(4,424)	(4,424)
Transfer to financial asset (Note 18)	-	(174,291)	(174,291)
Translation differences	(44)	(18,495)	(18,539)
At 31 December 2019	**3,576**	**1,446,712**	**1,450,288**
Amortisation			
At 1 January 2018	(2,124)	(432,227)	(434,351)
Charge for the year	(123)	(92,758)	(92,881)
Disposals	-	1,760	1,760
Translation differences	(61)	(8,422)	(8,483)
At 31 December 2018	**(2,308)**	**(531,647)**	**(533,955)**
Charge for the year	(123)	(119,911)	(120,034)
Disposals and write offs	-	4,424	4,424
Translation differences	12	7,896	7,908
At 31 December 2019	**(2,419)**	**(639,238)**	**(641,657)**
Net carrying amount			
At 31 December 2019	**1,157**	**807,474**	**808,631**
At 31 December 2018	**1,312**	**1,010,418**	**1,011,730**

17. INTANGIBLE ASSETS (Continued)

GOU support and assurance rights

The Distribution Support Agreement of the Lease and Assignment Agreement between Government of Uganda (GOU) and the Company required Umeme to pay a transaction fee of USD 1.4 million to the GOU Privatization Unit as consideration for the rights and assurances granted by GOU to Umeme. These rights and assurances are specified in Article IV of the Distribution Support Agreement and include, among others, support for obligations, security protection, obtaining of agency loans, expeditious clearance of imported equipment and notice and opportunity to be heard. The transaction fees were capitalized and are amortized over the lease period of 20 years.

Other concession rights

The concession agreements do not convey to the Company the right to control the use of the assets added to the Distribution Network but rather the right to operate and use the assets and charge customers. Accordingly, in line with IFRIC 12, the assets added to the Distribution Network are not recognised as the Company’s property, plant and equipment. An intangible asset equal to the carrying amount of the assets added to the Distribution Network by the Company, less the residual amount (buy-out amount), is recognised and is amortised over the useful lives of the underlying property, plant and equipment.

Capitalised borrowing costs

Funding used to construct qualifying assets is financed out of borrowings. The capitalisation rate applied is the weighted average of the borrowings costs applicable to qualifying capital expenditure. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was nil (2018: 8.416%) and the amount of borrowing costs capitalised during the year ended 31 December 2019 was nil (2018: Ushs 1,262 million).

Collateral for borrowings

The Company’s rights, title and interest under the intangible assets are pledged as collateral for the borrowing facilities as disclosed in Note 27.

18. OTHER FINANCIAL ASSET: BUY OUT AMOUNT

	2019 Ushs million	2018 Ushs million
At 1 January	679,378	499,770
Transfer from intangible assets (Note 17)	174,291	159,144
Finance income accrued	12,668	11,145
Translation differences	(10,484)	9,319
	855,853	**679,378**
Expected credit losses	(356)	(361)
	855,497	**679,017**

The movement in expected credit losses was as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	361	-
Impact of initial application of IFRS 9 (Note 45)	-	250
At 1 January – Restated	361	250
Increase for the year	-	111
Translation differences	(5)	-
At 31 December	**356**	**361**

18. OTHER FINANCIAL ASSET: BUY OUT AMOUNT (Continued)

The buy out amount is computed as the gross accumulated capital investments less the cumulative capital recovery charges expected to be allowed in the tariffs by the time of transferring the Distribution Network to UEDCL and discounted over the remaining concession period using the pre tax return on investment of 28.6% (2018: 28.6%), for investments verified and approved by ERA, and 5.14% (2018: 5.14%) for investments not approved by ERA for recovery through the tariff methodology. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate.

The buy out amount is contractually denominated in USD. The USD balance has been translated to Ushs at the reporting date spot exchange rate of Ushs 3,670.2 (2018: 3,716.8).

As at 31 December 2019, the estimated weighted average depreciation rate was 10.2 % (2018: 9.5%) and it is hence estimated that capital investments amounting to Ushs 855,497 million or USD 233 million, as of that date (2018: Ushs 679,017 million or USD 182 million) will not have been recovered through the tariff methodology by the end of the concession.

The buy out amount shall be paid in cash with a 5% return and hence the amounts receivable are accounted for as a financial asset.

The Company's rights, title and interest under the buy out amount are pledged as collateral for the term borrowing facilities as disclosed in Note 27.

The carrying amount of the unrecovered capital investments as of year-end were as follows:

	2019		2018	
	Ushs million	**USD million**	**Ushs million**	**USD million**
Gross investments[1]	2,408,113	656	2,331,030	627
Less: Cumulative capital recovery charges[2]	(859,010)	(234)	(621,020)	(167)
Unrecovered investments	1,549,103	422	**1,710,010**	**460**
The gross investments comprise:				
Total investments in the ERA tariff base[3]	1,665,916	454	1,728,660	465
Total investments not yet approved by ERA	742,197	202	602,370	162
	2,408,113	**656**	**2,331,030**	**627**
The investments not yet approved by ERA are represented by:				
Completed projects undergoing ERA verification	663,338	181	467,417	126
Capital work-in-progress	78,859	21	134,953	36
	742,197	**202**	**602,370**	**162**

[1]Includes capital work-in-progress.

[2]The cumulative capital recoveries and investments approved by ERA are inclusive of the allowance for impairment charge of USD 7 million relating to the year ended 31 December 2010. The gross investments are adjusted by this amount.

[3]The amount of the investments in the ERA tariff base changes as more investments are verified and approved by ERA.

18. OTHER FINANCIAL ASSET: BUY OUT AMOUNT (CONTINUED)

Completed investments that are yet to be approved by ERA are summarized below. All amounts are in USD million.

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Completed investments yet to be approved	9.3	11.7	20.3	16.7	26.1	18.7	22.9	54.8	180.5

USD 30 million relating to capital investments completed in 2019 was allowed in the 2020 tariff base pending verification by ERA. USD 60 million relating to capital investments completed in 2018 was allowed in the 2019 tariff base pending verification by ERA.

Whilst it is expected that all investment will be recovered, the directors apply judgement in determining the quantum of the investments that will be recovered through mechanisms that allow for payment of a return on investment or mechanisms that don't allow for payment of a return on investment like allowing for recovery of investments through additional operational expenditure in future tariff determinations.

The table below includes Umeme's capital investments over the period 2005 to 2019. The amounts presented below are at the historical average Ushs:USD exchange rates while the amounts presented in the statement of financial position are at the closing Ushs:USD exchange rates.

	2005-2011 Ushs Million	2012 Ushs million	2013 Ushs million	2014 Ushs million	2015 Ushs million	2016 Ushs million	2017 Ushs million	2018 Ushs million	2019 Ushs million	Total Ushs million
In Ushs										
Substations, low voltage lines & services	210,235	84,611	142,941	264,483	278,879	314,558	229,999	226,830	100,143	1,852,679
Land and buildings	6,394	1,052	992	2,909	777	1,309	470	123	46	14,072
Furniture, fittings, tools & office equipment	9,427	3,143	340	780	776	1,730	2,408	2,794	3,228	24,626
Computers, communication & MIS	24,459	8,393	1,334	664	92	117	3,504	837	1,348	40,748
Motor vehicles	18,877	875	1,217	-	4	83	47	16	52	21,171
Total investments	**269,392**	**98,074**	**146,824**	**268,836**	**280,528**	**317,797**	**236,428**	**230,600**	**104,817**	**1,953,296**
Represented by:										
Completed and capitalised	257,051	101,430	135,511	267,415	248,426	273,114	238,559	213,696	147,478	1,882,680
Capital work-in-progress	12,341	(3,356)	11,313	1,421	32,102	44,683	(2,131)	16,904	(42,661)	70,616
	269,392	**98,074**	**146,824**	**268,836**	**280,528**	**317,797**	**236,428**	**230,600**	**104,817**	**1,953,296**
In USD million										
Average foreign exchange rate (Ushs:USD)	2,088	2,691	2,522	2,778	3,242	3,423	3,616	3,732	3,709	
Total investments in USD million	**129**	**36**	**58**	**97**	**87**	**93**	**65**	**62**	**29**	**656**

19. CONCESSION FINANCIAL ASSET

	2019 Ushs million	2018 Ushs million Restated
At 1 January	327,074	394,985
Prior year adjustment (Note 48)	-	(80,128)
At January - Restated	327,074	314,857
Finance income for the year	4,641	5,830
Foreign exchange (loss)/gain	(4,145)	6,387
At 31 December	**327,570**	**327,074**
Maturity analysis of the financial asset:		
Outstanding financial asset	327,570	327,074
Less: Amount recoverable within one year	-	-
Non-current portion of financial asset	**327,570**	**327,074**
The financial asset is recoverable as analysed below:		
Within one year	-	-
Between one and two years	297,871	288,143
Between two and three years	9,443	8,855
Between three and four years	10,200	9,564
Between four and five years	10,056	10,329
After five years	-	10,183
	327,570	**327,074**

The terms of the Lease and Assignment Agreement (LAA) stipulate that the Company has an unconditional right to receive from the users of the Distribution Network, through the tariff methodology, cash relating to the concession rental payments made to UEDCL.

No concession rental payments were made to UEDCL regarding the concession obligation since the year ended 31 December 2012 and no recoveries of the same were made during these years since ERA excluded the concession rental payments from the tariffs for the years.

UEDCL bears the risk that the cash flows generated by the users of the Distribution Network using the tariffs approved by ERA will not be sufficient to recover the concession rental amounts due to UEDCL. The Company's cash flows relating to the rentals paid are effectively secured, which results in a financial asset as the consideration receivable. The service concession arrangement is subject to a grantor (UEDCL) guarantee and payments made by the users are effectively regarded as cash collected on behalf of the grantor and this gives rise to a financial asset for the commitment made by the grantor.

No amount receivable within one year has been presented since the debt service component was not included in the approved base tariffs for the subsequent year.

Refer to Note 28 for further disclosures.

20. INVENTORIES

	2019 Ushs million	2018 Ushs million
Overhead materials and accessories	25,948	32,129
Underground cables, materials and accessories	8,038	7,980
Substation transformers and accessories	9,601	401
Meters, metering equipment and accessories	20,612	14,020
Tools and other equipment	4,276	3,464
Stationery	1,303	1,089
Costs incurred on goods-in-transit	-	7,456
	69,778	**66,539**
Provision for impairment	-	(1,882)
	69,778	**64,657**
Provision for impairment		
At 1 January	1,882	1,882
Inventory write off	(1,882)	-
At 31 December	**-**	**1,882**

Inventories comprise mainly network equipment and accessories like transformers, cables, switch-gear, poles, meters and accessories used in construction or maintenance of the Distribution Network.

Inventories expensed during the year under cost of sales amounted to Ushs 109,284 million (2018: Ushs 17,713 million) while Ushs 26,273 million (2018: Ushs 38,653 million) was expensed under repairs and maintenance expenses.

21. CONTRACT ASSETS

	2019 Ushs million	2018 Ushs million Restated
a) Amounts recoverable from customer capital contributions		
At 1 January	4,542	12,461
Additions to customer funded installations	7,218	7,408
Amounts billed to customers	(6,773)	(15,924)
Translation differences	(120)	597
At 31 December	**4,867**	**4,542**
b) ECP costs not yet verified		
At 1 January	2,202	-
Costs incurred during the year	187,176	2,202
Less: Billed during the year	(100,855)	-
Excess costs above the standard billing rate	(7,523)	-
Translation differences	(652)	-
At 31 December	**80,348**	**2,202**
Total contract assets	**85,215**	**6,744**

21. CONTRACT ASSETS (Continued)

Amounts recoverable from customer capital contributions relate to the costs incurred by the Company on commercial schemes in excess of the capital contributions made by the customers. The Company has contractual and legal rights to recover the excess costs from the customers.

The ECP amounts not yet verified relate to costs incurred by the Company on no pole and one pole connections for which verification by the IVA had not been completed by year-end. The amount relates to costs incurred on connections not completed or connections pending verification and clearance by the IVA. After verification and clearance by the IVA, the amounts are billed to and reimbursed by REA. The ECP project commenced in November 2018.

22. TRADE AND OTHER RECEIVABLES

	2019 Ushs million	2018 Ushs million Restated
Trade receivables	199,425	215,475
Less: Allowance for expected credit losses	(41,440)	(64,478)
Net trade receivables	**157,985**	**150,997**
Letters of credit	1,072	1,085
Lifeline surcharge revenue receivable	-	13,521
Other receivables	1,831	9,651
Ministry of Energy – Peri Urban Development project	2,378	2,410
REA – OBA receivables	14,141	22,040
REA – ECP receivables	39,000	-
Less: Allowance for expected credit losses	(98)	-
	58,324	**48,707**
Trade and other receivables	**216,309**	**199,704**

The amount for gross trade receivables as at 1 January 2018 was Ushs 256,214 million.

Refer to Notes 6(c) and 6(e) for more details on the lifeline surcharge revenue receivable.

Other receivables comprise of staff salary advances and work accountable advances. Trade receivables are non-interest bearing and are generally on 14-30 days' terms. The carrying amount of trade and other receivables approximate their fair values due to the short-term nature of the financial assets.

The movement in the expected credit losses on trade receivables was as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	64,478	69,144
Impact of initial application of IFRS 9 (Note 45)	-	4,200
At 1 January – Restated	64,478	73,344
Allowance for ECLs for the year	3,822	6,686
Less: Bad debts written off[1]	(26,203)	(15,552)
Translation differences	(657)	-
At 31 December	**41,440**	**64,478**

[1]Bad debts written off are made up as follows:

Pre-concession trade receivables	20,503	-
Trade receivables relating to the concession period	5,700	15,552
	26,203	**15,552**

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Bad debts are written off after the Company's debt collectors have performed the debt collection procedures and processes as agreed upon with URA and certifying that the chances of recovering the debts are remote. As at 31 December, the ageing analysis of trade receivables was as follows:

Year	Total	<30 days	30-60 days	60 – 90 days	>90 days (default)
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
2019	199,425	110,862	14,497	32,626	41,440
2018	215,475	112,359	20,902	17,736	64,478

Expected credit losses on other receivables:	Lifeline surcharge revenue receivable	REA - OBA / ECP receivables	Customer capital contributions receivable	Total
	Ushs million	Ushs million	Ushs million	Ushs million
At 1 January 2018	-	-	-	-
Impact of initial application of IFRS 9	52	2	6	60
At 1 January - Restated	52	2	6	60
Increase for the year	-	-	-	-
At 31 December 2018	**52**	**2**	**6**	**60**
(Decrease)/increase for the year	(52)	76	14	38
At 31 December 2019	**-**	**78**	**20**	**98**

The changes in expected credit losses are underNote 10.

Peri-urban development receivable

This relates to funds received from Development Fund Institutions (DFIs) through Ministry of Energy and Mineral Development (MEMD) for providing electricity access to customers that are within range of the electricity grid but do not have access. The following were the amounts utilized but not yet received from MEMD as at year-end:

	2019	2018
	Ushs million	Ushs million
At 1 January	2,410	(142)
Additions	-	2,552
Translation differences	(32)	-
At 31 December	**2,378**	**2,410**

23. BANK BALANCES

	2019	2018
	Ushs million	Ushs million
Bank balances	99,196	21,208

The Company holds no collateral in respect to the bank balances. Bank balances are short-term deposits made for varying periods depending on the cash requirements of the Company and earn interest at the applicable bank deposits market interest rates.

24. ISSUED CAPITAL

a) Number of shares	**2019**	**2018**
i) Authorised ordinary shares		
At 1 January and 31 December	1,800,000,000	1,800,000,000
ii) Number of issued ordinary shares		
At 1 January and 31 December	1,623,878,005	1,623,878,005
b) Par value of ordinary shares		
At 1 January and 31 December per share (Ushs per share)	17.088	17.088

c) Value of issued shares	**2019 Ushs million**	**2018 Ushs million**
Nominal value of shares at 1 January and 31 December	27,748	27,748

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the Company's general meetings.

d) Spread of issued shares

Number of shares At 31 December 2019	**Number of shareholders**	**Number of shares held**	**Percentage shareholding**
Less than 500	708	137,214	0.01%
500 - 5,000	2,916	5,378,659	0.33%
5,001 – 10,000	605	4,737,442	0.29%
10,001 – 100,000	1,018	30,181,618	1.86%
100,001 - 1,000,000	381	100,426,866	6.18%
Above 1,000,000	98	1,483,016,206	91.33%
	5,726	**1,623,878,005**	**100.00%**

Number of shares At 31 December 2018	**Number of Shareholders**	**Number of shares held**	**Percentage shareholding**
Less than 500	578	112,336	0.01%
500 - 5,000	2860	5,319,981	0.33%
5,001 – 10,000	598	4,698,483	0.29%
10,001 – 100,000	1050	32,113,080	1.98%
100,001 - 1,000,000	433	115,076,323	7.09%
Above 1,000,000	118	1,466,557,802	90.30%
	5,637	**1,623,878,005**	**100.00%**

24. ISSUED CAPITAL (CONTINUED)

e) Shareholding

	Name	31 December 2019 Number of shares	31 December 2019 Percentage shareholding	31 December 2018 Number of shares	31 December 2018 Percentage shareholding
1	National Social Security Fund	377,426,009	23.24%	377,426,009	23.24%
2	Allan Gray	208,072,017	12.81%	161,921,417	9.97%
3	Kimberlite Frontier Africa Master Fund	144,564,483	8.90%	144,564,483	8.90%
4	Utilico Emerging Markets Limited	126,003,874	7.76%	80,386,788	4.95%
5	Imara S P Reid (Pty) Ltd	87,121,509	5.37%	66,521,509	4.10%
6	Investec Asset Management Africa	60,165,040	3.71%	70,502,449	4.34%
7	International Finance Corporation	45,220,900	2.78%	45,220,900	2.78%
8	The Africa Emerging Markets Fund	43,896,801	2.70%	64,063,887	3.95%
9	Coronation Global Opportunities Fund	41,728,070	2.57%	42,125,470	2.59%
10	Duet Fund	39,796,024	2.45%	39,796,024	2.45%
11	Others	449,883,278	27.71%	531,349,069	32.72%
		1,623,878,005	**100.00%**	**1,623,878,005**	**100.00%**

25. SHARE PREMIUM

	2019 Ushs million	2018 Ushs million
At 1 January and 31 December	**70,292**	**70,292**

26. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED

	2019 Dividend per share Ushs	2019 Total Ushs million	2018 Restated Dividend per share Ushs	2018 Restated Total Ushs million
Dividend paid				
2018 interim dividend[1]	12.7	20,623	-	-
Final dividend	28.2	45,793	7.6	12,341
	40.9	**66,416**	**7.6**	**12,341**
Dividend proposed				
Interim dividend	-	-	12.7	20,623
Final dividend	41.34	67,133	28.2	45,793
	41.34	**67,133**	**40.9**	**66,416**

[1]The 2018 interim dividend was paid in January 2019.

The Company is required to withhold tax on the dividend payments in accordance with the tax laws of Uganda and remit the amounts withheld to Uganda Revenue Authority.

27. BORROWINGS

	2019 Ushs million	2018 Ushs million
Long term facilities – Facilities A and B	345,836	478,471
Long term facilities – Facilities C and D	186,630	-
Short term facilities	37,525	57,085
Less: Deferred transaction costs	(13,057)	(7,021)
	556,934	**528,535**
Less: Current portion - amount due within one year		
Facilities A and B	(90,952)	(128,250)
Short term facilities	(37,525)	(57,085)
Amounts due within one year	**(128,477)**	**(185,335)**
Amounts due in more than one year	**428,457**	**343,200**

a) Long term facilities

	2019 Ushs million			2018 Ushs million		
	Facility A	**Facility B**	**Total**	**Facility A**	**Facility B**	**Total**
At 1 January	222,946	255,525	478,471	262,216	332,368	594,584
Interest charge for the year	16,058	18,039	34,097	18,783	23,280	42,063
Foreign exchange (gains) / losses	(2,605)	(2,797)	(5,402)	6,712	9,126	15,838
Less: Principal repayment	(44,319)	(83,057)	(127,376)	(45,635)	(85,523)	(131,158)
Less: Interest payment	(15,991)	(17,963)	(33,954)	(19,130)	(23,726)	(42,856)
At 31 December	**176,089**	**169,747**	**345,836**	**222,946**	**255,525**	**478,471**
The amounts due are made up as follows:						
Principal due after one year	132,024	122,860	254,884	178,323	171,898	350,221
Principal due in one year	44,065	46,887	90,952	44,623	83,627	128,250
	176,089	**169,747**	**345,836**	**222,946**	**255,525**	**478,471**

	2019 Ushs million			2018 Ushs million		
	Facility C	**Facility D**	**Total**	**Facility C**	**Facility D**	**Total**
At 1 January	-	-	-	-	-	-
Amount received	101,304	85,309	186,613	-	-	-
Interest charge for the year	208	174	382	-	-	-
Foreign exchange losses	5	7	12	-	-	-
Less: Interest payment	(205)	(172)	(377)	-	-	-
At 31 December	**101,312**	**85,318**	**186,630**	**-**	**-**	**-**
The amounts due are made up as follows:						
Principal due after one year	101,312	85,318	186,630	-	-	-
Principal due in one year	-	-	-	-	-	-
	101,312	**85,318**	**186,630**	**-**	**-**	**-**

27. BORROWINGS (CONTINUED)

(b) Short term facilities

Standard Chartered Bank	2019 Ushs million	2018 Ushs million
At 1 January	-	72,972
Amount received during the year		-
Interest charge for the year	-	915
Interest payment	-	(1,039)
Principal repayment	-	(73,900)
Foreign exchange losses	-	1,052
At 31 December	**-**	**-**

dfcu Bank Limited		
At 1 January	57,085	-
Amount received during the year	91,150	109,250
Interest charge for the year	7,366	6,508
Principal repayment	(104,500)	(54,750)
Interest payment	(12,866)	(3,924)
Foreign exchange (gains)/losses	(710)	1
At 31 December	**37,525**	**57,085**

c) Deferred transaction costs

Long term facilities	2019 Ushs million			2018 Ushs million		
	Facility A	**Facility B**	**Total**	**Facility A**	**Facility B**	**Total**
At 1 January	2,750	4,271	7,021	3,151	4,789	7,940
Upfront and guarantee fees	-	-	-	170	-	170
Management, security and agency fees	-	-	-	134	89	223
Amortisation for the year	(940)	(1,668)	(2,608)	(1,257)	(1,060)	(2,317)
Foreign exchange (losses) / gains	(34)	(62)	(96)	552	453	1,005
At December	**1,776**	**2,541**	**4,317**	**2,750**	**4,271**	**7,021**

	2019 Ushs million			2018 Ushs million		
	Facility C	**Facility D**	**Total**	**Facility C**	**Facility D**	**Total**
At 1 January	-	-	-	-	-	-
Upfront and guarantee fees	4,031	3,395	7,426	-	-	-
Management, security and agency fees	729	614	1,343	-	-	-
Amortisation for the year	-	-	-	-	-	-
Foreign exchange losses	(16)	(13)	(29)	-	-	-
At December	**4,744**	**3,996**	**8,740**	**-**	**-**	**-**

Short term facilities	2019 Ushs million	2018 Ushs million
Standard Chartered Bank		
At 1 January	-	-
Arrangement and commitment fees	-	912
Amortization for the year	-	(912)
At 31 December	**-**	-

27. BORROWINGS (CONTINUED)

dfcu Bank Limited	2019 Ushs million	2018 Ushs million
At 1 January	-	-
Arrangement and commitment fees	-	548
Amortization for the year	-	(548)
At 31 December	**-**	**-**

Term and revolving credit facility agreement

The Company has a Term and Revolving Credit Facilities Agreement (the ''facilities agreement'') with International Finance Corporation (IFC), Standard Chartered Bank and Stanbic Bank Uganda Limited as the mandated lead arrangers. Standard Chartered Bank is the overdraft issuer, security agent and the facility agent.

A total amount of USD 235 million was initially committed in 2013. USD 90 million was designated as term Facility A provided by IFC and USD 125 million as term Facility B provided by Stanbic Bank Uganda Limited and Standard Chartered Bank. USD 15 million and USD 5 million were designated as revolving credit facilities with Standard Chartered Bank and Stanbic Bank Uganda Limited, respectively.

On 9 December 2019, the facilities agreement was restated and amended as follows:

- By committing the following additional term facilities and extending the revolving credit facilities for financing working capital and capital expenditure:

	USD
Term facilities	
IFC - Facility C "A"	28,000,000
IFC - Facility C "B1"	10,000,000
Standard Chartered Bank – Facility D	16,000,000
Stanbic Bank – Facility D	16,000,000
	70,000,000
Revolving credit facilities	
Standard Chartered Bank	15,000,000
Stanbic Bank	5,000,000
	20,000,000
Total amount committed by the lenders	**90,000,000**

  If Umeme procures the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date, Umeme shall repay the aggregate Facility C and Facility D loans in semi-annual, that is, on 30 June and 31 December, instalments of 12.5% of the drawn down amount, starting 30 June 2021.

  If Umeme has not procured the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date, Umeme shall repay the aggregate Facility C and Facility D loans in semi-annual, that is, on 30 June and 31 December, instalments of 16.67% of the drawn down amount, starting 30 June 2021, but with the last instalment being 16.65%.

- Modifying the repayment terms for the outstanding Facility A amounts to semi-annual, that is, on 30 June and 31 December, repayments of 6.67% of the drawn down amount but with the final instalment being 6.62%. Before the amendment of the borrowing agreement, Facility A was repayable in 15 semi-annual instalments of 6.7% of the total facility drawn down at the end of the availability period and 6.62% on the termination date (November 2023).

27. BORROWINGS (CONTINUED)

Term and revolving credit facility agreement (Continued)

- Modifying the repayment terms for the outstanding Facility B amounts to semi-annual repayments of 5.11% of the drawn down amount on 30 June and 31 December but with the final instalment being 5.12%. Before the amendment of the borrowing agreement, Facility B was repayable in 9 semi-annual instalments of 9% of the total facility drawn down at the end of the availability period and 28% on the termination date (November 2020).

Facilities A, B, C and D attract interest at LIBOR (applicable screen rate) plus a margin of 5% per annum. The revolving credit facilities other than those denominated in Ushs attract interest at LIBOR plus 7.8% per annum while the interest for those denominated in Ushs is the Uganda Government 182 days treasury bill rate plus 5.2% per annum. The Company's management will engage the lenders to agree the basis for the interest rates if and when LIBOR is discontinued. No significant changes in the Company's cost of borrowing is expected to arise from this.

The following were the applicable annual interest rates:

	2019	2018
Long term facilities		
Facility A	7.28%	7.8%
Facility B	7.28%	7.8%
Facility C	7.80%	-
Facility D - Standard Chartered Bank	7.80%	-
Facility D - Stanbic Bank	7.80%	-
Revolving credit facilities		
Ushs	16.329%	16.141%
USD	10.078%	10.142%

The term and revolving credit facilities are secured against a first ranking fixed charge on all the Company's rights, title and interest from time to time and all related rights; and all contracts of insurance in respect of the Mandatory Insurances in which the Company has an interest and all moneys from time to time payable thereunder, and related rights.

The movement in the long-term facilities in USD was as follows:

	2019 USD'000			2018 USD'000		
	Facility A	**Facility B**	**Total**	**Facility A**	**Facility B**	**Total**
At 1 January	59,984	68,750	128,734	71,990	91,250	163,240
Interest accrued	4,329	4,863	9,192	5,034	6,240	11,274
Principal repayments	(12,006)	(22,500)	(34,506)	(12,006)	(22,500)	(34,506)
Interest repayments	(4,329)	(4,863)	(9,192)	(5,034)	(6,240)	(11,274)
At December	**47,978**	**46,250**	**94,228**	**59,984**	**68,750**	**128,734**

	2019 USD'000			2018 USD'000		
	Facility C	**Facility D**	**Total**	**Facility C**	**Facility D**	**Total**
At 1 January	-	-	-	-	-	-
Drawdown	27,604	23,246	50,850			
Interest accrued	56	47	103	-	-	-
Interest repayments	(56)	(47)	(103)	-	-	-
At December	**27,604**	**23,246**	**50,850**	**-**	**-**	**-**

As at year-end, the Company was compliant with the five ratios and covenants specified in the facilities agreement as disclosed in note 44.

27. BORROWINGS (CONTINUED)

Other permitted financial indebtedness – dfcu Bank Limited

During the year, the Company accessed a six-month short-term Ushs revolving credit facility of Ushs 91,150 million (USD 25 million) [2018: Ushs 109,250 million (USD 30 million)] from dfcu Bank Limited as per the provisions in the facilities agreement on permitted financial indebtedness.

The short-term facility attracts interest at the 182 Treasury Bill rate plus a margin of 5.5% per annum for amounts drawn in Ushs or the 6 months LIBOR plus a margin of 5.5% for amounts drawn down in USD. The applicable interest rate for the Ushs facilities was 16.5% (2018: 16.3%) and for the USD facilities was 7.95% (2018: 7.69%).

The short-term facility is secured against a second ranking fixed charge on all the Company's rights, title and interest from time to time and all related rights; and all contracts of insurance in respect of the Mandatory Insurances in which the Company has an interest and all moneys from time to time payable thereunder, and related rights (2018: Unsecured).

The outstanding amount in USD as at year-end was USD 10 million (2018: USD 15 million) and the amount repaid in USD was USD 15 million (2018: USD 15 million).

Cash flow impact of borrowings

The impact of the borrowings on the cash flows for the year was as follows:

	Term loans Ushs million	Short term facilities Ushs million	Deferred transaction costs Ushs million	Total Ushs million
At 1 January 2019	**478,471**	**57,085**	**(7,021)**	**528,535**
Changes from financing cash flows				
Principal repayments	(127,376)	(104,500)	-	(231,876)
Proceeds from borrowings	186,613	91,150	-	277,763
Total changes from financing cash flows	**59,237**	**(13,350)**	**-**	**45,887**
Changes from operating cash flows				
Interest repayments	(34,331)	(12,866)		(47,197)
Transaction costs paid	-	-	(8,769)	(8,769)
Total changes from operating cash flows	**(34,331)**	**(12,866)**	**(8,769)**	**(55,966)**
Other changes				
Interest charge	34,479	7,366		41,845
Amortisation of deferred transaction costs	-	-	2,608	2,608
Translation differences	(5,390)	(710)	125	(5,975)
Total other changes	**29,089**	**6,656**	**2,733**	**38,478**
At 31 December 2019	**532,466**	**37,525**	**(13,057)**	**556,934**

27. BORROWINGS (CONTINUED)

Cash flow impact of borrowings (continued)

	Term loans Ushs million	Short term facilities Ushs million	Deferred transaction costs Ushs million	Total Ushs million
At 1 January 2018	**594,584**	**72,972**	**(7,940)**	**659,616**
Changes from financing cash flows				
Principal repayments	(131,158)	(128,650)	-	(259,808)
Proceeds from borrowings	-	109,250	-	109,250
Total changes from financing cash flows	**(131,158)**	**(19,400)**	**-**	**(150,558)**
Changes from operating cash flows				
Interest payments	(42,856)	(4,963)	-	(47,819)
Transaction costs paid	-	-	(1,853)	(1,853)
Total changes from operating cash flows	**(42,856)**	**(4,963)**	**(1,853)**	**(49,672)**
Other changes				
Interest charge	42,063	7,423	-	49,486
Amortisation of deferred transaction costs	-	-	3,777	3,777
Translation differences	15,838	1,053	(1,005)	15,886
Total other changes	**57,901**	**8,476**	**2,772**	**69,149**
At 31 December 2018	**478,471**	**57,085**	**(7,021)**	**528,535**

The following were the undrawn approved borrowing facilities as at year-end:

	2019 Ushs million	2018 Ushs million
Long term facilities C and D		
IFC	38,156	
Standard Chartered Bank Uganda Limited	16,065	-
Stanbic Bank Uganda Limited	16,065	-
	70,286	-
Revolving credit facilities		
Standard Chartered Bank Uganda Limited	24,168	29,882
Stanbic Bank Uganda Limited	21,005	11,813
dfcu Bank Limited	17,528	-
	62,701	41,695
Total approved undrawn facilities	**132,987**	**41,695**

28. CONCESSION FINANCIAL OBLIGATION

	2019 Ushs million	2018 Ushs million Restated
At 1 January	327,074	394,985
Prior year adjustment (Note 48)	-	(80,128)
At January - Restated	327,074	314,857
Financing expense for the year	4,641	5,830
Foreign exchange (gains)/losses	(4,145)	6,387
At 31 December	**327,570**	**327,074**
Maturity analysis of the concession obligation:		
Outstanding obligation	327,570	327,074
Less: Due within one year	-	-
Non-current portion of the obligation	**327,570**	**327,074**
The concession obligation is due as analysed below:		
Within one year	-	-
Between one and two years	297,871	288,143
Between two and three years	9,443	8,855
Between three and four years	10,200	9,564
Between four and five years	10,056	10,329
After five years	-	10,183
	327,570	**327,074**

On 1 March 2005, the Company took over the operation of the electricity power distribution network that was being operated by UEDCL under a 20-year concession arrangement. The present value of the obligation arising from the rental payments under the concession agreements at the commencement of the concession was estimated to be USD 133 million (Ushs 488 billion at the current year-end foreign exchange rate) using a discounting rate of 8.911%. Interest is accrued annually to determine the amortised cost amount of the concession obligation as at year-end. The corresponding amount is recognised as a financial asset as disclosed in Note 19.

No amount payable within one year has been presented since the debt service component was not included in the approved base tariffs for the subsequent year.

29. LONG TERM INCENTIVE PLAN LIABILITY

This relates to the provision for the long term incentive plan as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	6,965	-
Provision for the year	775	7,035
Payment	(5,993)	-
Unutilised provision	(937)	-
Foreign exchange losses/(gains)	56	(70)
At 31 December	**866**	**6,965**

Umeme wishes to better incentivize its senior workforce to deliver the Company's objectives in terms of safety, customer service, increased access and financial performance. Consequently, in 2019 the directors approved a new Long Term Incentive Plan to succeed the previous Plan (LTIP2) which vested on 31 December 2018 and was settled in full in 2019 in accordance with the LTIP2 Rules. The Plans were designed to promote employee retention and continued performance.

29. LONG TERM INCENTIVE PLAN (CONTINUED)

Long term incentive plan 3 (LTIP 3)

Participation in the LTIP3 was offered to eligible employees in the middle and senior management grades. The cash award that a Participant may receive is dependent on the Company achieving minimum financial performance targets in terms of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) over the three years ending 31 December 2021. After the Vesting Date, the Participant will receive the cash award (after deduction of any applicable taxes which may be payable), provided that the Participant has fulfilled the service, and performance conditions that were specified.

There is no shareholding requirement to participate in the LTIP3 and consequently the cash award is not dependent on the share price during the Vesting Period and at the Vesting Date. Participants were however invited to purchase shares in the Company in order to enhance their cash award. The higher the amount that such Participant invested in the Company's shares, the higher the ultimate cash award that they will receive (provided that the other criteria for the cash awards are met). To qualify to receive an enhanced cash award under the Plan, a Participant needs to be the registered owner throughout the Vesting Period of the specified number of qualifying shares. Participants who chose to buy and hold shares that, in aggregate, exceeded the maximum number of qualifying shares will only receive cash awards computed with reference to the maximum number of qualifying shares.

Long Term Incentive Plan 2 (LTIP2)

This scheme was open to eligible employees in the middle and senior management grades, who were invited to apply to purchase shares in the Company to be in a position to receive a cash award. The higher the amount that such employees invested in the Company's shares, the higher the ultimate cash award that they received (subject to the maximum number of qualifying shares and provided that they meet the other criteria for the cash awards). Employees who chose to buy and hold shares that, in aggregate, exceeded the maximum qualifying shares only received cash awards computed with reference to the maximum number of qualifying shares.

To qualify to receive the cash award under the scheme, a participating employee needed to be the registered owner throughout the Vesting Period of the specified number of qualifying shares. After the Vesting Date, the employee received the appropriate cash award (after deduction of any applicable taxes which may be payable), provided that the employee had fulfilled the specified service, qualifying shareholding and performance conditions.

The cash award that an employee received was dependent on the Company achieving minimum financial performance targets in terms of EBITDA over the three years ended 31 December 2018. The cash award was not dependent on the share price during the Vesting Period and at the Vesting Date

The number of qualifying shares and staff were as indicated below:

	Deferred bonus scheme			
	2019 (scheme vesting in 2021)		2018 (scheme vested in 2018)	
	Number of shares	Number of staff	Number of shares	Number of staff
Qualifying shares	10,770,051	130	15,232,862	70
Shares sold	(24,256)	-	-	-
Forfeited shares - exited the scheme	-	-	(2,721,793)	(5)
At 31 December	**10,745,795**	**130**	**12,511,069**	**65**

30. CUSTOMER SECURITY DEPOSITS

	2019 Ushs million	2018 Ushs million
At 1 January	791	615
Amount received during the year	364	822
Amount refunded during the year	(663)	(646)
At 31 December	**492**	**791**

Customer security deposits relate to the amounts required to be paid by customers before they are connected to the Distribution Network. The deposits act as security for any unpaid bills in case of termination of the energy supply agreement. The supply agreement can be terminated at the customer's discretion or by the Company in case of non-payment of bills or other instances of non-compliance with the power supply agreement.

The deposits paid per customer vary depending on the energy consumption of the customer as follows:

	2019 Ushs million	2018 Ushs million
Domestic customers	0.1	0.1
Commercial customers - ordinary	0.2	0.2
Commercial customers - commercial time of use	0.5	0.5
Industrial customers - ordinary	1	1
Industrial customers-heavy	2	2

ERA issued guidelines that require the Company to ring-fence the cash held in respect of customer security deposits from any other funds of the Company. The Company is required to invest the deposits in government securities or approved assets with similar risk profile. The Company shall pay to the customer an interest rate equivalent to the annualised rate on a 360-treasury bill as published by Bank of Uganda. The guidelines were effective from 1 January 2011. The Company accrued for the estimated interest payable on the security deposits for the year. Ushs 1,483 million was paid in relation to interest on customer security deposits (2018: Ushs 3,131 million).

31. CONTRACT LIABILITIES

	Note	2019 Ushs million	2018 Ushs million Restated
Deferred revenue on prepaid sales	(a)	5,512	8,593
Deferred construction income	(b)	3,501	1,431
Deferred capital fund – Growth factor revenue	(c)	106,605	54,131
Deferred capital fund – Non-network assets	(d)	4,907	6,371
Deferred capital fund – LED bulbs	(e)	334	342
Deferred capital fund – Skills development	(f)	151	97
Deferred capital fund – Customer rebates and meter testing	(g)	10,409	10,332
Advance payments by energy customers	(h)	6,676	6,066
		138,095	**87,363**

31. CONTRACT LIABILITIES (CONTINUED)

(a) Deferred revenue on pre-paid sales

Prepaid sales relate to sales to the Government of Uganda Time of Use (GOU-TOU) arrangement and domestic customers through prepaid metering systems. The units paid for but not consumed by year-end are determined basing on the customers' consumption patterns.

As at 31 December 2019, GOU-TOU units valued at Ushs 3,356 million (2018: Ushs 6,543 million) had not been consumed while it was estimated that 6 % of the pre-paid electricity tokens purchased by domestic customers in December 2019 had not been consumed (2018: 6%).

	2019			2018		
	GOU - TOU Ushs million	Domestic customers Ushs million	Total Ushs million	GOU - TOU Ushs million	Domestic customers Ushs million	Total Ushs million
At 1 January	6,543	2,050	8,593	4,939	2,054	6,993
Payments received	21,929	20,942	42,871	27,757	26,329	54,086
Amortised to revenue	(25,016)	(20,862)	(45,878)	(26,288)	(26,396)	(52,684)
Translation differences	(100)	26	(74)	135	63	198
At 31 December	**3,356**	**2,156**	**5,512**	**6,543**	**2,050**	**8,593**

The performance obligations relating to these contract liabilities are expected to be fulfilled in the subsequent reporting period.

(b) Deferred construction income	2019 Ushs million	2018 Ushs million
At 1 January	1,431	823
Amount received	6,026	22,545
Amount utilized (Note 6)	(3,910)	(22,142)
Foreign exchange loss	(46)	205
Unutilized customer contributions at 31 December	**3,501**	**1,431**

Deferred construction income relates to capital contributions from customers for new electricity service connections that are not yet utilised on asset construction works. The amounts paid by the customers for the construction expenses ('non-refundable capital contributions' or 'NRCC') are recognised as construction revenue when utilized.

The performance obligations relating to these contract liabilities are expected to be fulfilled in the subsequent reporting period.

(c) Deferred capital fund – Growth factor revenue	2019 Ushs million	2018 Ushs million
At 1 January	54,131	23,733
Amount collected during the year (Note 6)	56,610	30,398
Amount utilised	(2,863)	-
Translation difference	(1,273)	-
At 31 December	**106,605**	**54,131**

As indicated in Note 6(a), the amount as at year-end relates to the amount billed to and collected from customers for funding construction of additions to the Distribution Network as approved by ERA but not yet utilised. The performance obligations will be fulfilled when ERA approves the utilisation of the amounts.

31. CONTRACT LIABILITIES (CONTINUED)

(d) Deferred capital fund: Non-network assets

	2019 Ushs million	2018 Ushs million
At 1 January	6,371	5,027
Amount collected during the year (Note 6)	9,274	9,345
Amount utilised for purchasing non-network assets	(10,655)	(7,996)
Translation differences	(83)	(5)
At 31 December	**4,907**	**6,371**

	2019 Ushs million	2018 Ushs million
The amount utilised was spent as follows:		
Furniture, fittings, tools and office equipment	936	39
Computers, communication equipment and Management Information System	8,295	1,593
Motor vehicles	1,424	6,364
	10,655	**7,996**

As indicated in note 6(b), the balance as at 31 December 2019 relates to the amount billed to and collected from customers for funding non-network assets but not yet utilized.

(e) Deferred capital fund – LED bulbs

This relates to the amounts collected from customers to improve efficiency of the demand side energy through the use of LED bulbs but not yet utilised.

	2019 Ushs million	2018 Ushs million
At 1 January	342	660
Amount collected during the year	-	124
Amount utilised	(3)	(442)
Translation differences	(5)	-
At 31 December	**334**	**342**

(f) Skills development

This relates to funds received for the Skills Development Program within the Electricity Sector.

	2019 Ushs million	2018 Ushs million
At 1 January	97	393
Amount collected during the year	392	-
Amount utilised	(338)	(302)
Translation differences	-	6
At 31 December	**151**	**97**

31. CONTRACT LIABILITIES (CONTINUED)

(g) Customer rebates and meter testing

This relates to the amounts collected from customers for use under the industrial rebates policy and meter testing.

	2019			2018		
	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million
At 1 January	10,332	-	10,332	-	-	-
Amount collected	-	250	250	10,223	250	10,473
Amount utilised	-	(40)	(40)	-	(250)	(250)
Translation differences	(130)	(3)	(133)	109	-	109
At 31 December	**10,202**	**207**	**10,409**	**10,332**	**-**	**10,332**

(h) Advance payments by energy customers

This relates to payments received from post-paid customers in advance of consuming the electricity paid for.

	2019 Ushs million	2018 Ushs million Restated
At 1 January	6,066	-
Reclassification from trade and other payables on initial application of IFRS 15	-	6,618
At 1 January - Restated	6,066	6,618
Amount received	24,100	
Amortised to revenue	(23,343)	(552)
Translation difference	(147)	
At 31 December	**6,676**	**6,066**

32. ACCRUED EXPENSES AND PROVISIONS

(a) Accrued expenses

	2019 Ushs million	2018 Ushs million
At 1 January	30,161	25,088
Accrual for the year	109,150	115,902
Utilizations/payments	(123,417)	(110,810)
Translation differences	(190)	(19)
At 31 December	**15,704**	**30,161**

These include accruals for unvoiced capital expenditure, interest on customer security deposits and other general operating expenditure.

b) Provisions

Provision for litigation	2019 Ushs million	2018 Ushs million
At 1 January	-	-
Provision for the year	1,318	-
At 31 December	**1,318**	**-**

33. TRADE AND OTHER PAYABLES

	2019 Ushs million	2018 Ushs million Restated
Trade payables	396,607	366,631
Other payables	25,835	14,866
Withholding tax payable	2,587	2,223
VAT payable	451	3,902
	425,480	**387,622**

Trade and other payables are non-interest bearing and normally settled on 30-60 days' terms. Trade payables include Ushs 256,673 million (2018: Ushs 248,155 million) due to UETCL. The balance of Ushs 139,934 million (2018: Ushs 118,476 million) is due to contractors and other service providers.

Other payables include an employee performance bonus accrual of Ushs 9,960 million (2018: Ushs 10,095 million). Ushs 9,961 million was paid during the year (2018: Ushs 6,674 million).

34. BANK OVERDRAFTS

	Note	2019 Ushs million	2018 Ushs million
Standard Chartered Bank		30,885	25,873
Stanbic Bank Uganda Limited		15,697	6,773
dfcu Bank Limited		-	6,844
Total amount drawn down		**46,582**	**39,490**
Less: Deferred transaction costs	(a)	(242)	(361)
		46,340	**39,129**

	2019	2018
(a) Deferred transaction costs		
At 1 January	361	488
Amortisation for the year	(114)	(137)
Translation differences	(5)	10
At 31 December	**242**	**361**

As at 31 December 2019, the Company had drawn down Ushs 46,582 million (USD 13 million) [2018: Ushs 32,646 million (USD 8.8 million)] from Standard Chartered Bank and Stanbic Bank. The drawdowns from Standard Chartered Bank and Stanbic Bank were under the revolving credit facilities as disclosed in Note 27.

35. CASH AND CASH EQUIVALENTS

	2019 Ushs million	2018 Ushs million
Bank balances (Note 23)	99,196	21,208
Bank overdrafts (Note 34)	(46,340)	(39,129)
Bank balances not available for use (Note 30)	(492)	(791)
	52,364	**(18,712)**

ERA issued guidelines that require the Company to ring-fence and invest the cash held in respect to customer security deposits from any other funds of the Company. The guidelines were effective from 1 January 2011. Bank balances representing the carrying amount of the customer security deposits are not available for use in the Company's operations.

36. FINANCIAL INSTRUMENTS

The Company's financial instruments are categorised as follows:

Financial assets

	2019 Ushs million	2018 Ushs million Restated
Debt instruments at amortised cost		
Buy out amount	855,497	679,017
Concession financial asset	327,570	327,074
Non-current	**1,183,067**	**1,006,091**
Trade receivables	157,985	150,997
Letters of credit – cash cover	1,072	1,085
Lifeline surcharge revenue receivable	-	13,521
Other receivables	1,831	
MEMD - Peri Urban Development project	2,378	2,410
REA – OBA receivables	14,063	22,038
REA - ECP	39,000	-
Trade and other receivables	216,329	199,702
Bank balances	99,196	21,208
Current	**315,525**	**220,910**
Total financial assets	**1,498,592**	**1,227,001**

Financial liabilities

	2019 Ushs million	2018 Ushs million Restated
Financial liabilities at amortised cost		
Borrowings	556,934	528,535
Concession obligation	327,570	327,074
Customer security deposits	492	791
Accrued expenses	15,704	30,161
Trade and other payables	422,442	381,497
Bank overdrafts	46,340	39,129
	1,369,482	**1,307,187**
Current	613,455	636,913
Non-current	756,027	670,274
	1,369,482	**1,307,187**

37. LETTERS OF CREDIT

As at 31 December 2019, the Company had letters of credit facilities with Standard Chartered Bank Uganda Limited (the ''bank''). The letters of credit facilitate the purchase and importation of equipment and inventories for the repair, upgrading and expansion of the Distribution Network and related electricity distribution accessories. A total of Ushs 1,072 million had been deposited as cash cover under the letters of credit facilities as at 31 December 2019 (2018: Ushs 1,085 million) as disclosed in Note 22. The amounts deposited with the bank act as collateral for the active letters of credit to facilitate the purchase and importation of partially delivered goods.

As at 31 December 2019, the Company also had letters of credit with the bank amounting to Ushs 2,451 million (2018: Ushs 5,858 million) with no cash cover. These are covered by insurance and the goods under importation.

38. RELATED PARTY DISCLOSURES

The Company does not have a controlling shareholder. The party with significant influence by virtue of its shareholding is National Social Security Fund (NSSF). Transactions with NSSF are done in the ordinary course of business and include supply of electricity for use by NSSF and remittance of social security contributions for the Company's employees.

The following transactions were done with the shareholder:

	2019 Ushs million	2018 Ushs million
Sale of electricity – NSSF	1,664	1,560
Social security contributions to NSSF	7,133	6,201
Dividend payment to shareholders	15,391	2,859

The following amounts were due to the shareholder as at year-end:

	2019 Ushs million	2018 Ushs million
Social security contributions payable – NSSF	847	705
Dividends approved but not yet paid	-	-

The outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables.

Directors' interests

Some directors held, directly, an interest in the Company's ordinary issued share capital as indicated in the table below:

Director	Number of shares	% of shareholding	Number of shares	% of shareholding
	2019		2018	
Selestino Babungi	3,900,000	0.24%	3,900,000	0.24%
Patrick Bitature	2,011,100	0.12%	2,011,100	0.12%
Florence N. Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Hon. Gerald Ssendaula	586,800	0.04%	586,800	0.04%

Compensation for key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel comparise of the directors and management.

	2019 Ushs million	2018 Ushs million
Directors' emoluments and expenses	3,091	3,017
Contributions to NSSF	831	352
Short term employee benefits	5,637	5,907
Long term incentive benefits and other bonuses	2,258	1,379
	11,817	**10,655**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. The non-executive directors do not receive pension entitlements from the Company.

39. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

The Company uses EBITDA as one of its alternative performance measures. For this purpose, EBITDA is determined as operating profit before amortisation, impairment of intangible assets, interest and tax as adjusted to exclude foreign exchange losses.

	2019		2018	
	Ushs million	**USD '000**	**Ushs million**	**USD '0000**
Operating profit before amortisation, impairment of intangible assets, interest and tax[1]	368,565	98,674	347,697	93,201
Foreign exchange losses	7,782	2,789	6,076	1,628
EBITDA	**376,347**	**101,463**	**353,773**	**94,829**

40. POWER SUPPLY PRICE RECONCILIATION AMOUNT

Power Supply Price (PSP) reconciliation amount and payment limitation provisions in the Power Sales Agreement for the Bulk Supply Tariff (BST) not recovered from the Retail Tariff

The PSP component of the Retail Tariff contains a quarterly adjustment factor, that is, the PSP reconciliation amount, necessary to reconcile the cumulative amounts of actual power supply costs incurred by Umeme, that is, the BST paid to UETCL, with the related revenues billed and collected by Umeme through the Retail Tariffs.

Pursuant to section 5.3 (b) of the Power Supply Agreement, "The Company's obligation to pay UETCL the Bulk Supply Tariff for purchases of bulk supply power shall be limited to the extent that the Authority has approved a contemporaneous and equivalent Bulk Supply Tariff component of the Retail Tariff recoverable by the Company pursuant to the Tariff Methodology".

The Company reconciled the cumulative amounts of actual power supply costs incurred for the period from January 2010 to October 2019 (2018: January 2010 to December 2017) against the related revenues billed and collected from customers during the same period. The outstanding claim net of the amount allowed in the current year Retail Tariffs was as follows:

	2019		2018	
	Ushs million	**USD'000**	**Ushs million**	**USD'000**
At 1 January	48,000	12,915	48,000	12,915
Increase on reconciliation	43,833	11,943	-	-
Recovered through the retail tariffs	(78,358)	(21,350)	-	-
At 31 December	**13,475**	**3,508**	**48,000**	**12,915**

This amount has not been recognized as an asset since recovery is contingent on billing the amount to customers in future in which ERA has approved that the Company should recover the amounts through the Retail Tariffs.

41. CONTINGENT LIABILITIES

a) Legal claims

The Company is a defendant in various legal actions arising in the normal course of business. The Company has been advised by its Legal Counsels that it is only possible but not probable that cases with claims amounting to Ushs 2.1 billion (2018: Ushs 1.8 billion) could be decided against the Company. Accordingly, no provision for liabilities relating to these cases has been made in these financial statements. The Company continues to defend itself against these actions and therefore it is not practical to reasonably determine the timing of the contingent liabilities.

[1] As presented in the statement of comprehensive income.

41. CONTINGENT LIABILITIES (Continued)

b) Tax disputes

Tax treatment of the Company's investments in the Distribution Network

Uganda Revenue Authority (URA) conducted a tax audit during 2018. URA noted that all investments in the Distribution Network (concession assets) accounted for under concession accounting (IFRIC 12) for the purpose of the statutory financial statements prepared in accordance with IFRS should have been treated as intangible assets on adoption of IFRIC 12 in 2008 for purposes of determining taxable income, and that the Company is not entitled to tax depreciation allowances computed on the basis that the assets are tangible assets for income tax purposes. URA did not issue a tax assessment with respect to this matter as the Company had sought Court interpretation on the same. URA, however, issued a specific assessment indicating that for the years 2013 to 2016, the Company underpaid income tax as a result of utilisation of tax losses carried forward and utilisation of tax credits on the basis of the Company's tax treatment of the assets as tangible assets for which tax depreciation allowances should considered when determining taxable income. The assessed amount was Ushs 9.2 billion and Ushs 4.2 billion as principal tax, interest and penalties arising from carrying forward tax losses and utilisation of tax credits, respectively.

The Company objected to this assessment on the following basis, which is similar to that applied in the treatment of concession assets:

- Based on the Income Tax Act, Cap 340 (ITA), URA should use specific principles of taxation for purposes of determining taxable income and not just IFRS as the sole basis for determination of taxable income.

- URA has previously provided a private ruling to another concessionaire giving them the right to claim tax depreciation allowances on concession assets. The Company's tax treatment of concession assets should be consistent with other tax payers operating under concession arrangements.

- The Company's concession agreement conferred to Umeme the right to claim capital allowances for investments in the Distribution Network.

- The tax losses and tax credits that the Company utilised are directly related to Umeme's tax treatment of its capital investments and were utilised in accordance with the ITA.

The directors believe, based on consultation with the Company's tax consultants and legal counsel, that there is a reasonably good chance that this matter will be determined in the Company's favour. The 2015 consent judgement relating to the years up to 2012 between Umeme and URA in respect to this matter did not remove the rights of either party with regards to the tax treatment of the concession assets.

Interest and penalties relating to the 2016 restatement of revenue

URA issued an assessment on the basis that the restatement of the Company's 2016 financial statements to correct the lifeline surcharge revenue meant that income tax had been understated in the respective year by Ushs 9.48 billion. Consequently, the Company was liable to late payment interest and penalties amounting to Ushs 2 billion and Ushs 1.2 billion, respectively. The Company accrued for the assessed principal tax in the 2016 restated financial statements and paid the amount to URA in 2018. The Company disputes and has objected to the interest and penalties on the following basis:

- Although the under provision of the lifeline surcharge revenue resulted in a restatement of the Company's 2016 financial statements as the Company was deemed entitled to the income for financial reporting purposes, the income relating to this under provision was not taxable in 2016 as at this time, the under recovery was not known to both the Company and ERA. The income became taxable when ERA actually included the amounts in the 2018 tariff for the Company to bill and collect. This is based on interpretation of Section 42 of the ITA as elaborated below.

41. CONTINGENT LIABILITIES (CONTINUED)

Interest and penalties relating to the 2016 restatement of revenue (Continued)

For income tax purposes, Section 42(2) of the ITA provides that:

"42. Accrual-Basis Taxpayer;

1. *A taxpayer who is accounting for tax purposes on an accrual basis –*

   a) *derives income when it is receivable by the taxpayer; and*
   b) *incurs expenditure when it is payable by the taxpayer.*

2. *Subject to the ITA, an amount is receivable by a taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by instalments."*

The directors believe, basing on consultation with the Company's tax consultants and legal counsel, that there is a reasonably good chance that this matter will be determined in the Company's favour.

42. COMMITMENTS

Minimum investment requirements

No minimum investment targets have been set for the Company for the current and future periods, but the Company is required under the Lease and Assignment Agreement to make the necessary modifications to the distribution system as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. Given the nature of the distribution system, the expected future cost of making such modifications cannot be reliably quantified. The investments made in the Distribution Network by the Company as at the reporting date are as disclosed in Notes 17 and 18.

Concession fees commitments

Future minimum concession fees payments under the concession agreements together with the present value of the minimum concession fees payments are estimated as follows:

	2019		2018	
	Minimum payments	**PV of minimum payments**	**Minimum payments**	**PV of minimum payments**
	Ushs million		**Ushs million**	
			Restated	
Within one year	-	-	-	-
After one year but not more than five years	337,292	327,570	330,989	316,888
After five years	-	-	10,583	10,186
	337,292	**327,570**	**341,572**	**327,074**
Less: Amounts representing finance charges	(9,722)		(14,498)	-
Present value (PV) of minimum concession fees payments	**327,570**	**327,570**	**327,074**	**327,074**

43. CONCESSION ARRANGEMENT

The Company signed various contracts with GOU institutions and with the shareholders on 17 May 2004 to support the 20-year concession which took effect on 1 March 2005. These agreements have since been amended a number of times. The agreements set out terms, conditions and obligations of the parties to the different contracts as follows:

Lease and Assignment Agreement (LAA)

The Company signed the Lease and Assignment Agreement with UEDCL under which:

a) The Company received “possession of the assets under the concession but not ownership” and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years on 28 February 2025, unless the contract is terminated before that date. Umeme is required to make monthly rental payments into an “Escrow Account” for the assets under concession, assigned interest and other rights equivalent to: debt service for loans of UEDCL; actual depreciation and interest expenses related to the portion of the assets under concession assets acquired on or after 1 January 2002; a maximum return on equity of 10% on the assets carrying amount effective January 2009; and administration fees. Umeme will always receive the rental payments made to UEDCL regardless of the performance of the Distribution Network assets that were taken over from UEDCL and therefore the Company does not assume any demand risk. Umeme has, in terms of the rental payments, an unconditional right to receive cash as indicated in Note 19. The right to receive cash is accounted for by the Company as a financial asset.

b) Umeme has the rights and obligation to make the necessary modifications to the distribution system as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. However, UEDCL retains title to the modifications and additions from the effective date of the modification. In order for Umeme to recover its investments in the Distribution Network and earn a return through the tariff, investments need to be pre-approved by ERA.

c) Umeme at its sole cost and expense is required to obtain and maintain insurance policies from insurers that are financially sound and commercially viable in Uganda. In the event of loss which prevents the Company from performing under the Lease and Assignment Agreement, UEDCL is named as ‘loss payee’ under all property casualty insurance procured by Umeme to cover loss or damage to the Distribution Network.

d) The agreement may be terminated either by UEDCL where the Company fails to meet its obligations or by the Company where UEDCL, UETCL or GOU fail to meet their respective obligations as specified under the original agreement or under the fourth amendment to the LAA of 28 November 2006. A buy-out amount (as defined in the agreement) is payable to the Company.

e) Umeme and UEDCL are required to agree on an agent who will be a designated bank and enter into an Escrow Agreement. The parties shall open both Ushs and USD accounts. The Company shall deposit into the Escrow Accounts all rent net of the administration fee component that will be paid directly to UEDCL. GOU and UEDCL may deposit funds into the Escrow Accounts at any time. The designated bank for the Escrow Account is Citibank London.

Support Agreement

The support agreement between Umeme and GOU and the third amendment thereto of 28 November 2006 stipulate conditions to be fulfilled before the transfer date, during the concession period and the date for handing over the Distribution Network at the end of concession term, and the obligations of the contract parties and the mechanisms for handling disputes arising during the concession. GOU undertook to use its good office, upon reasonable request from the Company, to support the Company’s performance of its obligations of managing the Distribution Network provided that this will not relieve the Company from fulfilling its obligations as defined in the agreement.

43. CONCESSION ARRANGEMENT (CONTINUED)

Power Sales Agreement (PSA)

Under the Power Sales Agreement entered into with UETCL and the third amendment thereto stipulates that:

i. The Company is required to purchase electricity declared available and delivered by UETCL. In the event the amount of electricity delivered by UETCL falls short of a pre-agreed minimum threshold, the Company is supposed to be compensated for the resultant revenue short fall as specified in the agreement.

ii. Although the Company may not purchase electricity from a third party or generate its own power without the prior consent of UETCL, it has the right, but not obligation, to do so in the event that UETCL is unable or failed to supply.

Licence for Supply and Distribution of Electricity

Umeme was granted this licence by ERA to perform the necessary activities for supply of electricity within a defined geographic area in accordance with specific licence conditions and pursuant to the Electricity Act, 1999. Umeme is required to adopt Prudent Utility Practices but taking into account the state of the Distribution Network and ERA providing the necessary regulatory mechanism and tariff methodology for the Company to meet its obligations pursuant to the various concession agreements.

Escrow Agreement

This agreement was signed on 18 February 2005 between UEDCL and Umeme to establish an “Escrow Account” with Citibank N.A., London, the appointed “Escrow Agent”. The account was opened and initially funded by UEDCL and thereafter by Umeme’s monthly deposit of rental payments due to UEDCL under the LAA. Although the escrow amount is exclusively owned by UEDCL, in combination with a “Letter of Credit” facility funded by World Bank and issued by the Escrow Agent, the escrow amount will accumulate up to a predetermined amount (“the Required Amount”) that would be used to compensate Umeme in the event of certain contingencies defined in the LAA and will also serve as security for government obligations under the Support Agreement. At the time of issuing these financial statements, the Escrow Account was depleted and had no funds.

44. RISK MANAGEMENT

Regulatory and environmental risks

The Company is subject to laws and regulations in various jurisdictions in which it operates. The Company has established regulatory and environmental policies and procedures to comply with the applicable laws and regulations.

Financial risks

The Company’s financial instruments comprise the items disclosed in Note 36. The main purpose of the financial liabilities is to finance the Company’s operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company’s senior management oversees the management of these risks. The Company’s senior management is supported by a risk function that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk function provides assurance to the Company’s senior management that the Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and currency risk. The Company has no exposure to price risk as it holds no price sensitive financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2019 and 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and proportion of financial instruments in foreign currencies are all constant at the reference dates. The analyses exclude the impact of movements in market variables on non-financial instruments like statutory liabilities and assets, provisions and prepayments.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the profit or loss is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2019 and 2018.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages interest rate risk by having a balanced portfolio of fixed and variable rate debt obligations. The Company's goal is to ensure that 50% of the debt obligations are at fixed rates. To manage this, the Company may consider entering into interest rate swap arrangements, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

As at 31 December 2016, USD 95 million of the Company's term borrowing facilities (A and B) were fixed by interest rate swaps. The swaps expired at mid-night on 31 December 2016 have not been renewal since then . No hedging instruments were in place in respect to Facilities C and D as of year-end. The Company is assessing the viability of entering into appropriate hedging arrangements.

The Company's term borrowings and revolving credit facilities carry variable interest rates. The Company also has interest bearing bank demand deposits, but these do not present a material interest rate risk exposure to the Company given the low interest rates offered by the banks for such deposits.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Market risk **(continued)**

Interest rate risk (Continued)

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. All amounts are in Ushs million.

At 31 December 2019	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Financial assets						
Buy out amount	-	-	-	668,073	187,424	855,497
Concession financial asset	-	-	327,570	-	-	327,570
Trade and other receivables	-	-	-	-	216,329	216,329
Bank balances	99,196	-	-	-	-	99,196
	99,196	-	327,570	668,073	403,753	1,498,592
Financial liabilities						
Borrowings	-	128,477	428,457	-	-	556,934
Concession obligation	-	-	327,570	-	-	327,570
Customer security deposits	-	492	-	-	-	492
Accrued expenses	-	-	-	-	15,704	15,704
Trade and other payables	-	-	-	-	422,442	422,442
Bank overdrafts	46,340	-	-	-	-	46,340
	46,340	128,969	756,027	-	438,146	1,369,482
Net exposure	**52,856**	**(128,969)**	**(428,457)**	**668,073**		

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Interest rate risk (Continued)

At 31 December 2018	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Financial assets						
Buy out amount	-	-	-	498,490	180,527	679,017
Concession financial asset	-	-	316,891	10,183	-	327,074
Trade and other receivables	-	-	-	-	199,702	199,702
Bank balances	21,208	-	-	-	-	21,208
	21,208	-	316,891	508,673	380,229	1,227,001
Financial liabilities						
Borrowings	-	185,335	343,200	-	-	528,535
Concession obligation	-	-	316,891	10,183	-	327,074
Customer security deposits	-	791	-	-	-	791
Accrued expenses	-	-	-	-	30,161	30,161
Trade and other payables	-	-	-	-	381,497	381,497
Bank overdrafts	39,129	-	-	-	-	39,129
	39,129	186,126	660,091	10,183	411,658	1,307,187
Net exposure	**(17,921)**	**(186,126)**	**(343,200)**	**498,490**		

The interest rate risk exposure arising, assuming an increase/decrease in interest rates by 3%, is a decrease/increase in profit before tax and equity of Ushs 1,106 million (2018: Ushs 450 million) and Ushs 774 million (2018: Ushs 521 million), respectively.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Market risk **(continued)**

Foreign exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's activities when revenue or expenses are denominated in a currency different from the Company's functional currency, which is USD. The Company's operations are only in Uganda and the main income from power sales is billed in Ushs although most of the inputs into the underlying tariff methodology are USD based. The significant costs for equipment and material purchases are denominated in foreign currencies. A significant portion of the Company's borrowings is in USD. Foreign exchange spot rates are negotiated with banks on a competitive basis.

The table below summarises the Company's potential exposure to foreign currency exchange rate risk as at 31 December 2019 and 31 December 2018. The table includes only financial instruments. The Company is not exposed to foreign currency risk on amounts denominated in USD as this is the Company's functional currency. The amounts denominated in USD are indicated in the table below for information. All amounts presented are in Ushs million.

At 31 December 2019	**USD**	**GBP**	**EURO**	**ZAR**	**KES**	**Ushs**	**Total**
Financial assets							
Buy out amount	855,497	-	-	-	-	-	855,497
Concession financial asset	327,570	-	-	-	-	-	327,570
Trade and other receivables	56,591	-	-	-	-	159,738	216,329
Bank balances	79,228	-	-	-	-	19,968	99,196
Total financial assets	**1,318,886**	**-**	**-**	**-**	**-**	**179,706**	**1,498,592**
Financial liabilities							
Borrowings	556,934	-	-	-	-	-	556,934
Concession obligation	327,570	-	-	-	-	-	327,570
Customer security deposits	-	-	-	-	-	492	492
Accrued expenses	-	-	-	-	-	15,704	15,704
Trade and other payables	111,692	68	510	5	-	310,167	422,442
Bank overdrafts	3,060	-	-	-	-	43,280	46,340
Total financial liabilities	**999,256**	**68**	**510**	**5**	**-**	**369,643**	**1,369,482**
Net open position		**(68)**	**(510)**	**(5)**	**-**	**(189,937)**	

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Market risk **(continued)**

Foreign exchange risk (Continued)

	USD	GBP	EURO	ZAR	KES	Ushs	Total
At 31 December 2018							
Financial assets							
Buy out amount	679,017	-	-	-	-	-	679,017
Concession financial asset	327,074	-	-	-	-	-	327,074
Trade and other receivables	39,056	-	-	-	-	160,646	199,702
Bank balances	1,904	-	-	-		19,304	21,208
Total financial assets	**1,047,051**	**-**	**-**	**-**	**-**	**179,950**	**1,227,001**
Financial liabilities							
Borrowings	528,535	-	-	-	-	-	528,535
Concession obligation	327,074	-	-	-	-	-	327,074
Customer security deposits	-	-	-	-	-	791	791
Accrued expenses	-					30,161	30,161
Trade and other payables	78,273	1,568	296	244	29	301,087	381,497
Bank overdrafts	25,873	-	-	-		13,256	39,129
Total financial liabilities	**959,755**	**1,568**	**296**	**244**	**29**	**345,295**	**1,307,187**
Net open position		**(1,568)**	**(296)**	**(244)**	**(29)**	**(165,345)**	

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Foreign exchange risk (Continued)

The sensitivity to a reasonably possible change in the USD to Ushs exchange rate, with all other variables held constant, is indicated in the table below. The impact on the Company's profit before tax and equity is due to changes in the fair value of monetary assets and liabilities.

	Change in USD to Ushs rate	Effect on profit before tax	Effect on equity
		Ushs million	Ushs million
2019	+5%	9,497	6,648
	-5%	(9,497)	(6,648)
2018	+5%	8,267	5,787
	-5%	(8,267)	(5,787)

The applicable USD to Ushs exchange rates were as follows:

	2019	2018
Closing foreign exchange rate	3,670.21	3,716.75
Average foreign exchange rate	3,709.43	3,732.35

Movements in the foreign exchange rates for the other currencies do not have a material impact on the Company's results.

The Company's exposure to foreign exchange risk is mitigated through a provision in the tariff methodology that allows for adjustment for foreign exchange rate movements on a quarterly basis for the Company's revenue requirements denominated in USD. The components include return on investment and related tax allowance, capital recovery and USD denominated operating costs. The Company's capital investments are also denominated in USD, and the annual capital recovery is translated to Ushs on quarterly basis per the ruling exchange rate. As such, the impact of variations in foreign exchange rates on the results and equity of the Company are minimal, as there is a foreign exchange hedge through the tariff mechanism, subject to the USD denominated liabilities being lower than the USD revenue streams and quarterly lag in exchange rate adjustments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Company is exposed to credit risk from its operating activities, mostly trade receivables, and from its financing activities, including deposits with banks and other financial instruments.

Credit risk arising from balances with banks is managed by the Company's treasury department in accordance with the Company's policy of limiting exposure to any one bank and banking with reasonably rated regulated banks as approved by the Board of Directors.

Customer credit risk from trade receivables is managed by the Company's revenue cycle unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Major suppliers are approved following specific eligibility criteria and provide performance guarantees or enter into Letter of Credit contracts to mitigate credit risk relating to advance payments to suppliers. Customers are required to pay security deposits, equivalent to estimated energy consumption of three months, before being connected to the Distribution Network.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Unpaid amounts due from GOU bodies are recoverable through contractual rights in the concession agreements. 85.2% (2018: 80.7%) of the domestic customers are connected to pre-paid metering and there is a target uncollected debt provision in the tariff methodology to mitigate against unrecoverable receivables. The maximum exposure to credit risk and credit concentration as represented by the carrying amount of each class of financial assets before considering collateral or other credit enhancements held by the Company was as indicated below:

	2019		2018	
	Ushs million	**%**	**Ushs million**	**%**
Buy out amount	855,497	57.1%	679,017	55.3%
Concession financial asset	327,570	21.9%	327,074	26.7%
Trade receivables	157,985	10.5%	150,997	12.3%
Letters of credit – cash cover	1,072	0.1%	1,085	0.1%
Lifeline surcharge revenue receivable	-	-	13,521	1.1%
Other receivables	1,831	0.1%	9,651	0.8%
MEMD - Peri Urban Development project	2,378	0.2%	2,410	0.2%
REA – OBA receivables	14,063	0.9%	22,038	1.8%
REA - ECP	39,000	2.6%	-	0.0%
Bank balances	99,196	6.6%	21,208	1.7%
Total financial assets	**1,498,592**	**100.0%**	**1,227,001**	**100.0%**

The concentration of credit risk is further analysed as follows:

	2019		2018	
	Ushs million	**%**	**Ushs million**	**%**
Due from GOU bodies				
Buy out amount	855,497	57.1%	679,017	55.3%
Concession financial asset	327,570	21.9%	327,074	26.7%
REA	53,063	3.5%	22,038	1.8%
MEMD	2,378	0.2%	2,410	0.2%
Trade receivables - GoU bodies	3,332	0.2%	2,221	0.2%
	1,241,840	**82.9%**	**1,032,760**	**84.2%**
Recoverable from other customers				
Trade receivables - other customers	154,653	10.3%	148,776	12.1%
Other receivables	1,831	0.1%	9,651	0.8%
Lifeline surcharge revenue receivable	-	-	13,521	1.1%
	156,484	**10.4%**	**171,948**	**14.0%**
Due from banks				
Letters of credit – cash cover	1,072	0.1%	1,085	0.1%
Bank balances	99,196	6.6%	21,208	1.7%
	100,268	**6.7%**	**22,293**	**1.8%**
Total financial assets	**1,498,592**	**100.0%**	**1,227,001**	**100.0%**

Except for the customer security deposits as disclosed in Note 30, the Company does not hold collateral as security against the above amounts. The concession agreements have additional comprehensive mechanisms to mitigate against performance failures of contract parties including GOU bodies. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located all over the country and in different industries.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Expected credit losses for trade receivables are determined for each reporting period using a single loss rate approach. Under the loss rate approach, the Company develops loss-rate statistics based on the amounts collected over the life of the financial assets rather than using separate probability of default and loss given default statistics. The Company then adjusts these historical credit loss trends for current conditions and expectations about the future. The loss rates are based on the respective tariff categories. The calculation reflects a simple average of all loss rates per period, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company uses an overlay of measuring and forecasting the level of defaults. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Company does not hold collateral as security.

The expected credit losses for the other financial assets are generally determined using expected credit loss rates derived from the prevailing credit ratings of the counter parties. The determination of expected credit losses reflects the probability-weighted outcome, time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and expected future economic conditions. No other financial assets were considered to be in default (2018: None).

Set out below is the credit risk exposure arising from the Company's trade receivables using a single loss rate approach:

	2019			
	Gross receivable Ushs million	**Loss rates**	**ECL Ushs million**	**Carrying amount Ushs million**
Trade receivables				
Domestic	26,490	5.1%	(1,339)	25,151
Commercial	26,849	1.5%	(403)	26,446
Industrial – High Voltage	45,838	2.8%	(1,283)	44,555
Industrial – Low Voltage	36,714	3.6%	(1,322)	35,392
Industrial - EV	24,100	5.6%	(1,341)	22,759
Street lightening	412	15.4%	(64)	348
Government of Uganda	3,334	0.0%	-	3,334
Impaired receivables	35,688	100%	(35,688)	-
	199,425		**(41,440)**	**157,985**
Other financial assets				
REA - ECP receivables	39,000	0.00%	-	39,000
REA - OBA receivables	14,141	0.55%	(78)	14,063
MEMD – Peri-Urban development project	2,378	0.00%	-	2,378
Letters of credit – cash cover	1,072	0.00%	-	1,072
Other receivables	1,831	0.00%	-	1,831
Bank balances	99,196	0.00%	-	99,196
Concession financial asset	327,570	0.00%	-	327,570
Buy out amount	855,853	0.042%	(356)	855,497
	1,341,041		**(434)**	**1,340,607**
Total financial assets	**1,540,466**		**(41,874)**	**1,498,592**

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

	2018			
	Gross receivable Ushs million	**Loss rates**	**ECL Ushs million**	**Carrying amount Ushs million**
Trade receivables				
Domestic	26,490	4.8%	(1,272)	25,218
Commercial	21,566	1.9%	(410)	21,156
Industrial – High Voltage	45,838	4.9%	(2,246)	43,592
Industrial – Low Voltage	36,714	3.3%	(1,212)	35,502
Industrial - EV	24,100	4.9%	(1,181)	22,919
Street lightening	483	19.3%	(93)	390
Government of Uganda	2,221	0.05%	(1)	2,220
Impaired receivables	58,063	100%	(58,063)	-
	215,475		**(64,478)**	**150,997**
Other financial assets				
REA - OBA receivables	22,040	0.009%	(2)	22,038
MEMD - Peri Urban development project	2,410	0.00%	-	2,410
Life line surcharge	13,521			13,521
Letters of credit – cash cover	1,085	0.00%	-	1,085
Other receivables	9,651	0.00%	-	9,651
Bank balances	21,208	0.00%	-	21,208
Concession financial asset	327,074	0.00%	-	327,074
Buy out amount	679,378	0.05%	(361)	679,017
	1,076,367		**(363)**	**1,076,004**
Total financial assets	**1,291,842**		**(64,841)**	**1,227,001**

Trade receivables past due by more than 90 days are considered to be impaired. There were no other financial assets that were past due or impaired.

Liquidity risk

The Company monitors the risk of shortage of funds using budget analysis. This involves analysing maturities of financial liabilities and financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, equity and cash collections from customers.

The primary objective of the Company's liquidity management is to ensure that it maintains compliance with lenders' and creditor commitments and obligations. To maintain or adjust the liquidity position, the Company may call for more capital from shareholders, get/draw from financing facilities or adjust the timing of capital expenditure and / or repayments to creditors, as appropriate. The Company assessed that the concentration of risk with respect to refinancing the outstanding debts is low. The Company has access to a sufficient variety of sources of funding, including the approved undrawn borrowing and working capital facilities disclosed in Note 27.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

44. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Liquidity risk (Continued)

Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of creditors and lenders. Identified concentrations of liquidity risk are controlled and managed accordingly.

The table below summarises the maturity profile of the Company's liabilities based on contractual undiscounted payments. All balances are in Ushs million.

Financial liabilities	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
At 31 December 2019						
Borrowings	-	-	171,617	588,938	-	760,555
Concession obligation	-	-	-	337,292	-	337,292
Customer security deposits	492	-	-	-	-	492
Accrued expenses	-	15,704	-	-	-	15,704
Trade and other payables	336,884	85,558	-	-	-	422,442
Bank overdrafts	46,340	-	-	-	-	46,340
	383,716	**101,262**	**171,617**	**926,230**	**-**	**1,582,825**
At 31 December 2018						
Borrowings	-	-	219,500	393,997	-	613,497
Concession obligation	-	-	-	330,992	10,580	341,572
Customer security deposits	791 -	-	-	-	-	791
Accrued expenses	-	30,161	-	-	-	30,161
Trade and other payables	139,065	242,432	-	-	-	381,497
Bank overdrafts	39,129	-	-	-	-	39,129
	178,985	**272,593**	**219,500**	**724,989**	**10,580**	**1,406,647**

41% of the Company's financial liabilities will mature in less than one year after 31 December 2019 (2018: 48%) based on the undiscounted cash flows above.

Fair value measurement

The Company has no assets and liabilities for which the carrying amount is based on fair value. For fair value disclosure purposes, management has evaluated that, except for the assets and liabilities presented in the table below, the fair values of the Company's financial assets and liabilities reasonably approximate their carrying amounts due to the short-term maturities of the financial instruments or because the interest rates applicable to long-term financial instruments approximate the prevailing market interest rates.

	2019		2018	
	Carrying amount Ushs million	Fair value Ushs million	Carrying amount Ushs million	Fair value Ushs million
Other financial asset	749,074	1,407,853	679,017	1,358,561
Concession financial asset	327,570	325,969	327,074	326,894
Concession obligation	327,570	325,969	327,074	326,894

44. RISK MANAGEMENT (CONTINUED)

Fair value measurement (Continued)

The fair value of the above instruments is determined using the discounting of cash flows method by applying discount rates that reflect directly or indirectly observable market interest rates for similar instruments. The instruments are therefore categorised under Level 2 of the fair value measurement hierarchy. There were no transfers into and out of this fair value measurement hierarchy.

The own non-performance risk regarding the financial liabilities was assessed to be insignificant.

The significant inputs used in the fair value measurements together with a quantitative sensitivity analysis are shown below:

Item	Inputs	Inputs applied		Sensitivity of input to fair value		
		2019	2018	Change in input	2019	2018
					Ushs million	
Other financial asset	USD equivalent market yield on GOU treasury bonds with similar term	7.83%	17.0%	+-0.1%	5,101	5,600
Concession financial asset	Market interest rate for term loans with similar term	6.29%	7.83%	+-0.1%	16	161
Concession obligation		6.29%	7.83%	+-0.1%	16	161

Capital management

The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is computed as net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing borrowings less cash and cash equivalents. For the purpose of managing capital, management considers capital to include issued capital, share premium, retained earnings and other equity reserves attributable to the equity holders of the Company. The Company aims to maintain a gearing ratio of less than 100%. The Company's gearing ratio as at year-end was as shown below:

	Note	2019 Ushs million	2018 Ushs million Restated
Borrowings	27	556,934	528,535
Less: Cash and cash equivalents	35	(52,364)	18,712
Net debt		**504,570**	**547,247**
Issued capital	24	27,748	27,748
Share premium	25	70,292	70,292
Retained earnings		546,030	473,294
Translation reserve		189,450	202,502
Total capital		**833,520**	**773,836**
Net debt plus capital		**1,338,090**	**1,321,083**
Gearing ratio		**37.7%**	**41.4%**

44. RISK MANAGEMENT (CONTINUED)

Capital management (continued)

The Company's management also aims to ensure that financial covenants attached to the interest-bearing borrowings that define capital structure requirements are met. Breach of the financial covenants would permit the lenders to institute sanctions stipulated in the borrowing agreement. There was no breach of the financial covenants attached to the interest-bearing borrowings during the year and as of year-end as indicated below:

Financial covenant	Covenant requirement	Actual 2019	Actual 2018
Interest cover	≥ 2.5 : 1	5.97	5.78
Adjusted leverage	≤ 3.0 : 1	1.35	1.50
Relevant financial indebtedness to equity	≤ 2.5 : 1	0.74	0.75
Debt service cover	≥ 1.15 : 1	1.47	1.36
Buy out amount to relevant facility amount	≥ 1.1 : 1	2.51	2.85

- Interest cover is the ratio of EBITDA over total interest less amortization of deferred finance costs
- Adjusted leverage is the ratio of net debt over EBITDA
- Relevant financial indebtedness to equity is the ratio of total debt over total equity
- Debt service cover is the ratio of the cash flows available for debt service over the debt service costs
- Buy out amount to relevant facility amount is the ratio of the buy out amount over the total amount of facilities.

No changes were made in the objectives, policies or processes for managing capital during the current and prior years.

45. IMPACT OF INITIAL APPLICATION OF IFRS 9

The Company implemented IFRS 9 Financial Instruments effective 1 January 2018. The impact of applying this standard on retained earnings was as follows:

	Note	Ushs million
Increase in expected credit losses on:		
Buy out amount	18	250
Trade receivables	22	4,200
Lifeline surcharge revenue receivable	22	52
REA -OBA/ECP receivables	22	2
Due from customer capital contributions	22	6
VAT recoverable		6
Total increase in expected credit losses		**4,516**
Less: Deferred tax credit	15(c)	(1,355)
Net charge to retained earnings		**3,161**

46. SEGMENT INFORMATION

The Company is organised into one single business unit for management purposes. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the financial statements.

The Company's operations are restricted to distribution of electricity to consumers in Uganda. No single customer contributes revenue amounting to more than 10% of the Company's revenue. All the Company's assets are located in Uganda.

The Company's core business activities are electricity distribution, electricity supply and service after sales. Electricity distribution entails operation, maintenance and upgrading of the electricity distribution network not exceeding 33 Kilovolts (KV) within the authorised territory in Uganda. Electricity supply and service after sales entails connection of new customers, meter reading, billing customers, revenue collection, addressing customer queries, restoration of power interruptions, general customer care, customer sensitisation on energy efficiency and marketing available power to customers. The revenue from these business activities is categorised into energy sales (billings to customers), construction revenue and other operating income as presented in Notes 6.

The Company's customers are categorised into domestic, commercial, medium industrial, large industrial and street lighting. The retail tariff rates are based on the type of customer category and generally charged based on relative usage levels plus a fixed monthly service charge. The revenue generated from each of the customer categories is presented in Note 6.

The Company submits its base tariff application to ERA once each year, including the fixed targets and updates for actual performance. The base retail tariffs are set annually from January and are adjusted quarterly for changes in foreign exchange rates, oil prices and inflation. Refer to ERA website - **www.era.or.ug**, for the quarterly retail tariffs applicable during the year.

The base retail tariffs approved by ERA, effective as of 1 January, are shown in the table below:

46. SEGMENT INFORMATION (CONTINUED)

Customer segment	Description	Based on usage			Fixed monthly charge	
		Usage	Ushs/kWh		Ushs	
			2019	2018	2019	2018
Domestic consumers	Low voltage supply at 240 volts to residential houses, small shops and kiosks	Lifeline charge applicable for the first 15 units consumed in a month	250	250	3,360	3,360
		Energy above 15 units (Ushs/kWh)	769.0	769.5		
Commercial	Low voltage supply to three phase low voltage with load not exceeding 100 Amperes and supplied at 415 volts e.g., small scale industries like maize mills	Peak, shoulder and off peak	684.8	686.1	3,360	3,360
Medium industrial	Low voltage supply to medium scale industries, taking power at low voltage (415 V), with maximum demand of up to 500kVA	Peak, shoulder and off peak	613.2	614.4	22,400	22,400
Large industrial	High voltage supply to large scale industrial users, taking power at high voltage (11,000 or 33,000 V), with maximum demand exceeding 500kVA but up to 1,500kVA	Peak, shoulder and off peak Additional maximum demand charge	377.7	382	70,000	70,000
Extra-large industrial consumers	High voltage 11,000V or 33,000V, with maximum demand exceeding 1,500kVA and dealing in manufacturing	Peak, shoulder and off peak Additional maximum demand charge	311.9	312.5	70,000	70,000
Street lighting	Supply for street lighting in cities, municipalities, towns, trading centres and community centres	Average	751.1	752.2	-	-

47. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors have assessed that, at the time of issuing these financial statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Company. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in these financial statements.

There were no other events after the reporting period which require adjustment to or disclosure in the financial statements.

48. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

Adjustments and reclassifications have been made to correct the balances reported in the prior year financial statements as follows:

Nature of adjustment/reclassification	2018 Ushs million	2017 Ushs million
Correct overstatement of the concession financial asset and obligation	108,217	80,128
Correct overstatement of the finance income on the concession financial asset and finance cost on the concession obligation	26,556	-
Expense the amounts recorded as income tax recoverable assets but related to incurred income tax liabilities	13,677	4,196
Recognise unrecorded income tax liability	-	9,482
Correct overstatement of deferred tax liability and understatement of the translation reserve	44,690	40,102
Correct understatement of the translation reserve	44,690	40,102
Correct understatement of the translation differences recognised in OCI	4,588	-
Reclassify amounts recoverable under the peri-urban development project from contract liabilities to trade and other receivables	2,410	-
Reclassify advance payments by customers from trade and other payables to contract liabilities	6,066	-
Reclassify costs incurred on ECP connections but not yet approved for billing by year-end from trade and other receivables (other receivables) to contract assets	2,202	-
Reclassify interim dividend proposed but not approved by the shareholders and not paid by year-end from trade and other payables to retained earnings	20,623	-
Reclassification of the increase in expected credit losses from administration expenses to a separate line item	6,686	-

The impact of the of the adjustments and reclassifications on the prior year financial statements was follows:

48. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

Statement of profit or loss

	Notes	Year ended 31 December 2018 As previously stated	Adjustment Ushs million	As restated
Administrative expenses	9	(179,941)	6,686	(173,255)
Increase in expected credit losses	10	-	(6,686)	(6,686)
Finance income	12	43,845	(26,556)	17,289
Finance costs	13	(92,516)	26,556	(65,960)
Profit for the year		**132,815**	**-**	**132,815**

Statement of comprehensive income

	Year ended 31 December 2018 As previously stated	Adjustment Ushs million	As restated
Profit for the year	**132,815**		**132,815**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Differences on translation from functional currency to presentation currency	**7,841**	4,588	**12,429**
Total comprehensive income for the year, net of tax	**140,656**	**4,588**	**145,244**

48. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (Continued)

Statement of financial position

	Notes	At 31 December 2018 As previously stated	At 31 December 2018 Adjustment	At 31 December 2018 As restated	At 1 January 2018 As previously stated	At 1 January 2018 Adjustment	At 1 January 2018 As restated
			Ushs million			Ushs million	
ASSETS							
Non-current assets							
Concession financial asset	19	435,291	(108,217)	327,074	394,985	(80,128)	314,857
Total non-current assets		**2,126,039**	**(108,217)**	**2,017,821**	**1,918,553**	**(80,128)**	**1,838,425**
Current assets							
Contract assets	21	4,542	2,202	6,744	12,461		12,461
Current income tax recoverable	15(b)	18,357	(13,677)	4,680	8,123	(13,677)	-
Trade and other receivables	22	199,496	208	199,704	317,392		317,392
Total current assets		**337,604**	**(11,267)**	**326,337**	**430,880**	**(13,677)**	**422,757**
TOTAL ASSETS		**2,463,643**	**(119,484)**	**2,344,158**	**2,349,433**	**(93,805)**	**2,261,182**
EQUITY AND LIABILITIES							
Equity							
Retained earnings		466,348	6,946	473,294	369,658	(13,677)	355,981
Translation reserve		157,812	44,690	202,502	149,971	40,102	190,073
Total equity		**722,200**	**51,636**	**773,836**	**617,669**	**26,425**	**644,094**
Non-current liabilities							
Concession obligation	28	435,291	(108,217)	327,074	394,985	(80,128)	314,857
Deferred tax liability	15(c)	207,372	(44,690)	162,682	160,859	(40,102)	120,757
Total non-current liabilities		**985,863**	**(152,907)**	**832,956**	**1,016,804**	**(120,230)**	**896,574**
Current liabilities							
Contract liabilities	31	78,887	8,476	87,363	37,768		37,768
Trade and other payables	33	414,311	(26,689)	387,622	409,164		409,164
Total current liabilities		**755,579**	**(18,213)**	**737,366**	**714,960**	**-**	**720,514**
TOTAL EQUITY AND LIABILITIES		**2,463,642**	**(119,484)**	**2,344,158**	**2,349,433**	**(93,805)**	**2,261,182**

48. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (Continued)

Statement of cash flows

		Year ended 31 December 2018		
	Notes	**As previously stated**	**Adjustment Ushs million**	**Restated**
Profit before tax		195,085		195,085
Finance income on concession financial asset	12	(32,386)	26,556	(5,830)
Finance cost on concession obligation	13	32,386	(26,556)	5,830
Expected credit losses on other financial asset	18	361	(250)	111
Expected credit losses on trade and other receivables	22	-	6,686	6,686
Cash flows before working capital changes		**341,811**	**6,436**	**348,247**
Changes in working capital items:				
Decrease in contract assets		7,919	(2,202)	5,717
Decrease in trade and other receivables		113,696	(6,644)	107,052
Increase in contract liabilities		41,119	8,476	49,595
Decrease in trade and other payables		(15,475)	(6,066)	(21,541)
Cash generated from operating activities		**477,652**	**-**	**477,652**

The following adjustments have been made to correct the disclosures in Note 42.

	Ushs million					
	As previously stated		**Adjustment**		**As restated**	
	Minimum payments	**PV of minimum payments**	**Minimum payments**	**PV of minimum payments**	**Minimum payments**	**PV of minimum payments**
Within one year	-	-	-	-	-	-
After one year but not more than five years	102,105	119,262	228,884	197,626	330,989	316,888
After five years	333,186	1,607	(322,603)	8,579	10,583	10,186
	435,291	**120,869**	**(93,719)**	**206,205**	**341,572**	**327,074**
Less: Finance charges	(314,422)	-	299,924	-	(14,498)	-
PV of minimum rental payments	**120,869**	**120,869**	**206,205**	**206,205**	**327,074**	**327,074**

CONCESSION ASSETS: UMEME FUNDED ASSETS

The carrying amount of the tangible assets that form the basis of the Company's 'Other concession rights' presented in Note 17 is made up of the following:

	Substations, low voltage lines & services Ushs million	Land & buildings Ushs million	Furniture & fittings, tools & office equipment Ushs million	Computers, communication equipment & MIS Ushs million	Motor vehicles Ushs million	Capital work-in-progress (CWIP) Ushs million	Total Ushs million
At 1 January 2018	**1,219,228**	**18,048**	**21,655**	**56,727**	**23,184**	**115,758**	**1,454,600**
Additions	-	-	-	-	-	230,600	230,600
Transfer from CWIP	209,927	122	2,794	837	16	(213,696)	-
Disposals	(13,318)	(6)	(83)	(3)	(31)	-	(13,440)
Transfer to financial asset	(159,144)	-	-	-	-	-	(159,144)
Translation difference	24,736	293	502	1,151	473	2,294	29,449
At 31 December 2018	**1,281,429**	**18,457**	**24,869**	**58,712**	**23,642**	**134,956**	**1,542,065**
Additions	-	-	-	-	-	104,817	104,817
Transfer from CWIP	142,804	46	3,228	1,348	52	(147,478)	-
Disposals	(4,679)	-	(1,351)	-	(1,353)	-	(7,383)
Transfer to financial asset	(174,291)	-	-	-	-	-	(174,291)
Translation difference	5,812	(1,497)	(1,200)	(4,718)	(3,457)	(13,436)	(18,496)
At 31 December 2019	**1,251,075**	**17,006**	**25,546**	**55,342**	**18,884**	**78,859**	**1,446,712**
Depreciation							
At 1 January 2018	**334,812**	**4,572**	**17,662**	**52,469**	**22,712**	-	**432,227**
Charge for the year	89,501	640	1,564	1,050	3	-	92,758
Disposals	(1,760)	-	-	-	-	-	(1,760)
Translation difference	5,359	114	560	1,689	700	-	8,422
At 31 December 2018	**427,912**	**5,326**	**19,786**	**55,208**	**23,415**	**-**	**531,647**
Charge for the year	114,677	761	2,729	1,715	29	-	119,911
Disposals	(1,811)	-	(1,260)	-	(1,353)	-	(4,424)
Translation difference	1,879	(138)	(1,285)	(5,098)	(3,254)	-	(7,896)
At 31 December 2019	**542,657**	**5,949**	**19,970**	**51,825**	**18,837**	**-**	**639,238**
Net carrying amount							
At 31 December 2019	**708,418**	**11,057**	**5,576**	**3,517**	**47**	**78,859**	**807,474**
At 31 December 2018	**853,517**	**13,131**	**5,083**	**3,504**	**227**	**134,956**	**1,010,418**

MEMORANDUM FINANCIAL INFORMATION IN USD FOR THE YEAR ENDED 31 DECEMBER 2019

BASIS OF TRANSLATION

The directors determined that the Company's functional currency is USD effective from 1 January 2015. The statutory financial statements are presented in Ushs to meet the expectations of the key users of the financial statements. However, to meet the needs of certain users of the financial statements, memorandum financial information in USD is presented. The memorandum financial information comprises the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows.

The translation from foreign currencies to functional currency is done in accordance with the Company's accounting policy as disclosed in Note 2 (b) to the audited financial statements. The foreign exchange rates applicable were as follows:

	2019	**2018**	**2017**
Average foreign exchange rate	3,709	3,732	3,616
Year-end foreign exchange rate	3,670	3,717	3,642
Source: Bank of Uganda			

The comparative memorandum financial information has been restated as follows:

Nature of adjustment/reclassification	**2018** **USD '000**	**2017** **USD '000**
Correct overstatement of the concession financial asset and obligation	29,116	22,001
Correct overstatement of the finance income on the concession financial asset and finance cost on the concession obligation	7,115	-
Expense the amounts recorded as income tax recoverable assets but related to incurred income tax liabilities	3,680	1,152
Recognise unrecorded income tax liability	-	2,528
Correct overstatement of deferred tax liability and understatement of the translation reserve	12,024	10,503
Correct understatement of the translation reserve	10,636	9,115
Correct understatement of retained earnings	1,388	1,388
Correct understatement of the translation differences recognised in OCI	1,521	-
Reclassify amounts recoverable under the peri-urban development project from contract liabilities to trade and other receivables	648	-
Reclassify advance payments by customers from trade and other payables to contract liabilities	1,632	-
Reclassify costs incurred on ECP connections but not yet approved for billing by year-end from trade and other receivables (other receivables) to contract assets	593	-
Reclassify interim dividend proposed but not approved by the shareholders and not paid by year-end from trade and other payables to retained earnings	5,507	-
Reclassification of the increase in expected credit losses from administration expenses to a separate line item	1,753	-

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 USD '000	2018 USD '000 Restated[1]
Revenue from contracts with customers	478,947	400,297
Cost of sales	(318,781)	(244,610)
GROSS PROFIT	**160,166**	**155,687**
Repair and maintenance expenses	(8,333)	(12,244)
Administration expenses	(49,329)	(46,386)
Foreign exchange losses	(2,789)	(1,628)
Other expenses	-	(475)
Increase in expected credit losses	(1,041)	(1,753)
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX	**98,674**	**93,201**
Amortisation of intangible assets	(33,157)	(27,822)
OPERATING PROFIT	**65,517**	**65,379**
Finance income	4,755	4,596
Finance costs	(15,866)	(17,670)
PROFIT BEFORE TAX	**54,406**	**52,305**
Income tax expense	(17,578)	(16,515)
PROFIT FOR THE YEAR	**36,828**	**35,790**
Other comprehensive income		
Translation differences	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**36,828**	**35,790**

	2019 USD	2018 USD
BASIC AND DILUTED EARNINGS PER SHARE	**0.023**	**0.022**

[1]*Certain amounts shown here do not correspond to the 2018 memorandum financial information and reflect adjustments made.*

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019 USD '000	2018 USD '000 Restated[1]
ASSETS		
Non-current assets		
Intangible assets	220,323	272,209
Other financial asset	233,092	182,691
Concession financial asset	89,251	88,000
	542,666	**542,900**
Current assets		
Inventories	19,012	17,395
Contract assets	23,218	1,815
Current income tax recoverable	3,018	1,258
Trade and other receivables	58,936	53,730
Prepayments	18,664	7,895
Bank balances	27,027	5,706
	149,875	**87,799**
TOTAL ASSETS	**692,541**	**630,699**
EQUITY AND LIABILITIES		
Equity		
Issued capital	8,217	8,217
Share premium	20,815	20,815
Retained earnings	198,071	179,127
	227,103	**208,159**
Non-current liabilities		
Borrowings: Non-current portion	116,739	92,339
Concession obligation	89,251	88,000
Long term incentive plan	236	-
Deferred tax liability	53,255	43,770
	259,481	**224,109**
Current liabilities		
Borrowings: Current portion	35,005	49,865
Customer security deposits	134	214
Contract liabilities	37,626	23,504
Long term incentive plan	-	1,874
Accrued expenses	4,279	8,115
Provisions	359	-
Trade and other payables	115,928	104,331
Bank overdrafts	12,626	10,528
	205,957	**198,431**
TOTAL EQUITY AND LIABILITIES	**692,541**	**630,699**

[1]*Certain amounts shown here do not correspond to the 2018 memorandum financial information and reflect adjustments made.*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Issued capital USD '000	Share premium USD '000	Retained earnings USD '000	Translation reserve USD '000	Total equity USD '000
			Restated[1]	Restated[1]	Restated[1]
At 1 January 2018	8,217	20,815	149,661	(9,115)	169,578
Prior year adjustment	-	-	(2,292)	9,115	6,823
At 1 January 2018 – Restated before IFRS 9 impact	8,217	20,815	147,369	-	176,401
Impact of initial application of IFRS 9 (net of tax)	-	-	(822)	-	(822)
At 1 January 2018 – Restated	**8,217**	**20,815**	**146,547**	**-**	**175,579**
Profit for the year	-	-	35,790	-	35,790
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**35,790**	**-**	**35,790**
Dividend paid - 2017 final dividend	-	-	(3,210)	-	(3,210)
At 31 December 2018	**8,217**	**20,815**	**179,127**	**-**	**208,159**
At 1 January 2019	8,217	20,815	179,127	-	208,159
Profit for the year	-	-	36,828	-	36,828
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**36,828**	**-**	**36,828**
Dividend paid – 2018 interim dividend	-	-	(5,507)	-	(5,507)
Dividend paid - 2018 final dividend	-	-	(12,377)	-	(12,377)
At 31 December 2019	**8,217**	**20,815**	**198,071**	**-**	**227,103**

[1]Certain amounts shown here do not correspond to the 2018 memorandum financial information and reflect adjustments made.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 USD '000	2018 USD '000 Restated[1]
Profit before tax	54,406	52,305
Adjustment for non-cash items:		
Gain on disposal of assets	(36)	-
Loss on disposal of non-network assets	-	166
Write off of intangible assets	798	2,968
Amortisation of intangible assets	32,359	24,880
Interest income on bank deposits	(89)	(85)
Finance income on other financial asset	(3,415)	(2,951)
Finance income on concession financial asset	(1,251)	(1,560)
Finance cost on concession obligation	1,251	1,560
Other financing costs	2,509	1,739
Expected credit losses on other financial asset	-	30
Expected credit losses on trade and other receivables	1,041	1,753
Interest expense on long and short term borrowings	11,279	13,656
Amortisation of deferred transaction costs	713	790
Increase in long term incentive plan provision	209	1,874
Unutilised long term incentive provision	(231)	-
Increase in provisions	359	-
Cash flows before working capital changes	**99,902**	**97,125**
Changes in working capital items:		
Increase in inventories	(1,617)	(1,337)
(Increase)/decrease in contract assets	(21,403)	1,606
(Increase)/decrease in trade and other receivables	(6,247)	30,550
Increase in prepayments	(10,769)	(4,499)
Increase in contract liabilities	14,122	13,135
(Decrease)/increase in accrued expenses	(3,836)	1,365
Increase/(decrease) in trade and other payables	11,597	(8,178)
Cash generated from operating activities	**81,749**	**129,767**
Interest received from banks	89	85
Current income tax paid	(10,542)	(8,762)
Long and short term borrowings interest paid	(12,785)	(12,597)
Other financing costs paid	(2,509)	(1,739)
Borrowings transaction costs paid	(2,382)	(499)
Long term incentive plan payment	(1,616)	-
Net cash flows from operating activities	**52,004**	**106,255**
Investing activities		
Investment in the distribution network	(28,257)	(61,784)
Proceeds from disposal of intangible assets	36	-
Net cash flows used in investing activities	**(28,221)**	**(61,784)**
Financing activities		
Dividend paid	(17,884)	(3,210)
Proceeds from long term borrowing facilities	50,850	-
Repayment of principal for long term borrowing facilities	(34,506)	(34,506)
Repayment of principal for short term borrowings	(28,314)	(34,934)
Proceeds from short term borrowing facilities	24,685	29,258
Net cash flows used in financing activities	**(5,169)**	**(43,392)**
Net increase in cash and cash equivalents	**18,614**	**1,079**
Cash and cash equivalents at 1 January	(5,036)	(6,106)
Translation differences	689	(9)
Cash and cash equivalents at 31 December	**14,267**	**(5,036)**

[1]*Certain amounts shown here do not correspond to the 2018 memorandum financial information and reflect adjustments made*