

Investing

For Socio-economic
Transformation



ANNUAL
REPORT
2019



UMEME

Powering Uganda



About the Umeme 2019 Annual Report

Umeme is pleased to report to shareholders and stakeholders on the performance of Umeme for the year ended 31 December 2019.

In this report, we review our financial, operational, economic, social, environmental and corporate governance framework and performance for the year ended 31 December 2019 and other material developments up to the date of the publication of this report

The report provides insights to the future of the electricity supply industry and key material issues that the directors consider likely to impact on our ability to meet our targets and achieve good long-range prospects and business sustainability.

As delegated by the Board, the Audit Committee oversees the financial reporting and internal control systems, external audit, internal audit and risk management framework. The Company applies the International Financial Reporting Standards (IFRS) and complies with the Capital Markets, Listing Obligations and the Companies Act 2012.

The Board is accountable for the integrity and completeness of the Annual Report and any additional information. The Board approved the annual financial statements on 20th March 2020.

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LIST OF ACRONYMS AND ABBREVIATIONS

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



2 STRATEGIC REPORT

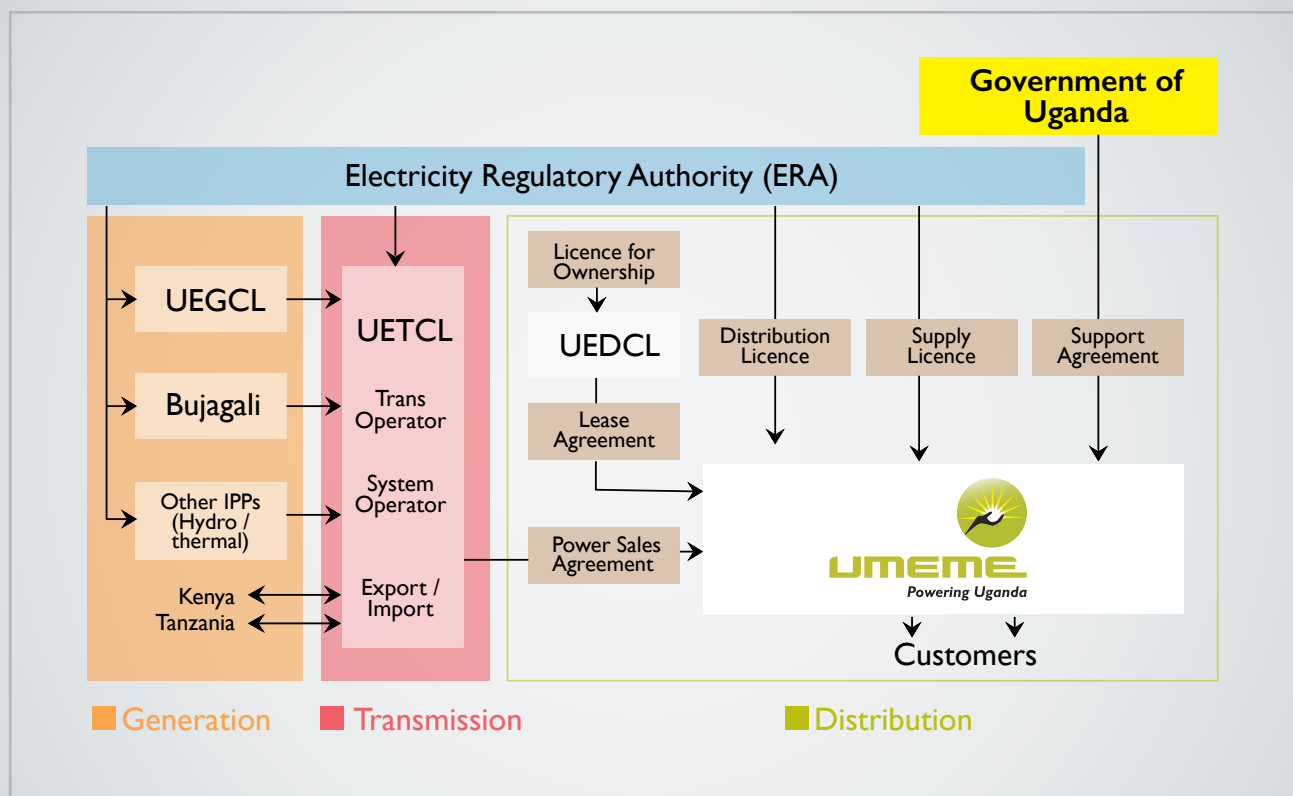
■ Our Business

About Umeme Limited

Umeme Limited is Uganda's main electricity distribution Company, listed on the Uganda Securities Exchange and cross listed on the Nairobi Securities Exchange.

The Company operates a 20-year electricity distribution concession from the Government of Uganda that took effect on 1st March 2005. After the electricity sector reforms in 1999, Uganda adopted a single buyer electricity sector model, where Uganda Electricity Transmission Company Limited (UETCL) is the System Operator, responsible for the purchase of electricity from all Independent Power Producers, import and export of electricity and being Umeme's sole supplier.

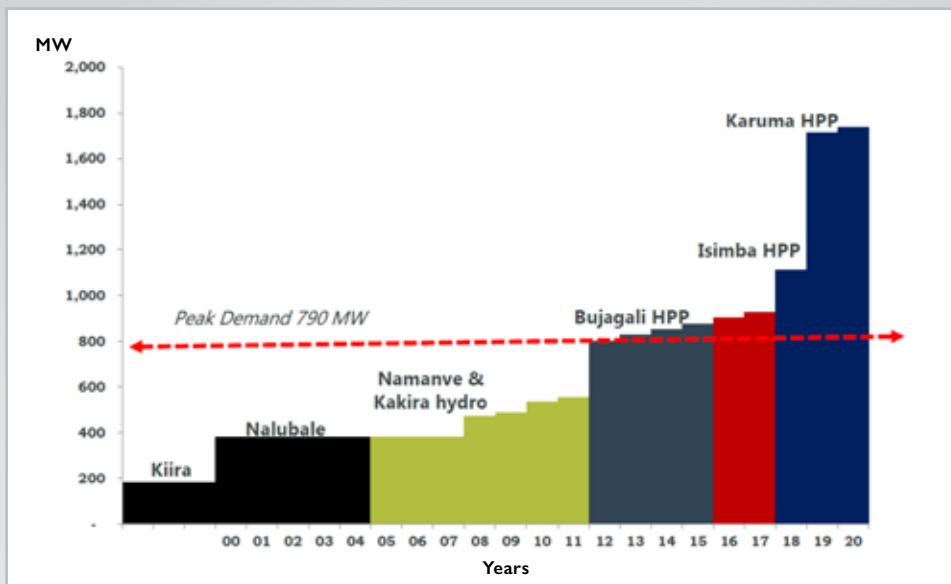
As an electricity distributor, Umeme is licensed to distribute and supply electricity to customers operating between 33kV and 240 volts. This mandate involves; operation, maintenance and upgrade of electricity distribution infrastructure, electricity retail and provision of related services. The sector is regulated by the Electricity Regulatory Authority (ERA), whose mandate includes setting operating standards, sector monitoring and setting appropriate end user tariffs.



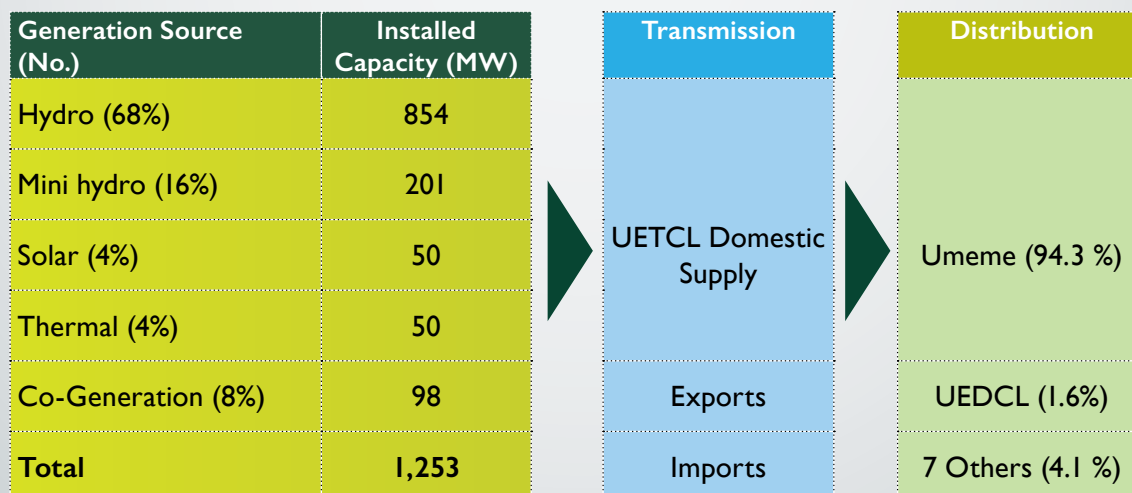
Uganda's Electricity Generation Capacity

The Country had an installed capacity increased from 984 MW in 2018 to 1,253 MW following the commissioning of Isimba Hydro Power Plant (183 MW) in March 2019 and other mini hydros. Karuma Hydro Power Plant (600 MW) is expected to achieve full commissioning by December 2020, increasing the installed capacity to 1,852 MW.

Uganda Installed Capacity MW



Uganda's Electricity Value Chain



Source: MEMD, UETCL and ERA

Our Vision, Mission and Values

Our Vision

Powering communities, business and industry for a prosperous Uganda

Our Mission

To supply our customers with safe, reliable electricity through an efficient distribution network and with passionate people, while delivering sustainable shareholder value.

Our Aspiration

Availability of electricity is one of the key drivers of the socio-economic development of any country. The energy sector has been identified as one of the critical drivers of Uganda's pursuit for transformation from low to middle income status. The electricity penetration rate is estimated at 25% for on-grid and 26% for off-grid solutions as per the household survey conducted by Uganda Bureau of Statistics. Umeme being Uganda's major distributor, is strategically positioned to play a key role in ensuring that the Government objectives of increasing electricity access, fostering uptake of new generation capacity and the drive to sustainable and affordable end user tariffs are achieved.

We aspire to be the leading electricity distribution utility, supplying safe and reliable electricity for the economic transformation of Uganda. As an employer of choice, adopting technological solutions and financial capital, we aim to deliver sustainable shareholder value.

Our Values



Safety



Customer Service



Integrity



Team Work



Innovation

Administrative Structure

The Company delivers its business mandate through a decentralised structure supported by the corporate headquarters. For the retail operations, the business is divided into 4 regions, composed of 25 districts and 21 service centres. Each manager is responsible and accountable to deliver the business deliverables in their respective areas. For the network assets management, networks infrastructure is divided into 2 major areas, further subdivided into 13 engineering areas.

Key Shareholder Information

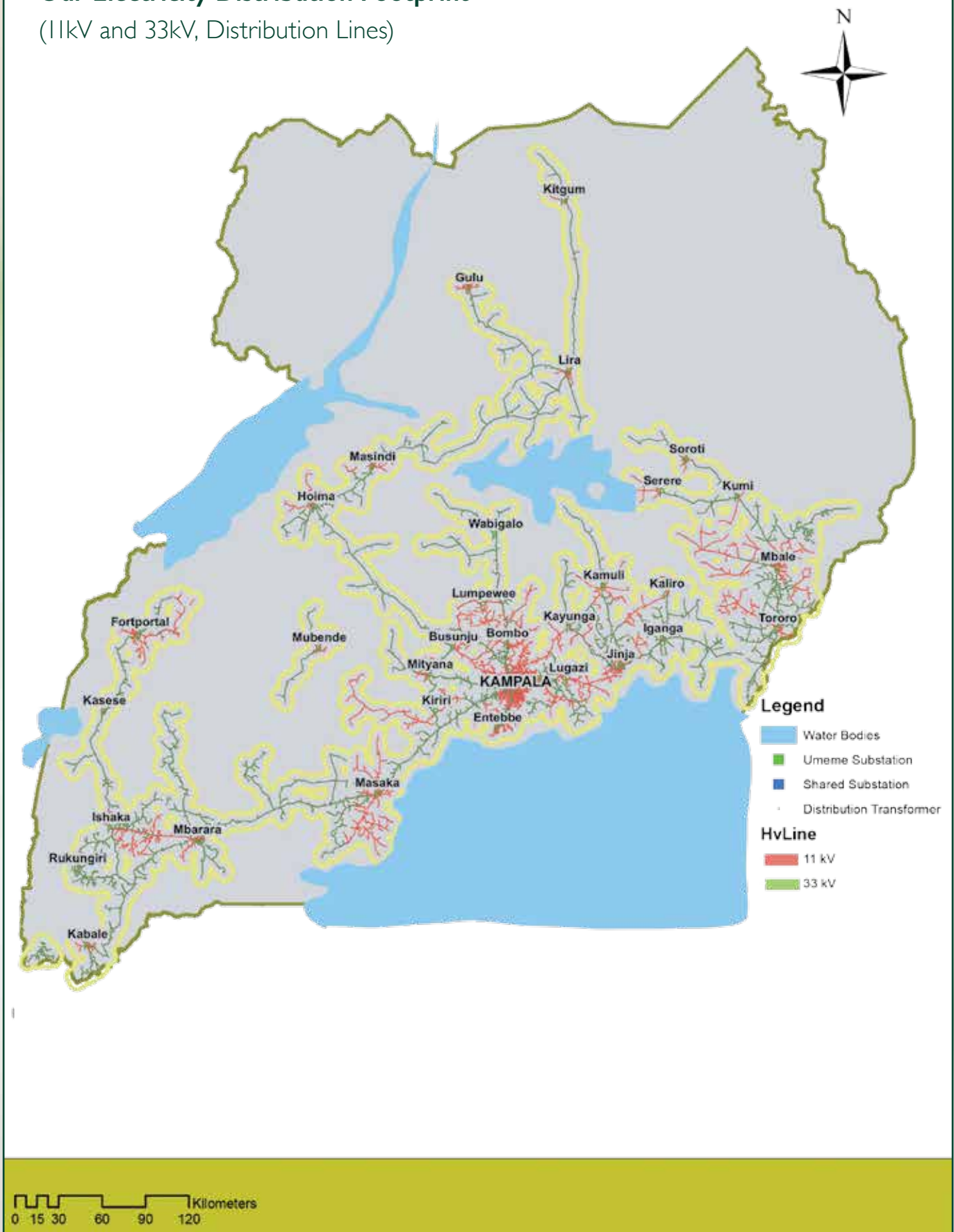
Umeme Limited is a public Company listed on the Uganda Securities Exchange (USE) and cross listed on the Nairobi Securities Exchange (NSE). The National Social Security Fund (NSSF) owning 23% of Umeme Limited, is the current largest shareholder. The top 10 shareholders are listed on page 107 of this report.



■ Our Distribution Footprint

Our Electricity Distribution Footprint

(11kV and 33kV, Distribution Lines)

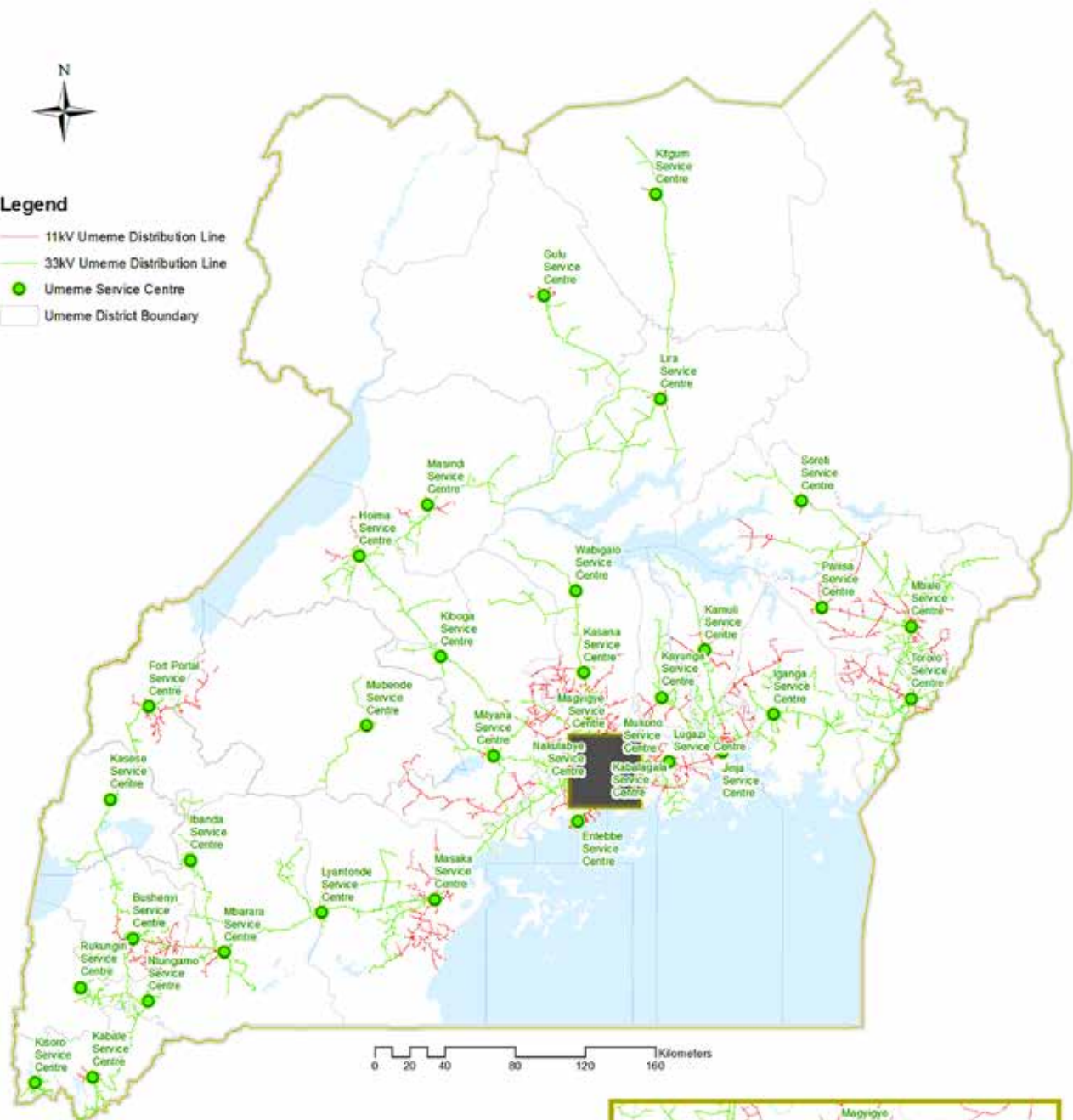


Our Service Centres



Legend

- 11kV Umeme Distribution Line
- 33kV Umeme Distribution Line
- Umeme Service Centre
- Umeme District Boundary



0 37.5 75 150 225 300 Kilometers

■ Our Corporate Information

Principal Place of Business and Registered Address



UMEME LIMITED
Rwenzori House,
Plot 1 Lumumba Avenue
P. O. Box 23841, Kampala, Uganda
Tel: 0312 360 600
Email: info@umeme.co.ug,
www.umeme.co.ug

Company Secretary



**SHONUBI, MUSOKE & CO
ADVOCATES**
SM Chambers
Plot 14 Hannington Road
P. O. Box 3213, Kampala, Uganda

Auditors



ERNST AND 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 LTD.

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



**STANBIC BANK UGANDA
LIMITED**
Corporate Branch,
Crested Towers
P. O. Box 7131, Kampala, Uganda



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



dfcu Bank Limited
Impala House
Plot 13 Kimathi Avenue
P. O. Box 70, Kampala, Uganda

Main Lawyers



**SHONUBI, MUSOKE & CO
ADVOCATES**
SM Chambers
Plot 14 Hannington Road
P. O. Box 3213, Kampala, Uganda

SEBALU & LULE ADVOCATES

SM Chambers
14 Mackinnon Road, Nakasero
P. O. Box 2255, Kampala, Uganda

■ 2019 Performance Highlights at a Glance

Electricity Sales volume

We sold

3,182 GWh



↑ +6%

Energy Losses

Reduced energy losses to



16.4%

Number of Customers

1.5 million
Customers



↑ +14%

Electricity Sales (Bills)

Ushs 1.7 Trillion



↑ +3%

Payments to UETCL

Ushs 1.2 Trillion

(Power purchase costs inclusive of V.A.T)



Gross Profit

Ushs 594 Billion



↑ +2%

EBITDA

Ushs 376 billion



↑ +6%

Taxes paid

Ushs 103 billion

in taxes paid to URA



↑ +26%

(Inc. Corp Tax, VAT, PAYE, WHT, Customs)

Profit After Tax

Ushs 139 Billion



↑ +5%

Debt Financing

We raised

Ushs 256 billion

(US\$ 70 million)

of debt financing for investment in the distribution network

Net Debt: Ushs 557 billion

Capital Investments

The Regulator approved of

Ushs 310 billion

(US\$ 83m) for execution in 2020



Investments in 2019 were Ushs 105 Billion (US\$ 28 million)

Net Cash flow from Operations

Ushs 194 billion



Dividend Paid in the Year

Ushs 66 billion



Pay-out Ratio – 50%

Proposed Dividend per share: Ushs 41.34 per share

Earnings Per Share (EPS)

Ushs 86
(Per Share)



↑ +5%

■ Business Review

The focus for the business during the year has been continued concentration on the key five goals of safety, network performance, customer service, environment and business efficiency.

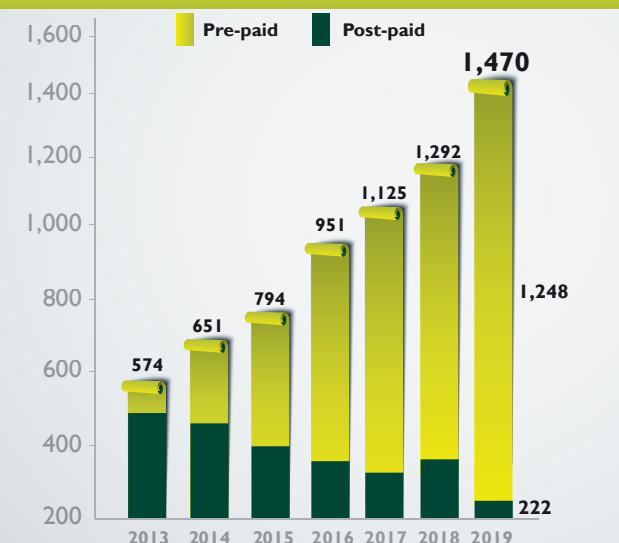
Key Performance Statistics for the Year 2019

Financial statistics	2019 Ushs million	2018 Ushs million	2019 US\$ '000	2018 US\$ '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)	3,182	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 (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: - at year-end	3,670	3,717
Exchange rate: US\$ to Ushs (annual average)	3,709	3,732

Business Efficiency and Operational Performance Review

Customer Numbers

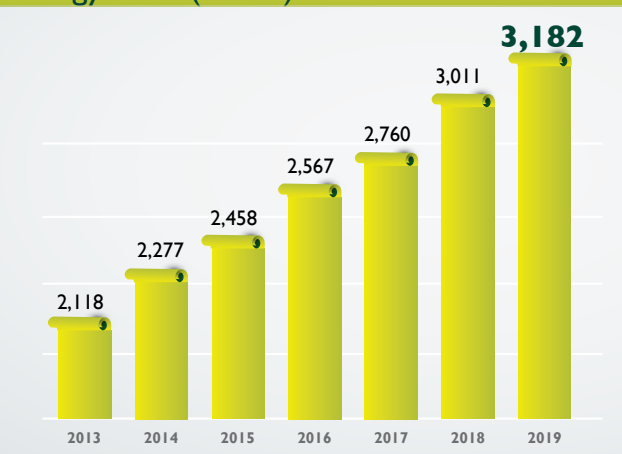


14.0%

Customers connected to the electricity grid within the Umeme footprint increased by 14% to 1.47 million. Of these 178,152 were financed by the Government and development partners under the Electricity Connections Policy.

The Electricity Connections Policy aims to achieve 80% access to clean energy by 2040.

Energy Sales (GWh)



6%

Electricity sales (GWh) increased by 6% on account of increased industrial demand, new connections, system stability and energy losses reduction.

Energy Losses (%)




at **16.4%**

Whereas we reported energy losses of 16.9% at half year; this further reduced to 15.9% in the second half leading to an annual average of 16.4%.

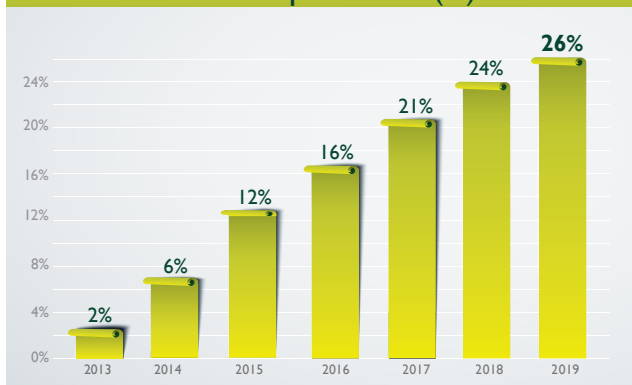
Electricity Sales (Ushs Millions)



3.4% 

Electricity Sales increased by 3.4% to Ushs 1,655 billion in 2019 compared to Ushs 1,600 billion in 2018, with underlying electricity sales volume growth of 6%.

Revenues From Prepaid Sales (%)



26%

Customers on prepaid metering account for 26% of our electricity sales. We plan to convert the remaining 203,856 post-paid customers to prepayment by the end of 2020.

Revenue Collections (%)

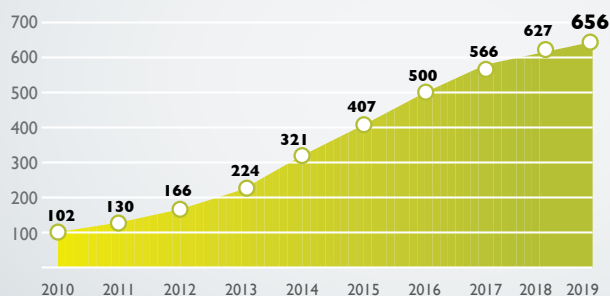


at **99.7%**

The rollout of pre-paid metering and general improved utility payments culture, coupled with convenience in payment options continues to contribute to the high revenue collection rate.

Investment in Distribution Network

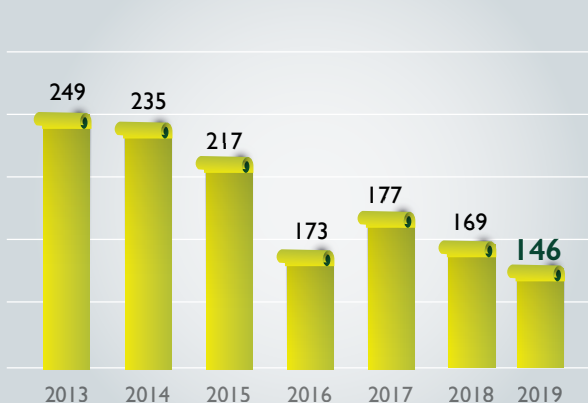
US\$m



656m US\$

Invested in the network as at 2019

Operating Costs per Customer (US\$'000)



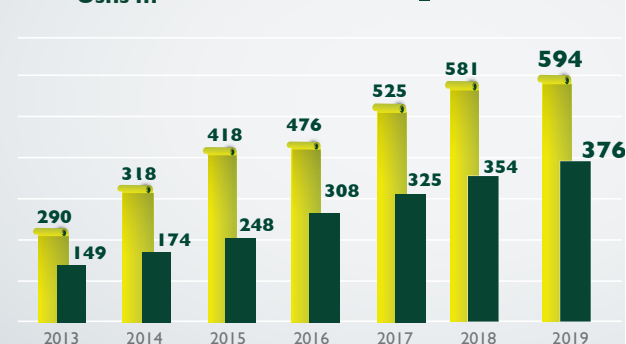
14% ↓

Operating costs per customer reduced by 14% during the period. This reflects the increased efficiencies in serving customers

Profitability (Gross Profit & EBITDA)

US\$ m

■ Gross Profit ■ EBITDA



Gross profit 2% ↑
EBITDA 6%

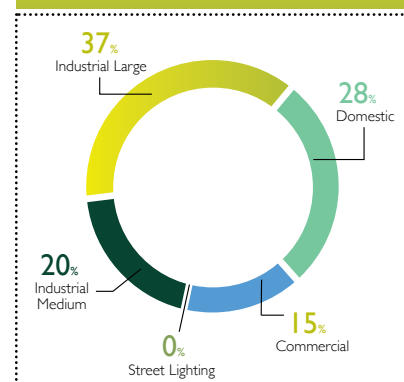
Gross profit for period grew by 2% on account of increased pricing margins and increase in volume sales.

EBITDA increased by 6% in line with increase in gross margins. The performance was enhanced by a decrease of 5% in operating costs, improved performance in losses, improved service and supply reliability.

Electricity Sales (Ushs billion)

Customer Category	2019	2018	Growth	% Share
Domestic	461	428	8%	28%
Commercial	248	251	-1%	15%
Street Lighting	1	1	0%	0%
Industrial - Medium	339	329	3%	20%
Industrial - Large	359	331	9%	22%
Industrial - Extra Large	247	260	-5%	15%
	1,655	1,600	3%	100.0%

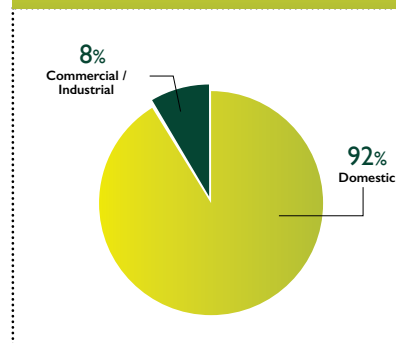
Sales Distribution



Customer Numbers

Customer Category	2019	2018	Growth
Domestic	1,348,084	1,177,964	14%
Commercial	118,340	110,449	1%
Street Lighting	237	250	-5%
Industrial - Medium	2,714	2,606	4%
Industrial - Large	551	502	10%
Industrial - Extra Large	37	40	-8%
	1,469,963	1,291,811	14%

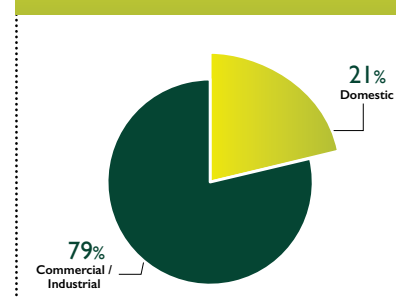
Customers per Tariff Category



Electricity Sales (GWh)

Customer Category	2019	2018	Growth (y/y)
Domestic	666.4	640.4	4%
Commercial	365.1	366.9	-0.5%
Street Lighting	1.3	1.1	18%
Industrial - Medium	500.0	477.2	5%
Industrial - Large	889.8	793.2	12%
Industrial - Extra Large	759.3	732.2	4%
	3,182	3,011.0	6%

Electricity Sales (GWh) per Tariff Category



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Powering Uganda

Financial Performance Review

Net Revenues

increased to

Ushs
1,777
billion

Gross Profit increased

by 2% to

Ushs
594
billion

Profit after Tax

Ushs

139
billion

Revenue

Revenue increased by 19% to Ushs 1,777 billion in 2019 compared to Ushs 1,493 billion in 2018.

- Electricity sales (Ushs) increased by 3.4% to Ushs 1,654 billion in line with the prevailing price and the underlying electricity unit's sales growth of 6% driven by improved supply availability, increased industrial demand capacity and reduction in energy losses.
- ECP revenues relating to completed connections plus 5% margin of Ushs 190,439 million was recognized during the year. This was previously accounted for as Intangible assets recovered through the tariff.

Cost of Sales

Cost of sales increased by 30% to Ushs 1,182 billion from Ushs 912,034 million in 2018.

- Electricity purchases increased by 11% to Ushs 984,276 million from Ushs 885,398 million in 2018 driven by 5.4% growth in purchases and over 15% increase in Bulk Supply Tariff.
- ECP costs relating to completed connections of Ushs 189,585 million was recognized during the year. ECP is a Government funded program on last mile connections, with Umeme as the implementing agent.

Operating Costs

Through our continuous drive for efficiency, increased use of technology and growth in the customer base, the overall distribution, operation and maintenance costs in 2019 reduced by 5% to Ushs 214 billion (US\$ 58m) from Ushs 222 billion (US\$ 60m).

Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA)

EBITDA grew by 6% to Ushs 376 billion in 2019 driven by performance on gross margin and operating costs above.

Financing Costs

Finance costs reduced by 10.8% primarily due to reduction of interest expense incurred on facilities A & B as a result of repayment of principal of US\$34m and reduction in 6-months LIBOR over the period.

Income taxes

Income tax charge for the year amounted to Ushs 65 billion, reflecting an effective average tax rate of 31.9% compared to Ushs. 62 billion of 2018.

Profit after Tax

Profit after Tax increased 4.5%, to Ushs 139 billion from Ushs. 133 billion of 2018. The increase in profits is explained by improved operational performance as explained above and reduction in financing costs on account of borrowing repayments made during the year.

Balance Sheet Analysis

Total assets as of 31 December 2019 were Ushs 2,542 billion compared to Ushs 2,344 billion in 2018, an increase of 8.4%. Shareholder Equity increased by 7.8%, from Ushs 774 billion in 2018 to Ushs 834 billion in 2019.

Outstanding interest-bearing debt increased to Ushs 557 billion in 2019 from Ushs 529 billion in 2018. The Company accessed Ushs 197 billion (US\$ 50m) as part of a term facility of US\$ 70 million that was concluded during the year. The Company also effected Debt repayments of Ushs 232 billion (2018: Ushs 260 billion) in settlement of the term facility with Standard Chartered Bank, Stanbic Bank Uganda Limited, International Finance Corporation (IFC) and a short-term revolving facility with dfcu Bank Limited.

Our Debt to Equity ratio is 1.35 which is well within our loan covenant ratio of 2.5. The Company's debt to asset ratio remains sufficient at 37.7% compared to an industry average of 40%.

We complied with all financing covenants.

Total Assets

grew to

Ushs
2,542
billion

Cash flows analysis

During the year under review, the company generated Ushs 194 billion from operating activities compared to Ushs 395 billion of 2018. The cash generated was used to fund some of the capital investments, dividends and financing obligations.

Capital investments implemented in the year totalled Ushs 105 billion (2018: Ushs 231 billion) with cumulative investments since the commencement of the concession amounting to Ushs 2,408 billion (US\$ 656 million) and the undepreciated asset base of Ushs 1,549 billion (US\$ 422 million).

The Company also paid Ushs 66 billion in relation to dividends during the year.

The Company also made debt repayments of Ushs 232 billion (2018: Ushs 260 billion) in settlement of the term facility and a short-term revolving facility.

The net cash available increased to Ushs 52 billion in 2019 compared to the opening cash balances of 2018. The company has working capital facilities of US\$ 40m with Standard Chartered Bank, Stanbic Bank Uganda Limited and dfcu Bank Limited

Generated
Ushs
194
billion cash flows
from operations

Proposed Dividend
per Share
Ushs
41.34



3 CHAIRMAN'S REPORT

Dear Shareholder,

on behalf of your Board, I am pleased to present our 2019 report highlighting the performance and state of the business and our long- and medium-term outlook.

Whereas Uganda continued to register economic growth of 6.3%, this has since been revised down to 3.1% as a result of the COVID-19 pandemic effect. We note that the severely affected sectors are services, tourism and hotel, education, transportation and industrial production on account of reduced demand.



Patrick Bitature

Chairman, Board of Directors
Umeme Limited

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing this annual report. The risks arising from this pandemic include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The electricity sector was identified as an essential service provider, with Umeme allowed to continue operating in provision of critical services on supply continuity, safety 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. We shall continuously monitor developments as guided by the government and adapt our business process and systems to ensure continued service delivery during the difficult times.

I am pleased to note that Umeme remained resilient despite the challenging and evolving operating and regulatory environment. We continued to deliver on our customer, operational and financial pillars.

The Electricity Supply Industry

In line with Uganda's economic growth, we registered growth in electricity demand, with maximum peak demand increasing by 12% to 724 MW in 2019. Electricity sales increased by 6% to 3,183 GWh in 2019 compared to 3,011 GWh of 2018. We commend the government for commissioning of the Isimba Hydro Power Plant (183 MW)

“

...the Company concluded the financing of **US\$ 70 million**....The financing complements our investment plan as approved by the Regulator for the period to 2020, focused on **increasing the network capacity, grid connections, energy losses reduction, rollout of pre-paid metering, public safety and improving the quality of supply.**

”

in March 2019, increasing the installed generation capacity from 984 MW in 2018 to 1,253 MW. Karuma Hydro Power Plant (600 MW) is expected to achieve full commissioning by June 2020.

Availability of generation capacity provides stability to the country's electricity supply, a critical input in the drive to industrialisation.

We continued to implement the Electricity Connections Policy (ECP), where the government and other development partners provide financing for the last mile connection costs. We connected 178,152 customers during this year under the program, increasing the customer base to 1.47 million. This policy is one of the government initiatives aimed at ensuring achievement of the electrification target of 80% access by 2040. Umeme is prioritizing investments in the distribution backbone to support the growing customer base.

I am glad to note that the Regulator reconsidered our application for the 6-year tariff parameters for the period 2019 to 2025. The revised targets for energy losses, revenue collections, operating costs and customer connections, as outlined on page 66 replaced those earlier issued in April 2019. The sustainability of the electricity sector is dependent on a fair regulatory regime that balances the interests of the varying stakeholders, while ensuring sustainable financial structure for the operators.

In the spirit of growing electricity demand and drive to tariff reduction, the Electricity Regulatory Authority introduced a declining block tariff regime

that encourages industrial consumers to increase their consumption as the marginal incremental units consumed compared to the prior year are charged at reduced tariffs. The cost of production is one of the attributes investors consider in their investment location decision. Umeme welcomes and continues to support the government ambition of achieving further tariff reductions, through delivering efficiencies especially energy loss reduction and increase in sales units, while optimizing its cost structure.

Overall, the electricity regulatory environment remains challenging as reflected in delays in investments approvals, resource allocation to deliver regulatory targets and recognition of revenues due to the company. We will continue to engage the government on further needs to improve the regulatory environment.

Financial Performance

I am pleased to report the financial performance of the Company for the year ended 31 December 2019.

The financial performance of the company during the period was underpinned by our investments in the network, regulatory determinations, operational performance against the regulatory targets and general economic activity on the country. The implementation of the initial 6-year tariff parameters by the Regulator, had negative effects on our performance for the period.

Revenue increased by 19% to Ushs 1,777 billion in 2019 compared to Ushs

1,493 billion in 2018, with underlying electricity sales growth of 6%.The overall distribution, operation and maintenance costs in 2019 reduced by 2% compared to 2018.

Earnings Before Interest, Taxation, Depreciation and Amortization (EBITDA) grew by 6% to Ushs 376 billion in 2019. Profit after Tax increased by 4.5%, to Ushs 139 billion from UShs. 133 billion in 2018.

Based on the performance, the Directors recommended a final dividend of Ushs. 41.34 per share, subject to approval at the Annual General Meeting.

Investments in the Distribution Network

The Company concluded the financing of US\$ 70 million with a syndicate between International Finance Corporation (IFC), FMO, Stanbic Bank (U) Limited and Standard Chartered Bank. The financing complements our investment plans for the period to 2020, focused on increasing the network capacity, grid connections, energy losses reduction, rollout of pre-paid metering, public safety and improving the quality of supply.

To unlock demand and inline with the industrialization agenda, we have prioritized investments in industrial nodes and parks.

The Uganda Electricity Transmission Company new substations at Iganga, Mukono North and Kapeeka have been integrated into the area distribution network.

Governance Changes

I am pleased to welcome Mr. Johan De Bruijn who was nominated to the Board of Directors effective 23 March 2020 subject to approval by the shareholders at the next Annual General Meeting. Johan's vast experience in funds management will add value to the Board.

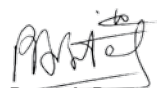
Scheduling of AGM

Under the Companies Act 2012 of Uganda, the Company is required to conduct an Annual General Meeting (AGM) 15 months after the previous Annual General Meeting. The Company scheduled the AGM for 6th of August 2020 for the year ended 31 December 2019. The AGM shall be conducted in accordance with the guidelines issued by the Uganda Securities Exchange and the Ministry of Health.

Conclusion

The medium to long term plans of the company are subject to the successful negotiation of the extension of the existing concession. We continue to engage with Government to have the negotiations concluded at the soonest, to enable the Company raise the necessary capital to invest in the distribution network. Our investment priorities are aligned to the current electricity needs of the country; to increase access to over 25%, create demand, improve supply reliability, reduce energy losses and deliver general distribution efficiencies.

On behalf of the Board, I extend my sincere appreciation to the shareholders for their trust and support as we position the company for future growth. I thank the customers, the government and all stakeholders for their continued support to the company.



Patrick Bitature

Chairman Board of Directors





4 MANAGING DIRECTOR'S REPORT

It is my distinct pleasure and honor to once again present our 2019 Annual Report to the stakeholders outlining Umeme's performance for year ended 31 December 2019 and the key priorities for the upcoming period. 2019 also marked the beginning of a new financial year of our 6-year tariff parameter cycle that ends in March 2025.



Selestino Babungi
Managing Director

Safety

Safety of staff, contractors, the general public and network equipment is core to our operations. Our desire is to ensure zero harm to our people, the public and the environment as a result of our operations. I am glad to note an improvement in our safety performance in 2019. We recorded zero network related fatalities and a 54% reduction in network interference related fatalities to 18 from 39 in 2018. Illegal networks, construction in electricity line wayleaves, vandalism of network equipment and power theft remains a challenge.

We continue to conduct community engagements, communications through radio, television and online media campaigns on public safety. The public is encouraged to report any dangerous network conditions to any of our service centres or contact centre.

The Covid-19 pandemic has expanded our safety sphere, with increase in restrictions on movement and our operations due to the Ministry of Health directives on Covid-19. We have prioritized the safety of our staff during the pandemic. The company has re-organised its operations to comply with the government directives and provided the necessary personal protective equipment to staff. Through implementation of the business continuity plan, staff are working on shift/rotation basis with in office presence reduced to 30% to 50% at any given time.

To the extent possible, we have leveraged technology to minimize human interaction between our staff, customers

“

I am also glad to note that as part of Umeme strategy toward automation and digitalization of our business processes, with technology at the centre of our operations, **there are a number of on going technology investments across the business...**

”

and other stakeholders. We are encouraging meetings online, customer interactions through the contact centre, on line approval processes etc. We continue to rollout our digital strategy and automate to the extent possible the critical processes. In 2020, the rollout of SAP Phase 2 related to maintenance, project systems, Environment, Health and Safety (EHS) and Payroll modules has been prioritized.

Our Customers

With the automation of our customer processes through pre-paid metering, payments systems integration and enhancements of our contact centre, customers have highlighted supply reliability, service response times and affordability as important attributes for their satisfaction. Our plans to improve customer satisfaction are focused on these 3 critical areas. In our 2020 investment plan, we are building switching stations and substations in Nakawa, Ntinda, Mbale, Bombo, Kapeeka, Jinja Njeru, Entebbe among others. In addition, US\$ 70 billion has been allocated to improvement of reliability in some worst performing nodes of the network.

We increased the grid connected customers by 14% to 1.47 million, on account of rollout of ECP government funded programme. However, we have experienced implementation challenges due to delays in release of financing by the Rural Electrification Agency, the mandated lead Government Agency. This has prolonged our average connection days to over 45 days compared to the regulated target of 10 days. We continue to engage with the Ministry of Energy and Mineral

Development with a view of revising the policy and improving the programme processes.

The Uganda National Bureau of Standards continues to test all the imported meters before their instalment at customer premises. This has not only re-assured the company on the quality of meters but increased customer confidence trust in bills and prepaid metering.

We further plan to enhance the customer experience through rollout of the online new connections application process. The rollout is scheduled for 2020.

Operational Performance

We registered growth in electricity demand, with sales growing at 6%. Energy losses reduced to 16.4% compared to 16.6% of 2018. We are engaging the regulator to ensure adequate funding of our loss reduction strategy that targets achievement 12.9% by 2025.

The revenue collection rate for the year was 99.7% on account of improved service and multiple bill payment options that provide convenience to our customers. The improved collection rate results from several initiatives, not least the continued roll-out of pre-paid meters. We have planned to convert the remaining customers to prepayment in 2020.

The operational costs per customer reduced by 13.6% to US\$ 146,505 compared to US\$ 169,464 in 2018. We continue to optimize operating costs through leveraging technology and business process improvements.

I am also glad to note that as part of Umeme strategy toward automation and digitalization of our business processes, with technology at the centre of our operations, there are a number of on going technology investments across the business:

- We successfully implemented and rolled out phase I of SAP Hana. Umeme was delighted to receive recognition for the successful roll-out of Phase I of the SAP HANA project at the annual SAP Quality Awards event that took place in Johannesburg in August 2019. We are currently rolling out phase 2 of the SAP project, focusing on maintenance, project systems, EHS and Human Capital.
- We plan to upgrade of the vending system, subject to Regulatory approval.

Our People

Our overall goal is to attract, develop and retain good talent, driven by a pro-business culture and performance. We provide a positive employment experience through ensuring job security, equitable and competitive rewards & benefits, career growth, in a conducive and safe work environment.

We recruited and on-boarded one hundred and fifty (150) Technicians who were deployed in the Networks and Operations functions of the business to enhance timely service delivery.

During the year and in line with our reward strategy that is incentive based, the Board through the Remuneration

Committee, approved the principles for the setup of Long-Term Incentive Plan (LTIP 3). The Plan just like LTIP 2 that vested in 2019, is a 3-year plan hinged on delivery performance targets.

Capital Investments

During the year, we invested Ushs 104 billion in the distribution network, for projects related to growth, supply reliability and loss reduction; and Ushs 185 billion in last-mile connections (under a GoU access program) compared to Ushs 230 billion in 2018. The investments in last-mile connections are recoverable through the tariff during the normal business cycle.

We received regulatory approval for a US\$ 83m (Ushs 310 billion) network investment plan for 2020.

The broad categories of the investments are:

Investment Projects Category/ Impact	Amount (\$m)	UGX Billion	
Improve operational efficiency & energy losses	26.9	100.0	32%
Address Load Demand Growth	22.7	84.5	27%
Power Supply Reliability	18.9	70.3	23%
Power Generation evacuation and supply	10.8	40.1	13%
Network systems automation	1.9	7.2	2%
Network protection and security	2.1	7.7	2%
Grand Total	83.3	309.9	

Some of the specific capital projects include;

- Ntinda Substation reconfiguration,
- Gulu Substation reconfiguration,
- Conversion of remaining postpaid customers to prepayment metering,
- Siti 2 HPP integration lines,
- Mbale Industrial Park substation development,
- Karuma Evacuation lines construction

The approved investments will be financed through internally generated cash and the arranged debt financing.

Financial Performance

As outlined by the Chairman, there was an improvement in the financial performance of the company with an increase in profit after tax of 4.5%, to Ushs 139 billion from UShs. 133 billion in 2018. Total assets as of 31 December 2019 were Ushs 2,542 billion compared to Ushs 2,344 billion in 2018, an increase of

8.4%. Shareholder Equity increased by 7.8%, from Ushs 774 billion in 2018 to Ushs 834 billion in 2019.

Net cash flows generated from operating activities decreased to Ushs 194 billion from Ushs 395 billion in 2018 as a result of delayed receivables due from the Rural Electrification Agency (REA) for the connections implemented under the Electricity Connections Policy. The cash flows were utilized to fund investments in the network and financing commitments of the business.


The main drivers of the financial performance are; the invested capital in the network, performance against regulatory target and the capital structure of the company. The onerous regulatory targets initially determined by the Regular but reversed in November 2019, negatively impacted our performance in the third and fourth quarters.

Conclusion

We are cognizant of the global Covid-19 pandemic and the disruptions that it has created to our operations, finances and supply chains. The Company will continue to monitor, act as necessary and continue to refine our contingency plans as appropriate to maintain service to customers, safeguard our staff and assets. We shall continue to follow Government's advice and directives as appropriate.

With the set of the last regulatory targets under the existing concession, we are focused on long term financing to address the emerging sector needs, subject to an extension of the distribution concession at fair terms. The company is prioritizing crystallization of efficiency gains through automation and deployment of technology.

I take this opportunity to thank our customers and all stakeholders for the continued support to the business, as we work to achieve our vision of being at the centre of socio-economic transformation of Uganda through scaling up electrification. Our overall priorities remain aligned with stakeholder expectations of; safety, increasing electricity access, improving supply reliability, reduction of energy losses, creating demand for new generation capacity and efficiencies that positively impact the tariffs.



Selestino Babungi
Managing Director



ABB

TRANSFORMER 2
1520 MVA
33/11 KV

5 CORPORATE GOVERNANCE

Board of Directors



Mr. Patrick Bitature *(Non Executive Director)*

Member of the institute of Chartered Secretaries and Administrators, UK and Fellow of the Institute of Chartered Secretaries, FCIS

Patrick is the Board Chairman of Umeme Limited and the Chairperson of the Nominations Committee. He is also a member of the Strategic Review Committee.

Patrick's leadership of the Board spans from his experience as the founder, Chairman and CEO of Simba Group of Companies, a conglomerate spanning telecom, real estate, power generation, agro-business, mining, hospitality tourism, hotels and media interests. He is keen on development of the energy sector in Uganda.

He also relates well with people from all walks of life giving customers access to top management and the board of directors which promotes good customer service management.

In terms of corporate governance, Patrick has also played a big role in the structural framework of the Company, in particular internal structures aimed at delivering the strategy and objectives of the Company underpinned by the environmental, social, safety and governance considerations driven by the ethos of the founding shareholders. He is also a member of the Presidential Investors' Round Table (PIRT) and is the Honorary Consul, Australian Consulate in Uganda.

Patrick has been on the Board since November 2007.



Hon. Gerald Ssendaula *(Non Executive Director)*

Holds a Bachelors of Commerce degree from the Nairobi University, Kenya

Hon Ssendaula is a member of the Board of Directors and the Chairperson of the Customer Service and Loss Reduction Committee. He is also a member of the Audit Committee and Nominations Committee.

Hon Ssendaula is experienced in establishing private and public relationships and this is exhibited in his leadership as Chairman of Private Sector Foundation Uganda and Chairman Board of Directors Uganda Revenue Authority.

He is also a Special Advisor to the President of Uganda on finance.

Hon Ssendaula is a retired Member of Parliament and Cabinet Minister, who held the portfolios of Energy and Finance and was previously a banker on the Barclays Bank Uganda Limited Management team.

Hon Ssendaula has been on the Umeme Board since November 2013.



Mr. Pieter Adriaan Faling *(Non Executive Director)*

Graduate of the advanced executive programme University of South Africa; Graduate of the Programme for executive development, Institute of Management Development, Lausanne; Bachelor of Science in Mechanical Engineering, University of Pretoria

Pieter is a member of the Board of Directors and the Chairperson of Environmental, Safety and Governance Committee. He is also a member of the Customer Service and Loss Reduction Committee.

Pieter has worked extensively in the electricity sector since 1972. As Executive Director of Transmission, he was a member of Eskom's Management Board from 1993 to 1999 and also played a key role in the restructuring of Eskom's generation business.

For the past 18 years, Pieter has also acted in advisory and management capacity to multiple energy projects in South Africa, Kosovo, Nigeria and Mozambique.

Pieter is keen on delivery of reliable and safe electricity; customer service management, implementation of the business strategy and loss reduction innovations; assessing and monitoring compliance with legislation and the regulatory requirements together with assessing standards for minimizing risks.



Florence Namatta Mawejje *(Non Executive Director)*

Master of Science Degree in Human Resource Development (Manchester University UK) and Executive MBA-Strategic Management, (ESAMI/Maastricht, The Netherlands).

Florence has been a member of the Board of Directors since April 2016. She is also a member of the Environment, Safety and Governance Committee.

Her wealth of experience stems from advising on Corporate Governance Managerial Administrative and People Management.

Florence is currently the General Manager, Human Resources at Centenary Rural Development Bank. She previously served as the General Manager, Human Resources at MTN Uganda (1998-2009 HR Manager, Care International Uganda, Human Resource Management Director, East and Southern Africa (ESA) business Cluster at Unilever Kenya.

She is a board member of several institutions including the National Social Security Fund and Uganda Clays Ltd and has previously served as the President of the Human Resource Managers Association of Uganda.



Anthony Marsh *(Non Executive Director)*

Bsc (Hons) Banking and Finance, Loughborough University of Technology, UK

Anthony has over 35 years' experience in investing of both debt and equity in infrastructure, particularly the electricity sector. These included; setting up the UK's Green Investment Bank at the request of the UK Government and being Chair of the Investment Committee, and CEO of a fund manager providing debt and guarantees into African and SE Asian infrastructure on behalf of the UK, Swiss, Swedish and Dutch governments.

Currently, in addition to his role at Umeme, Anthony is a member of investment committees for the Emerging Africa Infrastructure Fund, GuarantCo, Aviva Infrastructure and an infrastructure fund in the Baltic States, and chair of a Charity, Energy 4 Impact, providing support to make productive use of energy in Africa.

Anthony was appointed to the board on 17th May 2018. He is the Chairman of the Strategic Review Committee and a member of the Audit Committee, and Customer Service and Loss Reduction Committee. He holds a Bsc (Hons) Banking and Finance, Loughborough University of Technology, UK.



Andrew Buglass *(Non Executive Director)*

MA in Modern Languages, University of Oxford; Diploma of the Chartered Institute of Bankers; and Approved Person, Financial Conduct Authority

Andrew was appointed to the board on 17th May 2018. He chairs the Remuneration Committee and is a member of the Strategic Review and Audit Committees. He has 30 years of experience of banking and finance, and has focused exclusively on the energy sector since 1992.

Andrew founded and runs Buglass Energy Advisory, a UK based consultancy supporting energy sector investors and developers with strategic and commercial advice.

Prior to that, he led the energy finance team at Royal Bank of Scotland in London. Earlier roles included heading the Utility Finance practice at ING Bank in Amsterdam, and leadership roles within international energy developers PowerGen plc and Unocal Corporation.

He has been a regular expert contributor to UK Government and industry groups on policy and investment issues, Co-Chair of the Low Carbon Finance Group, and Chair of the Utility 2050 project led by Imperial College London. He also serves as a non-executive director for two UK companies in the solar and offshore wind sectors.



Mr. Stephen Emasu *(Non Executive Director)*

Chartered Accountant and Chartered Global Management Accountant (FCCA; CIPFA, ACMA, CGMA and CPA)

He was appointed to the board on 17th May 2018 and is currently the chairman of the Board Audit Committee.

Stephen holds a post graduate degree from the London School of Economics and Political Science (LSE) and another from the University of Stirling. He also holds a number of professional accountancy and finance qualifications. Stephen was one of the founder members of the Ugandan CPA, and was a Board member of the Public Accountants Examination Board of the ICPAU for about 9 years.

He is currently Chair of the ACCA Global Forum of the Public Sector, a position he has held since 2014.

Stephen has many years of audit experience having worked with PricewaterhouseCoopers for several years as a Senior Audit Manager. For the past 16 years, Stephen has worked with or provided technical advice to various ministries responsible for finance in about 10 African countries, including the Ugandan and Rwandan Ministries of Finance under either the World Bank or the Fiscal Affairs Department of the IMF.

Stephen has been on the IMF roster of PFM Experts since 2012, and has participated in more than 15 IMF missions in different African countries.



Mr. Riccardo Ridolfi *(Non Executive Director)*

Master of Laws (University College London), Bachelor of Laws (Australian National University), Bachelor of Economics (Australian National University)

Riccardo is a qualified lawyer, admitted to practice in England and Wales, Italy and Australia. He was appointed to the board on 17th May 2018.

His experience derives mainly from advising corporates, sovereigns and multinational organizations in matters relating to finance, energy and foreign investment. He also matured significant experience negotiating concessions and tariffs for off-grid investments in the region.

Riccardo is the founder of Equatorial Power, an access to energy Company active in East Africa. He was previously a partner and Director for Absolute Energy Africa Ltd, a renewable energy and mini grid developer. Before that, Riccardo was an associate in the Banking and Finance department of Pavia e Ansaldo (an Italian international law firm), advising on structured and project finance, investment funds and foreign investment protection.

He has served as a pro bono Investment Advisor to the Government of Uganda, through its Embassy in Rome and has consulted for the Africa Caribbean Pacific Secretariat in Brussels on investment related matters. Over the last few years, Riccardo has championed accelerated access to productive energy in sub-Saharan Africa, both as an investor and an advocate.



Mr. Johan de Bruijn, CFA *(Non Executive Director)*

Graduate of Economics with an emphasis on Development Economics and African Studies from University of Stellenbosch (Honors). Johan is a CFA® charterholder.

Prior to founding 337 Frontier Capital, Johan worked for The Rock Creek Group and helped establish the Kimberlite Frontier Africa Strategy. Johan was also the Portfolio Manager for the Africa Emerging Markets Fund at Ashmore Equities Investment Management (US) LLC. Previously, he held Fund Manager and Analyst positions with Sanlam Investment Management in South Africa, where he focused on companies headquartered in South Africa. From 2004 to 2008, he was instrumental in building up Sanlam's pan-Africa investment platform. Johan also worked as an Analyst for Coronation Fund Managers in South Africa, focusing on small-cap and natural resource companies.



Mr. Selestino Babungi *(Executive Director)*

Fellow of the Association of Certified Chartered Accountants (UK) (FCCA); Certified Public Accountant - Uganda (CPA) and Graduate of Statistics from Makerere University

Selestino is the Managing Director and member of the Board since March 2015. He is also a member of the Environmental Safety and Governance Committee, Customer Service and Loss Reduction Committee and Strategic Review Committee. As the Managing Director, Selestino is responsible for the day to day management and operations of the Company, which includes execution of the corporate strategy to deliver results for the different stakeholders.

Since 2006, Selestino previously served in different management roles including being the Chief Finance Officer from 2011 till his appointment as Managing Director. During that period, the company was listed on the Uganda Securities Exchange and cross listed on the Nairobi Securities Exchange, raised capital to fund the \$440m capital investment for the period to 2018 and was involved in strategic regulatory negotiations including the 2012 to 2018 tariff parameter setting.

Prior to Umeme, he worked at Ernst & Young Uganda for six years, in different roles in providing audit and advisory services to clients from the private and public sectors.



Mrs. Florence Nakimbugwe Nsubuga *(Executive Director)*

Master of Arts in Economic Policy and Planning and Bachelors of Commerce

Florence has a wealth of experience in the operations of electricity distribution, having served in various management and strategic roles. She was appointed to the role of Chief Operations Officer in 2012 and currently oversees the retail and commercial performance of Umeme.

Florence was appointed to the Board in 2015. She is a member of the Environment Social & Governance Committee of the Board and the Customer Service and Loss Reduction committee tasked with providing strategic oversight in respect to supporting Government initiatives such as access to electricity, quality of service standards, investments in supply reliability, innovation, customer experience and energy loss reduction.

Florence is passionate about gender equality and proactively empowers women to take up leadership positions through mentoring. She is a team leader with Girls for Girls, an initiative aimed at mentoring girls through inspiring and equipping them with skills to build courage to lead in their communities. She serves as an advisor to various other socially impactful initiatives.

She holds a Master of Arts in Economic Policy and Planning and Bachelor of Commerce.

Management Team



Mr. Selestino Babungi

Managing Director

(See profile on page 30)



**Mrs. Florence Nakimbugwe
Nsubuga**

Chief Operations Officer

(See profile on page 31)



Simbiso Chimbima

Chief Technical Officer

Simbiso is an electrical engineer and an MBA holder. Simbiso brings to Umeme 20 years' experience in the electricity supply industry across Southern Africa including overseeing the prepayment metering installation project in Zimbabwe as General Manager of Zimbabwe Electricity Distribution Company.



Ross Masterman

Chief Finance Officer

As a global finance executive, Ross has proven success growing enterprise value for multinational companies across Africa, the Middle East, the Far East, the UK and the Caribbean. Ross's experience has been gained in a range of industries including manufacturing, retail, services, agriculture and telecoms and includes start-ups, rapid expansion, transformations and significant fund raising and management. Ross has also assisted governments on various projects including implementation of VAT and industry re-structuring.

Ross has significant experience of living and working across Africa serving as Chief Financial Officer in Tanzania, Kenya, Nigeria, Democratic Republic of the Congo, Tchad and Uganda, and as Regional Finance Director covering 17 countries across Africa. Ross has a further 20 years of experience in developing markets such as Papua New Guinea, the Caribbean and the Middle East.

Ross is a Fellow of the Chartered Institute of Management Accountants.



Blessing Nshaho

Chief Corporate and Regulatory Officer

Blessing's career spans over 18 years, having served in different positions at Ernst & Young (EY), in addition to numerous assignments as the CEO of Asset Business Solutions. At EY, he served as the Executive Director responsible for Advisory Services and Business Development in Uganda. In addition, he was the Associate Director Global Markets Technology Enablement, EY Global, in London for 3 years. Blessing has previously served Umeme as a consultant in a number of transformation projects.

He is a Fellow of the Association of Chartered Certified Accountants UK, a member of the institute of Asset Management UK (IAM) and holds a Bachelor of Science in Statistics and Psychology (MUK).



Isaac Serwadda

Head of Capital Projects

Isaac is a Registered and Licensed Engineer (Electrical) and a Member of the Uganda Institute of Professional Engineers (UIPE). He holds a Bsc. Electrical degree (Makerere University) and various certification in the Project Management field as well as Engineering fields. He has been in the Power sector for close to 16 years with vast practical experience ranging from Power Generation, Power Plant designs and commissioning, Operations management and Project implementation. Has attended a number of Management and Leadership trainings, Asset Management Certification, ISO 9000:2008 and the CEO apprenticeship course with Strathmore Business school.

Prior to joining Umeme in 2007, he worked with Eskom Uganda Limited as HV/LV Systems Engineer and later on as the Project Coordinator in charge of the Restoration and Refurbishment project at Owen Falls Dam from 2003 to 2006.

While in Umeme, Isaac has worked through ranks of Project coordinator, Project Manager to Heading the Capital Projects department which oversees Capital projects implementation to assure delivery of Shareholder value through full Capex IN recognition for approved and executed project annually.



Roger Charles Bentley

Chief Information Officer

Roger Bentley holds a Bachelor of Science Degree in Software Engineering from the University of South Africa and various certificates in leadership and strategic management. His 25 years' in IT spans the Utilities, financial services and Mining industries and he is fortunate to have had the opportunity to gain experience globally while working in Canada, Saudi Arabia and South Africa. After 8 years with the Land and Agricultural Development Bank of South Africa in the role of General Manager responsible for IT, he joined the IT team at Umeme.

Over the past 12 years, Roger has been deeply involved in SAP related projects and support. These include the rollout of various projects focussed on using SAP functionality to replace disparate and legacy systems. A notable highlight was when the Land Bank won the SAP AG Silver Award for Quality, for the implementation of SAP Collateral Management in 2012. In 2017, the IT Division of the Land Bank were certified as a SAP Centre of Expertise by SAP AG.

Roger's view of IT is that appropriate technology should be applied to support the organisation's various strategic initiatives. "Technology is seen as a fundamental enabler to an organization and it is the role of IT to put in place the appropriate tools to support and enable the frontline and back office processes."



Fred Mwita

Head Human Resources

He is a results driven corporate strategist who possesses a unique "cross-over" profile. He has worked in various industries such as FMCG, Mining, Healthcare, Banking, ICT, and Telecommunications with over 20 years of hands on experience in large multinationals.

His assimilation of the latest thinking in global business best practices, coupled with a broad and deep regional cultural understanding has enabled him to hone the skills, behaviors and attitude necessary to effectuate strategic organizational change.

Fred holds a PhD in Management and Human Resources from Washington University and has been working at the heart of the digital transformation shaping employee and consumer behavior.



Patrice Namisano

Head of Supply Chain

Patrice joined Umeme during the year as part of our overall strategy to revamp the entire Supply Chain Management system to ensure efficient and timely availability of materials for business operations, drive value for money in our procurements and increased transparency in supply chain processes.

His leadership experience in Supply Chain spans over 20 years, across 43 countries in Telecommunications and FMGC industries.

Previously he served as Supply Chain Director Airtel Uganda, Regional Account Manager (Africa & Middle East) BAT, Area Logistics Manager (Sub-Saharan Africa) BAT and other management roles at BAT.

Patrice has the following academic accomplishments: Chartered Institute of Logistics and Transport (CILT), Chartered Institute of Purchasing and Supplies (CIPS), MSc. Logistics & Transportation, PGD – Purchasing & Supplies and a BA (Hons) Economics and Political Science.



Agnes Nalwanga

Head Customer Experience

She has a working experience of 20 years within the Ugandan Electricity sector, and 12 of these years have been with Umeme Limited. She has worked in various Managerial roles as; Area Manager, Retail Services Manager and Regional Manager.

She holds a Bachelors Degree in Commerce (Marketing), a Masters Degree in Economic Policy and Management from Makerere University Kampala; and a Master Degree in Business Administration from Assam Don Bosco University India.



Ruth Doreen Mutebe

Head Internal Audit

Ruth Doreen has over 15 years' vast experience in senior leadership in power utility, commercial and microfinance banking, internal auditing, external auditing, financial management, training, general business administration and board governance. She currently serves as the Treasurer at the African Federation of Institutes of Internal Auditors, Board Secretary at the Institute of Internal Auditors Uganda and is the outgoing Vice President of the Institute of Certified Public Accountants Uganda.

She's a re-known speaker on aspects of internal auditing, corporate governance, risk management, quality assurance, financial management among others at Workshops and conferences in Africa and beyond. Ruth Doreen loves people and considers Audit as a Strategic Alliance/ Partnership towards achievement of Corporate Strategy.

She is a compliant Certified Public Accountant, holds a Bachelor's Degree in Business Administration (Accounting) and is a graduate of Advanced Leadership training organized by Women's World Banking (New York), The Wharton School of Executive Education (USA), and Creative Metier (England). She is also a scholar of Information Technology/Security and Internal Audit, a trainer certified by the Institute of Internal Auditors – Florida, USA, and is also ISO 31000 (Risk Management) & ISO 22301 (Business Continuity Management) Certified.

Corporate Governance Statement



The Board of Directors (the “Board”) of the Company understands and appreciates that sound governance practices are critical to the Company’s sustainability and as such the board has endeavored to ensure the Company meets the highest standards of Environmental, Safety and Governance performance. Umeme’s Stakeholders - regulators, customers, shareholders, partners and the public are comfortable dealing with companies that demonstrate best practice governance standards.

Corporate governance can be defined as a system of rules, practices and processes by which an organization is directed and controlled, while balancing the interests of the different stakeholders.

Umeme is listed on the Uganda Securities Exchange, cross listed on the Nairobi Securities Exchange and regulated by the Uganda Electricity Regulatory Authority. The Company’s governance structure and practices comply with the Companies Act (2012), the terms of its license and concession, respective Country listing rules plus Uganda and Kenya capital markets requirements. In an endeavor to apply the highest standards as expected by Shareholders, the Company is continuously seeking to monitor, adopt and apply best practices of corporate governance.

Board of Directors

Structure

The Board of Directors (the "Board"), which sits at the top of the governance structure, is tasked with oversight of all the Company's affairs, risk management and corporate governance. The Company has a unitary board structure. The Board's composition is determined in accordance to the following governance principles, the board charter and best corporate governance practices:

- The roles of Chairman and Managing Director are separate and distinct.
- The Chairman of the Board is an independent non-executive director.
- The board comprises of no less than six (6) Directors and maintain a majority of independent directors.
- The board comprises of an appropriate range and mix of skills, knowledge, experience and diversity.
- The Audit Committee is chaired by an independent non- executive Director.

The directors comprehend their responsibility to act in the best interests of the Company and appropriately execute their duties independently. The directors engage and guide Management in the execution of its duties.

Composition

The Board comprises of a majority of non-executive and independent directors with a balance between resident and non-resident directors. The current composition represents an enviable mix of skill, knowledge and experience which are integral to the successful operation of the organisation.

The board has been intentional in striving towards attaining gender diversity on the Board and within its senior management team.

The directors' profiles and competencies can be seen on pages 26

Strategy

The Board is responsible for the Company's strategic direction. The Board reviews the Company's strategic plan and discusses and updates it accordingly with management. The strategic direction taken by the board accounts for any risks and opportunities in the industry, the business operating environment and is aligned with the Company's vision, values and performance goals. Following the setting of the financial, customer, operational efficiency and organisation development objectives for the coming year, the Board monitors performance against these objectives on a quarterly basis. Financial performance is also monitored through quarterly reports and audited annual financial statements. Board committees also monitor the relevant areas as delegated by the Board.

Board Terms of Reference

The Company has a Board Charter that defines the governance parameters within which the Board exists and operates. It states specific responsibilities to be discharged by the Board and its committees, as well as certain roles and responsibilities incumbent upon the Directors as individuals. The Board Charter is complementary to the existing laws and regulations governing the Company.

The Board's tasks include, but are not limited to;

- reporting to the shareholders;
- ensuring regulatory compliance;
- ensuring adequate risk management processes exist and are complied with;
- approval of key policies including investment, risk and strategy;
- reviewing internal controls and internal and external audit reports;
- reviewing financial statements;

- ensuring good corporate governance practices and monitoring and influencing the ethical standards of the Company;
- monitoring and implementing the Board composition strategy and director selection, processing and performance as well as succession planning;
- approving key executive appointments and ensuring executive succession planning;
- reviewing the performance of the Managing Director and Senior management;
- reviewing and approving senior management remuneration;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the Annual Operating Plans and approving such plans;
- consideration and approval of the Annual Financial Statements and Dividend;
- and such other matters as are incidental to the above and relevant to fostering business growth and success.

Managing Director

In keeping with its mandate, the Board appointed a Managing Director who continues to handle the day to day management of the Company. This is premised on the Board's delegation of authority for the performance and implementation of the strategic plan of the Company. The Managing Director and the Senior Management Team report to the Board on a quarterly basis and more frequently where necessary depending on the urgency of the case.

Board Induction and Training

Members of the Board once appointed undergo a comprehensive induction process which involves site visits across the country and meetings with senior management and sector stakeholders to

enable them to amass an understanding of the business, strategy, key risks and challenges.

The Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant energy sector developments which could potentially impact the Company, and its present and future operations. The Board is also kept apprised of the general public sentiments and concerns.

Directors are given opportunities to broaden their knowledge of the business by visiting the offices and connected sites in different locations. During the reporting period, both the resident and non-resident, non-executive directors visited various company project sites in Northern and Eastern Uganda in order to keep abreast of developments impacting the business.

The Company Secretary and the Managing Director coordinate the induction process of the new Directors.

Board Evaluation

The Board is committed to continually assessing and improving its effectiveness. In accordance with its Board Charter, the Board conducted a self-review and included the recommendations from the evaluation in their work plan.

The performance of the Managing Director is evaluated annually against targets set by the Board at the beginning of each year. This evaluation is conducted by the Board Chairman supported by input from the Non-Executive Directors.

An evaluation of the board, its committees and the Company secretary was conducted during the reporting period by an external facilitator. Each director provided comments and ratings regarding the performance and functionality of the board. These ratings and comments were collated and shared with the board and actions based on these findings were proposed to better the Board and committee performance.

Board and Management Engagement

The Senior Management Team (SMT) and the Board interact regularly both at Board and Committee meetings and whenever called upon. Directors are at liberty to engage with Senior Managers directly on matters of interest or concern while maintaining a clear distinction between governance and operational matters.

Access to information

During its meetings, the Board receives information and reports from management to the satisfaction of the board. An electronic Board system called E-Board is used to maintain the information repository about Board papers and other relevant literature for the interest of the Directors to effectively support their governance roles.

Appointment, Resignation, Removal of Directors

The appointment, resignation, retirement and removal of directors is governed by the Companies Act, 2012 and the Company's Articles of Association. The Board Nominations Committee determines and reviews the criteria for the appointment of directors.

The Directors are appointed by shareholders at annual general meetings (AGM), but interim appointments by the Board to fill vacancies or otherwise are allowed in between AGMs. These appointments are then subject to rotation at the next AGM. Before considering and selecting directors, the Board through the Nomination Committee, evaluates the requirements of the Board and the Company in terms of skills, experience, knowledge, strategic goals and selects those individuals who complement those already on the Board and further progress the Company towards its strategic goals.

One third of non-executive directors are required to retire at each AGM and may offer themselves for re-election. There is no limit on the number of times a non-executive director may stand for re-election. Executive Directors of the

Company are, by their employment contracts, not subject to rotation.

A summary of the directors' skills and experience are set out at the beginning of this section.

No Director resignations have been recorded since the last Annual General meeting held in May 2019. The nomination of Mr Johan de Bruijn was made during the period since the last AGM and will be tabled for shareholder approval at the next AGM.

Independence

The Board is aware that though various principles and factors are considered in determining the independence of its directors, criteria for independence is also determined by having regard to applicable particular circumstances.

The Board has considered the contractual relationships and positions of all its non-executive directors for the reporting period and is of the opinion that majority of the board was independent of management and free of any interests that could affect their judgment during the reporting period.

Declaration of Interests

All directors are required to disclose their interests in any company, matter, contract or engagement. The Company Secretary is required to ensure that directors' contracts have no conflicts of interest. No interest in any contracts directly or indirectly with the Company were recorded during the reporting period.

Delegation of Authority

To ensure efficiency within the governance structure and in line with the provisions of the applicable listing regulations, Board Sub-Committees are established with clear terms of reference and reporting requirements. Each Committee's terms of reference set out its responsibilities, scope of authority, composition and procedures to be followed.

The Committees are substantially composed of and chaired by Non-Executive members and meet quarterly ahead of the Board meeting.

Board Committees

a) Audit Committee

The Audit committee is responsible for the oversight of financial reporting and related disclosures of the Company including the Company's audit and control functions.

The Committee's responsibilities include:

- the adequacy of the Company's accounting system and internal control environment;
- the adequacy of the Company's system for compliance with relevant laws, regulations, standards and codes;
- the identification of improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
- the functioning of the internal audit function and ensuring that the internal auditor has an unobstructed and clear communication channel to the Committee and the Board;
- the frequency and significance of all transactions with related parties and assessing their propriety;
- the Company's risk management system;
- the integrity and quality of the Company's financial information; and
- the independence, objectivity, scope and quality of the external audit.

Four (4) meetings were held in 2019.

The attendance of Audit Committee meetings in 2019 was as follows:

Director	19.03.2019	25.06.2019	13.08.2019	27.11.2019
Stephen Emasu	✓	✓	✓	✓
Gerald Ssendaula	✓	✓	✓	A
Andrew Buglass	✓	✓	✓	✓
Anthony Marsh	✓	✓	✓	✓

✓ = Attendance; A = Apology; N/A= not yet appointed, ✓*AD= Attendance by Alternate *X Resigned

Non-Executive Director Composition: Stephen Emasu (Chairman), Andrew Buglass, Anthony Marsh and Hon Gerald Ssendaula

b) Environmental, Social and Governance (ESG) Committee

The ESG Committee advises the Board in relation to environment, social and governance matters arising out of the activities of the Company as they affect employees, contractors, stakeholders and communities.

The Committee's responsibilities include:

- assessing and monitoring compliance with legislation and the regulatory requirements;
- assessing standards for minimizing risks;
- considering issues that may have strategic business and reputational implications for the Company and recommending appropriate measures and responses;
- reviewing significant incident investigation reports including fatality reports.
- Assessing the effectiveness of the processes the Company uses to manage safety, health and environment risks

Four (4) meetings were held in 2019.

The attendance of the Environmental, Social and Governance (ESG) Committee was as follows:

Director	19.03.2019	26.06.2019	14.08.2019	26.11.2019
Pieter Adriaan Faling	✓	✓	✓	✓
Riccardo Ridolfi	✓	✓	✓	✓
Florence Namatta Mawejje	✓	✓	✓	✓
Florence Nsubuga	✓	✓	✓	✓
Selestino Babungi	✓	✓	✓	✓

✓ = Attendance; A = Apology; N/A= not yet appointed, ✓*AD= Attendance by Alternate *X Resigned

Non-Executive Director Composition: Pieter Adriaan Faling (Chairperson), Florence Namatta Mawejje and Riccardo Ridolfi

c) Customer Service and Loss Reduction Committee (CSLR)

The Committee is responsible for overseeing and advising on two important pillars of the Company's strategy. It is generally responsible for ensuring that the Company provides the best services to all its customers and remains focused on reducing energy losses in an effective and efficient way within its financial and policy constraints.

The Committee's responsibilities include:

- ensuring that the Company has in place robust customer service and loss reduction strategies and implementation plans ("CSLRs");
- providing guidance to Management in developing relevant CSLRs;
- monitoring the progress of implementation of the CSLRs; and
- providing status updates of Management's performance against the CSLRs and making relevant recommendations to the Board.

Four (4) meetings were held in 2019.

The attendance of the Customer Service and Loss Reduction Committee (CSLR) Meetings was as follows:

Director	19.03.2019	25.06.2019	13.08.2019	27.11.2019
Gerald Ssendaula	✓	✓	✓	A
Pieter Adriaan Faling	✓	✓	✓	✓
Riccardo Ridolfi	✓	✓	✓	✓
Florence Nsubuga	✓	✓	✓	✓
Selestino Babungi	✓	✓	✓	✓
Anthony Marsh	✓	✓	✓	✓

✓ = Attendance; A = Apology; N/A= not yet appointed, ✓*AD= Attendance by Alternate *X Resigned

Non-Executive Director Composition: Gerald Ssendaula (Chairperson), Pieter Adriaan Faling, Anthony Marsh, Riccardo Ridolfi

d) Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Company has coherent remuneration policies and practices which are consistent with human resources objectives and which enable the Company to attract and retain executives and directors who will create value. This is done while considering the performance of the individual, company and the general pay environment.

It should be noted that the remuneration structure of the non-directors' fees is not related to the performance of the Company but rather to the skill, experience and time committed to discharge their duty.

The remuneration structure of senior management is directly correlated to the performance of the Company to ensure alignment with its long term business objectives as well as stakeholders' interests.

The Committee's responsibilities include:

- review of the Company's approach to compensation;
- oversight of the establishment of compensation proposals;
- considering all material remuneration decisions e.g. those relating to the Managing Director, Executive Directors and other members of the Senior Management;
- making recommendations as to appropriate incentive schemes.

No director or manager is involved in any decisions as to their own remuneration. The Directors' remuneration is highlighted on page 123

Four (4) meetings were held in 2019.

Non-Executive Director Composition: Andrew Buglass (Chairperson), Florence Namatta Mawejje

e) Nomination Committee

The Nomination Committee reviews and considers the structure and balance of the Board and makes recommendations regarding appointments, retirements and terms of office of directors

The Committee's responsibilities include:

- identifying and recommending to the Board, candidates for the Board and competencies of new directors;
- reviewing induction procedures;
- assessing and considering the time required of directors to fulfil their duties;
- reviewing succession plans for the Board and senior Management; and
- reviewing measures for keeping directors up to date with the Company's activities and external developments.

In line with its mandate to hold at least one meeting a year, the Committee held four meetings in 2019.

The attendance of the Nomination Committee in the year 2019 was as follows:

Director	18.03.2019	26.06.2019	13.08.2019	27.11.2019
Patrick Bitature	✓	✓	✓	✓
Gerald Ssendaula	✓	✓	✓	A
Pieter Adriaan Faling	✓	✓	✓	✓

✓ = Attendance; A = Apology; N/A= not yet appointed, ✓*AD= Attendance by Alternate

*X Resigned

Non-Executive Director Composition: Patrick Bitature (Chairperson), Gerald Ssendaula and Pieter Adriaan Faling

f) Strategic Review Committee

The Strategic Review Committee advises and assists the Board in matters of long-term planning for the company.

The Committee's responsibilities include:

- Serve as the Planning Implementation Committee;
- Coordinate the collection and sharing of information, suggestions and proposals concerning long term planning for the Company;
- Study and report on specific issues and monitor specific projects as requested by the Board.
- Engage in strategic planning on the Company's Concession with the Government of Uganda

Five (5) meetings were held in 2019.

The attendance of the Strategic Review Committee (SRC) was as follows:

Director	20.03.2019	25.06.2019	14.08.2019	26.11.2019
Anthony Marsh	✓	✓	✓	✓
Patrick Bitature	✓*AD	✓	✓	✓
Selestino Babungi	✓	✓	✓	✓
Andrew Buglass	✓	✓	✓	✓
Riccardo Ridolfi	✓	✓	✓	✓
Florence Namatta Mawejje	✓	✓	✓	✓

✓ = Attendance; A = Apology; N/A= not yet appointed, ✓*AD= Attendance by Alternate *X Resigned

Non-Executive Director Composition: Anthony Marsh (Chairperson) Patrick Bitature, Riccardo Ridolfi, Andrew Buglass, Florence Namatta Mawejje

Board meetings

At the end of each year with the help of the Company Secretary, the Board agrees on its calendar for the next year. These meetings are scheduled at least quarterly. Ad hoc meetings are held when required by circumstances. Directors are provided with detailed papers and reports well in advance of meetings. Board resolutions are ordinarily made through written resolutions. However, the Board can make decisions by way of circular resolutions or round robin approvals. Where such resolutions are made it is customary to hold a Board call to receive a briefing and discuss the matter requiring the circular resolution. The minutes of the meetings are signed and kept in the Minute Register. The record of attendance is well documented and kept in the Attendance Book.

Details of the Board and Committee meetings held during the reporting period are below.

Four (4) meetings were held in 2019 and one Ad-Hoc Meetings as the need required
The attendance of Board meetings in 2019 was as follows:

Director	21.03.19	08.05.19	27.06.19	15.08.19	28.11.2019
Patrick Bitature	√*AD	√	√	√	√
Pieter Adriaan Faling	√	√	√	√	√
Florence Nsubuga	√	√	√	√	√
Gerald Ssendaula	√	√	√	√	A
Selestino Babungi	√	√	√	√	√
Florence Namatta Mawejje	√	√	√	√	√
Andrew Buglass	√	√	√	√	√
Anthony Marsh	√	√	√	√	√
Riccardo Ridolfi	√	√	√	√	√
Stephen Emasu	√	√	√	√	√

√ = Attendance; A = Apology; N/A= not yet appointed, √*AD = Attendance by Alternate *X Resigned

Non-Executive Director Composition: Patrick Bitature (Chairperson), Anthony Marsh, Andrew Buglass, Florence Namatta Mawejje, Riccardo Ridolfi, Gerald Ssendaula, Stephen Emasu, Piet Adriaan Faling

Company Secretary

In accordance with the Articles of Association and the Board Charter the Company has a Company Secretary whose duties are to ensure that the Board remains cognisant of its fiduciary duties, regulatory requirements, responsibilities to conduct the induction of new directors, coordinate Board trainings and maintain Board and Company records. All directors have access to the services of the Company Secretary. The Company Secretary is accountable directly to the Board for all matters regarding the proper functioning of the Board. The Company Secretary function is currently outsourced to Shonubi, Musoke & Co Advocates.

Succession Planning

The Board's commitment to succession planning given the current tenure of the directors continued in 2019 with directors being tasked to propose names of suitable alternate directors and future directors or identify shareholders and stakeholders from whom suitable future directors may be considered. The Board remains confident that its succession planning and talent management strategy will ensure continuity of the Company's business in the long term.

Going concern

The Board are confident in believing that the Company has adequate resources to continue operating as a going concern.

Shareholder Relations

To create shareholder value, promote transparency and improve relationships, the board ensures that appropriate information is disclosed to shareholders and the public at the same time. Shareholders are also encouraged to attend the Annual General Meetings.

At Annual General Meetings, the Chairman explains all proposed resolutions and gives ample time for discussion before a vote is taken. The Company Auditors also attend the Annual General Meetings and are available to answer any queries by the shareholders regarding the audit and performance of the Company. Through the Investor relations manager, the Company holds meetings or calls with its institutional investors to discuss performance following publication of periodic reports at the least.

The Company engaged C&R Registrars, Share Registrar to handle day to day shareholder register issues. Dividends, when declared, are paid on time.

Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 41.34 per ordinary share or Ushs 67,133 million 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 28 July 2020. The total dividend for the year will be Ushs 67,133 million or Ushs 41.34 per share (2018: Ushs 40.9 per share or Ushs 66,416 million). If approved, the outstanding dividend will be paid on or about 17 August 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).

Stakeholder Engagement

The Company's long-term future is dependent on the goodwill of its stakeholders who include the Government of Uganda, Electricity Regulatory Authority, financial institutions, customers and the public. The Company constantly engages the said stakeholders throughout the year to understand and address their needs.

During the year, several stakeholder engagements took place and some of the key events are highlighted in the Sustainability Report.

Dealing in Securities of the Company

The Company has a Prohibition of Insider Trading Policy whose purpose is to ensure that dealings in the Company's shares by directors, major shareholders, contractors, senior management and employees who have access to sensitive information and their related parties, are conducted in an ethical manner that does not prejudice other current and prospective investors of the Company. The policy is strictly applied.

Under the policy, employees and directors are prohibited from trading in the Company's shares during closed periods. None of the directors has breached this policy.

Related Party Transactions

Other than disclosures given in Notes 38 to the "Financial Statements", there were no transactions or proposed transactions that were material to either the Company or any related party. There were no other transactions with any related party that were unusual in their nature or conditions.

Sustainability

Through its sustainability efforts, the Company aims to create value as a member of community and mediate and manage risks that arise from the Company's operations. The sustainability report on page 46 provides an analysis of the Company's sustainability performance for the year 2019.

Ethics and organisational integrity

The code of ethics, together with its underlying policies (Human Resources Manual), describes what is expected of all our employees, the Board directors and third-party providers. The code is designed to enable Company employees to effectively make decisions while going about their day to day activities according to the Company's prescribed ethical principles. These principles being the highest standards of responsible practice for the Company and the business environment it operates. Ethics incidents are reported to the independent integrity department that is in-charge of overseeing all integrity related issues. Reported incidents include fraud and human resources related issues. The Company trained 430 employees mainly managers and new technicians and 578 contractors & partners on compliance with the Code of business conduct during the year.

A total of 206 fraud, power theft and misconduct cases were reported for investigation, 193 cases concluded, and 229 people convicted during the year.

Principal Risks and Uncertainties

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take and for ensuring that risks are managed effectively. The Board has in place a risk management framework to guide in risk identification, monitoring and management. The Audit Committee of the Board routinely monitors the Company risks which are subsequently discussed and reported to the full Board.

The day to day duty to implement the Risk Management Policies rests with Management. The Board receives management reports on the effectiveness of the risk management framework and the management of material risks during the reporting period.

Risk Appetite Statement

No business is risk free and indeed the achievement of Umeme's strategic objectives necessarily involves taking risk. Umeme will however only accept risk where it is consistent with its core purpose, strategy and values; is well understood and can be effectively managed; and offers commensurate reward. Umeme operates in a sector that is inherently subject to a high degree of political, regulatory and legislative risk. Umeme strives to always inform its shareholders of any risk as required in its press releases. The key elements of Umeme's strategic framework – including the range and nature of

the energy sector and Company's financial objectives – are fully reflective of its risk appetite.

In areas where Umeme is exposed to risks for which it has little or no appetite, even though it has implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

In determining its appetite for specific risks, the Board is guided by three key principles:

- Risks should be consistent with Umeme's core purpose, financial objectives, strategy and values. In particular, safety is Umeme's first value and it has no appetite for risks brought on by unsafe actions;
- Risks should only be accepted where appropriate reward is achievable on the basis of objective evidence and in a manner that is consistent with Umeme's purpose, strategy and values; and
- Risks should be actively controlled and monitored through the appropriate allocation of management and other resources, underpinned by the maintenance of a healthy business culture

Creating A Right Risk Culture

Establishing a sustainable risk culture that is embraced by all staff is critical to our ability to exponentially seize opportunities and manage our key risks. As such, the Company takes deliberate efforts to continuously reinforce a positive risk culture, including;

- Continuous capacity building and risk awareness programs to influence staff behaviours and attitude towards risk management;
- Incorporation of risk management into the business policies and procedures as well as the reporting framework at the different management levels;
- Decision making based on prior comprehensive risk assessments results; and
- Orientation of new staff on risk management practices.

The risk culture enables the Company to maintain a risk portfolio that balances risk averse and risk aggressive measures

Governance And Management Of Risk

Board Audit Committee, as required by its terms of reference, is charged with ensuring adequate risk management processes exist and are complied with. To ensure a comprehensive coverage of the risk universe, the governance structures are supplemented by distinct operational layers, otherwise known as the "lines of defense".

Core business units form the first line of defense, i.e., Management carries out the day-to-day tasks to manage performance and risks taken to achieve strategy and business objectives.

The first line is supported by Business-enabling functions. These provide assistance to management through developing and evaluating the level of adherence to the defined standards in response to business risks.

Internal Audit provides the last line of accountability by performing risk-based audits. Internal Audit provides independent and objective assurance to the Board and senior management on the effectiveness of the risk management process and the internal controls environment.

Effectively, all staff play a fundamental and interrelated role in the management of enterprise risks.

Our Principal Risks

Umeme's 7 principal risks.

- Regulatory risks.
- Operational risks – Power theft and vandalism, people.
- Safety and the environment.
- Network and Information Technology Infrastructure failure.
- Financial Risks.
- Cyber security and resilience.
- Human capital risks.

Principal Risks are positioned on a relative basis against the risk assessment process (based on changes in the context and current prevalence of each risk) and potential impact on Company's viability based on critical risks scenarios developed in conjunction with business experts.



6 BUSINESS SUSTAINABILITY

The Board, Management and Staff recognise that our Company's commitment to sustainability can be seen not only in our financial results, but also in our customer relations, employee satisfaction, operational processes, health and safety of the operating environment and regulatory compliance, environmental performance and community support. Umeme operates in an environment where it must balance the competing needs of its stakeholders and the community in which it operates.



We encourage open engagement with our stakeholders to understand their needs and how the business can co-exist with them. The company embraces multiple channels including, radio and television talk shows, online webinars, social media and through our 24/7 contact center.

The governance framework in place ensures that the business sustainability and going concern assessments are evaluated time and again.

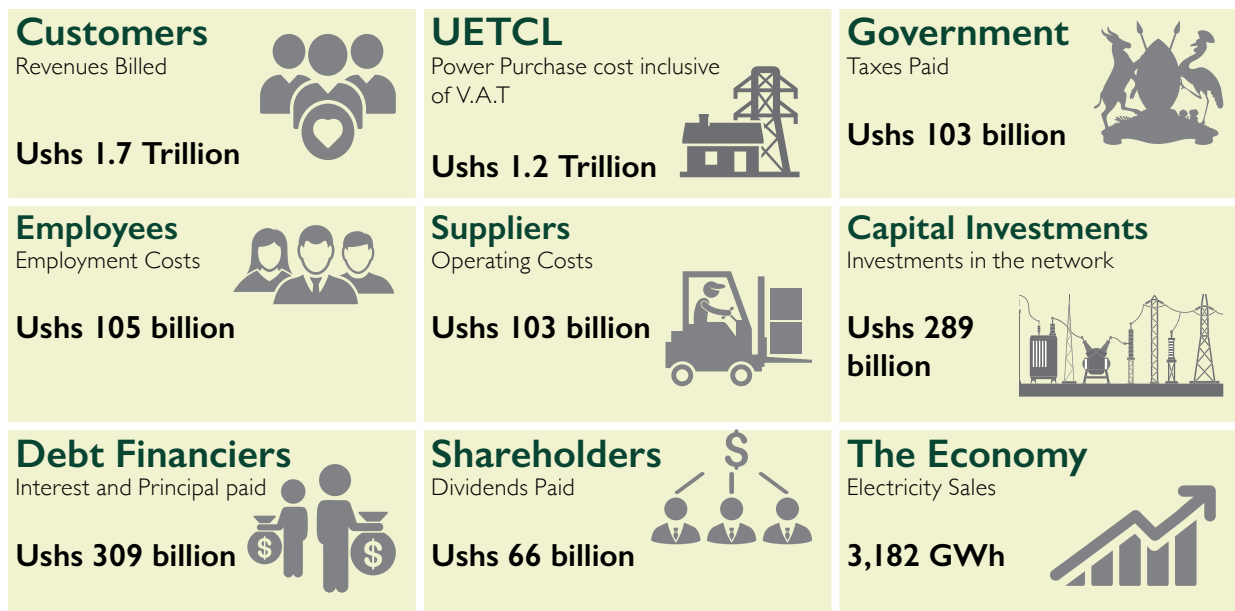
Umeme's framework is driven by the view that the real-time creation of value for shareholders and community enhances the long-term viability of Umeme. This Framework has been designed to ensure that in achieving its core business objectives, Umeme conducts itself in a way that respects the social contract it has with society and creates long-term value. The framework features a core set of policies and procedures supported by a governance structure designed to ensure Umeme addresses the most material issues to its key stakeholders and wider society.

The Managing Director has the overall lead day-to-day responsibility for sustainability, with the Board having a strategic setting, oversight and monitoring of implementation responsibility. The Strategic Review Committee of the Board has the delegated authority for the detailed oversight role on sustainability agenda.

We report on the sustainability measures from economic, social and environment perspectives.

Economic Sustainability

We create and share economic value to multiple stakeholders. In summary, Umeme's value created is shared as below:



Engagements with Suppliers

We promote suppliers' success through clear policies, procedures, terms and conditions which are premised on purchasing practices of fairness and transparency, competition and value for money. This is important to ensure our suppliers are aligned with our values and have standards as high as ours. The Procurement Committee oversees all procurements in the Company.

Investment in the distribution network

The core economic model for sustainable shareholder returns is through investments in the distribution network, to improve on distribution efficiencies, grow the customer connections and supply of quality and reliable electricity. This calls for efficient capital allocation, balancing the different sources of capital, cost of capital and underlying risks.

The Company operates a 7-year capital investments program. The second cycle of the program since inception of the Company ended in 2018.

During the year the Company focused on developing a 6-year capex master plan that will run up to 2025. This plan will be

financed through a combination of debt and internally generated funds.

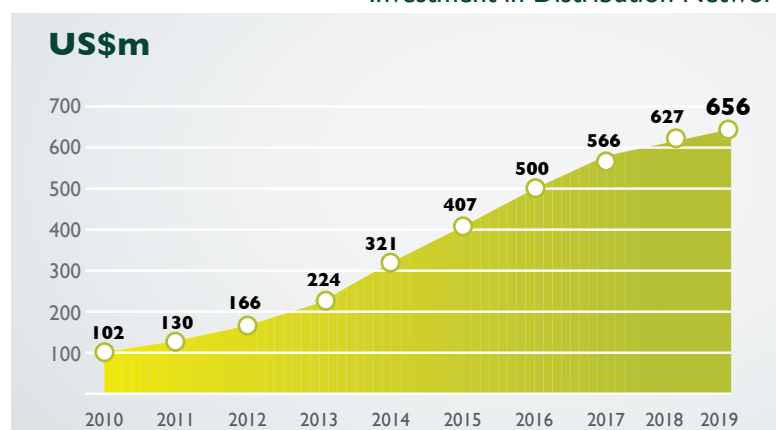
The master plan addresses the following components of our capital investments program;

1. Industrial Load Growth
2. Supply Reliability
3. Technical and Commercial Loss reduction
4. Network asset management and replacement
5. Network Extensions inline with the GOU electricity access program.

We invested Ushs 104 billion in the distribution network, for projects related to growth, supply reliability and loss reduction; and Ushs 185 billion in last-mile connections (under a GoU access program) bringing the total capital investment for 2019 to Ushs 289 billion compared to Ushs 230 billion in 2018. The investments in last-mile connections are recoverable through the tariff during the normal business cycle.

The Cumulative capital investments since inception amounted to Ushs 2.4 trillion (US\$ 656 million)

Investment in Distribution Network



The Company obtained approval of Ushs 310 billion (US\$ 83 million) for capital investments to be implemented effective 2020. The Company raised Ushs 260 billion (US\$ 70 million) in December 2019 to complement its internally generated cash in financing these capital investments.

The following critical projects among others were carefully reviewed by the Company and ERA and are expected to improve quality of electricity supply and reliability, convert postpaid customers to prepayment, reduce technical losses, evacuate power from transmission backbone, ready the network for increased generation capacity and improve network safety.

Project Category	Project Name	Target Areas	Approved project cost (US\$)
Supply Reliability	Reliability Improvement Works	Lira Kitgum	683,828
	Remote Terminal Unit (RTU) 400 Upgrade	Kampala CBD Kisugu Kibuli Kawanda Najjanankumbi Kireka Gaba and surrounding areas	950,000
	Kakiri Substation	Wakiso Kakiri and Nansana	1,310,563
	Reliability Improvement of worst performing feeders	Kumi Mbale Mbarara Masaka Kamuli Luwero Kyampisi Bombo Iki Iki and Kibuku	1,211,894
	Line Differential Protection for 33kV lines	Lugogo Kireka Gaba Kisugu Kibuli and surrounding areas	1,122,400
	MV Conductor Upgrade	Kawanda Namulonge and Kololo	332,426
Safety	Smart Prepaid meters -	Safe City CCTV Meters	229,797
Load growth	Karuma UETCL evacuation plan	Gulu Karuma Lira Kigumba Kiryandongo Bweyale	1,559,806
	Substation Upgrade	Kisubi	517,500
	Nakasamba Substation	Nakasamba Bugonga Entebbe town	1,380,000
	Clock Tower UETCL - Ggaba 33kV Interconnector	Kampala CBD and surrounding areas	851,003
	Nakawa substation	Nakawa and Surrounding areas	1,703,000
	Transformer Injections - Relief of stressed transformers	Country Wide	1,801,181
	UETCL Namanve South 33kV Line Integration	Kampala Industrial Park Namanve and surrounding areas	2,373,888

	UETCL Mukono 33kV Line Integration	Mukono and Surrounding Areas	3,400,250
	Siti 2 Evacuation Lines	Siti Sironko Mbale	9,227,000
	Kapeeka Switchgear	Kapeeka	330,187
	Supply Njeru MMP Industrial Park	Njeru Buikwe	1,810,200
	Mbale Industrial Park	Mbale	5,989,471
	Jinja 11kV feeder's optimization	Walukuba Wairaka Jinja Town Mutai	1,071,072
	Gulu Substation reconfiguration	Gulu	1,317,000
	Prepayment Metering Retrofit	Country Wide	26,268,858
Industrial load Growth	Ntinda substation reconfiguration	Ntinda Kisaasi Kyambogo Bukoto Kiwatule Naalya and surrounding areas	1,970,652
	Bombo Substation Asset Replacement	Bombo Luwero Kyampisi Ndejje Namulonge and surrounding areas	1,456,383
	Geospatial Network Information Systems for Integrated Planning, Design, Operations and Maintenance	Country Wide	1,932,291



Leveraging technology to provide exceptional customer service and create shareholder value

Umeme continues to invest in ICT governance and solutions in a bid to deliver exceptional customer experience. The Company through its ICT strategy regularly reviews ICT priorities in line with the overall Organization strategy. This involves assessing the ICT risks, challenges, priorities and opportunities.

During the year a number of initiatives were rolled out to support the Company in providing exceptional customer service and creating shareholder value. These included;

1. The focus for 2019 was on addressing the instability in the pre-paid vending environment to support the significant number of customers that are expected to be added to the network in 2020 and beyond. The Company received approval from ERA to upgrade the prepaid vending environment. This will enable improved vending for our customers 24/7.
2. Roll out of "Phase I- Procure to Pay" SAP S/4 HANA - The system has proven its worth very quickly with the added visibility and control of internal business processes and decisions.

3. We also commenced "Phase 2 – "Capital Project and Plant Maintenance along with Environmental, Health & Safety reporting". This module is aimed at automating aspects of Capital projects and Plant Maintenance management processes as well as improving Environmental, Health & Safety reporting. Umeme was delighted to receive recognition for the success of the roll-out of Phase I of the SAP HANA project at the annual SAP Quality Awards event that took place in Johannesburg in August 2019. Umeme beat several competitors across Africa to take the Gold Award in the category of Fast Delivery for 2019. The adjudication is based upon several factors that included project governance and the delivery of a quality result. As a winner of the Africa Conference our project was then entered into the Europe, Middle East and Africa (EMEA) pool where it underwent a higher level of scrutiny and was measured against many other similar projects in the EMEA region and as a result, we were presented with the Bronze Award.
4. Cyber security remains at the forefront of all ICT decisions as safety of Company and Customer information is paramount. A number of upgrades were initiated in 2018.

Approval was obtained from ERA in 2019 to implement two critical security tools. These include the implementation of a Network Access Control tool and a Security Incident & Event Management system that will allow for significant improvements in Umeme's ability to manage its cyber security environment

5. The Company also replaced of several obsolete switches, PCs and UPS's.
6. Finally, it is our intention to enhance our ICT governance processes by leveraging on the tools we already have in place and by ensuring that the initiatives that have been implemented in the past two years, are further improved. We are also focusing on enabling our teams to work remotely while delivering exceptional customer service and shareholder value.

We continue to monitor key performance areas which include the measurement of systems and network availability to improve operational efficiencies. Close monitoring and proactive preventative maintenance, along with quick reaction times for corrective maintenance yielded sound results including faster restoration of services.



Leveraging technology to provide exceptional customer service and create shareholder value





Environmental Sustainability

The Company is keen on environmental management and this involves focusing on the potential impact of our business activities on the environment.

The Company follows the International Finance Corporation's (IFC) Environmental and Social Performance Standards in addition to NEMA and ERA environmental guidelines. We are glad to note that the Company continues to comply with these standards, and no significant issues were identified during the year.

The Company is also in the process of adopting embed industry best practices and principles in its operations and has therefore embarked on a journey to achieve ISO 14001 – Environmental Management, standard certification.

Before execution of each project, a risk and impact assessment on the environment through analysis of our activities, their potential impacts, and necessary control measures is conducted. Mitigation and control are put in place to avoid the negative impact. Only when the project demonstrates adherence to our environmental management principles, as well as compliance with local and national regulatory requirements is it executed. Communication and awareness through collaboration with local communities and other stakeholders is also done before project execution.

During the year, Umeme was recognized by the Electricity Regulatory Authority as the most compliant to the National Environmental Guidelines in the Energy sector in Uganda. The Company commenced the roll out of line construction using concrete poles especially in swampy areas. This initiative was supported and approved by ERA. The Company is also aware that wooden poles continue to be integral in line construction. The Company strives to procure these poles from environmentally responsible suppliers who have established large sustainably managed forest plantations. This ensures that the poles we use are harvested sustainably to mitigate effects on the environment and climate change.

Umeme limited like many other energy distribution utilities has and continues to suffer the wrath of impacts occasioned by climate change.

Storms, floods, sudden variations in seasons among others have caused lots of losses to the business in terms of costs of replacement of reaped infrastructures. Some accidents and fatalities can be directly attributed to stormy weather etc. The Company commenced the development of a climate risk and adaptation plan that is aimed at readying the Company to be able to respond to and manage effects of climate change.

Social Sustainability

Safety

While the Company is cognizant that it deals in electricity which is an essential and important commodity, electricity can also be inherently dangerous and therefore safety of staff, contractors and the communities in our footprint are fundamental to us.

In 2019, we revised the safety agenda through the creation of a management Safety Health and Environment Committee (SHE). This committee provides oversight and ensures implementation and monitoring of safety interventions.

Public Fatalities

The company continues to refine the various safety strategies in order to enhance the continuous development of the overall safety culture of staff and our contractors.

The Company leverages on Technical mitigation measures such as education and awareness programs, focused safety messaging and sensitization visits to the communities and schools among others.

While the number of fatal accidents reduced from 39 reported in 2018, with regret, we note the number of fatal accidents resulting from both accidental contact and illegal interference with the electricity distribution network, were 18 in 2019. The root causes include hooking on the network, power theft, vandalism of the distribution network infrastructure and poor in house wiring. Although this is a lower number of fatalities than in the previous year, attributable, at least in part, to our on-going sensitization of the public.

The Company will continue with focused safety initiatives including media safety campaigns, community engagements, school visits and pupil engagements and creation of safety clubs. We urge the public to remain vigilant and proactively report any safety-related incidents through any of our communications channels in our continued effort to eliminate this loss of, or injury, to life.

Staff and Contractor Safety

The Company conducts its annual staff and contractor engagement programme through Safety and ORHVS Audits, and continuous periodic engagements and discussions with staff and contractors. This was done through regular district visits and interactions between management and contractor staff. Further engagements were conducted in which the SHE committee of the Senior management Team led by the Managing Director interacted with staff on a quarterly basis in which Safety issues among others were discussed at great length.

As part of the Company's safety culture, safety targets continued to be monitored for all staff and safety continues to form part of the company's bonus structure in a bid to motivate Staff to continuously contribute to driving the improvement of the safety agenda.

Network Safety

The network restoration efforts in line with the annual capital expenditure investment programme continued with emphasis on restoration of high-risk poor networks located near schools, towns, markets, trading centres to mitigate against injury or fatalities to the public. Zero fatalities were recorded in the attributable fatalities category.



Installing safe washlines

Corporate Social Investment (CSI)

Umeme has implemented varying levels of engagement with local communities. We are focused on programs that can make a community stronger economically, socially or environmentally, through impact assessments and development programs. Some of the activities implemented during 2019 are detailed in the table below;

CSR Activity	Description
Western Region Blood Donation Drive	<p>Umeme in partnership with the Uganda Blood Transfusion Services (UBTS) and the Uganda Red Cross Society carried out a week-and-a-half blood donation drive in the districts of Masaka, Mbarara, Bushenyi and Kabale.</p> <p>The objective of this drive was to collect blood for expectant mothers and children as part of Umeme's annual blood donation initiative launched in 2018. In addition to mobilising eligible donors, Umeme covered all the logistical requirements for the drive and sensitized communities on the value of donating blood through Radio talk shows and face to face interaction.</p> <p>The drive generated over 800 units of blood. As a key partner of UBTS, Umeme received a certificate of recognition at the World Blood Donor Day celebrations held in Kampala on 14th June 2019.</p>
Kyankowe Primary School Tree Project	<p>Monitoring of the Tree Project launched in 2018 at Kyankowe Primary School in Mityana district, continued in the period. Over 1,500 trees were planted at the school and each child was given a fruit tree to nurture. The fruit trees were progressing well just like the Eucalyptus trees. The objective of this project is to cultivate a culture of environmental conservation among the young community.</p>
Bishop West Primary School Water Project	<p>In June 2019, Umeme donated three water tanks to Bishop West Primary School located in Mukono district. The school looks after children with special needs.</p>
Participation in Charity Marathons	<p>Annually Umeme responds to several societal needs through participation in charity marathons. In 2019, Umeme supported and rallied staff to participate in the NSSF Hash Run, Kabaka's Birthday Run, Cancer Run and the MTN Marathon. Proceeds from these events went towards education and health causes.</p>





Our People

The Company aims at investing in a diverse team, built on core values while providing an engaging, supportive and fair workplace aimed at generating long term value for the Company and stakeholders. The strategic development of human capital value is therefore critical to Umeme's long-term success.

At the core of our strategy is the aim to deliver a transformational employee experience founded on our core values, high quality leadership, employee collaboration, retaining talent and employee engagement. The strategy focuses on the commitment to develop staff, build capacity and give individuals the necessary support to deliver Umeme's strategic priorities.

Summary of Performance

	Unit	2019	2018
Total employees	Head Count	1,635	1514
	%male/%female	78/21	77/22
	Permanent	1,375	1,504
	Contract	255	6
Head of departments and direct reports	Expatriate	5	4
	Head Count	96	98
	%male/%female	69/39	69/39
Board of Directors	Head Count	11	10
	%male/%female	80/20	80/20
Learning and development expenditure	Ushs 'million		2,761
Retention Rate	%	97.9	94.5
Total Recruitment	Number	181	117
Average Length of service	Years	9	8
Average age	years	37	37
Average training	Hours	70	36



Staff attending a learning session under the Umeme Academy Program 2019.



Umeme Staff were among those that attended the Strathmore Business School Senior Management Development Program 2019.

Organizational Design

The Company adopted the Patterson Job Evaluation and grading system to guide in strengthening our operating structures and streamlining job grades across the business.

This was also fundamental in ensuring competitiveness, equity, clarity on roles and responsibilities and alignment to companywide goals.

HR Competency Framework

The Company completed the human resources competency framework that is an essential tool in talent management now and in the future. In addition, it enables staff skills development and supports competency assessments in the performance management system. The framework has been applied in learning and development interventions in the business, in the operation of the performance management system and talent acquisition.

Human Resource Information System

In 2019, we migrated to full automation of HR Processes following the completion of the Phase 2 Human Resource Management Information System - HR Connect. The successful completion of the project has facilitated the standardization of HR processes leading to a reduction in administrative costs, automation of analytics and report generation.

In 2020, the SAP Project Phase II will include the Human Capital Management (HCM) and Environment, Health & Safety (EH&S). These will be key in further supporting the implementation of the human resources strategy and company goals.

Performance Dialogue

With the automation of the HR processes, we rolled out Performance dialogue in an automated environment that was effective thus resulting in timely comple-

tion of the dialogue across the Company in record time.

Employees were able to proactively set performance goals, evaluate their achievements and identify learning opportunities, while the managers were able to evaluate and discuss performance therefore supporting continuous learning to yield organizational effectiveness.

Talent Acquisition

We have continued to strategically align our resourcing strategy to the key business drivers. In 2019, we continued to focus on resourcing the Losses Reduction, cash collection, faults resolution and New connections structure.

We hired and onboarded one hundred and fifty (150) Technicians who were recruited to address timely faults resolution and provision of exceptional customer experience.

Employee Learning and Development

Employee development was championed through various Learning and Development (L&D) initiatives both on and off the job for permanent and contracted staff. To nurture future leaders, the Umeme Leadership Academy was launched. Sixty-one (61) high potential and future leaders were taken through a comprehensive Leadership Development Programme. Implementation of the knowledge and skills attained shall promote increased employee productivity, retention, development and engagement.

Employee Reward and Recognition

We continue to entrench our values, recognize good performance and in an effort to create a sustainable employee work life experience, the business is committed to building a culture of Recognition. The rewards and recognition framework to drive this is in place and is focused on the company's attainment of the Umeme's Wildly Important Goals i.e.





Celebrating IT department bespoke performance during the year.

Losses Reduction, Outages Management (Reliability), Efficiency (War on waste), Cash collection and Regulatory Income Recovery along with the following company values; Safety, Customer Service, Innovation & Ingenuity, Teamwork and Integrity.

In addition, we strengthened our employee value proposition by improving employee welfare through our active participation in the corporate league, marathons, staff wellness aerobics programme and revamping of our medical insurance cover to meet employee needs. This has further enhanced personal effectiveness and promoted a healthy employee lifestyle.

Retirement Benefit Scheme

Umeme continues to contribute to the staff retirement scheme Umeme Limited Staff Retirement Benefit Scheme. This is a defined contribution scheme registered under the Uganda Retirement Benefits Regulatory Authority Act, 2011. The Scheme continues to grow and helped in our talent retention.

Long term incentive plan (LTIP)

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. During the year and in line with our reward strategy that is incentive based, the Board through the Remuneration Committee, approved the principles for the setup of Long-Term Incentive Plan (LTIP 3). The Plan just like LTIP 2 that vested in 2019, is a 3-year plan hinged on delivery performance targets.

Union & Management relationship

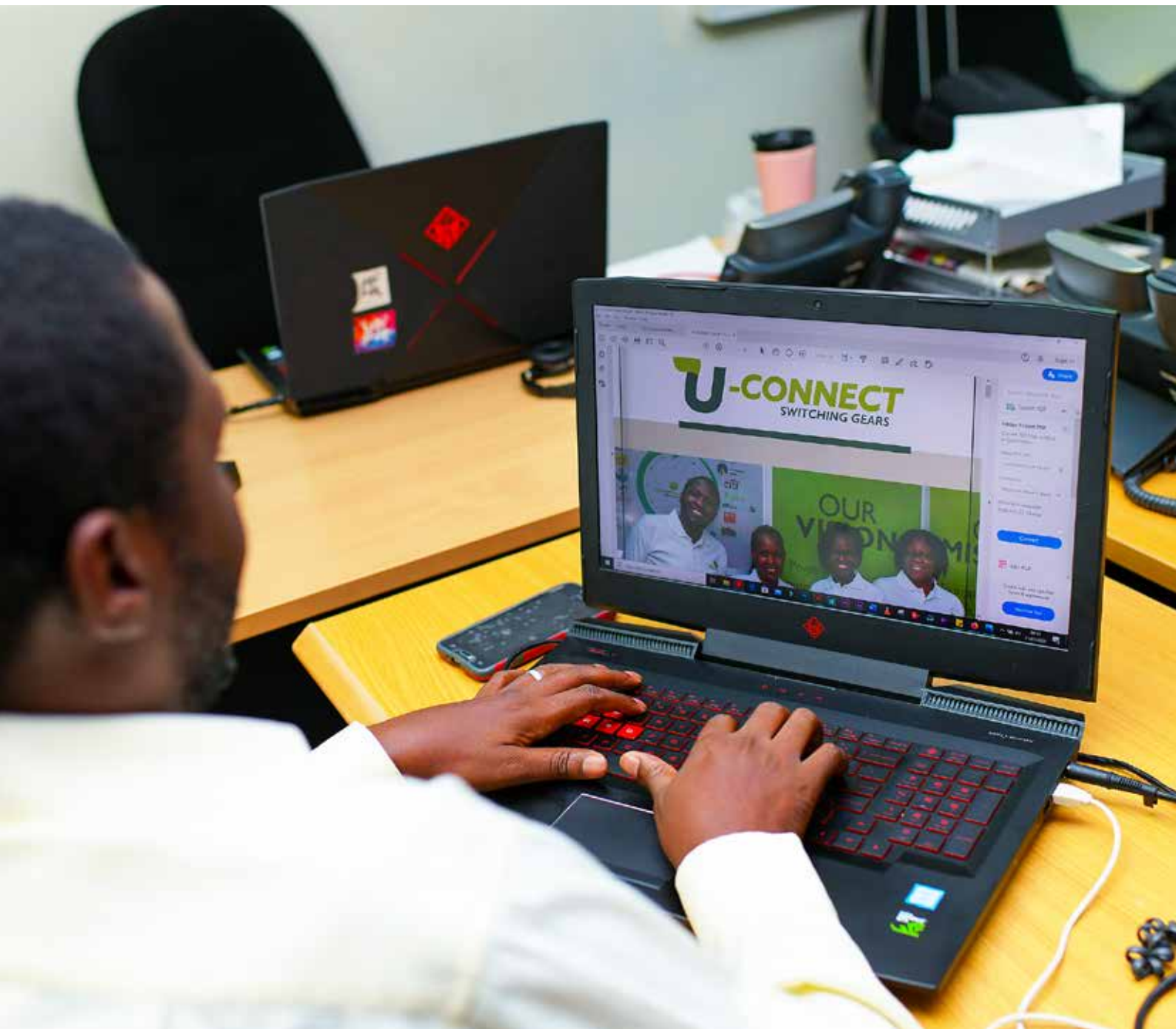
We respect the right of our employees to join a union under Uganda Electricity & Allied Workers Union in accordance with applicable labor unions and employment laws. As at year end 2019, 414 staff were members of the labour union. The recognized labour union is party to decision on wages of its members through collective bargaining process. There are regular meetings held between management representatives and representatives of the Labour Union.

Communication

Open and transparent communications with staff is critical for the success of our business operations. We have put in place various channels through which our employees can communicate to management their positive and negative concerns in the business. Employees are further encouraged to communicate innovative ideas which can be explored for the benefit of the business. Management also makes it a key part of their role to continuously communicate with employees so as to relay the company's strategy, key business plans and projects, major changes in the company and future actions. On top of other staff engagements, management holds roadshows across the business to engage staff on the business priorities. This builds trust between management and employees as it offers a platform for active involvement and participation.

Staff Communication Channels

- HR Information System (HR Connect)
- U-Connect staff magazine
- Umeme Intranet
- ASKHR online email platform for human resources related queries
- Management roadshows and townhall meetings
- Umeme emailer
- Staff section or departmental meetings
- Closed User Group telephone system, where staff are not charged for intra-company communications on registered mobile phones.



Taking Services Closer to our Customers



Mpigi Service Centre was inaugurated during the year to serve Mpigi and neighbouring areas



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- Pay your bills
- Buy your Yaka! token
- Access your last token
- See planned outages a month in advance
- Get power saving tips
- Contact us

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The background of the image is a blurred financial scene. It features a computer monitor displaying a line chart with a prominent blue line and some green and red data points. In the foreground, there are several stacks of silver coins on a light-colored surface. A portion of a calculator is visible in the bottom left corner. A semi-transparent yellow rectangle is centered over the image, containing the text 'FINANCIAL STATEMENTS' in white capital letters.

FINANCIAL STATEMENTS

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2019

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").

I. 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:

- i. 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
- ii. 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.

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**.

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

- 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 risk management objectives and policies are summarised on page 43 of this report.

4. FINANCIAL AND OPERATIONAL HIGHLIGHTS

The key financial and operational highlights are summarised on page 10 of this report.

5. DIVIDENDS

Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 41.34 per ordinary share or Ushs 67,133 million 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 28 July 2020. The total dividend for the year will be Ushs 67,133 million or Ushs 41.34 per share (2018: Ushs 40.9 per share or Ushs 66,416 million). If approved, the outstanding dividend will be paid on or about 17 August 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

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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. SIX YEAR TARIFF PERFORMANCE PARAMETERS

New six year tariff performance parameters were negotiated during the year. The implementation of the initial performance parameters, as determined by the Electricity Regulatory Authority, adversely impacted the Company's financial performance, particularly in the second and third quarters of the year. Subsequent revision of the parameters, to levels more conducive to achieving higher standards of service to customers, lessened the impact on the overall results for the year.

The following tariff performance parameters shall be applicable for the period 2019 to 2025

	Tariff Year						
	2019	2020	2021	2022	2023	2024	2025
DOMC* (US\$ million)	52.1	54.7	57.4	60.6	63.0	66.5	70.5
Losses (%)	15.00	14.40	14.00	13.47	13.19	12.92	12.78
TUCF (%)	0.38	0.30	0.21	0.16	0.12	0.08	0.05
Customer Connections (No.)	245,000	267,050	291,085	317,282	345,837	376,963	410,890

11. 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.

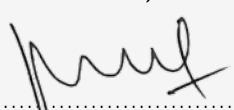
12. AUDITOR

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 20th March 2020.

By order of the Board,

Signed: 

Shonubi, Musoke & Co. Advocates

Secretary, Board of Directors

Statement Of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2019

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 68 to 72.

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 20th March 2020 and signed on its behalf by:



Patrick Bitature
Director



Selestino Babungi
Director

Report of the Independent Auditors

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 73 to 140, 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.

Report of the Independent Auditors (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
I.	Accounting for capital investments in the Distribution Network	
	<p>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 US\$ based capital investments as approved by the Electricity Regulatory Authority.</p> <p>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.</p> <p>We considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> 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. 	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> 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.

Report of the Independent Auditors (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	
	<p>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.</p> <p>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.</p> <p>As disclosed in Note 4I 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.</p> <p>We also considered that the disclosures on taxation in Notes 15 and 4I are significant to the understanding of the Company's tax positions.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • 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.

Report of the Independent Auditors (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.
- 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.

Report of the Independent Auditors (Continued)

Report on the Audit of the Financial Statements (Continued)

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


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
Certified Public Accountants
Kampala, Uganda



.....
Julius Rwajekare
Partner

20th March 2020

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

¹Certain 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 78 to 140 form an integral part of these financial statements.

Statement of Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	Ushs million	Ushs million Restated ¹
Profit for the year	139,152	132,815
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
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

¹Certain 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 78 to 140 form an integral part of these financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 Dec 2019	31 Dec 2018	1 Jan 2018
		Ushs million	Ushs million Restated ¹	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

¹Certain 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 20th March 2020 and were signed on its behalf by:



Patrick Bitature
Director



Selestino Babungi
Director

The notes set out on pages 78 to 140 form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Issued capital	Share premium	Retained earnings	Translation reserve	Total equity
		Ushs million	Ushs million	Ushs million	Ushs million	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

¹Certain 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 78 to 140 form an integral part of these financial statements.

Statement of Cashflow

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	Ushs million	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)

¹Certain 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 78 to 140 form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

I. COMPANY INFORMATION AND GOING CONCERN

I.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 ("US\$"), 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.

I.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 20th 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 US\$, 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.

Notes to the Financial Statements

(CONTINUED)

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.

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.

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

Notes to the Financial Statements

(CONTINUED)

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.

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.

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

Notes to the Financial Statements

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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.

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

Notes to the Financial Statements

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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.

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.

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.

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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

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.

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

Notes to the Financial Statements

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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.

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.

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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.

I. 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.

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.

Notes to the Financial Statements

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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.

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.

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.

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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.

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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 US\$ 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 US\$, a number of expenses are incurred in US\$ and that financing is mainly sourced in US\$.

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.

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.

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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.

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

Notes to the Financial Statements

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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.

Notes to the Financial Statements

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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	2018
		Ushs million	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

Notes to the Financial Statements

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- (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.
- (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.

Notes to the Financial Statements

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7. COST OF SALES

Electricity purchase from UETCL
Generation levy
Construction costs: construction of assets [Note 6(f)]
Construction costs: ECP [Note 6(g)]

2019	2018
Ushs million	Ushs million
984,276	885,398
4,726	4,494
3,910	22,142
189,585	-
1,182,497	912,034

8. REPAIRS AND MAINTENANCE EXPENSES

Distribution (overhead and underground)
Transformers, meters and other electrical equipment
Other repairs and maintenance

2019	2018
Ushs million	Ushs million
5,234	9,261
9,051	12,512
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

Staff and network contractor management costs ¹
Transport costs
Software support agreements
Publicity, advertisement and sms communication
ERA licensing fees
Operating concession charges - UEDCL
Rental expenses
Directors' expenses and allowances
Other administration costs
Consultancy fees
Telephone expenses
Debt collection expenses
Insurance premium charges

2019	2018
Ushs million	Ushs million Restated
104,665	99,179
16,455	12,663
6,098	6,903
6,243	4,839
3,398	3,573
6,555	6,177
3,235	3,037
3,090	3,017
20,320	18,535
2,459	5,070
5,968	5,255
1,881	2,571
2,615	2,436
182,982	173,255

¹Staff and network contractor management costs

Salaries and wages
National Social Security Fund (NSSF) contributions
Long term incentive plan expenses
Other employment related costs

55,308	49,486
7,133	6,201
775	7,035
41,449	36,457
104,665	99,179

Notes to the Financial Statements

(CONTINUED)

9. ADMINISTRATION EXPENSES (Continued)

The other employment related costs include the following amounts:

	2019	2018
	Ushs million	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

¹Contractor 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

	2019	2018
	Ushs million	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		
Increase in ECL - trade receivables	3,822	6,686
Increase in ECL - other receivables	38	-
	3,860	6,686

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

11. AMORTISATION AND WRITE OFF OF INTANGIBLE ASSETS

	2019	2018
	Ushs million	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	2018
	Ushs million	Ushs million
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

Notes to the Financial Statements

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13. FINANCE COSTS

Finance costs relating to debt facilities

	2019	2018
	Ushs million	Ushs million Restated
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**

¹This 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	2018
	Ushs million	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

13. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	2019	2018
	Ushs million	Ushs million
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

¹Included in other administration costs in Note 9.

Notes to the Financial Statements

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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

Amounts recognized in profit or loss

Current income tax charge for the year
Current income tax charge – prior years

Deferred tax charge for the year
Deferred tax charge – prior years

2019	2018
Ushs million	Ushs million
32,090	18,990
342	-
30,592	43,280
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:

Accounting profit before income tax

At statutory income tax rate of 30% (2018: 30%)

Tax effect of:

Expenses not allowable for tax purposes
Current income tax – prior years
Deferred tax (credit)/charge – prior years

Income tax expense charged to profit or loss

2019	2018
Ushs million	Ushs million
204,357	195,085
61,307	58,526
1,375	3,744
342	-
2,181	-
65,205	62,270

b) Current income tax (recoverable)/payable

At 1 January
Prior year adjustment (Note 48)
At 1 January - Restated
Current income tax charge for the year
Payment of current income tax
Translation gain

At 31 December

2019	2018
Ushs million	Ushs million
	Restated
(4,680)	(8,123)
-	13,677
(4,680)	5,554
32,432	18,990
(38,829)	(33,081)
-	3,857
(11,077)	(4,680)

Notes to the Financial Statements

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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		
				Prior year adjustment		As previously stated
		Profit or loss	Prior year	Restated	(Note 48)	
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 31 December 2019						
<i>Deferred tax liabilities / (assets)</i>						
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	Ushs million
At 31 December 2018						
<i>Deferred tax liabilities / (assets)</i>						
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	2018
	Ushs million	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

Notes to the Financial Statements

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17. INTANGIBLE ASSETS

	GOU support and assurances rights	Other concession rights	Total
	Ushs million	Ushs million	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

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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 US\$ 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	2018
	Ushs million	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	2018
	Ushs million	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

Notes to the Financial Statements

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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 US\$. The US\$ 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 US\$ 233 million, as of that date (2018: Ushs 679,017 million or US\$ 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	US\$ million	Ushs million	US\$ 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

¹Includes capital work-in-progress.

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

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

Completed investments that are yet to be approved by ERA are summarized below. All amounts are in US\$ 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

Notes to the Financial Statements

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US\$ 30 million relating to capital investments completed in 2019 was allowed in the 2020 tariff base pending verification by ERA. US\$ 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:US\$ exchange rates while the amounts presented in the statement of financial position are at the closing Ushs:US\$ exchange rates.

	2005- 2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	Ushs Million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	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 US\$ million										
Average foreign exchange rate (Ushs:US\$)	2,088	2,691	2,522	2,778	3,242	3,423	3,616	3,732	3,709	
Total investments in US\$ million	129	36	58	97	87	93	65	62	29	656

Notes to the Financial Statements

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19. CONCESSION FINANCIAL ASSET

	2019	2018
	Ushs million	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.

Notes to the Financial Statements

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20. INVENTORIES

	2019	2018
	Ushs million	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	2018
	Ushs million	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

Notes to the Financial Statements

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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	2018
	Ushs million	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.

Notes to the Financial Statements

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

	2019	2018
	Ushs million	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

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 under Note 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

Notes to the Financial Statements

(CONTINUED)

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

i) Authorised ordinary shares

At 1 January and 31 December	1,800,000,000	1,800,000,000
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ii) Number of issued ordinary shares

At 1 January and 31 December	1,623,878,005	1,623,878,005
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b) Par value of ordinary shares

At 1 January and 31 December per share (Ushs per share)	17.088	17.088
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c) Value of issued shares

	2019	2018
	Ushs million	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	Number of shareholders	Number of shares held	Percentage shareholding
At 31 December 2019			
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%

Notes to the Financial Statements

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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%

e) Shareholding

Name	31 December 2019		31 December 2018	
	Number of shares	Percentage shareholding	Number of shares	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	2018
	Ushs million	Ushs million
At 1 January and 31 December	70,292	70,292

26. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED

	2019		2018	
	Dividend per share		Dividend per share	
	Ushs	Ushs million	Ushs	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

¹The 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.

Notes to the Financial Statements

(CONTINUED)

27. BORROWINGS

	2019	2018
	Ushs million	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			2018		
	Ushs million			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			2018		
	Ushs million			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	-	-	-

Notes to the Financial Statements

(CONTINUED)

(b) Short term facilities

Standard Chartered Bank

At 1 January
Amount received during the year
Interest charge for the year
Interest payment
Principal repayment
Foreign exchange losses

At 31 December

dfcu Bank Limited

At 1 January
Amount received during the year
Interest charge for the year
Principal repayment
Interest payment
Foreign exchange (gains)/losses

At 31 December

	2019	2018
	Ushs million	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	-	-
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			2018		
	Ushs million			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			2018		
	Ushs million			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

Standard Chartered Bank

At 1 January
Arrangement and commitment fees
Amortization for the year

At 31 December

	2019	2018
	Ushs million	Ushs million
At 1 January	-	-
Arrangement and commitment fees	-	912
Amortization for the year	-	(912)
At 31 December	-	-

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	2019	2018
	Ushs million	Ushs million
dfcu Bank Limited		
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 US\$ 235 million was initially committed in 2013. US\$ 90 million was designated as term Facility A provided by IFC and US\$ 125 million as term Facility B provided by Stanbic Bank Uganda Limited and Standard Chartered Bank. US\$ 15 million and US\$ 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:

	US\$
Term facilities	
IFC - Facility C "A"	28,000,000
IFC - Facility C "BI"	10,000,000
Standard Chartered Bank – Facility D	16,000,000
Stanbic Bank – Facility D	16,000,000
	<u>70,000,000</u>
Revolving credit facilities	
Standard Chartered Bank	15,000,000
Stanbic Bank	5,000,000
	<u>20,000,000</u>
Total amount committed by the lenders	<u>90,000,000</u>

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).
- 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).

Notes to the Financial Statements

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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%
US\$	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 US\$ was as follows:

	2019 US\$'000			2018 US\$'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 US\$'000			2018 US\$'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.

Notes to the Financial Statements

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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 (US\$ 25 million) [2018: Ushs 109,250 million (US\$ 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 US\$. The applicable interest rate for the Ushs facilities was 16.5% (2018: 16.3%) and for the US\$ 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 US\$ as at year-end was US\$ 10 million (2018: US\$ 15 million) and the amount repaid in US\$ was US\$ 15 million (2018: US\$ 15 million).

Cash flow impact of borrowings

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

	Term loans	Short term facilities	Deferred transaction costs	Total
	Ushs million	Ushs million	Ushs million	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

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	Term loans	Short term facilities	Deferred transaction costs	Total
	Ushs million	Ushs million	Ushs million	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	2018
	Ushs million	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

Notes to the Financial Statements

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28. CONCESSION FINANCIAL OBLIGATION

	2019	2018
	Ushs million	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 US\$ 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.

Notes to the Financial Statements

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29. LONG TERM INCENTIVE PLAN LIABILITY

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

	2019	2018
	Ushs million	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.

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.

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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	2018
	Ushs million	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	2018
	Ushs million	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).

Notes to the Financial Statements

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31. CONTRACT LIABILITIES

	Note	2019	2018
		Ushs million	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

(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	Domestic customers	Total	GOU -TOU	Domestic customers	Total
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	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	2018
	Ushs million	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.

Notes to the Financial Statements

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(c) Deferred capital fund – Growth factor revenue

	2019	2018
	Ushs million	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.

(d) Deferred capital fund: Non-network assets

	2019	2018
	Ushs million	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	2018
	Ushs million	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	2018
	Ushs million	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

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(f) Skills development

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

	2019	2018
	Ushs million	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

(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	Meter testing	Total	Customer rebates	Meter testing	Total
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	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

Advance payments by energy customers

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

	2019	2018
	Ushs million	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	2018
	Ushs million	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.

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b) Provisions

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

33. TRADE AND OTHER PAYABLES

	2019	2018
	Ushs million	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	2018
		Ushs million	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

(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 (US\$ 13 million) [2018: Ushs 32,646 million (US\$ 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.

Notes to the Financial Statements

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35. CASH AND CASH EQUIVALENTS

	2019	2018
	Ushs million	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

Debt instruments at amortised cost

Buy out amount
Concession financial asset

Non-current

Trade receivables
Letters of credit – cash cover
Lifeline surcharge revenue receivable
Other receivables
MEMD - Peri Urban Development project
REA – OBA receivables
REA - ECP
Trade and other receivables
Bank balances

Current

Total financial assets

	2019	2018
	Ushs million	Ushs million Restated
	855,497	679,017
	327,570	327,074
	1,183,067	1,006,091
	157,985	150,997
	1,072	1,085
	-	13,521
	1,831	9,651
	2,378	2,410
	14,063	22,038
	39,000	-
	216,329	199,702
	99,196	21,208
	315,525	220,910
	1,498,592	1,227,001

Financial liabilities

Financial liabilities at amortised cost

Borrowings
Concession obligation
Customer security deposits
Accrued expenses
Trade and other payables
Bank overdrafts

Current

Non-current

	2019	2018
	Ushs million	Ushs million Restated
	556,934	528,535
	327,570	327,074
	492	791
	15,704	30,161
	422,442	381,497
	46,340	39,129
	1,369,482	1,307,187
	613,455	636,913
	756,027	670,274
	1,369,482	1,307,187

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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	2018
	Ushs million	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	2018
	Ushs million	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%

Notes to the Financial Statements

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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 comprise of the directors and management.

	2019	2018
	Ushs million	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	US\$ '000	Ushs million	US\$ '0000
Operating profit before amortisation, impairment of intangible assets, interest and tax<sup>2>	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".

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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	US\$'000	Ushs million	US\$'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.

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 be 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.

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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.

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 –

- derives income when it is receivable by the taxpayer; and
- 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

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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 US\$ 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.

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.

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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.

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.

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As at 31 December 2016, US\$ 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.

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.

	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
At 31 December 2019						
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		

	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
At 31 December 2018						
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.

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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 US\$. 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 US\$ based. The significant costs for equipment and material purchases are denominated in foreign currencies. A significant portion of the Company's borrowings is in US\$. 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 US\$ as this is the Company's functional currency. The amounts denominated in US\$ are indicated in the table below for information. All amounts presented are in Ushs million.

	US\$	GBP	EURO	ZAR	KES	Ushs	Total
At 31 December 2019							
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)	
	US\$	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)	

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The sensitivity to a reasonably possible change in the US\$ 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 US\$ 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 US\$ 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 US\$. The components include return on investment and related tax allowance, capital recovery and US\$ denominated operating costs. The Company's capital investments are also denominated in US\$, 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 US\$ denominated liabilities being lower than the US\$ 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.

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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.

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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

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

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.

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.

Notes to the Financial Statements

(CONTINUED)

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

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Financial liabilities						
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	Fair value	Carrying amount	Fair value
	Ushs million	Ushs million	Ushs million	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

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.

Notes to the Financial Statements

(CONTINUED)

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

		Inputs applied		Sensitivity of input to fair value		
		2019	2018	Change in input	2019	2018
Item	Inputs				Ushs	million
Other financial asset	US\$ 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	2018
		Ushs million	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%

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	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

Notes to the Financial Statements

(CONTINUED)

- 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.

Notes to the Financial Statements

(CONTINUED)

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

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	377.7	382	70,000	70,000
		Additional maximum demand charge				
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	311.9	312.5	70,000	70,000
		Additional maximum demand charge				
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.

Notes to the Financial Statements

(CONTINUED)

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:

	2018	2017
Nature of adjustment/reclassification	Ushs million	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:

Statement of profit or loss		Year ended 31 December 2018		
	Notes	As previously stated	Adjustment	As restated
		Ushs million		
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	As restated
		Ushs million		

Profit for the year	132,815	132,815
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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
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Total comprehensive income for the year, net of tax

140,656	4,588	145,244
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Notes to the Financial Statements

(CONTINUED)

Statement of financial position		At 31 December 2018			At 1 January 2018		
Notes		As	Adjustment	As restated	As	Adjustment	As restated
		previously stated	Ushs million		previously stated	Ushs million	
ASSETS							
Non-current assets							
	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							
	21	4,542	2,202	6,744	12,461	-	12,461
	15(b)	18,357	(13,677)	4,680	8,123	(13,677)	-
	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							
		466,348	6,946	473,294	369,658	(13,677)	355,981
		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							
	28	435,291	(108,217)	327,074	394,985	(80,128)	314,857
	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							
	31	78,887	8,476	87,363	37,768	-	37,768
	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

Statement of cash flows		Year ended 31 December 2018		
Notes		As previously stated	Adjustment	Restated
		Ushs million		
		195,085		195,085
	12	(32,386)	26,556	(5,830)
	13	32,386	(26,556)	5,830
	18	361	(250)	111
	22	-	6,686	6,686
		341,811	6,436	348,247
Cash flows before working capital changes				
<i>Changes in working capital items:</i>				
		7,919	(2,202)	5,717
		113,696	(6,644)	107,052
		41,119	8,476	49,595
		(15,475)	(6,066)	(21,541)
		477,652	-	477,652
Cash generated from operating activities				

Notes to the Financial Statements

(CONTINUED)

48. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (Continued)

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

Supplementary Information

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	Land & buildings	Furniture & fittings, tools & office equipment	Computers, communication equipment & MIS	Motor vehicles	Capital work- in-progress (CWIP)	Total
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	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

Supplementary Information

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MEMORANDUM FINANCIAL INFORMATION IN US\$ FOR THE YEAR ENDED 31 DECEMBER 2019

BASIS OF TRANSLATION

The directors determined that the Company's functional currency is US\$ 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 US\$ 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:

	2018	2017
Nature of adjustment/reclassification	US\$ '000	US\$ '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	-

Supplementary Information

(CONTINUED)

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

	2019	2018
	US\$ '000	US\$ '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	2018
	US\$	US\$
BASIC AND DILUTED EARNINGS PER SHARE	0.023	0.022

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

Supplementary Information

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019	2018
	US\$ '000	US\$ '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

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

Supplementary Information

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

	Issued capital	Share premium	Retained earnings	Translation reserve	Total equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '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

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

Supplementary Information

(CONTINUED)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US\$ '000	2018 US\$ '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)

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

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