ANNUAL REPORT

2019 -2020

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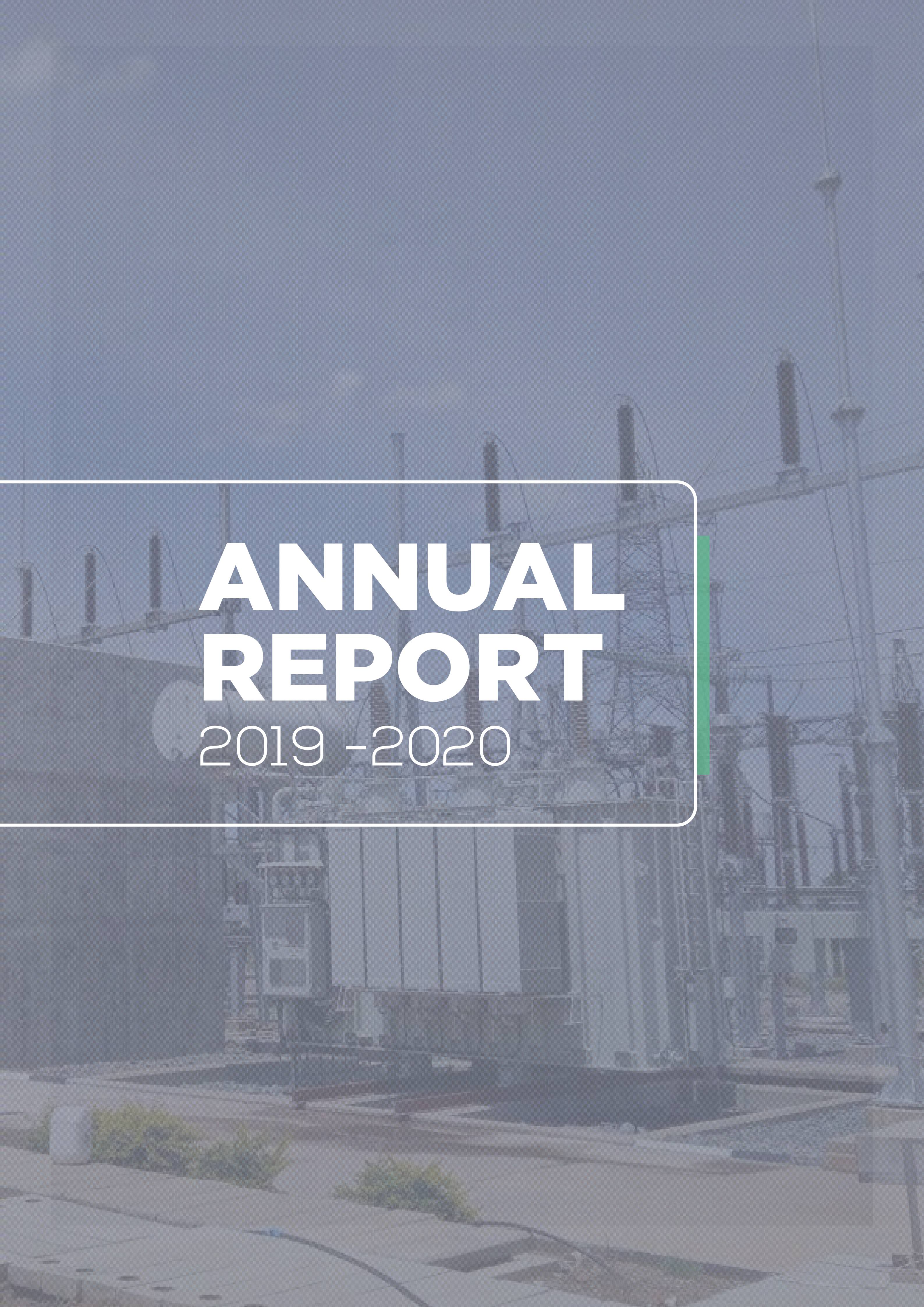

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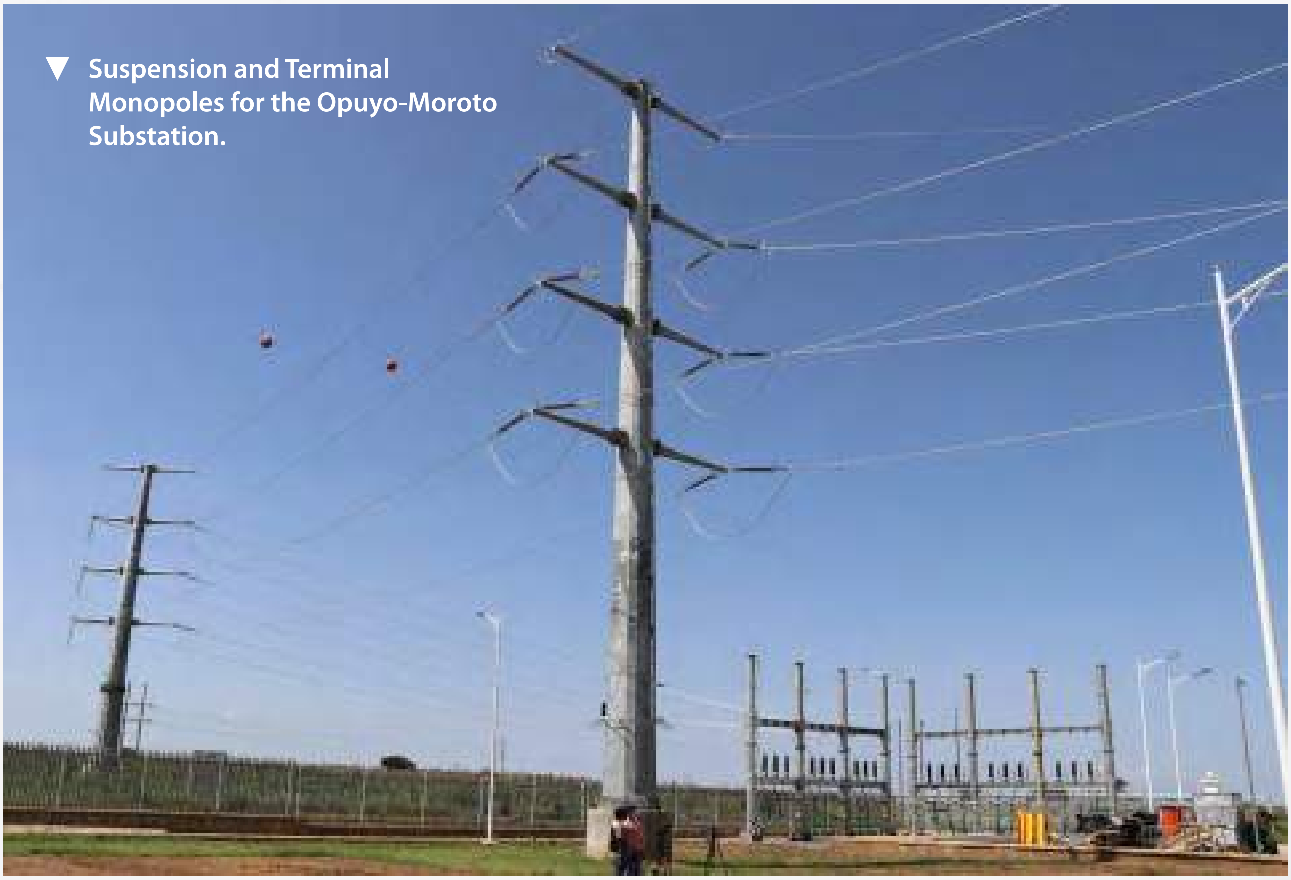


▼ **Suspension and Terminal Monopoles for the Opuyo-Moroto Substation.**

CORPORATE INFORMATION

Registered Office	Plot 10 Hannington Road P. O. Box 7625, Kampala-Uganda Tel: +256 414 233 433/4, +256 417 802 000, +256 314 802 000 Fax: 256-41-4341789 Email: transco@uetcl.com
Shareholders	Government of Uganda represented by: Minister of Finance, planning & Economic Development AND Minister of State for Finance In charge of Privatization.
Directors	Mr. Peter Ucanda - Chairman Mr. Willy K. Kiryahika - Executive Director Ms Sarah I. Timarwa- Non Executive Director, Mr. John Genda Walala - Non Executive Director Eng. Abdon Atwine - Non Executive Director Mr. Nicholas Oluka -Non Executive Director Mr. Christopher Mugisha- Non Executive Director Mr. Valentine Katabira- Alternate Member to MD
Company Secretary	Georgina Matama Kugonza Musisi
Bankers	**Standard Chartered Bank (U) Limited** 5 Speke Road P .o Box 7111 Kampala **Citibank (U) Limited** Centre Court 4 Ternan Avenue, Nakasero **Stanbic Bank (U) Limited** Crested Towers Plot 17 Hannington Road **Barclays Bank of Uganda Limited** Plot 2/4 Hannington Road
Principal Auditor	**The Auditor General** Plot 2/4 Kaggwa Road P. o. Box 7083 Kampala
Principal Legal Advisers	**Kateera & Kagumire Advocates** P .O. Box 7026, Kampala **A F Mpanga Advocates** P .O. Box 1520, Kampala **K & K Advocates** P .O. Box 6061, Kampala **Shonubi, Musoke Advocates** P .O. Box 3213, Kampala **Rem & Co Advocates** P .O. Box 35949, Kampala **Ligomarc Advocates** P .O. Box 8230, Kampala

Principal Tax Adviser	**Price Water House Coopers limited** P. o. Box 8053 Kampala
Clientele:	Umeme limited Kenya Power & Lighting Co. Limited (KPLC) Tanzania Electricity Supply Co. Limited (TANESCO) Electricity Water & Sanitation Authority (EWSA) - Rwanda Societe Nationale d'Electricite (SNEL) - DRC Uganda Electricity Distribution Company (UEDCL) Pader Abim Energy Cooperative Society (PACMECS) Bundibugyo Energy Cooperative Society (BECS) Kilembe Investments Limited (KIL) Kyegegwa Rural Electricity Cooperative Society Ltd (KRECS)
IPPs	Eskom Uganda, Bujagali Energy Limited, KML, KCCL, Kakira SW, Tronder Power, Jacobsen, Kinyara SW, Electro-Maxx, EMS Mpanga, Eco-Power, SAIL, Access Solar, Hydromax, Muvumbe Hydro, Rwimi EP, EMS Nyamwamba, Lubilia, Mahoma, PA technical, Xsabo, Emerging Power, Butama hydro, Ziba Limited, Ndugutu, Arpe Ltd, UEGCL, REG & KPLC
Number of employees:	355

▼ Karuma Substation

ABBREVIATIONS & ACRONYMS

ADO	Auto Diesel Oil
BOT	Build Operate and Transfer
CBD	Central Business District
CBP	Corporate Business Plan
CoD	Commercial Operations Date
ERA	Electricity Regulatory Authority
EUL	Eskom Uganda Limited
GIS	Gas Insulated Substation
GWh	Giga Watt-hour
HFO	Heavy Fuel Oil
HV	High Voltage
IPP	Independent Power Producer
KCCL	Kasese Cobalt Company Limited
kV	Kilovolts
kWh	Kilo Watt-hour
KML	Kilembe Mines Limited
KPLC	Kenya Power and Lighting Company Limited
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MW	Mega Watt
OFPS	Own Falls Power Station
PLC	Power Line Carrier
SCADA	Supervisory Control and Data Acquisition
TANESCO	Tanzania Electricity Supply Company
UEDCL	Uganda Electricity Distribution Company

OUR PURPOSE

Vision:
Electricity Transmission for Sustainable Regional Development

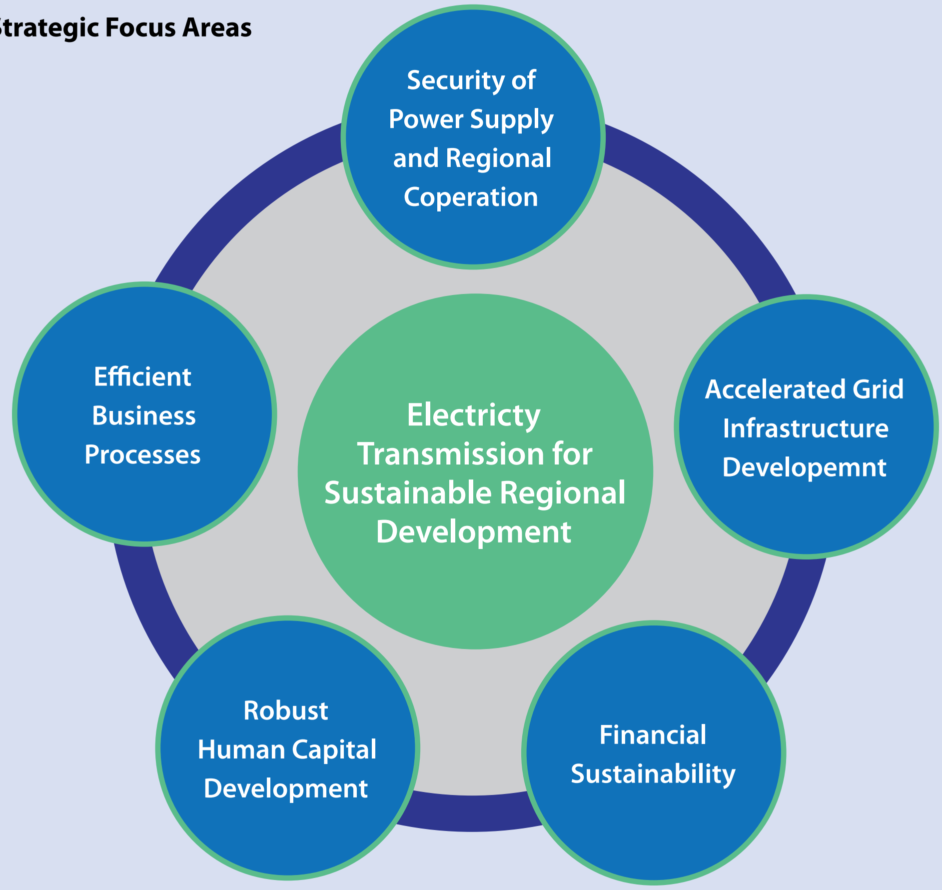
Mission:
To Buy Transmit and Sell Quality Bulk Power

Mandate:
- Transmission System Operator
- Bulk Power Supplier
- Operator of the High Voltage Transmission Grid
- Power Export and Import
- Public Infrastructure Service Provider

Source of Our Mandate:
- Electricity Regulatory Authority
- Uganda Communication Commission

Core Values
- Respect and Responsible Self-respect and respect for others
- Respect and Responsibility: Act Reliability, with Loyalty and Integrity
- Transparency; Strive for Openness and,
- Compliance; Safety for all and follow decisions that preserve the environment and the health and safety for self, all employees, other stakeholders and property.
- Innovation; Show initiative, self-drive and willingness to continuously learn and improve quality (ii) Be cooperative and show team spirit that enhances results and fosters equality, diversity, harmony and fellowship

Company Strategic Focus Areas



BUSINESS PERFORMANCE HIGHLIGHTS

5.1%

Increased Revenue
Electricity revenue grew from Shs 1,115.76bn to 1,172.38bn, representing 5.1% growth

1.6%

Electricity Sales Growth
Electricity Sales grew by 1.6% from 4,102.05GWh to 4,168.02GWh

225.7MW

Increased Generation Capacity
225.7MW of new generation capacity installed during the year. Installed capacity 1,153MW

24.6%

Increased Asset Base
The asset base increased by 24.6% from Shs 2,605.5 Bn to Shs 3,247.57Bn

16.4%

Profit Before Tax
Profit before tax dropped by 16.4% to Ugx 54.02Bn compared to Ugx 64.64Bn posted the previous period.

728.6MW

Growing System Demand
The highest registered system demand was 728.6MW compared to 661.9MW registered the previous period.

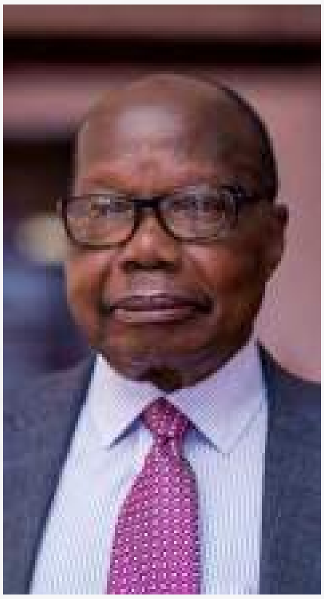
OUR GRID STATISTICS

Installed Capacity	1,227.49MW	
System Peak Demand	620MW	
No. of IPPS	30 Power stations	
	220kV	1008km
	132kV	2,057km
	132kV (cable)	0.9km
	66kV	35.2km
	Total	**3,101km**
	220/132kV	1310MVA
	132/33kV	1221.5MVA
	132/11kV	220MVA
	66/11kV	28MVA
	Mobile substation 132/33/11kV	50MVA
	Total	**2829.5MVA**
System Load Factor	70-75%	

H.E Yoweri Kaguta Museveni and his wife at the commissioning of Mukono Industrial park Substation

BOARD OF DIRECTORS

Uganda Electricity Transmission Company Limited's Board of Directors is comprised of Ugandan Nationals.



Peter Rumso Kuyeu Ucanda
Board Chairperson/
Member – Finance & Administration Committee of the Board

Peter Rumso Kuyeu Ucanda holds a Bachelor of Science (Hons) Degree in Geography and Botany (Makerere University), and; a Diploma in Public Administration (Carleton University, Canada). He is a member of the International Personal Management Association and the African Association of Public Administration and Management respectively. Peter Rumso Kuyeu Ucanda has over 34 years of national and international experience in management, administration and leadership. He has also got vast experience as a Board Director. He previously served as the Chairman of the Nebbi Community. He has also served as Permanent Secretary/Office of the Prime Minister, Director of National Population and Housing Census, Permanent Secretary in Ministry of Labour, Permanent Secretary in Ministry of Defence, Permanent Secretary in the Office of the President, Head of the Public Service and a Consultant for CIDA in Botswana, Lesotho and Swaziland. He is at the helm of leading the Board of Uganda Electricity Transmission Company Limited in developing and promoting a collection vision of the Company's purpose, its culture, values and behaviours it wishes to promote in conducting its business.

Willy Kobujuna Kiryahika
Executive Director/Managing Director/Chief Executive Officer/Member – Finance & Administration Committee/Remuneration & Technical Committee

Willy Kobujuna Kiryahika holds a Master of Science Degree in Power Engineering (University of Manchester), and; a Bachelor of Science in Electrical Engineering (Makerere University). He is a member of the Institute of Electrical and Electronics Engineers (IEEE). He has wide experience in Electrical Engineering and Management having risen through the ranks from Trainee Engineer in the unbundled Uganda Electricity Board (UEB) to Manager Operations & Maintenance. He rose to the position of Deputy Chief Executive Officer and served as Managing Director/Chief Executive Officer of Uganda Electricity Transmission Company Limited with effect from January 2017 until his retirement on December 31, 2019.

Sarah Irumba Muhumuza
Non-Executive Director/Member – Remuneration & Technical Committee of the Board

Sarah Irumba Timarwa holds Bachelor of laws Degree (Makerere University), and; a Post Graduate Diploma in Legal Practice (Law Development Centre, Kampala). She has vast experience in law and legal practice. She previously served as a Principal State Attorney in the Ministry of Justice and Constitutional Affairs and as a Senior Private Secretary to the First lady of the Republic of Uganda. She was a Corporation Secretary of Uganda Posts and Telecommunication Corporation and a Law Lecturer, Department of Business Studies, Kenya Polytechnic. She is the Founder and Chief Executive Officer of Holistic Restoration Ministries, a Ministry that focuses on the disadvantaged groups, mainly Widows, Orphans and other Vulnerable Persons. She has been the Eastern Africa Regional leader for Women of Global Action since the year 2000 to date.

John Genda Walala

Non-Executive Director/Chairman Audit, Risk & Compliance Committee

John Genda Walala holds a Master of Business Administration Degree (Wyatt University, Edinburgh), and; a Bachelor of Commerce Degree in Accounting (Hons) (Makerere University). He is a Member of the Institutes of Certified Public Accountant of Uganda and Kenya respectively. He has wide experience in financial management and administration. He previously served as a Chief Accountant of Uganda Breweries Limited; Manager Finance of Kibo Breweries Limited, and; a Commissioner Corporate Services at Uganda Revenue Authority. He was a member of the Electricity Disputes Tribunal, a tribunal responsible for disputes resolution in the power sector. He is a lecturer of Professional Ethics and Values at Management and Accountancy Training College and is currently the Director Local Government Inspection in the Ministry of Local Government.

Chris Mugisha

Non-Executive Director/Chairman – Finance & Administration Committee of the Board

Chris Mugisha holds a Master's Degree in Business Administration (University of Ljbjana), and; a Bachelor of Science Finance & Accounting (Makerere University). He is currently heading the Parastatal Monitoring Unit, Ministry of Finance, Planning and Economic Development, and previously served as a 2000-2008 Team Leader, Parastatal Monitoring Unit, Ministry of Finance, Planning & Economic Development (2000-2008); Business Analyst Parastatal Monitoring Unit, Ministry of Finance, Planning & Economic Development (1997 – 2000). He has vast experience in Financial Consulting.

Eng. Abdon Atwine

Non-Executive Director/Chairman - Remuneration & Technical Committee/ Member – Audit, Risk & Compliance Committee

Eng. Abdon Atwine holds a Master of Science Degree in Energy Systems & Thermal Processes (Cranfield University), and; a Bachelor of Science Degree in Mechanical Engineering (Makerere University). He is a member of the Uganda Institute of Professional Engineers. He has vast working experience within the Energy Sector as a Commissioner in the Energy Department of the Ministry of energy & Mineral Development. He participated in the formulation of the Electricity Act 1999. He played an important role as part of the Uganda Government team in the negotiations of several Power Purchase Agreements.

Nicholas Oluka

Non-Executive Director/Member – Audit, Risk & Compliance Committee

Nicholas Oluka holds a Master's Degree in Economic Policy Management (Makerere University), and; Bachelor of Commerce Degree (Makerere University). He is a former Commissioner in the Ministry of Finance, Planning and Economic Development with vast knowledge on policy formulation and implementation. He also has extensive knowledge on board matters, having been a member of the board in the following entities; Uganda Printing and Publishing Corporation, Uganda Cotton Development Authority, Dairy Development Authority and Teso Diocese Development Office.

Valentine Katabira

Deputy Chief Executive Officer/Alternate Executive Director to the Substantive Executive Director/ Managing Director/Chief Executive Officer/Alternate Member – Finance & Administration Committee/Remuneration & Technical Committee

Valentine Katabira holds a Bachelor of Science Degree in Engineering (Makerere University). He is the Deputy Chief Executive Officer and alternate for the substantive Managing Director on the Board of UETCL. He has vast experience in Management, Administration and Leadership in the Energy Sector having risen through the ranks from Manager, Operations & Maintenance to Deputy Chief Executive Officer of UETCL with effect from January 2017 to date. He also served as Acting Managing Director/ Chief Executive Officer with effect from January 01, 2020 to June 30, 2020.

Ministers of Energy, Minister of State for Privitisation and other stakeholders after Signing the Kole-Gulu-Nebbi Arua Transmission Project Contract at Imperial Royale Hotel.

The new Moroto Substation

MANAGEMENT TEAM

Willy K. Kiryahika
Managing Director/CEO

Valentine Katabira
Deputy Chief Executive Officer

Georgina Kugonza Musisi
Company Secretary

Frederick Zesooll
Manager HR & Administration

Edward Muganyizi
Manager Internal Audit

George Rwabajungu
Manager Finance Accounts & Sales

William Nkemba
Manager Projects Implemenation

Eng. Richard Matsiko
Manager Operations & Maintenance

Boneventura Buhanga
Manager Planning & Investment

Peter Igibolu
Manager ICT

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the members of the Board, it is my pleasure to present the annual Performance Report, Audited Financial Statements and Auditor General's Report for the year ended June 30, 2020.

Unquestionably, the past Financial Year ended June 30, 2020 was unprecedented worldwide as the second half of the year was characterized by the onset of the COVID19 pandemic.

The Coronavirus pandemic (COVID-19) affected multi-sectoral operations and economies worldwide. In Uganda specifically, the economy shrank to GDP growth rate of 2.9% compared to 6.8% growth in FY 18/19, spurred by the impact of Government lockdown measures to prevent the spread of COVID-19.

The power sector in particular experienced unprecedented drop in power demand by over 26% in April 2020 when the Government ordered for total lockdown of the country.

The current take-or-pay pricing model for Power Purchase Agreements factors in fixed capacity charges or deemed energy generation which have been unfavorable to our business in the absence of anticipated demand growth
Despite the challenges, I am pleased to report that UETCL demonstrated its resilience by delivering a solid financial performance driven by a strong focus on our strategic pillars. Our profitability for the year ended June 2020 dropped slightly by 16.4% to Ugx 54.02Bn from Ugx 64.64 Bn posted in the previous FY 18/19.

Business Performance overview

Power Supply Situation; The Company continues to enjoy sustainable energy supply. Hydro power continues to be the largest contributor to the Country's generation mix, contributing over 90% to the mix. This is a step in the right direction towards achievement of the company's vision, as well as fostering economic growth in the country.

During the year, the Company witnessed addition of over 96MW to the generation mix and comprised the following power plants; Elgon Siti 2 (16.5 MW), Ziba Kyambura HPP (7.6MW), Nduguttu (5.9MW), Nyamagasani 2 HPP (6MW), Timex Bukinda HPP (6.5MW) and ARPE Achwa HPP (41MW) which was synchronized to the national grid by end of June 2020. The total system installed capacity now stands at 1250MW up from 1,154MW the previous year

A total of 4,330.18 GWh was purchased by the Company from various generation plants during the year and 4,169.02 GWh sold to different distributors as well as export, hence representing transmission losses of 3.74%. The highest system demand registered during the year was 728.6MW, recorded in February 2020. However, the onset of the lockdown measures by Government to prevent the spread of COVID-19 affected the business environment, consequently, electricity consumption was adversely affected with demand dropping significantly to 540MW in April 2020.

With the easing on the lockdown measures, the company started to witness gradual recovery in the system demand system demand, though by the end of June 2020, system demand had not recovered to its previous highest level of 728.6MW.

Financial Performance; Despite the effect of the Covid19 pandemic on system power demand, the company witnessed a 5.1% growth in electricity sales revenue to Shs 1,172.38. The growth was largely due to a 2.4% growth in domestic consumption, despite a 9.6% drop in export volumes.
Thermal power purchase costs decreased from Shs 155.17 Bn the previous year to Shs 83.41 Bn, representing 46.2% drop. This was mainly due to improved energy mix which resulted in less utilization of the more expensive thermal plants.

Capital asset base increased to Shs 2,605.5Bn from 2,136.75 Bn reported the previous year representing 21.9% growth.

The net profit before tax posted during the year was Ugx 54.02 Bn down from Ugx 64.6 Bn reported the previous year, mainly due to drop in demand as result of slowdown of the economic activities due to the effects of the covid19 pandemic

Dividend; the directors do not recommend payment of a dividend for the year ended 30th June 2020.

Policy & Regulatory Landscape

We operate in a dynamic business environment influenced by macroeconomic, socio-political, and regulatory factors among others. Provision of reliable and affordable electricity remains a top priority for the government with significant funding channeled towards development and refurbishment of the infrastructure and acceleration of generation expansion. The increased attention from the government has attracted development partners including private investors seeking partnerships and opportunities in the sector with focus on the long-run sustainability of generation capacity in the country.

Grid Infrastructure Development

Energy is an enabler to the realization of the Government's development objectives, hence accelerated grid infrastructure development continues to be our strategic focus area, with the objective of ensuring timely execution of investments and promotion of new least cost power production to eliminate the socio-economic costs that accrue from load shedding and use of non-renewable energy sources due to lack of the main grid. The many investments that are on-going and planned imply that UETCL needs stronger focus in the project implementation phase to meet the expectations of all stakeholders.

In another remarkable development, the company was able to commission; the 2x40MVA, 132/33kV Iganga Industrial Park Substation and the associated 10kmTransmission Line, the 52.5km 132kV Kawanda – Kapeeka Transmission Line 52.5km and associated 1X20MVA 132/33kV Kapeeka Substation, the 3x63MVA, 132/33kV Mukono Industrial Park Substation substations and its associated 5km line and the 50KVA, Auxiliary transformer at Kabulasoke substation to supply essential loads.

Funding Partners

We, the Board, Management and staff of UETCL take this opportunity to thank our Development Partners-the Government of the Republic of Uganda, World Bank, KfW, AFD, IsDB, AfDB, JICA and EXIM Bank of China who assisted us by committing finances to enable UETCL pursue the construction of various transmission projects and substations which are required for the efficient transmission of power as well as evacuation of power from the upcoming generation plants.

Outlook & Conclusion

We anticipate that electricity demand will recover owing to increased economic activities as Government eases on the lockdown restrictions as well as through accelerated free customer connections. We recognize that availability of adequate, reliable and affordable electricity is vital in enhancing the country's attractiveness to investors. In this regard, in conjunction with government and our partners in the sector, we are investing heavily in projects aimed at providing affordable adequate generation, transmission and distribution capacity.

As we move into the future, we remain focused on strategies that enable us to take advantage of emerging opportunities for the business growth and sustainability. Our immediate focus will be on fast-tracking the implementation of ongoing and planned system expansion and network upgrade projects to provide transmission capacity for the expected increase in generation capacity as well as adopt strategies to improve system efficiency.

I would like to thank my fellow Board Members for the continued support and insights during this volatile uncertain period. I look forward to working with you in the FY 2020/21 as we recover from the impact of the COVID-19 pandemic.

I also extend my appreciation to the Managing Director/CEO, Management and staff for their resilience, sacrifice and courage to ensure we continued to serve our customers while taking care of each other amidst the COVID-19 pandemic.

I would like to thank our shareholders, regulators, IPPs, Customers, development partners and other stakeholders for their unwavering support and commitment to UETCL. Your confidence inspired the UETCL team to continue moving forward to ensure delivery of exceptional service to our clients.

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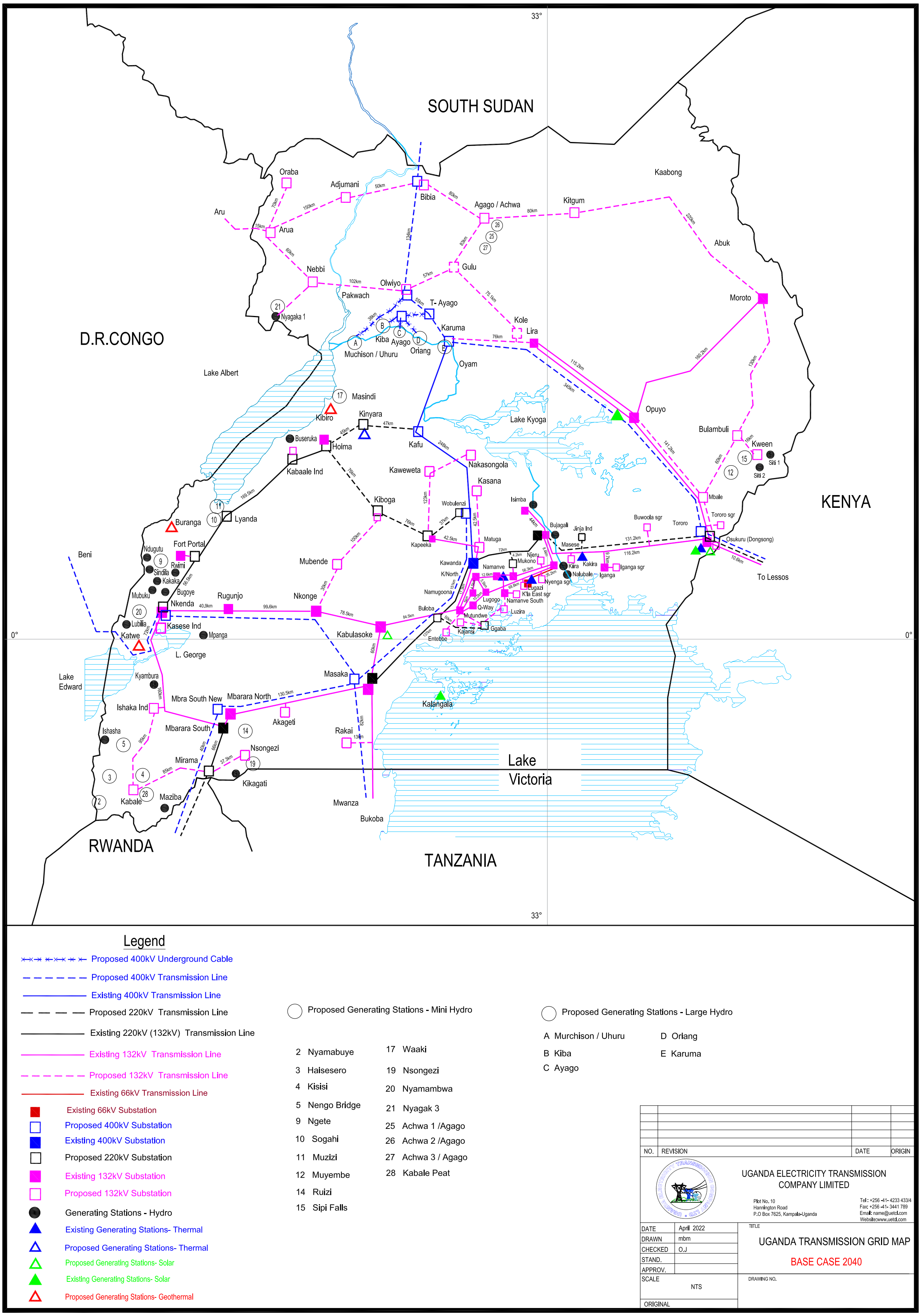
Peter Ucanda
Chairman, Board of Director

UETCL PRESENT & FUTURE TRANSMISSION GRID NETWORK



REPORT OF MANAGING DIRECTOR/ CEO

The FY 2019/20 was a unique challenging one. The positive sentiment registered in the first half of the year was swiftly overrun by the disruption occasioned by the COVID-19 pandemic that significantly impacted the global and the local economy.

Our role as a national power utility is critical considering that electricity is a key driver for economic and social development. In this regard, amidst the Covid-19 pandemic and in response to the corresponding Directives issued by the Government, the Company implemented its business continuity measures to minimize the impact of the pandemic on the business operations and liquidity, while striving to maintain reliable power supply to the Country. We appreciate the support provided by the Government during this unprecedented times to enable us to continue providing electricity as an essential service.

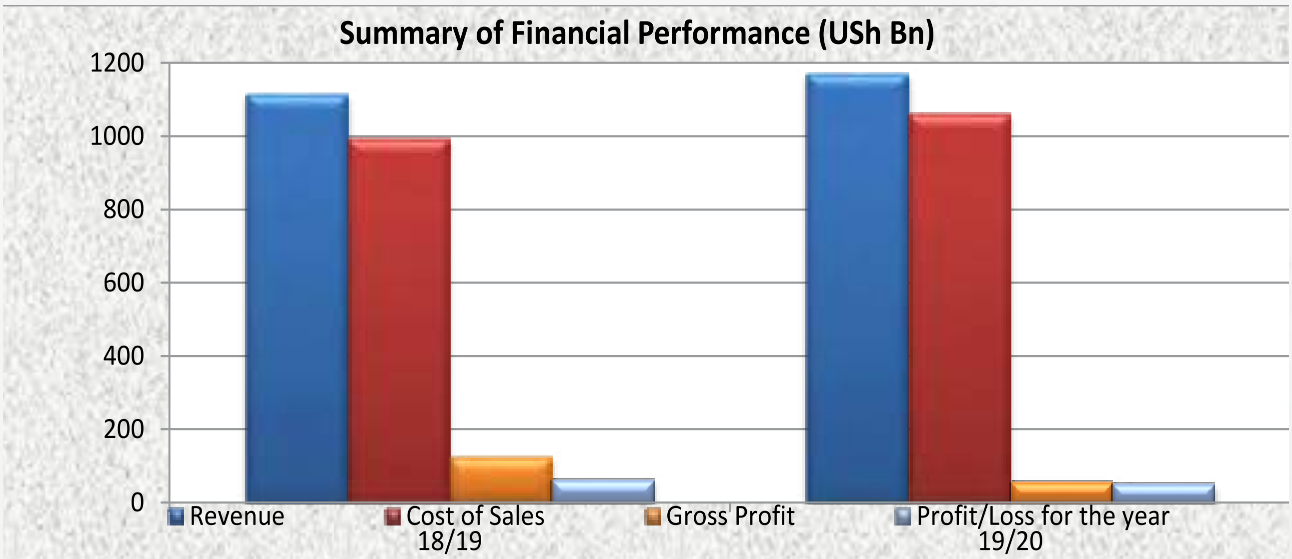
Financial Performance

Revenue from energy sales increased by 5.1% to Ugx 1,172.38Bn for the period, compared to Ugx 1,115.77Bn registered the previous period. 92.2% of the registered revenue was from domestic sales while 7.8% from export sales. Revenue collection activities were however hindered by the effects of Covid-19 as result of reduced customer payments.

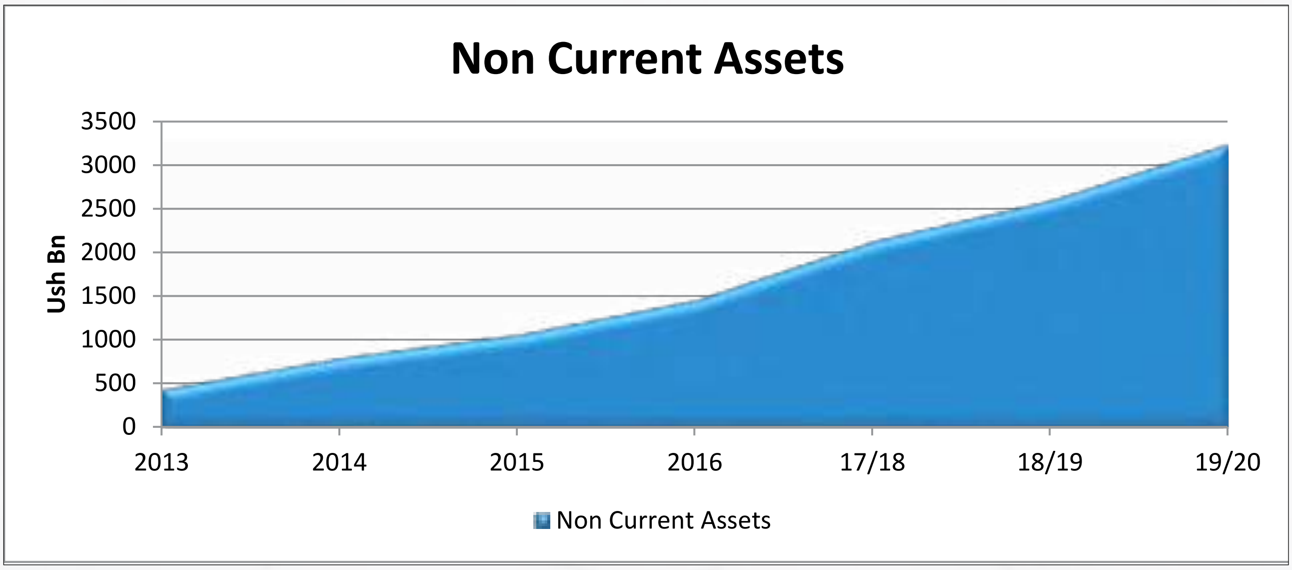
Cost of sales which include cost of electricity increased by 6.9%, to 1,062.9Bn for the period, compared to Ugx 994.3Bn registered the previous period. The increase in energy purchase cost despite drop in demand was mainly on account of take-or-pay pricing model for some Power Purchase Agreements with fixed capacity charges or deemed energy generation which is unfavorable to our business in the absence of anticipated demand growth
Gross profit for the period reduced by 53.4% to Ugx 58.80 Bn from Ugx 126.27 Bn posted in the previous period, mainly driven by increase in cost of sales as well as revenue shortfalls arising out of reduced electricity demand.

The net profit before tax posted during the year was Ugx 54.02Bn which was below performance of Ugx 64.64 Bn registered the previous year. The drop in the level of profitability can largely be attributed to the impact of Covid19 on our operation particularly on electricity demand.

The net-worth (shareholders' funds) increased to Shs1,456Bn at 30 June 2020, up from Shs1,274Bn at 30 June 2019 as a consequence of GoU contributions of Shs127Bn received during the year and the profit of Shs54Bn posted during the year.



Total assets as at 30th June 2020 increased by 24.6% to Ugx 3,247.57, compared to Ugx 2,605.53Bn registered the previous period ended 30th June 2019.

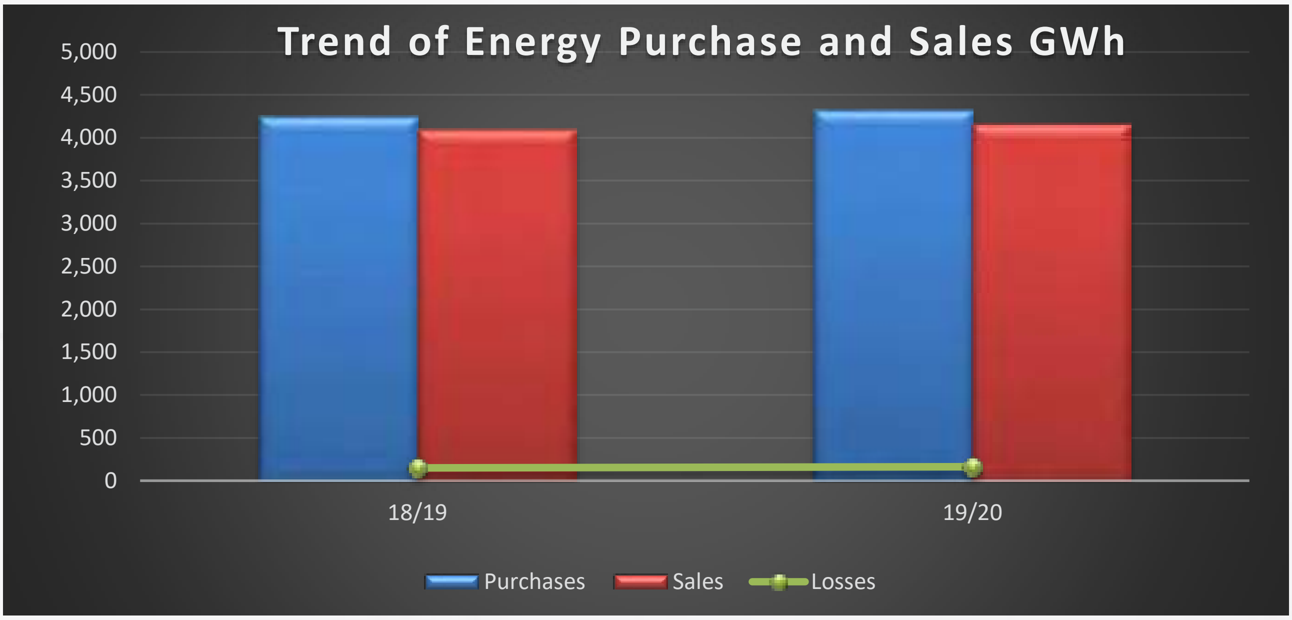


Operational Performance

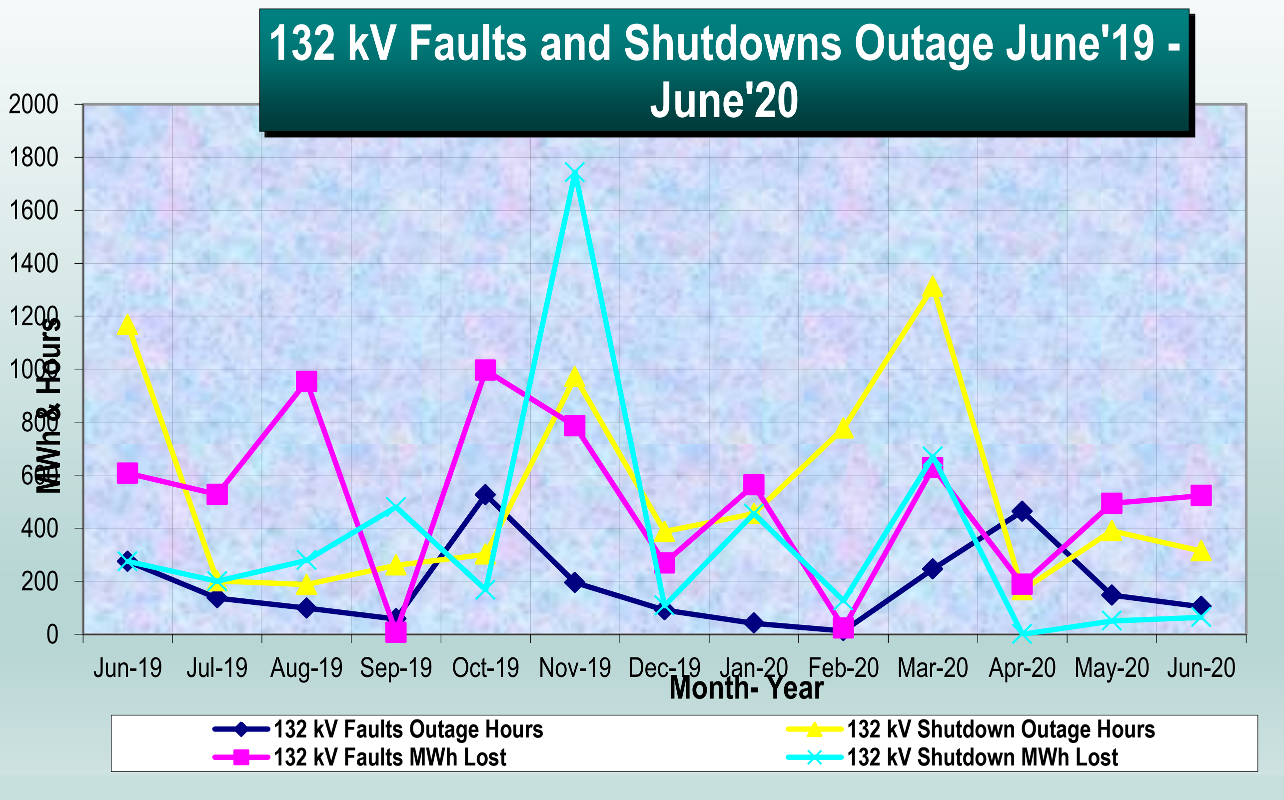
Power Supply Situation

At the end of the FY 2019/20, the total installed generation capacity was 1,225.65MW. The total available generation capacity was 848 MW against the highest registered system demand of 728.6MW. Therefore, the optimized available generation capacity consistently remained above power demand with reserve margins most of the time above 15%.

A total of 4,330.8 GWh was purchased by the Company from various generation plants and 4,168.02 GWh sold to different local distributors as well as export, representing transmission losses of 3.74%.



During the year, the network recorded an average system availability of 99.4%, which was above the target of 98%.



Transmission Infrastructure overview

A stable and reliable network for our business is essential in sustaining steady power supply to our customers and improving electricity sales growth. As such, UETCL continued with the implementation of several system improvement projects aimed at expanding the infrastructure and enhancing service delivery.

I am happy to report that during the year among the recorded achievement was commissioning of; the 2x40MVA, 132/33kV Iganga Industrial Park Substation and the associated 10kmTransmission Line, the 52.5km 132kV Kawanda – Kapeeka Transmission Line 52.5km and associated 1X20MVA 132/33kV Kapeeka Substation, the 3x63MVA, 132/33kV Mukono Industrial Park Substation substations and its associated 5km line and the 50KVA, Auxiliary transformer at Kabulasoke substation to supply essential loads.

In order to attract further private participation in the power sector, UETCL is committed towards expanding the grid, and the following projects were at different stages of implementation

No	Transmission Lines	Related Substations Works and Capacity	Financier	Anticipated date of operations
1	Mbarara-Nkenda 132kV, 160Km	- Extension of 20MVA Mbarara North - 2X10MVA Nkenda Substations by two 132 kV feeder bays, - New Fort Portal Substation, 2x15/20MVA,	AfDB	commissioned
2	Tororo-Lira132kV,260Km	- Extension of existing Tororo and Lira Substations by two132 kV feeder bays	AfDB	2021
3	Bujagali-Lessos (NELSAP) 220/kV,127Km	- Extension of Bujagali Switchyard and Extension of existing Tororo Substation	JICA & AfDB	2021
4	Karuma-Interconnection Project 400kV, 375 Km	- Upgrade of Kawanda Substation to 400kV (6 x 217 MVA 400/220/33kV) - 40MVA Karuma Substation - Lira Substation Expansion, - 2 x 20MVA Olwiyo Substation	EXIM Bank of China	2021

No	Transmission Lines	Related Substations Works and Capacity	Financier	Anticipated date of operations
5	Lira-Gulu-Agago/ Achwa132kV, 120Km	- 2X32/40MVA Gulu S/S, - Lira newly proposed S/S 2X32/40MVA, - Agago 132kV AIS switchyard extension	GoU	2022
6	Opuyo-Moroto 132kV,160Km	- Extension of 10MVA Opuyo Substation and - New 2X32/40MVA Moroto Substation	IDB	2021
7	Mirama-Kabale 132kV, 85Km	- New Kabale 2X32/40MVA Substation, - Extension of Mirama Substation with 2 Over-head line Feeders	IDB	2023
8	Mutundwe-Entebbe 132kV, 35Km	- 2X50MVA Entebbe Substation, - Extension and upgrade of Mutundwe by two line bays	KFW	2021
9	Industrial Parks	Improve reliability at the following proposed industrial substations - 3X40MVA at Luzira Substation - 3X63MVA at Namanve Substation	GOU/ Exim Bank	2020

Regional Grid Interconnection

The Company is also actively involved in various regional grid interconnection initiatives aimed at improving security of supply as well as accessing electricity from regional markets. The objectives of these initiatives are optimization of the usage of energy resources available in the region, as well as power exchange.

These projects are summarized below.

Project	Length (KMs)	Commissioning Date
Projects Committed for Construction		
Bujagali-Tororo-Lessos 220 kV Line	127	2021
Projects with Completed Feasibility Studies		
Masaka-Mutukula-Mwanza 220 kV	85	2024
Projects for Feasibility Studies		
Nkenda- Beni- Bunia 220 kV	70	2025
Karuma Nimule- Juba 400 kV	190	2024

Occupational Health and Safety

The Company pursues strategies focused on achieving financial stability and sustainability and giving reasonable return to shareholders for their investment. In order to achieve these objectives, the Company focuses on ensuring that cost-reflective electricity tariffs are approved to meet revenue requirement, as well as enhancing operational efficiency and reducing system losses. Once again the company delivered solid financial results while keeping the nation's lights on during the year.

Future Outlook and Conclusion

Following the easing on the lockdown measures by Government, the level of economic activity is expected to pick up and the outlook looks positive since July 2020. Correspondingly demand for electricity is also on the recovery trend. However, uncertainties related to the COVID-19 pandemic still exist, hence the company continues to focus on safety of staff, ensuring continuity and reliability of power supply to the country and managing associated liquidity challenges to the company.

The Company is focused on managing costs at all levels of our operations for improved business efficiency. These include finance, power purchase, capital expenditure and, transmission costs. We plan to add onto the grid a total of 103 Transformers, with a total transformation capacity of 9,593 MVA in a total of 55 substations from the current 22 substations by end of next financial year. We also expect to add onto the current grid, 4140 Km of circuit length

Resources have been identified, funding sourced from Government, tariff and Development Partners and strategies and plans have been devised to expand the business and also improve quality of service. These strategies, and the continued support of the Board of Directors, the Government, Development partners, loyal staff and other stake holders, will propel the Company to achieve its vision and licensed mandate.

On behalf of Management, I wish to appreciate all our customers and assure them of our commitment to improve our services and to meet their expectations. I express my profound gratitude to the Government of Uganda, Sector Ministries, the Board of Directors, our regulators, staff and all our development Partners for the goodwill we have enjoyed from them and their support to UETCL during yet another challenging year.

Willy K. Kiryhika
Managing Director/CEO

District and subcounty leaders during a site visit.

HEALTH, SAFETY & ENVIRONMENT

UETCL is committed to providing a safe and healthy workplace for all our employees and contractors

The Board and Management of Uganda Electricity Transmission Company Limited regard the health and safety of its employees, customers, contractors and the general public with utmost importance. The Company strives to ensure that work of all sorts is carried out by all stakeholders in a safe and proper manner.

Accordingly management commits itself to ensure the following at all times:

(i) The company provides a safe and healthy working environment in which all employees, visitors and contractors are aware of the need to observe safe practices to prevent injury to themselves and others.

(ii) As a minimum to comply with statutory requirements and company safety, health and environmental rules & regulations where these exceed the statutory requirement.

(iii) There exist safe, healthy and environmentally sound working procedures and practices, continually monitoring their implementation for all workers, workplaces and public interface points.

(iv) Employees are adequately trained to efficiently carry out their work in a safe, healthy and environmentally friendly manner and that they are made aware of any special safety requirements in their work area including emergency situations.

(v) Harmonious co-operation and communication is promoted between employees and management, ensuring that there is immediate implementation of viable suggestions related to health, safety and the environment.

(vi) That all accidents including near accidents and dangerous occurrences are investigated and remedial action taken.

(vii) Pollution of the environment resulting from Company activities is mitigated.

(viii) A Safety Rules and Regulations Manual is maintained and made available to all employees

(ix) The Company continually improves Safety, Health and Environmental programs and performance through periodic evaluation and implementation of appropriate corrective and preventive actions.

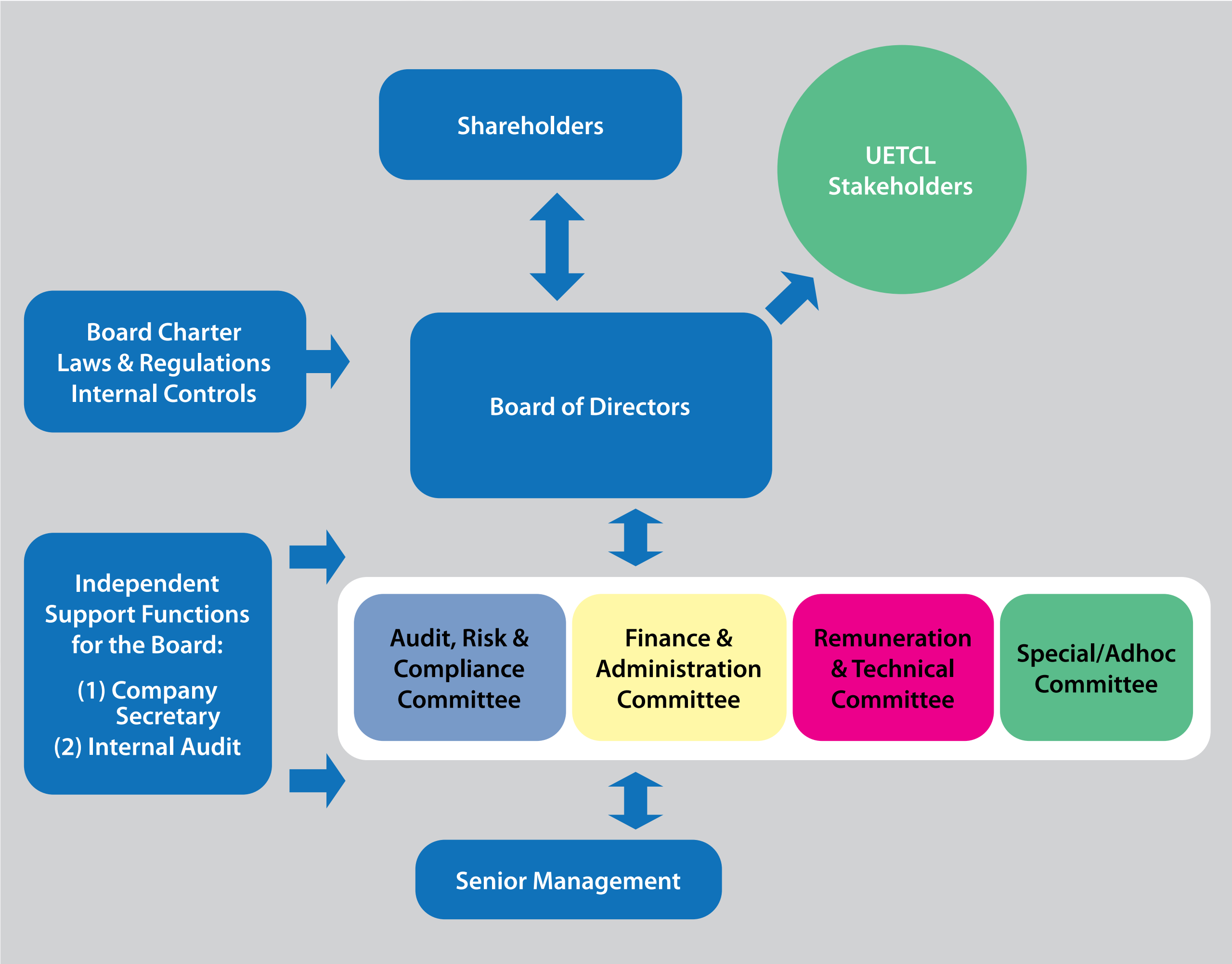
(x) There is an established Health & Safety Committee that consults in a cooperative spirit to identify and resolve safety and health problems in support of the Company's Safety and Health programs and regulations.

Management is vested with the full responsibility of ensuring an effective healthy and safe working environment in the Company. In addition it is the responsibility of employees, contractors, customers and the general public to comply with all safety procedures and practices as established by the Company and take reasonable care at all times not to do anything or create any condition that will endanger their lives, communities around them and the assets of the Company.

Construction works at a Substation

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of UETCL have aligned the Company's value creation chain to the Corporate Governance standards set by the Companies Act, 2012. This has been achieved through the restructuring of its company secretarial function; promotion of an ethical working culture; promotion of stakeholder centric decision making and promotion of accountability to the Company's Stakeholders.



Governance Oversight Function

The Board of Directors of UETCL is accountable to Stakeholders for the operations and affairs of UETCL and as such is the governing authority of UETCL. The Board of Directors is guided by a Board Charter which lays out its mandate, authority and responsibilities as well the powers it reserves for itself and those that it has delegated to its Committees and the Managing Director as the head of Senior Management.

The Board of Directors' Non-Executive Directors support the Board in protecting the Shareholders' interests including those of key Stakeholders like the Line Ministry – Ministry of Energy & Mineral Development. The Board of Directors is also supported by the Independent Non-Executive Directors, who provide independent oversight; constructive challenge and promote objectivity in decision making in the best interests of the Company.

The Board of Directors sets the strategy of the Company and its implementation by Management. The Board of Directors also sets policies and internal controls in place and regularly receive reports from Internal Audit function on the adequacy and effectiveness of these controls and policies. The Board's Non-Executive Directors support and advise the Managing Director/Chief Executive Officer.

The roles of the Board Chairperson and the Managing Director are separate. During the period under review, Peter Ucanda served as Board Chairperson and Willy K. Kiryahika served as Managing Director up and until his retirement on December 31, 2019 and Valentine Katabira – the Deputy Chief Executive Officer acted as Managing Director until June 30, 2020. The Board's Committee Chairpersons during the reporting period were as follows:

Chairperson	Board's Committee
John Genda Walala	Audit, Risk & Compliance Committee
Eng. Abdon Atwine	Remuneration & Technical Committee
Christopher Mugisha	Finance & Administration Committee
Sarah Irumba Muhumuza	Special/Adhoc Committee

Board size, composition, skills and experience in FY 2019/2020

The Board of Directors of UETCL is composed of seven members and one alternate for the substantive Managing Director all appointed by the Company's

Shareholders – Minister of Finance, Planning & Economic Development and Minister of State for Privatization and Investment.

No.	Name of Director	Position on the Board	Date of Appointment	End of Tenure
1.	Peter Ucanda	Board Chairperson	December 01, 2017	November 30, 2020
2.	Willy K. Kiryahika	Board Member/Managing Director	December 01, 2017	December 31, 2019 by retirement
3.	Valentine Katabira	Alternate Board Member to Managing Director	December 01, 2017	November 30, 2020
4.	Sarah Irumba Muhumuza	Board Member	December 01, 2017	November 30, 2020
5.	John Genda Walala	Board Member	December 01, 2017	November 30, 2020
6.	Christopher Mugisha	Board Member	December 01, 2017	November 30, 2020
7.	Nicholas Oluka	Board Member	December 01, 2017	November 30, 2020
8.	Eng. Abdon Atwine	Board Member	December 01, 2017	November 30, 2020

(a) Director Classification

During the FY2019/2020, the Directors classification stood as indicated in the table below:

Independent Non-Executive Directors	Non-Executive Directors	Executive Director(s)	Total Number of Directors
04	02	02	08*

Note: *Shareholders appointed Deputy Chief Executive Officer as an alternate to the substantive Managing Director.

(b) Director Tenure on the Board

In the reporting period, the Directors' tenure on the Board stood as follows:

0 – 5 Years	5 – 10 Years	10 – 15 Years	Over 15 Years
03	02	02	01

(c) Gender Mix

In the reporting period, the Directors' gender mix on the Board stood as follows:

Female	Male
01	07

(d) Skills & Experience Mix

The Board of Directors of UETCL annually assess the skills and experience of the Board Members on a collective basis.

Board Skills	Collective Rating of Board Skills
Electricity Transmission Service Experience	Strong
Leadership Acumen	Strong
Strategy	Strong
Governance	Moderate
Human Resource & Remuneration	Moderate
Project Management Experience	Strong
Financial Acumen	Strong
Technology & Digitalization	Moderate
Commercial Acumen	Moderate
Audit Acumen	Strong
Risk Management	Strong
Legal & Compliance	Strong
Procurement	Strong

The moderate skills are enriched through customized Board Development programmes.

Board Structure in FY 2019/2020

The overall collective and individual responsibilities of the Board of Directors of UETCL are set out in the following diagram:

The responsibilities of the Board's Committees are presented here below:

AUDIT, RISK & COMPLIANCE COMMITTEE

Meets at least four times a year and assists the Board in having oversight over UETCL financial reporting, internal control mechanism, determination of risk appetite and compliance management

FINANCE & ADMINISTRATION COMMITTEE

Meets at least four times a year and assists the Board in having oversight over –

- Financial planning
- Setting financial performance targets
- Procurement
- Investments in Grid development, operation and maintenance
- Business development
- Assets management

REMUNERATION & TECHNICAL COMMITTEE

Meets as per the requirements of the business of UETCL and assists the Board in having oversight for:

- Project Planning, Design and Implementation
- Operation & Maintenance of the Transmission Grid
- Human Resource Management
- IT Strategy
- Dispute Resolution

Directors' Attendance to Board Business in FY 2019/2020

Classification of Board Engagement & Total Meetings	Attendance Record of Members as a %							
	Peter Ucanda	Willy K. Kiryahika	Nicholas Oluka	Abdon Atwine	Sarah Irumba Muhumuza	Chris Mugisha	John Genda Walala	Valentine Katabira
Board of Directors (34)	94%	41%****	97%	65%***	91%	71%	76%	47%*****
Board's Audit, Risk & Compliance Committee (03)			100%	67%			100%	
Board's Finance & Administration Committee (10)	90%	20%*				60%		80%**
Board's Remuneration & Technical Committee (13)		15%*		100%	92%			85%**
Board's Special/Adhoc Committee (02)			100%		100%			

Key to the tabular representation for Directors' Attendance to Board Business FY2019-2020

	Non – Member of the Committee in question
*	Retired from the Board on December 31, 2019
**	Alternate Member for Managing Director/Chief Executive Officer until December 31, 2019
***	Disclosed conflict of interest in process for recruitment of Managing Director and did not therefore attend the related meetings

Board Processes

Director Induction

The Board Charter has provisions for the induction of new Directors in line with the prevailing Corporate Governance standards.

Director Development

The Board Charter also provides for the continuous development of the Board Directors based on the identified training needs of the individual directors and the collective Board during the annual performance evaluations. The Company Secretary assists the Board Chairperson in the implementation of the approved Board Director Development programme. During the reporting period, the Board Director development programme was partially implemented and later suspended due to the outbreak of the covid 19 pandemic.

Director Development Requirements Addressed	Dates of Training Attended	Number of Directors Trained
Transformational Leadership and Governance	August – September 2019	02
Leadership: Managing Teams to Achieve Change	July – August 2019	01
Performance Base Budget Programme	October 2019	01
Strategic Management and Corporate Governance for Senior Managers	September 2019/ October 2019	02
Strategic Human Resource and Change Management	January – February 2020	01
Executive Leadership Programme	January 2020	01

Financial Reporting Process, Internal Controls and Risk Management

(i) Integrity and robustness of financial and other controls

During the reporting period, the Board of Directors had appropriate policies, procedures and internal controls in place to facilitate appropriate financial reporting by Management.

(ii) Risk Management

During the reporting period, the Board of Directors had approved the relevant enterprise risk management framework which was being rolled out to staff.

(iii) Abusive related party transactions

The Board of Directors continued to maintain a record of disclosures of conflict of interest made by the Non-Executive Directors during the reporting period.

(iv) Whistle-blower mechanism

During the reporting period, the Board of Directors approved the Ethics and Compliance section in the Governance, Ethics & Compliance Department as an independent function to boost the 'speak up' system of Uganda Electricity Transmission Company Limited. The Board of Directors and Management continue to engage the Industry Regulator for funds to finance the development of a Company-wide Ethical Code of Conduct and related procedures to boost the Company's 'speak-up' system.

Board Information and Accountability

Dynamics and functioning of the Board: -

(i) Annual Board Calendar

The Board Calendar FY 2019/2020 was duly approved by the Board of Directors.

(ii) Information Availability – Reliability, as well

The Board's Non-Executive Directors have access to information. The Board of Directors have an established Internal Audit function which provides assurance on the reliability of the information provided by Management.

(iii) Interactions and Communications with the Managing Director/CEOb and Senior Executives

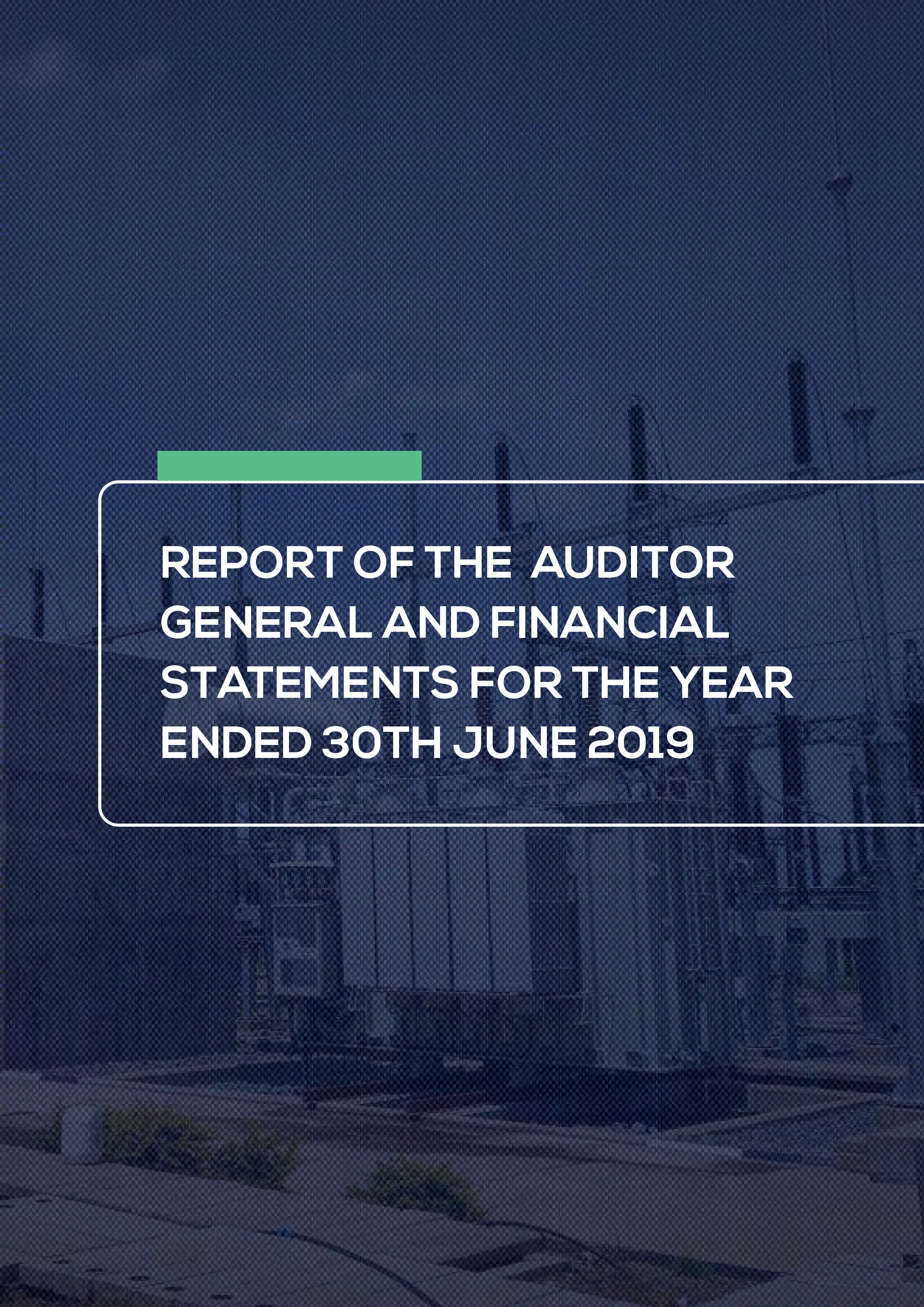
The Board of Directors interacts with the Company's Senior Executives through interactive Board-Management retreats held on a quarterly basis. The Board of Directors also enhance this interaction by encouraging its Committees' interaction with Senior Executives during Committee meetings.

(iv) Board Agenda

The Board's agenda is set by the Board Chairperson in consultation with the Managing Director/Chief Executive Director.

……………………………..

Peter Ucanda
Chairman, Board of Directors



REPORT OF THE AUDITOR GENERAL AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UGANDA ELECTRICITY TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 2019

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

ACRONYM	MEANING
ERA	Electricity Regulatory Authority
GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
IFRS	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOFPED	Ministry of Finance Planning and Economic Development
REA	Rural Electrification Agency
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	Uganda Electricity Transmission Company Limited
UGX	Uganda Shillings
USD	United States Dollar
VAT	Value Added Tax

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UGANDA ELECTRICITY TRANSMISSION COMPANY LIMITED (UETCL) FOR THE YEAR ENDED 30TH JUNE, 2019

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Uganda Electricity Transmission Company Limited, which comprise the statement of financial position as at June 30, 2019, and the statement of 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 my opinion, the financial statements present fairly, in all material respects, the financial position of Uganda Electricity Transmission Company Limited as at June 30, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Uganda, 2012.

Basis for Opinion

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

Key Audit Matter

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

	Key Audit Matter	How the matter was addressed in the audit
1	**Missed Interest income on daily accounts balance due to uncompetitive Interest Rate**	
	UETCL runs 7 current bank accounts (5 for corporate and 2 for projects) which earn the company daily interest on closing balances computed at a rate agreed upon by UETCL and the respective Banks Analysis of the daily Interest earned on outstanding balances on the respective accounts revealed a 3.5% variance between interest rates earned on two accounts in the same bank (Stanbic Bank "Projects" at 3% compared with Stanbic Bank "corporate" at 6.5%). UETCL therefore missed interest of 3.5% during the financial year.	The audit procedures performed included among others: • Assessed whether the interest rates given on the daily closing balances on the current accounts maintained by UETCL were competitive. • Checked for the accuracy of the disclosed amounts in the financial statements. • Requested for documentation regarding the authorisation and agreement with the bank on the interest rates.
2	**Increase in impairment and provisions for doubtful debts amounting to UGX 135.6bn**	
	Whereas UETCL continued to engage with UMEME and UEDCL to address the issue of withheld income, uncollected revenue continued to increase leading to an increase in doubtful debt from 88bn as at 30th June 2018 to 135.6bn as at 30th June 2019 Though engagements still continue, there has been minimal achievement as UMEME and UEDCL continue to withhold pending Gov't and ERA actions with respect to provision of funds. The provision has increased to UGX.135.5bn (54%) from the previous financial year.	Our audit procedures included but were not limited to: • Reviewed steps taken by UETCL to recover debts which have been provided for in the financial statements. • Reviewed documentation relating to the provisions for bad and doubtful debts. • Carried out analytical review on the provisions. • Tested controls over receivables by the company and compliance to procedures in place.
3	**Conducting procurements outside the procurement plan amounting to UGX 7,453,066,691.**	
	UETCL procured goods, works and services amounting to UGX.7,453,066,691 outside the procurement plan.	Audit procedures included; • Obtained and reviewed the approved procurement plan for the year. • Reviewed the monthly procurement reports for procurements conducted during the year. • Comparative analysis of the monthly procurement reports against the approved procurement plan.

Other Information

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

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

Management Responsibilities for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of The Uganda Electricity Transmission Company Limited.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Companies Act, 2012 and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is 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 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:-

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other Reporting Responsibilities

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON OTHER LEGAL REQUIREMENTS

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

i) I have obtained all the information and explanations which to the best of our knowledge and beliefs were necessary for the purposes of our audit;

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

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

John F.S. Muwanga
AUDITOR GENERAL

20th December, 2019

FINANCIAL STATEMENTS

UGANDA ELECTRICITY TRANSMISSION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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COMPANY INFORMATION

REGISTERED OFFICE	Plot 10 Hannington Road P.O. Box 7625, Kampala, Uganda Telephone +256-41-802000, Fax 256-41-341789 Email: transco@uetcl.com, Website: www.uetcl.com		
SHAREHOLDERS	Minister of Finance, Planning & Economic Development and Minister of State Privatization& Investment		
DIRECTORS	Mr. Peter Ucanda	-	Chairman
	Mr. William K Kiryahika	-	Executive Director
	Mr. Nicholas Oluka	-	Member
	Ms. Sarah Irumba Muhumuza	-	Member
	Mr. John Genda Walala	-	Member
	Eng. Abdon Atwine	-	Member
	Mr. Christopher Mugisha	-	Member
	Mr Valentine Katabira	-	Alternate Member for Managing Director
COMPANY SECRETARY	Ms. Georgina Matama Kugonza Musisi P.O. Box 7625, Kampala		
PRINCIPAL BANKERS	Barclays Bank of Uganda Limited Citibank Uganda Limited Stanbic Bank Uganda Limited Standard Chartered Bank Uganda Limited		
AUDITOR	The Auditor General Plot 2C Apollo Kaggwa Road P.O. Box 7083, Kampala		
DELEGATED AUDITOR	M/s Dativa & Associates Certified Public Accountants Ntinda Complex, Block A Plot 31 Ntinda Road P.O. Box 1239 Kampala, Uganda		
PRINCIPAL TAX ADVISERS	PricewaterhouseCoopers Limited P.O. Box 8053, Kampala		
LEGAL ADVISERS:	Kateera & Kagumire Advocates P.O. Box 7026, Kampala		Shonubi, Musoke Advocates P O Box 3213 Kampala
	A F Mpanga Advocates P O Box 1520, Kampala		Ram & Co Advocates P O Box 35949 Kampala
	K & K Advocates P O Box 6061, Kampala		Ligomarc Advocates P. O. Box 8230, Kampala

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of affairs of Uganda Electricity Transmission Company Limited (the 'Company').

Principal activities

The Company is licensed by the Electricity Regulatory Authority (ERA) to operate and maintain the high grid voltage transmission lines, as a system operator and a bulk power purchaser and seller in the local market and to import and export power into and out of Uganda. The Company is also licensed by Uganda Communications Commission as a Public Infrastructure Provider.

Results

The Company made a profit before tax of UGX95,508 million for the financial year 2018/19. (Year ended June 30,2018 loss UGX107,224 million) and an after-tax profit of UGX64,639 (Year ended June 30,2018 loss: UGX75,526 million) as indicated below:

Particulars	Year ended June 30, 2019 UGX'Mn	Year ended June 30, 2018 UGX'Mn
Profit/(loss) before income tax	95,508	(107,224)
Income tax credit/ (expense)	(30,869)	31,698
Profit/(loss) for the year	**64,639**	**(75,526)**

The Uganda shilling, compared to the US dollar, appreciated during the year with average rates reigning lower than those for the year ended June 30, 2018 and this led to foreign exchange gain during conversion of routine foreign exchange transactions and retranslation of dollar denominated borrowings at the reporting date. The company registered a foreign exchange gain of UGX 75,331 million (Year ended June 30, 2018: Loss UGX 81,513 million).

Dividends

The Directors do not recommend a declaration of a dividend in respect of the year ended June 30, 2019 (Year ended June 30, 2018: Nil)

Directors

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

Mr. Peter Ucanda	Chairman/Non - Executive Director
Mr. William K. Kiryahika	Executive Director
Ms.Sarah Irumba Muhumuza	Non-Executive Director
Mr.John Genda Walala	Non-Executive Director
Eng. Abdon Atwine	Non-Executive Director
Mr. Nicholas Oluka	Non-Executive Director

Mr. Christopher Mugisha	Non-Executive Director
Mr. Valentine Katabira	Alternate to Executive Director

Auditors

In accordance with Article 163 of the Constitution of the Republic of Uganda, Section 17 of the Public Enterprises Reform and Divestiture Act, Cap.98 and Sections 13 (1) (a), 17 and 23 of the National Audit Act, 2008, the financial statements of the Company shall be audited once every year by the Auditor General. Section 23 of National Audit Act, 2008 permits the Auditor General to appoint private auditors to carry out such audit on his/her behalf. For the year ended June 30, 2019, M/s Dativa & Associates, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

By Order of the Board

Georgina Matama Kugonza Musisi
Company Secretary
Uganda Electricity Transmission Company Limited

COMPANY SECRETARY
KAMPALA

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors accept responsibility for the 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 the financial affairs of the Company and of its operating results. 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 adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls that could result into material loss to the Company has occurred during the year.

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

The financial statements were approved by the Board of Directors on December 18 2019 and signed on its behalf by:

Director

Director

DATIVA & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

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+256 752 555 202
P.O. Box 1739 Kampala
admin@dativaassociates.com
www.dativaassociates.com

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Uganda Electricity Transmission Company Limited, which comprise the statement of financial position as at June 30, 2019, and the statement of 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 financial statements present fairly, in all material respects, the financial position of Uganda Electricity Transmission Company Limited as at June 30, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Uganda, 2012.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and guidelines issued by the Institute of Certified Public Accountants of Uganda. 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) and other independence requirements applicable to performing audits of Uganda Electricity Transmission Company Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Uganda Electricity Transmission Company Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. The following matters were considered key during the audit.

	Key Audit Matter	How the matter was addressed in the audit
1	**Missed interest income on daily accounts balance due to uncompetitive interest Rate**	
	UETCL runs 7 current bank accounts (5 for corporate and 2 for projects) which earn the company daily interest on closing balances computed at a rate agreed upon by UETCL and the respective Banks. Analysis of the daily interest earned on outstanding balances on the respective accounts revealed a 3.5% variance between interest rates earned on two accounts in the same bank (Stanbic Bank "Projects"	The audit procedures performed included among others: • Assessed whether the interest rates given on the daily closing balances on the current accounts maintained by UETCL were competitive.

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PARTNERS: Nabamanya Dativa CPA(U), FCCA, MBA, B.Com, PGDITRA | Byekwaso Godfrey CPA(U), FCCA, MBA, B.Com

	at 5% compared with Stanbic Bank 'corporate' at 6.5%) UETCL therefore missed interest of 3.5% during the financial year.	• Checked for the accuracy of the disclosed amounts in the financial statements • Requested for documentation regarding the authorisation and agreement with the bank on the interest rates
2	**Increase in impairment and provisions for doubtful debts amounting to UGX 135.6bn**	
	Whereas UETCL continued to engage with UMEME and UEDCL to address to address the issue of withheld income uncollected revenue continued to increase leading to an increase in doubtful debt from 58bn as at 30th June 2018 to 135.5bn as at 30th June 2019. Though engagements still continue there has been minimal achievement as UMEME and UEDCL continue to withhold pending Govt and ERA actions with respect to provision of funds. The provision has increase to UGX 135.5bn (54%) from the previous financial year	Our audit procedures included but were not limited to: • Reviewed steps taken by UETCL to recover debts which have been provided for in the financial statements • Reviewed documentation relating to the provisions for bad and doubtful debts • Carried out analytical review on the provisions • Tested controls over receivables by the company and compliance to procedures in place.
3	**Conducting procurements outside the procurement plan amounting to UGX 7,453,056,691.**	
	UETCL procured goods, works and services amounting to UGX 7,453,056,691 outside the procurement plan	Audit procedures included: • Obtained and reviewed the approved procurement plan for the year • Reviewed the monthly procurement reports for procurements concluded during the year • Comparative analysis of the monthly procurement reports against the approved procurement plan.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs, and for such internal controls as Management determines are 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, Management is 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 management intends to liquidate the Company, or cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 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 judgement and maintain professional skepticism 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 management's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, Laws 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 beliefs were necessary for the purposes of our 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 Company's statement of financial position and statement of 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 Dativa Nabimanya – P0123.

Dativa Nabimanya

DATIVA & ASSOCIATES
Certified Public Accountants,
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Ntinda Complex 3rd floor,
P. O. Box 1239, Kampala.
Telephone: +256 312 104 097
Email: admin@dativaassociates.com

Date: 20/12/2019

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

	Note	June 2019 UGX'Mn	June 2018 UGX'Mn
Revenue	8	1,115,756	1,091,150
Cost of sales (net)	9	(944,323)	(975,691)
Third party collection (charges)/recoveries	10	(45,178)	(49,274)
Gross profit		126,265	66,185
Other operating income	11	47,652	29,500
Foreign exchange gains		75,331	-
Total income		249,248	95,685
Expenses			
Grid maintenance expenses	12	(7,806)	(7,159)
Administrative expenses	13	(145,934)	(113,649)
Foreign exchange losses		-	(81,513)
Profit before tax		95,508	(106,636)
Income tax credit / (expense)	15(a)	(30,869)	31,698
(Loss) / Profit for the year		64,639	(75,526)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive (Loss) / income for the year, net of tax		64,639	(75,526)
Basic and diluted earnings per share	32	357	(416)

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	June 2019 UGX'Mn	June 2018 UGX'Mn
ASSETS			
Non-current assets			
Property, plant & equipment	17	2,219,439	2,118,530
Finance leasehold land	18	20,791	17,710
Wayleaves and Easements	19	364,803	-
Intangible assets	20	500	513
		2,605,533	2,136,753
Current assets			
Current income tax recoverable	15(b)	13,996	11,491
Inventories and Grid Spares	22	33,967	20,137
Trade and other receivables	23	587,756	573,482
Cash and bank balances	24	393,623	287,455
		1,029,342	892,565
TOTAL ASSETS		3,634,875	3,029,318
EQUITY AND LIABILITIES			
Equity			
Issued capital	25	90,654	90,654
Share premium		297,953	297,953
Asset revaluation surplus		104,561	104,561
Accumulated losses		(49,340)	(113,979)
		443,828	379,189
Non-current liabilities			
Deferred income tax liability	21	46,380	15,698
Government of Uganda contributions	26	830,293	670,433
Capital grants	27	334,459	232,518
Borrowings	28	1,409,058	1,124,747
		2,620,190	2,043,396
Current liabilities			
Trade and other payables	29	568,433	604,330
Employee benefit obligations	30	2,424	2,403
		570,857	606,733
TOTAL EQUITY AND LIABILITIES		3,634,875	3,029,318

The financial statements were approved by the Board of Directors on December 18 2019 and signed on its behalf by:

Director

Director

Uganda Electricity Transmission Company Limited - UETCL

Annual Report and Financial Statements for the Year Ended June 30, 2019

STATEMENT OF CHANGES IN EQUITYFOR THE YEAR ENDED JUNE 30, 2019

Statement of Changes in Equity	Issued capital Note 25 UGX'Mn	Share Premium UGX'Mn	Accumulated losses UGX'Mn	Capital pending allotment UGX'Mn	Asset revaluation surplus Note 17 UGX'Mn	Total UGX'Mn
At 1 July 2017	57,548	-	(38,453)	331,059	104,589	454,743
Issue of shares (Note 25)	33,106	297,953	-	(331,059)	-	-
Revaluation surplus realized (Note 17)	-	-	-	-	(28)	(28)
Profit (loss) for the year	-	-	(75,526)	-	-	(75,526)
Other Comprehensive income, net of tax	-	-	-	-	-	-
Total Comprehensive income	-	-	(75,526)	-	-	(75,526)
At June 30, 2018	**90,654**	**297,953**	**(113,979)**	-	**104,561**	**379,189**
At 1 July 2018	90,654	297,953	(113,979)	-	104,561	379,189
Profit for the period	-	-	64,639	-	-	64,639
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss net of tax	-	-	64,639	-	-	64,639
At June 30, 2019	**90,654**	**297,953**	**(49,340)**	-	**104,561**	**443,828**

Asset revaluation surplus

The asset revaluation surplus arose on revaluation of grid assets, land and buildings in 2014. The fair value of the fixed assets was determined as at 31 January 2013 by Parsons Brinckerhoff Africa (Pty) Limited, an independent South African engineering professional services consulting firm. However, the whole exercise was finalised in the last quarter of 2013 and the amounts were incorporated in the Company's books of account on 01 January 2014 and adjusted at 01 January 2015 after various reconciliations. The asset revaluation surplus is non-distributable to shareholders.

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	Jun 2019 UGX'Mn	June 2018 UGX'Mn
Cash generated from/ (used in) operations	33	(50,741)	50,849
Gratuity paid	30	(4,758)	(3,891)
Income tax paid	15(c)	(2,692)	(2,206)
Net cash flows from/(used In) operating activities		**(58,191)**	**44,752**
Investing activities			
Purchase of property, plant & equipment		(511,627)	(597,230)
Purchase of leasehold land		(1,091)	-
Purchase of intangible assets		-	(78)
Proceeds from disposal of property, plant & equipment		-	170
Net cash flows used in investment activities		**(570,908)**	**(597,138)**
Financing activities			
Government contributions received	26	159,860	251,919
Capital grants received	27	103,660	10,827
Capital grants refunded	27	-	(2,238)
Increase in borrowings	28	350,829	434,696
Borrowings refunded	28	(12,603)	-
Net cash flows from financing activities		**601,746**	**695,204**
Net (decrease)/increase in cash and cash equivalents		30,837	142,818
Cash and cash equivalents at 1 July		287,455	226,150
Net foreign exchange differences		75,331	(81,513)
Bank balances at 30 June	24	**393,623**	**287,455**

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. COMPANY INFORMATION

Uganda Electricity Transmission Company Limited is incorporated in Uganda under the Companies Act, 2012 as a derivative action flowing from the Public Enterprise Reform and Divestiture Act, Cap. 98 and the Electricity Act Cap. 145 as a limited liability Company, and is domiciled in Uganda. The address of its registered office is:

Uganda Electricity Transmission Company Limited
Plot 10, Hannington Road
P.O. Box 7625, Kampala

The Company is wholly owned by the Government of Uganda through the Minister of Finance, Planning &Economic Development and the Minister of State Privatisation & Investment.

The Company is licensed by the Electricity Regulatory Authority (ERA) as a system operator; bulk power purchaser and seller in the local market; an importer and exporter of power into and out of Uganda and to operate and maintain high grid voltage transmission lines. The Company is licensed by the Uganda Communications Commission (UCC) as a Public Infrastructure Provider.

2. BASIS OF PREPARATION

The financial statements of Uganda Electricity Transmission Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and the relevant provisions of the Companies Act, 2012 of Uganda.

For purposes of reporting under the Companies Act, 2012 of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of comprehensive income.

The financial statements have been prepared on a historical cost basis, except for certain assets that have been measured at fair value, which includes land and buildings and grid assets.

The financial statements are presented in Uganda shillings and all values are rounded to the nearest million (UGX'Mn) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

(a) Changes in accounting policies and disclosures

New and amended standards and interpretations

The company applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of each amendment is described below.

Amendments to IAS 7 Statement of Cash flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The company has provided the information for both the current and the comparative period in the Statement of cash flows.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealized losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
The Company applied amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvement Cycle- 2014-2016
Amendments to IFRS 12 Disclosure of Interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
As at June 30, 2019 the amendments did not affect the Company's financial statements

(b) Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. These are the changes that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company adopted IFRS 9 effective the year ended 30 June 2018. During the year ended 30 June 2019, the Company's Impairment provision has increased by UGX 18.43 billion over and above the specific normal provisions of Shs29.14 billion, resulting in an aggregate impairment of Shs 47.52 billion. However, no impact is expected on the classification and measurement of the Company's financial liabilities.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of the standard will have no significant impact to the entity as the recognition of revenue from power sales and public infrastructure provision that is currently being done will not change with application of the new standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company has assessed its circumstances and established that it does not fall within the requirements of the standard.

Other amendments and new standards which have been issued but are not yet effective, which the Company does not expect to have an impact on the financial statements, are listed below:

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts-Amendments to IFRS 41
- Transfers of investment property-Amendments to IAS 40[1]
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration[1]
- AIP IAS 28 Investments in Associates and Joint Ventures-Clarification that measuring Investees at fair value through profit or loss is an investment- by- investment chice[1]
- IFRIC Interpretation 23 Uncertainty over Income tax treatments[2]
- Prepayment Features with Negative Compensation-Amendments to IFRS 9[2]
- Long-term Interests in Associates and Joint Ventures-Amendments to IAS 28[2]
- AIP IFRS 3 Business Combinations-Previously held interests in a joint operation[2]
- AIP IFRS 11 Joint Arrangements-Previously held interests in a joint operation[2]
- AIP IAS 12 Income Taxes-Income tax consequences of payments on financial instruments classified as equity[2]
- AIP IAS 23 Borrowing Costs-Borrowing costs eligible for capitalization[2]
- IFRS 17 Insurance Contracts[3]
- IFRS 10 and IAS 28 sale or Contribution of Assets between an Investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28[4]

[1]Effective for annual periods beginning on or after date 1 January 2018
[2]Effective for annual periods beginning on or after 1 January 2019
[3]Effective for annual periods beginning on or after 1 January 2021
[4]Effective date deferred indefinitely

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, 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.

Judgements

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

Impairment losses on receivables (note 23(a))
The Company regularly reviews its receivables and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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.

Revaluation of property, plant and equipment (note 17)
The Company measures its grid assets and land and buildings at revalued amounts with changes in fair value being recognised in OCI. The grid assets and land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the assets. The company engaged an independent valuation specialist to determine the fair value.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates of residual values are made by management in addition to the estimates of expected useful lives of property, plant and equipment.

The depreciation method reflects the pattern in which economic benefits attributable to the asset flows to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to technological obsolescence, maintenance programs, refurbishments, product life cycles and the intention of management.

Residual values of an asset are determined by estimating the amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of age and in a condition expected at the end of its useful life.

The estimation of the useful life and residual values of an asset is a matter of judgment based on the past experience of the entity with similar assets and the intention of management.

Impairment of Non-financial Assets

Non-financial assets are assessed at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when an annual impairment testing is required, the Company makes an estimate of the assets recoverable amount. An asset's recoverable amount is the higher of asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the asset's recoverable amount is estimated. Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income (OCI). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The carrying amounts of the non-financial assets are calculated as cost less accumulated depreciation, and the depreciation rates used per class of items are estimated based on industry rates in the sector.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Taxes (note 15)

The Company is subject to Income tax and various other government taxes under the Ugandan tax laws. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income and as such, significant estimates and judgements are required in determining the provision for taxes on certain transactions . The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. 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 Company and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing.
Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect profit or loss.

Deferred tax assets (note 21)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company has concluded that it is the principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements and is also exposed to credit risks.

The following specific recognition criteria must be met before revenue is recognised.

- *Optical fibre:*

Income arising from operating leases on cores to the customers is accounted for on a straight-line basis over the lease terms and is included in the statement of profit or loss due to its operating nature excluding Value Added Tax or any other Government levies.

- ***Energy sales:***

Income is recognised upon billing of energy supplied to the distributors and represents amounts billed excluding Value Added Tax (VAT) or any other Government levies. The billing is done for each monthly billing cycle based on the units supplied as read on the boundary metres and at approved Bulk Supply Tariff (BST) rates.

- ***Government grants and subsidies***

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants received for costs already incurred (reimbursement of costs incurred in the past) are recognized immediately in profit or loss. The company has chosen to present grants related to an expense as other operating income in the statement of profit or loss.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. The Company has elected to present Government grants in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

Government subsidies comprise reimbursements received from the Government of Uganda towards capacity payments to power suppliers and are recognised as income in profit or loss under Government of Uganda subsidies.

- ***Interest income:***

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable unless collectability is in doubt.

(b) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(c) **Property, plant and equipment**

Property, plant and equipment (except for land, buildings and grid assets) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land, buildings and grid assets are measured at fair value less accumulated depreciation on buildings and grid assets and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency (five years) to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Any revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

Depreciation is calculated on the straight line basis to write-down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	(%)
Transmission line – Wooden	2.2
Transmission lines – Metallic	2.0
Substations and related infrastructure	2.0
Pole plant and related infrastructure	20.0
Office machinery and equipment	20
Furniture & fittings	12.5
Buildings	1.7
Communication equipment	5.0
Computer equipment	33.3
Scada Equipment	6.6
Motor vehicles (Sedan)	20
Motor vehicles (Heavy)	10
Tools and equipment	12.5
Leasehold	*Over the lease period*

The assets' residual values, useful lives and deprecation methods are reviewed at each reporting date and adjusted prospectively, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised 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 when the asset is derecognised.

(d) Capital work in progress

All assets that are under construction or assembling in a project nature are classified as work in progress. Capital work in progress is included as part of property, plant and equipment and comprises of costs incurred on ongoing capital works relating to transmission lines and internal works. These costs include materials, transport, consultancies, borrowing costs and labour costs incurred. When the project is completed the related assets are transferred to property, plant and equipment. Capital work in progress is stated at cost, net of impairment losses, if any.

(e) Wayleaves and Easements

Wayleaves refer to right of way and registered easements for various transmission line projects cumulatively acquired over time following acquisition of access corridors for transmission lines routes after owners are compensated through Resettlement Action Programmes. Economic benefits accrue to the Company immediately on payment of compensations for the project affected persons. Thus all costs are capitalized and reflected in the Statement of Financial Position immediately payments are effected. Thereafter the Company continues to pursue ownership status by acquisition and/or consolidation of titles based on specific and identifiable transmission line segments.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives (software) are amortised over the useful economic life (five and ten years) using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

De-recognition of intangible assets:

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(g) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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 no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated with other fair value indicators.

The company bases its impairment on detailed budgets and forecasts, which are prepared separately for each of the company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long term- growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For impairment of transmission lines and substations, a decline in the value of transmission lines would have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Factors that are considered important which could make an impairment review necessary include the following:

- Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- Evidence from internal reporting that may indicate that the performance of the asset is or would be worse than expected.
- Significant changes with the adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates.
- The carrying amount of the net assets of the entity is more than its market capitalisation.

Management may reinforce, replace or upgrade transmission lines, substations and other installations after assessing evidence of the above key indicators of impairment.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the company estimates that the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(h) Inventories and Spares

The Company's inventories consist mainly of consumables and are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes transport, taxes and handling costs. Inventories also include mandatory spares for installed equipment received from completed projects. Where appropriate, provision is made for obsolescent, slow moving and defective inventories.

(i) Transactions and balances in foreign currencies

The company's financial statements are presented in Uganda Shillings

Transactions in foreign currencies are initially recorded by the company at spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into Uganda shillings at the spot rates of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(j) Taxation

The income tax expense for the year comprises current and deferred income tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or equity, in which case the income tax expense is also recognised in other comprehensive income or equity, respectively.

Current income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Uganda.

Current income tax relating to items recognized directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on 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:

- When 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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

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

(k) 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 and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans ,and receivables, held-to-maturity investments, available ,for sale financial statements as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

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

The Company's financial assets include trade and other receivables and cash and bank balances.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories, Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets.

The most relevant to the company is loans and receivable category.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest rate (EIR) method, less impairment. 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 EIR. The EIR amortisation is included as finance income in profit or loss. Financial assets included in this category are trade receivables and other receivables and receivables from related parties.

An allowance is made against doubtful receivables based on a review of all outstanding amounts at year end. The movement in the provision is recognised in profit or loss. Bad debts are written off during the year in which these are identified. The losses arising from impairment are recognised in the statement of profit or loss in other operating expenses.

De-recognition

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 (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 this case, the company also recognises an associated liability.

The transferred asset and the associated liability are measured on the 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 pay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, Government of Uganda contributions and borrowings.

Government of Uganda Contributions

Funds received from the GoU to settle persons affected by the project in the process of the company's implementing its projects are recognised as a non-current liability until when the related projects are completed.

Subsequent measurement

After initial recognition, the Company's financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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 EIR. The EIR amortisation is included as finance costs in profit or loss.

Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any issue cost and any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Finance charges including premiums payable on settlement or redemption are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

Trade payables

Trade payables are measured at amortized cost.

De-recognition

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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iii) Offsetting financial instruments:

Financial assets and 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 asset and settle the liability simultaneously.

(l) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation 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 of the amount can be made of the obligation. When 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 a provision is presented in the statement of profit or loss net of any reimbursement.

(m) National Social Security Fund

The Company contributes to the statutory retirement benefit scheme established under the National Social Security Fund (NSSF) Act. This is a defined contribution scheme under which the Company contributes 10% of the employees' salaries. The Company's contribution is charged to profit or loss.

(n) Other employee benefits

Employee entitlements to gratuity and leave pay are recognised when these accrue to employees. A provision is made for the estimated liability for such entitlements as a result of service rendered by employees up to the end of each reporting period.

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

(p) Share capital and equity

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all its liabilities. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(q) Dividends

The Company recognises a liability to make cash distributions to shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Uganda, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity and the approved dividends are recognised as liabilities until when paid.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and 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 in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.0 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables, borrowings and Government of Uganda Contributions. The main purpose of these financial liabilities is to finance the company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that are derived directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk. Market risk is comprised of foreign exchange risk and interest rate risk. The company's senior management oversees the management of these risks. The company's senior management is supported by a Board of Directors that advises on financial risks and appropriate financial risk governance structures for the company. The Board of Directors 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 Company's overall risk management programme focuses on the identification, management of risks and seeks to minimise potential adverse effects on its financial performance, by application of agreed tariff levels with the Electricity Regulatory Authority, purchase/sale agreements with its Independent Power Producers (IPPs), distributors, and Government.

The Board of Directors reviews and agrees policies for managing each of these risks as summarised below:

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash held with banks and foreign exchange transactions.

Trade receivables

Uganda Electricity Transmission Company Limited's credit risk is primarily attributable to its trade and other receivables and amounts due from related parties, estimated by management based on prior experience, existing financial and economic factors faced by the debtor and the debtors' exit options available

The Company has policies in place to ensure that goods and services are only provided to fully licensed customers by the Electricity Regulatory Authority (ERA) and to customers with an appropriate credit history. In addition, the Company only deals with financial institutions that have a strong credit rating.

The maximum exposure to credit risk represents a worst-case scenario of credit risk exposure to the Company at the comparative end of reporting periods. For assets carried on the statement of financial position, this exposure is based on net carrying amounts as reported. The Company does not hold any collateral as security for its receivables. Low credit risk exists on cash and bank because counter-parties are banks with high credit ratings.

The following table summarises the Company's maximum exposure to credit risk:

	June 2019 UGX'Mn	June 2018 UGX'Mn
Cash and bank balances	393,623	287,455
Trade and other receivables including related parties (Note 23)	721,555	657,557
Provision for doubtful accounts	(135,558)	(87,986)
	979,620	**857,026**

As at June 30, 2019, trade receivables with a carrying value of UGX 135,558Mn (2018: UGX87,986Mn) were impaired and fully provided for.

	Total UGX'Mn	Fully Performing UGX'Mn	Past due but not Impaired UGX'Mn	Impaired UGX'Mn
As at June 30, 2019				
Financial assets				
Cash and bank balances	393,623	393,623	-	-
Other receivables	412,389	412,389	-	-
Trade receivables including related parties	484,992	349,434	-	135,558
As at June 30, 2018				
Financial assets				
Cash and cash equivalents	287,455	287,455	-	-
Other receivables	525,486	525,486	-	-
Trade receivables including related parties	378,107	290,121	-	87,986

There exist some clauses in the power sales agreements with power distributors that the Company invokes to facilitate collection of debt in case of any default or delay in payment on account of the power distribution companies

(b) Currency risk

The Company undertakes certain transactions denominated in foreign currencies and holds monetary assets and liabilities denominated in foreign currencies.

A significant portion of the company's currency risk arises from borrowings and trade payables, which are denominated in foreign currency. On the transactions side the Company meets most of its foreign exchange requirements at average rate from Bank of Uganda. The average rate returned by Bank of Uganda is in most cases much lower than commercial bank rates. Further the Company's exposure to foreign exchange risk is also mitigated through a provision in the tariff methodology that allows for adjustment for foreign exchange rate movements on a quarterly basis.

The Company's profit after income tax and equity would decrease/increase by UGX 3,356 million (Year ended June 30, 2018: UGX 3,264 million) respectively were the UGX: US$ year end exchange rate to increase/decrease respectively by 5%. The Company's exposure to foreign currency changes for all other foreign currencies is not material.

The Company had the following significant foreign currency positions:

	USD UGX'Mn	Euro UGX'Mn	Total UGX'Mn
At June 30, 2019			
Financial assets			
Cash and bank balances	77,743	4,176	81,919
Trade and other receivables	272,036	-	272,036
	349,779	**4,176**	**353,955**
Financial liabilities			
Trade and other payables	113,590	3,552	117,142
Borrowings	1,409,058	-	1,409,058
	1,522,648	3,552	1,526,200
Overall net position	(1,172,869)	624	(1,172,245)
At June 30, 2018			
Total financial assets	115,283	4,397	355,810
Total financial liabilities	1,318,051	12,564	1,304,955
Overall net position	(1,202,768)	(8,167)	(949,145)

(c) Liquidity risk

Liquidity risk is the risk that a Company may be unable to meet short term financial demands when they fall due

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuously monitoring forecasts and matching the maturity profiles of financial liabilities and ongoing review of future commitments and credit facilities available to the Company. The Company through Government of Uganda actively solicits for funding facilities to match the demands of its investment (grid expansion) programmes.

The table below analyses assets and liabilities into relevant maturity groupings as at 30 June based on contractual undiscounted receipts and payments.

	Up to 1 month UGX'Mn	2-3 months UGX'Mn	4-12 months UGX'Mn	Over 5 years UGX'Mn	Total UGX'Mn
At June 30, 2019					
Financial assets					
Cash and bank balances	393,623	-	-	-	393,623
Trade receivables including related parties	98,899	271,973	123,624	-	494,496
Other receivables	201,442	161,154	40,288	-	402,884
	693,964	**433,127**	**163,912**	-	**1,291,003**
Financial liabilities					
Trade payables	58,649	87,973	146,622	-	293,244
Borrowings	-	-	-	1,409,058	1,409,058
Employee benefit obligations	1,697	485	242	-	2,424
Other payables	34,560	86,401	51,840	-	172,801
	94,906	**174,859**	**198,704**	**1,409,058**	**1,877,527**
Net liquidity gap	**599,058**	**258,268**	**(34,792)**	**(1,409,058)**	**(586,524)**
At June 30, 2018					
Financial assets					
Cash and bank balances	287,455	-	-	-	287,455
Trade receivables including related	76,922	211,536	96,153	-	384,611
Other receivables	259,491	207,593	51,898	14,933	533,915
	623,868	**419,129**	**148,051**	**14,933**	**1,205,981**
Financial liabilities					
Trade payables	62,927	94,390	157,317	-	314,634
Borrowings	-	-	-	1,124,747	1,124,747
Employee benefit obligations	1,682	481	240	-	2,403
Other payables & Accruals	41,955	104,888	62,933	-	209,776
	106,564	**199,759**	**220,490**	**1,124,747**	**1,651,560**
Net liquidity gap	**517,304**	**219,370**	**(72,439)**	**(1,109,814)**	**(445,579)**

(c) 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 short-term financial liabilities are interest free. The Company also has interest bearing loans but these do not present a material interest rate risk exposure to the Company given the fact the rates at which interest is charged are fixed

7.0 CAPITAL MANAGEMENT

For purposes of the company's capital management, capital includes issued capital and all other equity reserves attributable to equity holders of the company. The primary objective of the company's capital management is to maximise the shareholder value.

The Company's objectives when managing capital are:

i) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) To maintain a strong capital base to support the development of its business.

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, employee benefits obligations and trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Company.

The Company aims to maintain a gearing ratio of 50%. The Company's gearing ratio as at June 30, 2019 was 79% (At June 30, 2018: 80%) as shown in the table below:

	June 2019 UGX'Mn	June 2018 UGX'Mn
Interest bearing borrowings (note 28)	1,409,058	1,124,747
Trade and other payables (notes 29, 30)	568,433	606,733
Less: cash and bank balances excluding committed funds (note 24)	(143,061)	(172,303)
Net debt	**1,834,430**	**1,559,177**
Total equity	**443,828**	**379,189**
Net debt and capital	**2,278,258**	**1,938,366**
Gearing ratio	**81%**	**80%**

The committed funds have been excluded because these are earmarked solely for implementation of projects, and cannot therefore be used in the settlement of the company's trade, loans and other liabilities.

		June 2019 UGX'Mn	June 2018 UGX'Mn
8	**Revenue**		
	Energy sales: Local		
	Umeme Limited	916,126	913,318
	Uganda Electricity Distribution Company Limited	22,937	14,518
	Other local distributors	5,867	4,973
	Energy sales: Exports		
	Kenya	141,433	127,917
	Tanzania	26,366	26,671
	Rwanda and DRC	3,047	3,753
		1,115,766	1,091,150
9	**Cost of sales**		
	Energy purchases - Eskom	72,235	64,120
	Energy purchases – Kasese Cobalt Company Limited	11,865	12,334
	Energy purchases - Kenya Power Lighting Company Limited	20,239	13,988
	Energy purchases – Kilembe Mines Limited	1,109	1,814
	Energy purchases – Rwanda Energy Utility Corporation Limited	1,284	1,219
	Energy purchases - Jacobsen	96,607	82,317
	Energy purchases - ElectroMax	57,569	96,889
	Energy purchases -Tronder Bugoye	24,824	21,254
	Energy purchases - Bujagali Energy Limited	436,948	596,480
	Energy purchases - Kakira	65,844	51,706
	Energy purchases – Kinyara Sugar Works Limited	1,614	1,910
	Energy purchases - Hydromaxx Limited	20,769	15,978
	Energy purchases - Africa EMS Mpanga	14,555	20,772
	Energy purchases - Eco Power Uganda Limited	5,973	5,790
	Energy purchases – Sugar and Allied	10,877	7,014
	Energy purchases - Access Solar Uganda Limited	7,040	6,389
	Energy purchases - Muvumbe Hydro	9,540	10,190
	Energy purchases – Elgon Siti	7,361	9,356
	Energy purchases – Tororo Solar North	6,739	5,689
	Energy purchases – Rwimi EP Company Limited	10,149	6,625
	Energy purchases – Africa EMS Nyamwamba	9,456	3,789
	Energy purchases – Lubilia Kamwembe Limited	6,138	2,356
	Energy purchases – Nkusi Small Hydro	17,488	853
	Energy purchases – Mahoma Small Hydro	2,664	-
	Energy purchases – Hydromaxx (Nkusi) Limited	2,140	-
	Energy purchases – Xsabo Power Limited	6,903	-
	Energy purchases – Emerging Power Uganda Limited	2,556	-
	Energy purchases –Bulama Hydro Electricity Limited	951	-
	Energy purchases – Uganda Electricity Generation Company Limited	49,506	-
	Energy purchases - Other energy generators	4,871	3,489
		985,814	1,042,321
	Government of Uganda subsidies	(41,491)	(66,630)
		944,323	975,691

Government of Uganda subsidies relate to reimbursements received or receivable from the Ministry of Finance for payment of available capacity charged by the thermal power suppliers.

	June 2019 UGX'Mn	June 2018 UGX'Mn
10 Third party collection (recoveries)/charges		
Rural electrification levy	44,666	46,755
Generation levy	512	475
Electricity Regulatory Authority funds. Over recoveries/clawbacks	-	2,044
	45,178	**49,274**

Rural electrification levy

As per the Electricity Act, a charge of 5% of the local energy costs excluding cost of Imported power and capacity charges is collected and remitted to Rural Electrification Agency (REA) to fund rural electrification schemes.

Generation levy

This relates to a 0.03% charge on exported energy. This is collected and paid to Electricity Regulatory Authority (ERA).

Electricity Regulatory Authority funds: Over recoveries/claw backs

These represent amounts enshrined in the tariff structure that are collected and deployed as per Electricity Regulatory Authority ('ERA' or 'the Authority') guidelines.

	Note	June 2019 UGX'Mn	June 2018 UGX'Mn
11 Other operating income			
Line rental	11(d)	2,963	2,873
Sale of bid documents		105	29
Lease of optic fibre	11(e)	11,185	9,903
Property rentals	11(c)	647	80
Surcharges		1,685	654
Bank interest	11(a)	13,840	12,560
Grant income: Amortization of capital grants	27	1,719	1,161
Recovery of VAT previously withheld by Uganda Revenue Authority	11(f)	14,933	-
Other income		575	2,240
		47,652	**29,500**

a) *Bank interest*

This relates to interest earned by the Company on bank deposits in the various financial institutions.

b) *Amortization of capital grants*

The amount relates to the amortized value of the grants worth UGX 11,399 million and UGX 63,144 million for Rugonjo 33/132kv and Queensway substations respectively. The grants are amortized over the useful life of the substation.

c) *Property rentals*

Property income relates to rent received by the company for office premises rented by UMEME (the largest energy distributor in Uganda) and co-location fees at substations for placement of equipment for optic fibre clients. Rental income is receivable on a quarterly basis for a contract period of five years.

d) *Line rentals*

This relates to a dedicated line rented to TANESCO Company in Tanzania for transmission of power from Masaka West Substation to Northern Tanzania. Rental income is receivable on a quarterly basis.

e) *Lease of optic fibre*

This income is obtained from leasing optic fibre to various telecommunication companies. Lease payments are made three months in advance for fibre cores and twelve months in advance for co-location spaces. Contract periods are generally five years.

f) **Other operating income**

The amount of Shs14,933 represents VAT in respect of imported services recovered from Uganda Revenue Authority (URA) following a ruling of a legal suit against the tax body for having previously recovered of the amount from the Company's claimable VAT. Accordingly, URA authorized UETCL to recover the amount through a VAT return claim.

		June 2019 UGX'Mn	June 2018 UGX'Mn
12	**Grid maintenance costs**		
	Substations maintenance	2,331	1,349
	Software system (SCADA) maintenance	603	1,049
	Transmission lines	3,512	3,241
	Other grid maintenance costs	1,360	1,520
		7,806	**7,159**

The above costs relate to expenses incurred in the maintenance of the various constituent grid elements.

13	Administrative expenses	June 2019 UGX'Mn	June 2018 UGX'Mn
	Staff costs (note 14)	36,221	33,816
	Transport costs	2,532	2,527
	Maintenance costs	1,694	1,586
	Licenses	1,717	1,637
	Consultancy	801	2,923
	Utilities	1,059	1,081
	Advertising and publicity	572	564
	Audit fees	85	85
	Bank and guarantee charges	461	-
	Provision for doubtful debts	47,572	38,776
	Pension costs [Note 13 (a)]	684	318
	Depreciation, amortization and impairment	43,937	20,895
	Other administration costs	8,599	9,441
		145,934	**113,649**

(a) The pension costs are payable to former employees of Uganda Electricity Board (UEB) awarded by court following a suit against Uganda Electricity Board (UEB) and UETCL. According to the court Judgement, UETCL is required to pay monthly pension to former employees of UEB, the amount of which is based on the number of years served in UEB

14	Staff costs	June 2019 UGX'Mn	June 2018 UGX'Mn
	Salaries & wages	16,521	15,241
	Staff gratuity	4,779	4,406
	National Social Security contributions	2,694	2,428
	Electricity sector skills development program	91	-
	Other staff related costs	12,136	11,741
		36,221	**33,816**

15 Taxation

(a) Income tax expense

	June 2019 UGX'Mn	June 2018 UGX'Mn
Current year income tax charge (note 15 b)	187	24
Deferred Income tax credit / (charge) (note 21)	30,682	(31,722)
	30,869	**(31,698)**

No income tax has been charged in respect to the core business of power purchase and sales because the Company had accumulated tax losses of UGX 381,687 million as at June 30, 2019 (2018: UGX 134,692 million). The tax losses will be carried forward and utilised against future taxable profits in accordance with the Income Tax Act.

(b) Reconciliation of the income tax expense

The reconciliation between the income tax expense and the product of accounting profit / (loss) and the tax rate is as follows:

	June 2019 UGX'Mn	June 2018 UGX'Mn Restated
Profit /(loss) before tax	95,508	(107,224)
Tax calculated at a tax rate of 30% (2018: 30%)	28,652	(32,167)
Tax effect of:		
Expenses not deductible and income not chargeable for tax purposes	(102,753)	17,557
Income not taxable for tax purposes		-
Tax effect of accumulated losses	74,288	14,632
Prior year income tax under-provision	-	2
Income tax expense	**187**	**24**

(c) Current income tax recoverable

	June 2019 UGX' Mn	June 2018 UGX' Mn
At 1 July / January	11,491	9,309
Withholding tax paid	2,534	2,184
Rental tax paid	158	22
Tax charge for the year	(187)	(24)
At 30 June	**13,996**	**11,491**

16 Profit before tax

This is arrived at after charging/ (crediting) the following:

	June 2019 UGX'Mn	June 2018 UGX'Mn
Directors' fees	490	521
Depreciation, amortisation and impairment	43,937	20,895
Auditors' remuneration	85	85
Unrealised foreign exchange gains/(loss)	67,113	(65,417)
Realised foreign exchange gains/ (loss)	8,218	(16,096)

17 Property, plant and equipment

	Land & buildings	SCADA equipment	Plant & machinery	Communication equipment	Furniture & fittings	Tools & equipment	Motor vehicles	Computer equipment	Office machinery	Capital work in progress	Total
	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn
st or valuation											
1 July 2017	53,485	8,831	355,810	13,237	1,439	7,304	19,848	8,032	1,664	1,135,622	1,604,852
ditions	14	796	6,427	648	13	351	2,291	1,308	174	585,308	597,230
classification	12,733	1,147	47,122	1,921	-	62	600	403	98	(64,086)	
sposals	(1)	-	-	(75)	-	-	(940)	-	-	-	(1,016)
June 30, 2018	66,211	10,774	409,159	15,631	1,452	7,717	21,799	9,743	1,836	1,656,844	2,201,166
ditions	836	-	329	724	124	365	850	920	140	507,319	511,627
classification	12,430	9,246	515,138	13,019	92	2,083	1,632	938	296	(554,873)	-
ansfer to leasehold land	-	-	-	-	-	-	-	-	-	(2,943)	(2,943)
ansfer to intangibles	-	-	-	-	-	-	-	-	-	(4,778)	(4,778)
ansfer to wayleaves	-	-	-	-	-	-	-	-	-	(364,803)	(364,803)
sposals	-	-	(5)	-	-	(2)	-	(19)	-	-	(26)
June 30, 2019	79,477	20,019	924,621	29,374	1,668	10,183	24,281	11,582	2,272	1,236,766	2,340,243
preciation											
July 2017	1,555	2817	33,672	2,654	916	4,258	11,073	5,486	1,097	-	63,528
arge for the year	611	764	10,442	932	118	596	2,375	1,665	218	-	17,821
pairment	-	-	1,479	-	-	-	-	776	-	-	2,255
sposals	-	-	-	(28)	-	-	(940)	-	-	-	(966)
June 30, 2018	2,166	3,581	45,593	3,558	1,034	4,854	12,508	7,927	1,315	-	82,636
arge for the year	795	3,822	25,258	1,945	138	978	3,654	1,415	288	-	38,193
sposals	-	-	(5)	-	-	(1)	-	(19)	-	-	(25)
June 30, 2019	2,961	7,403	70,846	5,503	1,172	5,831	16,162	9,323	1,603	-	120,804
Carrying Amount											
June 30, 2019	76,516	12,616	853,775	23,871	496	4,352	8,119	2,259	669	1,236,766	2,219,439
June 30, 2018	64,045	7,193	363,566	12,073	418	2,763	9,291	1,816	521	1,656,844	2,118,530

<u>Revaluation of assets</u>

The revalued assets consist of land and buildings and grid assets.

The fair value of the assets was determined as at 31 January 2013 by Parsons Brinckerhoff Africa (Pty) Limited, a South African engineering professional services consulting firm. However, the final report was issued in July 2014 and the required adjustments were incorporated into the Company's books of account effective 01 January 2014. The fair value of grid assets was based on depreciated replacement cost values, having considered long-term trends in world metal prices. The fair value of the rest of the assets was based on prevailing market prices determined among others by assets' condition, location and use.

Net carrying amounts of buildings and grid assets at cost:
If the land and buildings and grid assets were measured using the cost model, the carrying amounts would be as follows

June 30, 2019	Land & buildings	Scada Equipment	Plant & machinery	Communication equipment	Total
	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn
Cost	44,580	23,981	1,043,331	34,414	1,146,306
Accumulated depreciation	(5,310)	(12,044)	(283,637)	(14,447)	(315,438)
Net carrying amount	**39,270**	**11,937**	**759,694**	**19,967**	**830,868**

June 30, 2018	Land & buildings	Scada Equipment	Plant & machinery	Communication equipment	Total
	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn	UGX'Mn
Cost	38,096	14,736	527,870	20,670	601,372
Accumulated depreciation	(4,552)	(10,461)	(262,770)	(12,727)	(290,510)
Net carrying amount	**33,544**	**4,275**	**265,100**	**7,943**	**310,862**

<u>Depreciation charge for the year</u>

Included in the depreciation charge for the period is UGX 1,719 million (Year ended June 30, 2018 UGX 252 million) charged on assets acquired (i.e. Rugonjo 33/132kv substation valued at UGX 11.4 billion and Queensway substation valued at UGX 63.14 billion) through Government of Uganda and Japanese capital grants. The same amount has been amortised against the capital grant value (Note 27).

<u>Capital work in progress</u>

Capital work in progress represents accumulated costs incurred in the execution of various grid expansion projects for various transmission line projects and related infrastructure.

Included in capital work in progress is UGX 31,521 million (June 30, 2018 UGX 1,304 million) in respect of works on Opuyo-Moroto 132kV funded by a grant from Government of Uganda to UETCL, out of proceeds of the Islamic Development Bank (IDB) Loan to Government of Uganda. The terms of the loan to Government of Uganda are such that the asset is owned by the IDB until the entire loan is repaid by government. As such, this asset is held as collateral for the loan.

Capitalised borrowing costs

The Company is implementing various grid expansion projects. The construction of the assets is financed by borrowings from Government of Uganda. The amount of borrowing costs capitalised during the year ended June 30, 2019 was UGX 15.41 billion (Year ended June 30, 2018: UGX14.47 billion). All the loans are obtained for purposes of constructing grid assets.

No items of property, plant and equipment have been pledged as security for liabilities apart from the assets in respect of works on Opuyo- Moroto 132Kv, Isimba Interconnection 132kV line and Karuma Interconnection 400kV line which are held as collateral for the related loans to Government of Uganda from Islamic Development Bank and Exim Bank of China.

Impairment and write-offs

During the year ended 30 June 2018, there were impairment losses recognised in the Income Statement. Further previously recognised revaluation surplus amounting to Shs28 million was realized through profit and loss on account of disposal of the relevant assets.

		June 2019 UGX'Mn	June 2018 UGX'Mn
18	**Finance leasehold land**		
	Cost		
	At 1 July	20,195	20,223
	Additions	1,091	-
	Transfer from capital work in progress (Note 17)	2,943	-
	Disposals	-	(28)
	At 30 June	**24,229**	**20,195**
	Amortization		
	At 1 July	2,485	1,933
	Charge for the year	953	552
	At 30 June	**3,438**	**2,485**
	Net carrying amount		
	At 30 June	**20,791**	**17,710**

The Company leases land at various locations where it carries out its operations. The leases have been classified as finance leases on the basis that the leases transfer substantially all risks and rewards incidental to ownership to the Company during the term of the lease. The Company pays lease rentals in full at the inception of the lease and amortises them over the lease period on a straight-line basis.

The fair values of the leasehold land was determined as at 31 January 2013 by Parsons Brinckerhoff Africa (Pty) Limited, a South African engineering professional services consulting firm. However, the final report was issued in July 2014 and the required adjustments were incorporated into the Company's books of account effective 01 January 2014. The fair values were based on prevailing market prices determined, among others, by the assets' condition, location and use.

Net carrying amounts of the finance leases at cost:

	Finance leasehold land UGX'Mn
June 30, 2019	
Cost	7,797
Accumulated depreciation	(940)
Net carrying amount	**6,857**
June 30, 2018	
Cost	3,796
Accumulated depreciation	(554)
Net carrying amount	**3,242**

19 Wayleaves and Easements

Wayleaves refer to right of way and registered easements for various transmission line projects cumulatively acquired over time following acquisition of access corridors for transmission lines routes after owners are compensated through Resettlement Action Programmes. Compensation costs and related costs are recorded and accumulated over time within capital work in progress in Property, Plant and Equipment. Wayleaves and easement costs are capitalized immediately after payments is made. During the year ended 30 June 2019, movement was as follows:

	June 2019 Shs'Mn	June 2018 Shs'Mn
Balance at 1 June	-	-
Transfers from capital work in progress (Note17)	364,803	-
At 30 June	364,803	-

		June 2019 UGX'Mn	June 2018 UGX'Mn
20	**Intangible assets**		
	Cost		
	At 1 July	4,387	4,309
	Additions	-	78
	Transfer from capital work in progress (Note 17)	4,778	-
	Disposals	-	-
	At 30 June	**9,165**	**4,387**
	Amortization		
	At 1July	3,874	3,606
	Charge for the period	4,791	268
	Disposals	-	-
	At 30 June	8,665	3,874
	Net carrying amount		
	At 30 June	500	513

The Intangible assets comprise of software including: SCADA software, Eagle Point software, Printing Traffic software, transmission software, Road base Software, Software Disturbance Recorder Valpro Recpro, among others.

21 Deferred income tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2018: 30%) The movement on the deferred tax account is as follows:

	June 2019 UGX'Mn	June 2018 UGX'Mn
Deferred income tax liability		
As at 1 July	15,698	47,420
Increase / (decrease)	30,682	(31,722)
As at 30 June	**46,380**	**15,698**

The net deferred income tax liability and deferred income tax expense in the statement of comprehensive income are attributable to the following:

June 30, 2019	As at 1 July 2018 UGX'Mn	Charge/(credit) to profit or loss UGX'Mn	As at 30 June 2019 UGX'Mn
Accelerated depreciation – property, plant & equipment	70,985	80,030	151,015
Bad and doubtful debts provision	(26,396)	(14,271)	(40,667)
Net foreign exchange losses	(29,237)	39,021	9,784
Fair value gains	40,754	-	40,754
Tax losses carried forward	(40,408)	(74,098)	(114,506)
Net deferred income tax liability	**15,698**	**30,682**	**46,380**

June 30, 2018	As at 1 July 2017 UGX'Mn	Charge/(credit) to profit or loss UGX'Mn	As at 30 June 2018 UGX'Mn
Accelerated depreciation – property, plant & equipment	68,721	2,264	70,985
Bad and doubtful debts provision	(14,763)	(11,633)	(26,396)
Net foreign exchange losses	(22,580)	(6,657)	(29,237)
Fair value gains	41,819	(1,065)	40,754
Tax losses carried forward	(25,777)	(14,630)	(40,408)
Net deferred income tax liability	**47,420**	**(31,722)**	**15,698**

22 Inventories and Spares	June 2019 UGX'Mn	June 2018 UGX'Mn
Stores stock	8,894	8,409
Scrap	2,042	2,050
Spares for plant and machinery	26,204	12,851
	37,140	23,310
Less: provision for obsolete inventories	(3,173)	(3,173)
	33,967	20,137

23 Trade and other receivables	June 2019 UGX'Mn	June 2018 UGX'Mn
Trade receivables	484,992	378,107
Impairment and provision for doubtful accounts	(135,558)	(87,986)
	349,434	290,121
Receivables due from related parties (note 23(c))	27,732	41,977
	377,166	332,098
Prepayments	1,759	3,911
Sundry receivables	208,831	237,473
	587,756	573,482

Trade receivables are generally on 45-day terms and become interest bearing if they are not settled within 45 days after the invoice date. The provision for bad debts relates to customers with unpaid balances due to unmet terms and conditions of the power sales agreement. Based on trend of outstanding balances, specific provisions have also been made on certain receivables in accordance with the requirements of IFRS 9

Sundry receivables majorly consist of items such as receivables from lease of optic fibre, line and property rentals, contractual advances to projects contractors, claimable tax etc.

a) Movement in the provision for bad and doubtful debts	June 2019 UGX'Mn	June 2018 UGX'Mn
At 1 July	87,986	49,210
Impairment loss for the period	47,572	38,776
At 30 June	135,558	87,986

Debtors past 45 days are considered past due but not impaired. Note 6(a) explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

	June 2019 UGX'Mn	June 2018 UGX'Mn
b)		
Neither past due nor impaired < 45 days	349,434	290,121
Past due but not impaired > 45 days but less than 120 days	-	-
Over 120 days and impaired	135,558	87,986
	484,992	378,107

c) Receivables from related parties

Name	Nature of transactions	Nature of relationship
Uganda Electricity Distribution Company Limited	Energy sales	Common shareholder
Government of Uganda	Government of Uganda contributions for payment of capacity charges to thermal power generators	Shareholder through the Ministers

The following were the transactions carried out with related parties and the balances as at June 30, 2019. Transactions with related parties relate to mainly purchase and sale of power.

June 30, 2019 Related Party	At 1 July 2018 UGX'Mn	Sales/ purchases UGX'Mn	Payments /funding UGX'Mn	At 30 June 2019 UGX'Mn
Uganda Electricity Distribution Company Limited	6,504	27,115	(24,113)	9,506
Government of Uganda	35,473	41,490	(58,737)	18,226
Total	**41,977**	**68,605**	**(82,850)**	**27,732**

June 30, 2018 Related Party	At 1 July 2017 UGX'Mn	Sales/ purchases UGX'Mn	Payments /funding UGX'Mn	At 30 June 2018 UGX'Mn
Uganda Electricity Distribution Company Limited	5,179	17,287	(15,962)	6,504
Government of Uganda	78,167	66,630	(109,324)	35,473
Total	**83,346**	**83,917**	**(125,286)**	**41,977**

Amounts due from Government of Uganda (GoU) are comprised of the following:

i) UGX 33,124 million (At June 30, 2018: UGX 33,124 million) which was utilised by UETCL with consent of Government of Uganda to pay power generators during the power crisis of 2011. The amounts used to pay power generators ought to have been paid to Rural Electrification Agency since it had been collected as a levy through the tariff.

ii)UGX (30,578) million (At June 30, 2018: UGX 13,331) relating support for thermal capacity charges received in advance from Government as at June 30, 2019

iii) Pension arrears and legal costs of UGX 15,680 million paid to former employees of Uganda Electricity Board (UEB) and their lawyers which Government committed to refund.

Amounts due from Uganda Electricity Distribution Company Limited (UEDCL) comprise:

i) UGX 9,596 million (At June 30, 2018: UGX5, 6,504 million) relating to energy sales

Outstanding balances at the period-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended June 30, 2019, the Company has recorded an impairment provision against Uganda Electricity Distribution Company Limited. (2018: Nil)

This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. The Company had no commitments with related parties for the year ended June 30, 2019.

		June 2019 UGX'Mn	June 2018 UGX'Mn
24	**Bank balances**		
	Operations Balances:		
	Standard Chartered Bank Uganda Limited	24,909	40,855
	Stanbic Bank Uganda Limited	130	506
	Citibank Uganda Limited	2,030	2,285
	Barclays Bank Uganda Limited	115,984	120,827
	Cash at hand	8	-
		143,061	**164,473**
	Committed funds: Bank of Uganda Project Accounts		
	Cash balances relating to grants – note 34(a)	58,915	2,749
	Cash balances relating to loans – note 34(b)	2,501	20,762
	Cash balances relating to Government of Uganda Contributions – note 34(c)	70,843	41,398
	Committed funds: Project operations accounts		
	Citibank Uganda Limited	2,812	5,689
	Stanbic Bank Uganda Limited	108,029	44,554
	Barclays bank – Drawn performance securities - note 35(e)	7,462	7,830
		250,562	**122,982**
	Total bank balances	**393,623**	**287,455**

Committed funds: Bank of Uganda Project Accounts and Project Operations Accounts

The above funds relate to loans, contributions and grants received from Government of Uganda by UETCL as an implementing agent, to manage the various ongoing power projects (grid expansion projects). These funds are maintained in Bank of Uganda and other project operations accounts, and the terms of use stipulate that the funds can only be used to implement only projects activities and none other. Therefore, these funds have been committed to the implementation of specific project activities.

25 Issued capital

	June 2019 UGX'Mn	June 2018 UGX'Mn
Authorised, issued and fully paid		
181,307,629 ordinary shares of UGX 500 each	90,654	90,654

26 Government of Uganda contributions

	June 2019 UGX'Mn	June 2018 UGX'Mn
At 1 January	670,433	418,514
Contributions received during the year	159,860	251,919
	830,293	**670,433**

The contributions from Government of Uganda relate to funds appropriated by Parliament of Uganda and remitted to the Company for Resettlement Action Plan (RAP) activities for the acquisition of wayleaves, construction of Transmission lines and related Infrastructure.

27 Capital grants

	June 2019 UGX'Mn	June 2018 UGX'Mn
Norwegian Agency for Development (NORAD)	152,314	152,314
Swedish International Development Association (SIDA)	1,405	1,405
Japan International Cooperation Agency	62,371	63,843
Government of Uganda	10,484	10,730
Islamic Development Bank	31,521	1,308
KfW	16,503	2,918
International Development Agency	59,861	-
	334,459	**232,518**

Norwegian Agency for Development (NORAD)

On 21 November 2001, an agreement for Norwegian Kroner 60 million was signed between the Government of Uganda and the Government of the Royal Kingdom of Norway through the Norwegian Agency for Development (NORAD), regarding financial assistance for rehabilitation of 133/33/11 KV substations and improvement of reliability of the grid network. The grants which related to completed and commissioned projects were converted into equity.

The Government of Norway through NORAD extended a grant Norwegian Kroner 300 million for the construction of Nkenda-Hoima Transmission line, Norwegian Kroner 7 million for the feasibility study of Hoima-Kafu Transmission line, Norwegian Kroner 14.6 million for the feasibility study for the Karuma Interconnection and Norwegian Kroner 9 million for feasibility study of Mirama-Kikagati - Nshongyenzi transmission line project.

Swedish International Development Association (SIDA)

In December 2007, a grant agreement of SEK 3,392,830 was signed between UETCL and a consultant, SWECO International AB under the auspices of the Swedish Government to finance feasibility study of Mbarara – Nkenda – Fort Portal 132kV transmission line.

There were no conversions to equity during the year ended June 30, 2019. (2018: Nil)

Japan International Cooperation Agency (JICA)

On 25 November 2014, a Grant Agreement of JPY 2,519 million was signed between the Government of Uganda and the Government of Japan through the Japan International Cooperation Agency (JICA) for the refurbishment and upgrade of Queensway substation to improve reliability of power supply in Kampala Central Business District and surrounding areas.

Islamic Development Bank

On 10 December 2013 a loan agreement was signed between the Government of Uganda and Islamic Development Bank to finance 132kV Opuyo Moroto Project for an amount not exceeding US$86,620,000 payable after fifteen (15) years with a gestation period of four (4) years. The loan terms are of that of vendor and purchaser with principles of Shari' ah as interpreted by the Islamic Fiqh Academy and enunciated in the Shari' ah standards published by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The loan to Government was passed over by Government of Uganda as a grant to UETCL to execute the required project activities.

KfW

On 16 December 2009, a grant financing agreement of Euro 6,000,000 was signed between the Government of Uganda and KfW for the promotion of renewable energy and energy efficiency through facilitating the construction of a 132 KV Mutundwe - Entebbe transmission line and a new 132/33 kV outdoor substation at Entebbe. On 22 September 2015 a Euro grant agreement worth £14.7 million, under the Get Fit premium payment mechanism was signed between KfW and Government of Uganda, out of which GBP 3,800,000 was allocated to UETCL for the upgrade of Opuyo Substation.

International Development Agency

On 17 March 2017, a financing agreement of SDR71,000,000 was signed between the Government of Uganda and the International Development Association to finance the following projects under a Grid enhancement and Reinforcement Project (GERP) arrangements:

(a) construction of 132kV double circuit transmission line from Lira through Gulu and Nebbi to Arua
(b) Extension of existing 132kV double bas bar at Lira substation or construction of a switching station between Lira and Gulu
(c) Construction of substations with all ancillary installations in Gulu, Nebbi and Arua.
(d) Provision of technical advisory services for supervision of the project's activities required for the mentioned projects

The Government of Uganda has passed over to UETCL the financing under the GERP arrangement as a grant

The overall movement in capital grants during the year was as follows:

	June 2019 UGX'Mn	June 2018 UGX'Mn
At 1 July	232,518	225,090
Cash received during the year	103,660	10,827
Cash refunded to donors during the year**	-	(2,238)
Amortisation during the year	(1,473)	(909)
Amortization of grant from Government of Uganda	(246)	(252)
At 30 June	**334,459**	**232,518**

***The cash refunded to the donors during the year ended 30 June 2018 relates to remittance of unutilized funds back to the Norwegian Agency for Development (the project financiers) after the completion of the Hoima -Kafu feasibility study project.*

Capital grant from Government of Uganda

The grant relates to Rugonjo 33/132kv substation granted to UETCL in 2015 by Government of Uganda through the Rural Electrification Agency to facilitate evacuation of power from Mpanga Hydro Generation Plant. The movement during the year is as follows:

At 1 July	10,730	10,982
Amortisation	(246)	(252)
At 30 June	**10,484**	**10,730**

28 Borrowings

Borrowings comprise the following:

June 30, 2019	Principal UGX'Mn	Interest payable UGX'Mn	Total UGX'Mn
International Development Association	180,239	3,072	183,311
African Development Bank	289,700	8,008	297,708
Japanese Bank of International Co-operation	175,704	60	175,764
French Development Agency	83,961	5,952	89,913
Export Import Bank of China	639,157	23,205	662,362
	1,368,761	**40,297**	**1,409,058**
June 30, 2018			
International Development Association	161,817	3,213	165,030
African Development Bank	296,647	8,353	306,000
Japanese Bank of International Co-operation	183,742	63	183,805
French Development Agency	68,715	6,224	74,939
Export Import Bank of China	389,066	6,907	395,973
	1,099,987	**24,760**	**1,124,747**

The existing loans are all non-current because these have a payment grace period of 20 years from the draw down date and all the loans were first drawn down in 2012. In addition, the shareholder/lender has no intention to recover both the principal amounts and accrued interest in the foreseeable future as the Government of Uganda sources and directly repays the scheduled instalments. The movement during the year was as follows:

	June 2019 UGX'Mn	June 2018 UGX'Mn
At 1 July	1,124,747	624,711
Cash drawdowns and direct contractor payments	330,718	420,229
Interest for the year	15,408	14,466
Unrealised foreign exchange (gains) / losses	(49,212)	65,341
Refunds	(12,603)	-
At 30 June	**1,409,058**	**1,124,747**

African Development Bank and Japanese Bank of International Co-operation

A loan agreement was signed on 1 October 2007 between the Government of Uganda, the African Development Bank, Japanese Bank for International Development for the construction of Bujagali - Kawanda, Mutundwe - Kawanda line and Kawanda Substation and upgrade of Bujagali switch to 220KV. Financing of the project amounted to JPY 3,484 million and UGX 44 billion from JBIC, AFDB and Government of Uganda respectively. The loans received are unsecured and the interest rates were 0.75% per annum for African Development Bank and 0.01% per annum for the loans from the Japanese Bank of International Co-operation.

African Development Bank

A loan agreement was signed on 13 May 2009 between the Government of Uganda and African Development Fund to provide financing in various currencies equivalent to Units of Account 7,590,000 for the construction of Mbarara - Mirama / Bujagali – Tororo – Lessos and associated substations.

Another loan agreement was signed on 13 May 2009 between the Government of Uganda and African Development Bank to provide funding in various currencies equivalent to Units of Account 52,510,000 for Mbarara / Nkenda and Tororo / Lira transmission lines. The loans received are unsecured and the interest rate is 0.75% per annum.

French Development Agency

A loan agreement was signed on 13 October 2013 between the French Development Agency and the Government of Uganda to provide funding amounting to US$ 23,000,000 for the Mputa interconnection project. The loan is at an interest rate of 7.13% per annum and is not secured.

International Development Association Loan

A loan agreement was signed between the Government of Uganda and the International Development Association under the Electricity Sector Development project to provide financing in various currencies equivalent to special Drawing Rights 74,100,000 to fund Kawanda – Masaka Transmission line and related sub-stations.

Japanese Bank of International Co-operation

On 26 March 2010 a loan agreement was signed between the Government of Uganda and Japan International Cooperation Agency to provide financing of up to Japanese Yen 5,406,000 for the construction of Mbarara - Mirama / Bujagali – Tororo – Lessos transmission Line and associated substations.

All the loans are on-lent to Uganda Electricity Transmission Company by GoU to implement various projects

Export Import Bank of China

In 2016 a commercial loan agreement for USD 99,975,885 was signed between Government of Uganda and Export Import Bank of China to finance construction of substations and remote ends for Industrial Parks that include Luzira, Iganga, Namanve South and Mukono. The loan is to be repaid by Government of Uganda over a 15-year period at an annual interest rate based on LIBOR and a margin of 300 basis points.

On 18 December 2014 and 20 February 2015 commercial loan agreements amounting to USD 1,435,158,682 were signed between Government of Uganda and Export Import Bank of China to finance construction of Karuma Interconnection Projects that include Dam, transmission lines and associated substations. Under this arrangement Government of Uganda is to lend to UETCL USD 246,419,437 for construction of transmission lines and associated sub-stations. The loan to UETCL is repayable over a 20-year period at an annual interest rate of 2%.

29 Trade and other payables	Jun 2019 UGX'Mn	Jun 2018 UGX'Mn
Trade payables*	293,246	314,635
Accruals	14,923	6,959
Payables to related parties **	87,462	72,959
Other payables	172,802	209,777
	568,433	**604,330**

**** Amounts due to related parties consist of the following**

	Jun 2019 UGX'Mn	Jun 2018 UGX'Mn
Uganda Electricity Generation Company Limited	32,678	-
Rural Electrification Agency	87,462	72,959
	120,140	**72,959**

*The amounts include UGX 70,000 million (At June 30, 2018: UGX 70,000 million) in respect of outstanding value added tax to thermal power generators the resolution of which awaits Government / Uganda Revenue Authority pronouncement on the matter.

The payable to Rural Electrification Agency (REA) results from rural electrification charge levied at 5% of local energy purchases. The related party relationship between UETCL and REA arises out of the fact that both UETCL and REA subscribe to a common policy through the Ministry of Energy and Mineral Development.

Other payables consist of retention on project invoices, payables to Electricity Regulatory Authority, Uganda Communications Commission, taxes such as Pay As You Earn (PAYE) and NSSF, and payables to several other suppliers.

	June 2019 UGX'Mn	June 2018 UGX'Mn
30 Employee benefit obligations		
At 1 July	2,403	1,887
Provision during the period	4,779	4,407
Paid during the period	(4,758)	(3,891)
At 30 June	**2,424**	**2,403**

The Company is obliged to pay service gratuity equivalent to 30% of employee's annual basic salary every year to all employees on the anniversary of their contractual employment. The related obligation is provided for on a monthly basis.

	June 2019 UGX'Mn	June 2018 UGX'Mn
31 Related party disclosures		
(a) Key management compensation		
Salaries (including Executive Director's salary)	2,518	2,334
Allowances and benefits	1,610	1,588
National Social Security Fund contributions	413	392

		June 2019 UGX'Mn	June 2018 UGX'Mn
(b)	**Directors' Emoluments**		
	Executive Director's salary and benefits (also included in key management compensation)	840	859
	Directors' fees	490	521

32 Basic and diluted earnings per share

Profit/(loss) after tax attributable to owners of the Company	104,263
Profit used in the calculation of basic earnings per share	104,263
Weighted average number of ordinary shares for the purposes of basic earnings per share – Millions	181,308
Profit per share - basic and diluted	**357**

Earnings per share are calculated by dividing the profit after tax by the number of shares in issue as at end of the year.

33 Cash generated from operations	Note	June 2019 UGX'Mn	June 2018 UGX'Mn
Profit /(Loss) before income tax		95,508	(107,224)
Adjustments for:			
Grant income	11	(1,719)	(1,161)
Impairment loss	17	-	2,254
Revaluation Surplus income realized	17	-	(28)
Depreciation	17	38,193	17,821
Amortization of finance leasehold land	18	953	552
Amortization of intangible assets	20	4,791	268
Provision for gratuity	30	4,779	4,406
(Gain) on disposal of property, plant & equipment		-	(122)
Loss on disposal of leasehold land		-	28
Unrealised foreign exchange (gains)/losses on borrowings	28	(53,914)	65,341
Net foreign exchange (gains) / losses		(75,331)	81,513
		13,260	63,648
Changes in working capital			
Increase in inventories		(13,830)	(1,105)
Increase in receivables		(14,274)	(133,745)
Increase / (decrease) in trade and other payables		(35,897)	122,051
Cash generated from/(used in) operations		**(50,741)**	**50,849**

34 Projects' bank accounts

These are accounts in the names of Ministry of Energy and Mineral Development that are opened by the Accountant General in Bank of Uganda. The bank accounts are responsible for holding project funds from both government and donors pending disbursements to defray obligations in respect of Resettlement Action Plans executed by UETCL as the implementing agency. Funds from Government to these project bank accounts are appropriated by Parliament of Uganda under the vote to the Ministry of Energy and Mineral Development and at the end of any one fiscal year, the unutilized balances on those bank accounts may be transferred to the Consolidated Fund at the discretion of the Accountant General.

These bank accounts and associated projects are audited separately by the Auditor General. The funds held with Bank of Uganda are made up of the following:

	June 2019 UGX'Mn	June 2018 UGX'Mn
Cash balances relating to grants – note 34(a)	58,915	2,749
Cash balances relating to loans – note 34(b)	2,501	20,762
Cash balances relating to Government of Uganda Contributions – note 34(c)	70,843	41,398
Total funds held with Bank of Uganda	**132,259**	**64,909**
Project accounts held with commercial banks (cash balances relating to Government of Uganda contributions) – note 34(d)	110,841	50,243
Project funds with commercial banks drawn from performance securities for defaulting contractors – note 34(e)	7,462	7,830
Total funds	**250,562**	**122,982**

(a) Balances relating to grants received

	Account Name	Donor	Purpose	June 2019 UGX'Mn	June 2018 UGX'Mn
1.	Construction of Nkenda-Hoima Transmission Line Project	Norwegian Agency for Development (NORAD)	Handling NORAD Grant funds for Hoima Fort-Portal-Nkenda Transmission Line Construction Project	1	2,749
2	Grid Expansion Reinforcement Project (GERP)	International Development Association (IDA) through GoU	Financing Gulu – Lira – Nebbi Line	58,914	-
	Total			58,915	2,749

(b) Cash balances relating to loans

	Account Name	Donor	Purpose	June 2019 UGX'Mn	June 2018 UGX'Mn
1.	Masaka-Kawanda 220Kv Transmission Line	World Bank	To handle World Bank funded Project costs under Energy Sector Development Program	-	8,798
2.	Construction and Commissioning of Substations at Nkenda-Fort portal -Hoima (Project)	French Development Agency (AFD)	Handling AFD funds for the Construction Installation and Commissioning of Substations at Nkenda-Fort Portal - Hoima (the Project)	2,284	11,964
	Interconnection of Electric Grid of Nile Equatorial Lakes Countries Project	African Development Bank	Special account to handle and complete Nile Equatorial Grid Project funded by African Development Bank	217	-
	Total			2,501	20,762

(c) Balances relating to Government of Uganda Contributions

	Account Name	Purpose	June 2019 UGX'Mn	June 2018 UGX'Mn
1.	Karuma Interconnection RAP	Resettlement action plan for persons affected by Karuma Interconnection Project	20,957	- 1,308
2.	Mbarara Nkenda &Tororo-Lira Transmission Line Escrow	Handle Resettlement Action Plan funds	2,731	64
3.	Mputa Interconnection Project	Handle Resettlement Action Plan GOU funded plans	20,667	18,295
4.	Bujagali Resettlement Escrow Account	Government under an Escrow Agreement with Bujagali Energy Limited Special account to handle Nile Equatorial Grid	5,523	4,495
5.	Interconnection of Electric Grid of Nile Equatorial Lakes Countries Project	Project financed by Government of Uganda	11,091	14,236
6.	Masaka-Kawanda 220Kv Transmission Line	Handle Resettlement Action Plan for Kawanda Masaka Project	7,407	452
7.	Opuyo Moroto Transmission Line	Handle Resettlement Action Plan	2,467	1,545
	Total		70,843	41,398

(d) Commercial banks balances relating to Government of Uganda contributions

	Bank	Purpose	June 2019 UGX'Mn	June 2018 UGX'Mn
1	Citibank Uganda Limited	To maintain and disburse funds for specific project works	2,812	5,689
2	Stanbic Bank Uganda Limited	To maintain and disburse funds for RAP activities for various projects	108,029	44,554
	Total		**110,841**	**50,243**

(e) Commercial banks balances relating to funds drawn from performance securities on account of defaulting contractors

	Bank	Purpose	June 2019 UGX'Mn	June 2018 UGX'Mn
3	Barclays Bank Limited	Holding funds drawn from performance securities against contractors who default on their contractual obligations	**7,462**	**7,830**

35 Employees

The total number of employees as at June 30, 2019 was 478 (at June 30, 2018: 474) of which 334 (at 30 June 2018: 333) were mainstream contract staff and 144 (at June 30, 2018: 141) were deployed on various Projects. The salaries and benefits in respect of Project Staff are capitalized as part of the project costs.

36 Contingent assets and liabilities

Legal actions

The company is a defendant on various legal actions arising in the normal course of business. The company has been advised by its legal counsel that it is only possible, but not probable, that actions estimated at UGX 114.92 billion will succeed. Accordingly, no provision for these liabilities has been made in these financial statements. The company is defending itself against these actions and, therefore, it is not practical to state the timing of the payments, if any.

Further the Company is a plaint in various legal actions arising both in the normal course of business and against various contractors. The company has been advised by its legal counsel that it is only possible, but not probable, that actions estimated at UGX 32.10 billion will succeed. Accordingly, no adjustment for these assets has been made in these financial statements. The company is pursuing these cases and, therefore, it is not practical to state the timing of awards, if any.

In addition, the company has contingent liabilities amounting to UGX 121.38 billion (USD 33.25 Mn) from certain EPC contractors on account of delayed acquisition of right of way and idling costs. However, these costs have been contested by the Company and are under verification. Consequently, these have not been recognised in the company's financials because it is very unlikely that the liability will crystallize.

37 Events after the reporting period

No events have occurred after the reporting date that would require adjustments to, or disclosures in, these financial statements.

Collapsed Tower after vandalism

UETCL team during a field visit at Achwa Hydro Plant

NOTES

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