



UMEME

**UMEME LIMITED
INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)**

**FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2023**

UMEME LIMITED
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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UMEME LIMITED
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

Abbreviation	In full
ADB	African Development Bank
CWIP	Capital Work-in-Progress
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECL	Expected Credit Losses
ECP	Electricity Connection Policy
EPS	Earnings Per Share
ERA	Electricity Regulatory Authority
DFI	Development Finance Institutions
GOU	Government of Uganda
GOU-TOU	Government of Uganda Time of Use
IAS	International Accounting Standard
ITA	Income Tax Act
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IVA	Independent Verification Agency
LAA	Lease and Assignment Agreement
No.	Number
NRCC	Non-Refundable Capital Contributions
NSE	Nairobi Securities Exchange
OBA	Output Based Aid
REP	Rural Electrification Program
SBU	Stanbic Bank Uganda Limited
SCB	Standard Chartered Bank
SIC	Standards Interpretations Committee
UDB	Uganda Development Bank
UEDCL	Uganda Electricity Distribution Company Limited
UETCL	Uganda Electricity Transmission Company Limited
URA	Uganda Revenue Authority
USD	United States Dollars
USE	Uganda Securities Exchange
Ushs	Uganda Shillings
WACC	Weighted Average Cost of Capital

UMEME LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

The Uganda Securities Exchange Rules, 2003 require the directors to prepare interim financial reports for the first six months of a financial year, which show the state of the financial affairs of Umeme Limited (the "Company") as at the end of the six-month period and of its operating results for that period.

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 judgements and estimates are applied on a consistent basis and using the 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 interim condensed financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IAS 34 *Interim Financial Reporting*. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of interim condensed financial statements, as well as maintenance of adequate systems of internal financial control.

In line with the concession agreements, on 22 November 2022, GOU communicated to the Company that the concession which commenced on 1 March 2005 will continue to its natural end in March 2025, after which there will be no renewal. This is in line with the natural term of the concession agreement which ends on 28 February 2025 and the additional contractually allowed transition period of 30 days. The directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has the contractual rights and resources to continue in business for the remaining period until termination of the concession. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

The interim condensed financial statements were approved by the Board of Directors on
2023 and signed on its behalf by:

.....
Director

.....
Director

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE DIRECTORS OF UMEME LIMITED**

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Umeme Limited (the "Company") as at 30 June 2023, and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 34. The directors are responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

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

.....**2023**

UMEME LIMITED
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Note	Unaudited 6 months ended 30 June 2023 Ushs million	Unaudited 6 months ended 30 June 2022 Ushs million
Revenue from contracts with customers	3	1,075,690	896,999
Cost of sales	4	<u>(719,797)</u>	<u>(618,571)</u>
GROSS PROFIT		355,893	278,428
Repair and maintenance expenses		(10,882)	(16,343)
Administration expenses	5	(100,986)	(98,766)
Foreign exchange (loss)/gain		(495)	15,612
Increase in expected credit losses		<u>-</u>	<u>(475)</u>
OPERATING PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX		243,530	178,456
Amortisation and impairment of intangible assets	10	<u>(210,197)</u>	<u>(78,518)</u>
OPERATING PROFIT		33,333	99,938
Finance income	6	8,953	10,467
Finance costs	7	<u>(25,619)</u>	<u>(17,626)</u>
PROFIT BEFORE TAX		16,667	92,779
Income tax charge	8	<u>(3,477)</u>	<u>(28,403)</u>
PROFIT FOR THE PERIOD		<u>13,190</u>	<u>64,376</u>
BASIC AND DILUTED EARNINGS PER SHARE	9	<u>Ushs 8.1</u>	<u>Ushs 39.6</u>

The notes on pages 8 to 34 are an integral part of the interim condensed financial statements.

UMEME LIMITED
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Unaudited 6 months ended 30 June 2023 Ushs million	Unaudited 6 months ended 30 June 2022 Ushs million
Profit for the period	13,190	64,376
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation from functional currency	<u>(15,887)</u>	<u>71,755</u>
Total comprehensive (loss)/ income for the period, net of tax	<u>(2,697)</u>	<u>136,131</u>

The notes on pages 8 to 34 are an integral part of the interim condensed financial statements.

UMEME LIMITED
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
ASSETS			
Non-current assets			
Intangible assets	10	679,150	771,996
Other financial asset: Buy out amount	11	921,437	1,008,916
Concession financial asset	12	336,569	340,121
		1,937,156	2,121,033
Current assets			
Inventories		76,527	66,157
Contract assets	13	40,459	42,210
Trade and other receivables	14	283,837	279,344
Prepayments		31,455	16,224
Bank balances	15	42,347	46,098
		474,625	450,033
TOTAL ASSETS		2,411,781	2,571,066
EQUITY AND LIABILITIES			
Equity			
Issued capital		27,748	27,748
Share premium		70,292	70,292
Retained earnings		611,135	701,711
Translation reserve		194,410	210,297
		903,585	1,010,048
Non-current liabilities			
Concession financial obligation	17	336,569	340,121
Deferred tax liability	8	201,416	239,450
		537,985	579,571
Current liabilities			
Borrowings: current portion	16	74,286	176,631
Customer security deposits		11	11
Contract liabilities	18	106,250	91,788
Accrued expenses		12,834	17,165
Provisions		870	881
Trade and other payables	19	690,857	532,160
Current income tax payable	8	41,460	34,950
Bank overdrafts	20	43,643	127,861
		970,211	981,447
TOTAL EQUITY AND LIABILITIES		2,411,781	2,571,066

The interim condensed financial statements were approved by the Board of Directors on.....
2023 and signed on its behalf by:

.....
Director

.....
Director

The notes on pages 8 to 34 are an integral part of the interim condensed financial statements.

UMEME LIMITED
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Issued capital	Share premium	Retained earnings	Translation reserve	Total equity
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 1 January 2022	27,748	70,292	641,310	153,804	893,154
Profit for the period	-	-	64,376	-	64,376
Other comprehensive income, net of tax	-	-	-	71,755	71,755
Total other comprehensive income, net of tax	-	-	64,376	71,755	136,131
Dividend declared	-	-	(87,814)	-	(87,814)
At 30 June 2022– unaudited	27,748	70,292	617,872	225,559	941,471
At 1 January 2023	27,748	70,292	701,711	210,297	1,010,048
Profit for the period	-	-	13,190	-	13,190
Other comprehensive loss, net of tax	-	-	-	(15,887)	(15,887)
Total other comprehensive income/(loss), net of tax	-	-	13,190	(15,887)	(2,697)
Dividend declared	-	-	(103,766)	-	(103,766)
At 30 June 2023 – unaudited	27,748	70,292	611,135	194,410	903,585

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

The notes on pages 8 to 34 are an integral part of the interim condensed financial statements.

UMEME LIMITED
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Note	6 months ended	
		30 June 2023	30 June 2022
		Unaudited	
		Ushs million	Ushs million
Profit before tax		16,667	92,779
<i>Adjustment for non-cash items:</i>			
Interest on bank deposits	6	(138)	(216)
Finance income on other financial asset	6	(8,104)	(9,201)
Finance income on concession financial asset	6	(711)	(1,050)
Finance cost on concession obligation	7	711	1,050
Other financing costs	7	16,234	5,594
Amortisation of intangible assets	10	201,836	78,425
Loss on disposal of intangible assets	10	8,357	93
Expected credit losses on trade and other receivables		-	475
Interest expense on long and short term borrowings		7,873	9,313
Amortisation of deferred transaction costs	7	801	1,698
Cash flows before working capital changes		243,526	178,960
<i>Changes in working capital items:</i>			
(Increase)/decrease in inventories		(10,370)	1,946
Decrease/(increase) in contract assets		1,751	(9,888)
Increase in trade and other receivables		(4,493)	(4,196)
Increase in prepayments		(15,231)	(5,589)
Increase in contract liabilities		14,462	26,783
Decrease in accrued expenses		(4,331)	(7,809)
Increase in trade and other payables		54,931	32,469
Cash generated from operating activities		280,245	212,676
Interest received from banks		138	216
Term loans and short-term borrowings interest paid		(7,873)	(9,727)
Other financing costs paid		(16,234)	(5,594)
Borrowing transaction costs paid		-	(132)
Current income tax paid		(35,001)	(10,000)
Net cash flows from operating activities		221,275	187,439
Investing activities			
Purchase of intangible assets	10	(41,862)	(55,903)
Net cash flows used in investing activities		(41,862)	(55,903)
Financing activities			
Repayment of principal on term loans	16	(101,547)	(90,384)
Net cash flows used in financing activities		(101,547)	(90,384)
Net increase in cash and cash equivalents		77,866	41,152
Cash and cash equivalents at 1 January		(81,774)	(44,885)
Translation differences		2,601	(11,652)
Cash and cash equivalents at 30 June	22	(1,307)	(15,385)

The notes on pages 8 to 34 comprise an integral part of the interim condensed financial statements.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

1. COMPANY INFORMATION AND GOING CONCERN

1.1 Company information

Umeme Limited (the "Company") is a public limited liability company incorporated in Uganda under the Companies Act, 2012 of Uganda, and licensed by Electricity Regulatory Authority (ERA) under License No. 047 and No. 48 to carry on business of electricity distribution and supply under the provisions of the Electricity Act 1999, (Cap 145). The Company's business operations are generally evenly distributed over the period.

The Company's shares are publicly traded on the Uganda Securities Exchange (USE) and cross-listed on the Nairobi Securities Exchange (NSE).

The interim condensed financial statements of the Company for the six-months ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on2023.

1.2 Going concern

In line with the concession agreements, on 22 November 2022, GOU communicated to the Company that the concession which commenced on 1 March 2005 will continue to its natural end in March 2025, after which there will be no renewal. This is in line with the natural term of the concession agreement which ends on 30 March 2025 and the additional contractually allowed transition period of 30 days. The concession agreements stipulate conditions to be fulfilled before the transfer of the Distribution Network at termination of the concession agreements. These include:

- Umeme shall, at its own cost, provide a report certified by an engineer that at the date of the report, the Distribution Network and modifications thereto are in a condition and state of repair consistent with prudent utility practice and with adequate spares and inventory. The Company, at its sole cost and expense, shall cause any discrepancies and/or deficiencies to be fully corrected in accordance with the engineer's remediation plan, if any, contained in the report prior to the return of the Distribution Network including the modifications that have been incorporated thereto.
- Provide to UEDCL an inspection report from a reputable environmental consulting firm certifying that no hazardous material is present on, in or under the Distribution Network.
- From the end of the natural term until termination of the concession agreements, the Company's obligations in respect of the operation and maintenance of the Distribution Network under the Privatisation Agreements and payment for electricity under the Power Sales Agreement shall be limited to using commercially reasonable efforts to operate the Distribution Network in accordance with Prudent Utility Practices and to maintain the Distribution Network in its condition as of the end of the natural term.
- Notwithstanding anything to the contrary in the concession agreements, the Company will have the right to stop performing all of its obligations 30 days after the end of the natural term, except for those obligations that expressly survive termination.
- As of the date that the Company ceases performance of its obligations to operate and maintain the Distribution Network, UEDCL or its designee will then have the immediate right to step in and take possession of the Distribution Network, operate and maintain the Distribution Network and use the assigned interests and other rights.
- Notwithstanding UEDCL's possession, operation and maintenance of the Distribution Network and use of the assigned interests and other rights, GOU shall not take any action to cause or permit UEDCL to transfer, let or assign the Distribution Network assets, assigned interests and other rights to any third party until the buy out amount is paid in full by GOU. Refer to Note 11 for further disclosures on the buy out amount and the related terms and conditions.

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

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended 31 December 2022. The explanatory notes disclose the events and transactions that update the relevant information presented in the 2022 audited annual financial statements including:

- The nature and amount of items affecting the Company's financial position, performance and cash flows that are unusual because of their nature, size, or incidence.
- The nature and amount of changes in accounting policies and methods and estimates used in the preparation of the financial statements, and status of long-term contracts.
- Events subsequent to the end of the most recent annual reporting period, 31 December 2022, that have a material effect on the interim condensed financial statements.
- Issues and repayments of debt and equity securities.
- Dividends paid for ordinary shares.

Balances disclosed relating to the year ended 31 December 2022 are audited while balances relating to 30 June 2023 and 30 June 2022 are unaudited.

Functional currency

The Company's functional currency is United States Dollars (USD), which is the currency of the primary economic environment in which the Company operates.

Presentation currency

The Company's financial statements are presented in Uganda Shillings (Ushs) to meet the expectations of most of the primary users of the financial statements since Ushs is the currency of the country in which the Company operates.

b) Use of judgements and estimates

In preparing these interim condensed financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest audited annual financial statements. The following significant judgements have also been made by the Company's directors:

- Judgements made in respect to amortisation of the intangible asset as disclosed in Note 10.
- Judgements made in respect to recovery of capital investments in the Distribution Network which as of period-end were undergoing verification by ERA for inclusion in the capital investment recovery pool as disclosed in Note 11.

c) Fair value measurement

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

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

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

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Fair value measurement (Continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

d) Segment information

The Company is organised into one single business unit for management purposes. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the financial statements. There were no changes to this during the period.

All the Company's revenue is generated from external customers domiciled in Uganda and no single external customer contributes revenue amounting up to 10% of the Company's revenue. All the Company's assets are located in Uganda.

e) Standards and interpretations issued and effective during the period

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's latest audited financial statements for the year ended 31 December 2022.

Several amendments apply for the first time in 2023 but do not have an impact on the Company's interim condensed financial statements.

f) Standards issued but not effective

The new and amended standards and interpretations that were issued, but not yet effective, up to the date of issuance of these interim condensed financial statements are disclosed below. Only changes expected to have an impact on the Company's financial statements when they become effective are listed. The Company has not opted for early adoption but rather intends to adopt the new and amended standards and interpretations when they become effective, but they are not expected to have a material impact on the Company's financial statements.

	Effective for annual periods beginning or after:
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2024

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenue streams are consistent with those described in the latest audited annual financial statements. Revenue is derived from contracts with customers. The Company's primary geographical market is Uganda.

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

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

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

Capital contributions received from the customers by Umeme from which construction revenue is derived represent advance payments by customers for construction service

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

	Note	Unaudited 6 months ended	
		30 June 2023 Ushs million	30 June 2022 Ushs million
Amounts billed by customer category			
Domestic		299,508	263,091
Commercial		139,621	121,954
Medium industrial		155,993	139,727
Street lighting		458	363
Large industrial		238,216	194,666
Extra large		176,764	156,648
Total amount billed to customers		1,010,560	876,449
Less: Amounts collected from customers which are not revenue for the period:			
Growth factor amounts	(a)	(5,383)	-
Recovery of amounts for funding non-network assets	(b)	(5,446)	(3,471)
		999,731	872,978
Other revenue streams:			
Construction revenue - Construction of assets	(c)	70,866	18,532
		70,866	18,532
Other regulated income:			
Reconnection fees		112	68
Inspection fees		4,184	2,140
		4,296	2,208
Non-regulated income:			
Other incomes		797	3,281
Total revenue from contracts with customers		1,075,690	896,999

- a) Ushs 5,383 million (2022: Nil) was deferred during the year to fund hybrid connections.
- b) In accordance with Amendment Number 4 of the Company's Electricity Supply License, ERA approved Ushs 5,446 million (2022: Ushs 3,471 million) to be collected from customers through the retail tariffs for purchase of non-network assets. Non-network assets are those assets which do not directly improve or expand the Distribution Network but are necessary for operation of the Distribution Network. This amount is excluded from the amounts billed to customers to arrive at the reported revenue in line with the funding mechanism.
- c) The Company provides construction services relating to the upgrading and expansion of the Distribution Network in accordance with the concession agreements. The expenses that are incurred on the assets additions funded by direct cash contributions paid by customers are recognised in profit or loss as construction cost of sales and the amounts paid by the customers for the construction services ("non-refundable capital contributions" or "NRCC") are recognised as construction revenue when utilized. The costs incurred on the upgrading and expansion additions funded by the Company are offset from the related construction revenue as this reflects the substance and legal form of the transactions.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

4. COST OF SALES

	Unaudited 6 months ended	Unaudited
	30 June 2023	30 June 2022
	Ushs million	Ushs million
Electricity purchase from UETCL	641,847	597,370
Generation levy	7,084	2,640
Construction costs: construction of assets [Note 3(c)]	70,866	18,561
	719,797	618,571

5. ADMINISTRATIVE EXPENSES

Staff and network contractor management costs ¹	58,432	58,501
Transport costs	13,621	10,921
Software support agreements	3,857	5,119
Publicity, advertisement and SMS communication	867	1,183
ERA licensing fees	3,172	2,863
Operating concession charges - UEDCL	4,024	3,622
Rental expenses	1,463	1,399
Directors' expenses and allowances	1,467	1,550
Other administration costs ²	5,372	5,482
Consultancy fees	2,122	1,910
Telephone expenses	3,734	3,644
Debt collection expenses	908	914
Insurance charges	1,947	1,658
	100,986	98,766

¹Staff and network contractor management costs

Salaries and wages	36,689	35,173
National Social Security Fund (NSSF) contributions	4,210	4,896
Other employment related costs	17,533	18,432
	58,432	58,501

The other employment related costs include the following amounts:

Employee performance bonus	3,786	3,396
Contractor management fees ³	4,620	6,331
Staff medical expenses	2,133	1,853
Travel expenses	1,627	1,478
Retirement benefit scheme	1,523	1,345
	13,689	14,403

²The 2023 amount includes COVID-19 related costs of Ushs 8 million (2022: Ushs 26 million).

³Contractor management fees mainly relate to fees paid to contractors that are involved in the repair and maintenance of the distribution network.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Unaudited 6 months ended 30 June 2023 Ushs million	Unaudited 6 months ended 30 June 2022 Ushs million
6. FINANCE INCOME		
Interest on bank deposits	138	216
Finance income on concession financial asset	711	1,050
Interest income on other financial asset: Buy out amount	8,104	9,201
	8,953	10,467
7. FINANCE COSTS		
Finance costs relating to debt facilities		
Interest expense on Facility A	1,958	2,320
Interest expense on Facility B	2,096	2,475
Interest expense on Facility C	2,073	2,453
Interest expense on Facility D	1,746	2,065
Amortisation of borrowings transaction costs ⁴	801	1,698
Other financing costs	16,234	5,594
	24,908	16,605
Finance costs relating to other financial liabilities		
Accrued interest on customer security deposits	-	(29)
Finance charge on concession obligation	711	1,050
	711	1,021
Total finance costs	25,619	17,626
The other financing costs comprise of the following:		
Interest expense on overdraft facilities	5,338	3,608
Other financing related costs	10,896	1,986
	16,234	5,594
Refer to Notes 16, 17 and 20 for further disclosures on finance costs.		
⁴ This relates to deferred costs on the borrowings in Note 16 of Ushs 801 million (year ended 31 December 2022: Ushs 3,056 million) and overdraft facilities in Note 20.		
8. INCOME TAX		
a) Income tax expense		
Current income tax charge		
Current income tax charge for the period	41,676	24,877
Current income tax charge - prior periods	(166)	2,004
	41,510	26,881
Deferred tax charge		
Deferred tax charge for the period	(34,747)	3,498
Deferred tax charge - prior periods	(3,286)	(1,976)
	(38,033)	1,522
Total income tax charge for the period	3,477	28,403

UMEME LIMITED
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

8. INCOME TAX (Continued)

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

	Unaudited	Unaudited
	6 months ended	
	30 June 2023	30 June 2022
	Ushs million	Ushs million
Profit before tax	16,667	92,779
Tax at the statutory tax rate of 30%	5,000	27,834
Expenses not allowed for tax purposes	1,929	541
Current income tax prior period adjustment	(166)	2,004
Deferred tax prior period adjustment	(3,286)	(1,976)
Income tax charge	3,477	28,403

The movement in the current income tax payable was as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	Ushs million	Ushs million
b) Current income tax payable		
At 1 January	34,950	(13,942)
Charge for the period/year	41,511	68,928
Paid during the period/year	(35,001)	(20,036)
Closing balance	41,460	34,950

c) Deferred tax liability

	Closing balance	Charge/(credit) to profit or loss		Opening balance
	Ushs million	Current period	Prior periods	
	Ushs million	Ushs million	Ushs million	Ushs million
At 30 June 2023				
Accelerated amortisation of assets	217,701	(40,059)	(3,417)	261,177
Provision for expected credit losses	(10,891)	138	-	(11,029)
Other provisions	(4,842)	(1,448)	-	(3,394)
Unrealised foreign exchange losses	(552)	6,621	131	(7,304)
	201,416	(34,748)	(3,286)	239,450
	Closing balance	Charge/(credit) to profit or loss		Opening balance
	Ushs million	Current year	Prior years	
	Ushs million	Ushs million	Ushs million	Ushs million
At 31 December 2022				
Accelerated amortisation of assets	261,177	7,295	-	253,882
Provision for expected credit losses	(11,029)	(165)	(38)	(10,826)
Other provisions	(3,394)	1,696	(1,503)	(3,587)
Unrealised foreign exchange losses	(7,304)	(4,323)	(437)	(2,544)
	239,450	4,503	(1,978)	236,925

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

9. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders by the basic and diluted weighted average number of ordinary shares in issue during the period respectively.

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022
Profit attributable to shareholders (Ushs million)	13,190	64,376
Opening basic weighted average number of ordinary shares (million)	1,624	1,624
Diluting shares	-	-
Basic and diluted weighted average number of ordinary shares (million)	<u>1,624</u>	<u>1,624</u>
Basic and diluted earnings per share (Ushs)	<u>8.1</u>	<u>39.6</u>

10. INTANGIBLE ASSETS

	GOU support & assurances rights Ushs million	Other concession rights Ushs million	Total Ushs million
Cost			
At 1 January 2022	3,457	1,524,141	1,527,598
Additions	-	110,656	110,656
Disposals	-	(788)	(788)
Transfer from buy out amount (Note 11)	-	149,365	149,365
Translation differences	165	74,368	74,533
At 31 December 2022	3,622	1,857,742	1,861,364
Additions	-	41,862	41,862
Disposals	-	(11,636)	(11,636)
Transfer from buy out amount (Note 11)	-	83,995	83,995
Translation differences	(45)	(24,777)	(24,822)
At 30 June 2023	3,577	1,947,186	1,950,763
Amortisation			
At 1 January 2022	(2,609)	(884,131)	(886,740)
Charge for the year	(123)	(159,829)	(159,952)
Disposals	-	645	645
Translation differences	(143)	(43,178)	(43,321)
At 31 December 2022	(2,875)	(1,086,493)	(1,089,368)
Charge for the period	(62)	(201,774)	(201,836)
Disposals	-	3,279	3,279
Translation differences	29	16,283	16,312
At 30 June 2023	(2,908)	(1,268,705)	(1,271,613)
Net carrying amount			
At 30 June 2023	669	678,481	679,150
At 31 December 2022	747	771,249	771,996

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

10. INTANGIBLE ASSETS (Continued)

GOU support and assurances rights

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

Other concession rights

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

Capitalised borrowing costs

Funding used to construct qualifying assets is financed out of borrowings. The capitalisation rate applied is the weighted average of the borrowing costs applicable to qualifying capital expenditure. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 0% (2022: 0%) and the amount of borrowing costs capitalised during the period was Nil (2022: Nil).

Amortisation and impairment charged to profit or loss

	Unaudited	Unaudited
	6 months ended	
	30 June 2023	30 June 2022
	Ushs million	Ushs million
Amortisation charge	201,836	78,425
Loss on disposal of intangible assets	8,361	93
	210,197	78,518

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

The following are the depreciation rates for the underlying property, plant and equipment that are used as the basis for amortising the intangible asset:

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

The residual values, useful lives and amortisation methods of the intangible assets are reviewed and adjusted prospectively at least at each reporting date.

However, ERA reserves the right to determine the capital recovery rate for tariff setting purposes and may therefore approve a capital recovery rate different from the weighted average depreciation rate of the underlying property, plant and equipment.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

10 INTANGIBLE ASSETS (Continued)

Amortisation and impairment charged to profit or loss (Continued)

During the period, ERA revised the capital recovery rate from 10.2% charged in 2022 to 18% which is higher than the weighted average depreciation rate of the underlying property, plant and equipment. Consequently, the amortisation method and rate applied during the period was adjusted accordingly to reflect the changes in the pattern in which the intangible asset's future economic benefits are expected to be consumed by Umeme. The changes in the amortisation method and rate are to ensure that the Company's capital investments in the Distribution Network which are recoverable through the tariff methodology are fully amortised by the end of the concession on 30 March 2025. At the end of the concession, the unrecovered capital investments will be a financial asset receivable as a buyout amount.

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

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

11. OTHER FINANCIAL ASSET: BUY OUT AMOUNT

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	1,008,916	1,088,155
Transfer to intangible asset (Note 10)	(83,995)	(149,365)
Finance income accrued	8,104	19,044
Translation differences	(11,588)	51,082
At the end of period/year	921,437	1,008,916
Expected credit losses	-	-
	921,437	1,008,916

The buyout amount is computed as the gross accumulated capital investments less the cumulative capital recovery charges expected to be allowed in the tariffs by the time of transferring the Distribution Network to UEDCL and discounted over the remaining concession period using the pre-tax return on investment of 28.6% (2022: 28.6%), for investments verified and approved by ERA, and 5.02% (2022: 5.02%) for investments not approved by ERA for recovery through the tariff methodology. Capital recovery charges are based on the capital recovery rate applied by ERA for the period.

The buyout amount is contractually denominated in USD. The present value expected to be recovered as a buyout amount at the end of the concession was USD 251 million (Ushs 921,437 million) as at period-end [31 December 2022: USD 271 million (Ushs 1,008,916 million)] The USD balances have been translated to Uganda shillings at the reporting date spot exchange rate of Ushs 3,672.13 (2022: Ushs 3,718.63).

As at period-end, Ushs 742 million (USD 202 million) [31 December 2022: Ushs 870 million (USD 234 million)] of the Company's investments in the Distribution Network were undergoing verification by ERA for inclusion in the capital investment recovery pool. The directors have determined that the Company has rights in the concession agreements to recover all capital investments in the Distribution Network that are done in accordance with the concession agreements, and that the Company has sufficient evidence that the capital investments were done in accordance with the concession agreements. As such, the directors expect that these capital investments are recoverable through the buyout amount option in accordance with the concession agreements.

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

The Company's rights, title and interest under the buyout amount are pledged as collateral for the term borrowing facilities as disclosed in Note 16.

UMEME LIMITED
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

12. CONCESSION FINANCIAL ASSET

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	340,121	322,734
Financing income for the period/year	711	1,977
Foreign exchange loss	(4,263)	15,410
At the end of period/year	<u>336,569</u>	<u>340,121</u>
Maturity analysis of the financial asset:		
Outstanding financial asset	336,569	340,121
Less: Amount recoverable within one year	-	-
Non-current portion of financial asset	<u>336,569</u>	<u>340,121</u>
The financial asset is recoverable as analysed below:		
Between one and two years	<u>336,569</u>	<u>340,121</u>
	<u>336,569</u>	<u>340,121</u>

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

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

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

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

Refer to Note 17 for further disclosures.

UMEME LIMITED
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13. CONTRACT ASSETS

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
(a) Amounts recoverable from customer capital contributions		
At 1 January	10,397	8,192
Additions to customer funded installations	69,626	91,699
Amounts billed to customers	(70,866)	(89,457)
Translation difference	(113)	(37)
At end of period/year	9,044	10,397
b) ECP amounts recoverable from REP		
At 1 January	32,646	31,184
Translation differences	(408)	1,462
At end of period/year	32,238	32,646
ECL provision	(823)	(833)
	31,415	31,813
Total contract assets	40,459	42,210

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

The ECP amounts relate to costs incurred by the Company on no pole and one pole connections for which verification by the IVA had not been completed by period-end. After verification and clearance by the IVA, the amounts are billed to and reimbursed by REP. The ECP project commenced in November 2018. The project was suspended from 29th July 2020 because of a realignment of priorities and financial resources by the government, in part brought about by the unexpected COVID-19 pandemic. Effective from 9th December 2020, the ECP project was amended by ERA to allow willing and able customers to pay for the connections.

14. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Trade receivables	280,378	257,195
Less: Expected credit losses	(34,489)	(34,925)
Net trade receivables	245,889	222,270
Other receivables	5,519	24,234
Ministry of Energy - Peri Urban Development Project	1,987	2,012
REP – ECP receivables	29,355	29,727
Customs tax advance	2,078	2,105
Less: Allowance for expected credit losses	(991)	(1,004)
	37,948	57,074
Trade and other receivables	283,837	279,344

Other receivables comprise staff salary advances and work accountable advances.

Trade receivables are non-interest bearing and are generally on 14-30 days' terms.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

14. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amount of trade and other receivables approximates the fair values due to the short-term nature of the financial assets.

The movement in expected credit losses was as shown below:

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	34,925	32,867
Provision for ECLs for the period/year	-	488
Translation differences	(436)	1,570
At end of period/year	34,489	34,925

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

Period/year-end	Total	<30 days	30-60 days	>60 days	>90 days (default)
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
30 June 2023	280,378	146,204	27,198	23,076	83,900
31 December 2022	257,195	140,002	26,152	56,116	34,925

15. BANK BALANCES

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Bank balances	42,347	46,098

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

16. BORROWINGS

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Long term facilities- Facilities A and B	38,896	92,025
Long term facilities- Facilities C and D	36,667	86,700
Less: Deferred transactions costs	(1,277)	(2,094)
	74,286	176,631
Less: Current portion		
Facilities A and B	(38,068)	(90,935)
Facilities C and D	(36,218)	(85,696)
Amounts due within one year	(74,286)	(176,631)
Amounts due after more than one year	-	-

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

16. BORROWINGS (Continued)

(a) Amounts due to lenders

Term loans	Unaudited 30 June 2023 Ushs million			Audited 31 December 2022 Ushs million		
	Facility	Facility	Total	Facility	Facility	Total
	A	B		A	B	
At 1 January	44,475	47,550	92,025	85,063	90,727	175,790
Interest charge	1,958	2,096	4,054	5,040	5,380	10,420
Foreign exchange gains	(403)	(429)	(832)	4,345	4,632	8,977
Less: Principal repayment	(25,329)	(26,968)	(52,297)	(44,874)	(47,749)	(92,623)
Less: Interest payment	(1,958)	(2,096)	(4,054)	(5,099)	(5,440)	(10,539)
At period/year end	18,743	20,153	38,896	44,475	47,550	92,025

The amounts due are made up as follows:

Principal due after one year	-	-	-	-	-	-
Principal due in one year	18,743	20,153	38,896	44,475	47,550	92,025
	18,743	20,153	38,896	44,475	47,550	92,025

	Unaudited 30 June 2023 Ushs million			Audited 31 December 2022 Ushs million		
	Facility	Facility	Total	Facility	Facility	Total
	C	D		C	D	
At 1 January	47,089	39,611	86,700	89,911	75,710	165,621
Interest charge	2,073	1,746	3,819	5,332	4,489	9,821
Foreign exchange gains	(425)	(358)	(783)	4,589	3,865	8,454
Less: Principal repayment	(26,735)	(22,515)	(49,250)	(47,353)	(39,914)	(87,267)
Less: Interest payment	(2,073)	(1,746)	(3,819)	(5,390)	(4,539)	(9,929)
At period end	19,929	16,738	36,667	47,089	39,611	86,700

The amounts due are made up as follows:

Principal due after one year	-	-	-	-	-	-
Principal due in one year	19,929	16,738	36,667	47,089	39,611	86,700
	19,929	16,738	36,667	47,089	39,611	86,700

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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16. BORROWINGS (Continued)

b) Deferred transaction costs

Term loans	Unaudited 30 June 2022 Ushs million			Audited 31 December 2022 Ushs million		
	Facility A	Facility B	Total	Facility A	Facility B	Total
	At 1 January	454	636	1,090	717	1,033
Management, security, and agency fees	-	-	-	66	66	132
Amortisation for the period/year	(104)	(147)	(251)	(362)	(510)	(872)
Foreign exchange losses	(5)	(6)	(11)	33	47	80
At period/year end	345	483	828	454	636	1,090

	Unaudited 30 June 2022 Ushs million			Audited 31 December 2021 Ushs million		
	Facility C	Facility D	Total	Facility C	Facility D	Total
	At 1 January	677	327	1,004	1,778	1,278
Management, security, and agency fees	-	-	-	-	-	-
Amortisation for the period/year	(297)	(253)	(550)	(1,179)	(1,005)	(2,184)
Foreign exchange losses	(5)	-	(5)	78	54	132
At period/year end	375	74	449	677	327	1,004

Term and revolving credit facility agreement

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

A total amount of USD 235 million was initially committed in 2013. USD 90 million is designated as term Facility A provided by IFC and USD 125 million as term Facility B provided by SBU and SCB. USD 15 million and USD 5 million were designated as revolving credit facilities with SCB and SBU, respectively.

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

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

	USD
Term facilities	
IFC - Facility C "A"	28,000,000
IFC - Facility C "B1"	10,000,000
SCB – Facility D	16,000,000
SBU – Facility D	16,000,000
	<u>70,000,000</u>
Revolving credit facilities	
SCB	15,000,000
SBU	5,000,000
	<u>20,000,000</u>
Total amount committed by the lenders	<u>90,000,000</u>

16. BORROWINGS (Continued)

Term and revolving credit facility agreement (Continued)

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

The Company had not procured the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date, Umeme therefore shall repay the aggregate Facility C and Facility D loans in semi-annual, that is, on 30 June and 31 December, instalments of 16.67% of the drawn down amount, starting 30 June 2021, but with the last instalment being 16.65%. As the Concession Renewal Longstop Date was not procured by year-end, these repayment terms will continue to be applicable after the reporting period, unless if otherwise amended.

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

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

These terms include Umeme acknowledging that it may not declare, make, or pay any dividend, charge, fee or other distribution unless it has:

- Demonstrated that the Capex Funding Ratio is equal to, or is greater than, 2.0:1, that is, USD 140 million.
- The Debt Service Accrual Account (DSAA), into which semi-annual interest expense and amortised principal repayment must be deposited before the next interest payment date, has been funded in accordance the Facilities Agreement prior to declaration of dividends.
- Satisfied other relevant provision of the Facilities Agreement.

The Company opened the DSAA on 6 December 2021 and it was funded prior to declaration of the 2021 Dividend in March 2022. The Capex Funding Ratio as of 2021 was 2.12:1. Going forward, the Company would need to fund the DSAA as required and satisfy other relevant provisions in the Facility Agreement before declaring any dividend. Otherwise, the Company would have to get the lenders to waive these terms and conditions before declaring a dividend.

Facilities A, B, C and D attract interest at LIBOR (applicable screen rate) plus a margin of 5% per annum. The revolving credit facilities other than those denominated in Ushs attract interest at LIBOR plus 7.8% per annum while the interest for those denominated in Ushs is the Uganda Government 182 days treasury bill rate plus 5.2% per annum. The global financial industry has transitioned away from a key benchmark interest rate — the London Interbank Offered Rate, or LIBOR — to new alternative reference rates (ARRs). This transition will not be applicable to the Company as the last interest setting period for the Company happened 2 days before LIBOR mandatory transition date, that is 30 June 2023. The lender group have communicated that transition is not applicable as the facility will be fully repaid at LIBOR rates set based on the period prior to mandatory transition. No significant changes in the Company's cost of borrowing is expected to arise from this.

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16 BORROWINGS (Continued)

Term and revolving credit facility agreement (Continued)

The following were the applicable annual interest rates:

	2023	2022
Long term facilities		
Facility A	10.15%	5.35%
Facility B	10.15%	5.35%
Facility C	10.35%	5.35%
Facility D - SCB	10.15%	5.35%
Facility D - SBU	10.15%	5.35%
Revolving credit facilities		
Ushs	16.44%	13.90%
USD	<u>10.37%</u>	<u>8.59%</u>

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

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

	Unaudited 30 June 2023 USD'000			Audited 31 December 2022 USD'000		
	Facility A	Facility B	Total	Facility A	Facility B	Total
At 1 January	11,960	12,787	24,747	23,966	25,562	49,528
Interest accrued	526	563	1,089	1,364	1,456	2,820
Principal repayments	(6,856)	(7,299)	(14,155)	(12,006)	(12,775)	(24,781)
Interest repayments	(526)	(563)	(1,089)	(1,364)	(1,456)	(2,820)
At period/year end	5,104	5,488	10,592	11,960	12,787	24,747

	Unaudited 30 June 2022 USD'000			Audited 31 December 2021 USD'000		
	Facility C	Facility D	Total	Facility C	Facility D	Total
At 1 January	12,663	10,652	23,315	25,332	21,331	46,663
Interest accrued	557	469	1,026	1,443	1,215	2,658
Principal repayments	(7,236)	(6,094)	(13,330)	(12,669)	(10,679)	(23,348)
Interest repayments	(557)	(469)	(1,026)	(1,443)	(1,215)	(2,658)
At period/year end	5,427	4,558	9,985	12,663	10,652	23,315

As at period/year-end, the Company was compliant with the five ratios and covenants specified in the facilities agreement.

16 BORROWINGS (Continued)

Term and revolving credit facility agreement (Continued)

Other permitted financial indebtedness –SBU

The Company held overdraft facilities with SBU of USD 20 million as per the provisions in the facilities agreement on permitted financial indebtedness.

The SBU facility attracts interest at the 182 Treasury Bill rate plus a margin of 3.5% per annum for amounts drawn in Ushs or the 3 months LIBOR plus a margin of 3.5% for amounts drawn down in USD. The applicable interest rate for the SBU Ushs facilities was 15.50% (2022: 13.18%) and for the USD facilities was 7.973% (2022: 4.821%).

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

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

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Revolving credit facilities		
SCB	51,906	34,137
SBU	22,187	5,166
Total approved undrawn facilities	74,093	39,303

17. CONCESSION FINANCIAL OBLIGATION

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	340,121	322,734
Financing expense for the period/year	711	1,977
Foreign exchange gains	(4,263)	15,410
At period/year end	336,569	340,121
Maturity analysis of the concession obligation:		
Outstanding concession obligation	336,569	340,121
Less: Amount payable within one year	-	-
Non-current portion of concession obligation	336,569	340,121
The concession obligation is payable as analysed below:		
Between one and two years	336,569	340,121
	336,569	340,121

On 1 March 2005, the Company took over the operation of the electricity power distribution network that was being operated by UEDCL under a 20-year concession arrangement.

The present value of the obligation arising from the rental payments under the concession agreements at the commencement of the concession was estimated to be USD 133 million (Ushs 488 billion at the current period end foreign exchange rate) using a discount rate of 8.911%. Interest is accrued annually to determine the amortised cost amount of the concession obligation as at period/year-end. The corresponding amount is recognised as a financial asset as disclosed in Note 12.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

18. CONTRACT LIABILITIES

		Unaudited 30 June 2023	Audited 31 December 2022
Deferred revenue on prepaid sales	(a)	10,392	4,641
Deferred construction income	(b)	10,455	10,762
Deferred capital fund – Growth Factor Revenues	(c)	15,599	29,329
Deferred capital fund – Non-network assets	(d)	(261)	692
Deferred capital fund – Skills Development Programme	(e)	151	152
Deferred capital fund – Customer Rebates and Meter Testing	(f)	10,414	10,546
Advance payments by energy customers	(g)	52,688	34,736
ADB funding	(h)	973	930
UDB funding	(i)	5,839	-
		<u>106,250</u>	<u>91,788</u>

(a) Deferred revenue on prepaid sales

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

As at 30 June 2023, Ushs 6,375 million (2022: Ushs 491 million) sales to GOU-TOU had not been consumed while it was estimated that 7.5% of the pre-paid electricity tokens purchased by domestic customers had not been consumed (2022: 7.6%).

	Unaudited 30 June 2023			Audited 31 December 2022		
	GOU - TOU Ushs million	Domestic customers Ushs million	Total Ushs million	GOU - TOU Ushs million	Domestic customers Ushs million	Total Ushs million
At 1 January	491	4,150	4,641	7,042	4,237	11,279
Payments received	6,586	18,763	25,349	4,927	-	4,927
Amortised to revenue	(796)	(18,837)	(19,633)	(11,789)	(196)	(11,985)
Translation differences	94	(59)	35	311	109	420
At period/year end	<u>6,375</u>	<u>4,017</u>	<u>10,392</u>	<u>491</u>	<u>4,150</u>	<u>4,641</u>

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

(b) Deferred construction income

	Unaudited 30 June 2023	Audited 31 December 2022
	Ushs million	Ushs million
At 1 January	10,762	3,741
Amount received	55,432	60,363
Amount utilized	(55,857)	(52,790)
Translation differences	118	(552)
Unutilized customer contributions at period/year end	<u>10,455</u>	<u>10,762</u>

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

18. CONTRACT LIABILITIES (Continued)

(c) Deferred capital fund – Growth Factor Revenues

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	29,329	30,000
Amount collected during the period/year	5,383	-
Amount utilised	(18,725)	-
Translation differences	(388)	(671)
At period/year end	15,599	29,329

As disclosed in Note 3(a), the amount as at period-end relates to the amount billed to and collected from customers for utilisation as approved by ERA, e.g., for funding construction of additions to the Distribution Network or tariff adjustment. The performance obligations will be fulfilled when ERA approves the utilisation of the amounts.

(d) Deferred capital fund – Non-network assets

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	692	1,771
Amount collected during the period/year	5,446	7,131
Amount utilised for purchasing non-network assets	(6,403)	(8,288)
Translation differences	4	78
At period/year end	(261)	692

This relates to the amount billed and collected from customers for funding non-network assets but not yet utilised at period/year-end.

(e) Skills Development Programme

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

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022- Ushs million
At 1 January	152	146
Translation differences	(1)	6
At period/year end	151	152

(f) Customer rebates and meter testing

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

	Unaudited 30 June 2023			Audited 31 December 2022		
	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million	Customer rebates Ushs million	Meter testing Ushs million	Total Ushs million
At 1 January	10,337	209	10,546	9,867	199	10,066
Translation differences	(128)	(3)	(132)	470	10	480
At period/year end	10,209	206	10,414	10,337	209	10,546

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

18. CONTRACT LIABILITIES (Continued)

(g) Advance payments by energy customers

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

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	34,736	27,085
Amounts received	55,496	68,500
Amortised to revenue	(36,207)	(60,656)
Translation differences	(1,337)	(193)
At period/year end	<u>52,688</u>	<u>34,736</u>

(h) ADB funding

This relates to materials supplied by ADB to facilitate no-pole connections.

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	930	2,563
Amount received	54	34,467
Amortised to revenue	-	(35,766)
Translation difference	(11)	(334)
At period/year end	<u>973</u>	<u>930</u>

(i) UDB funding

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
At 1 January	-	-
Amount received from UDB	8,100	-
Loans advanced	(2,231)	-
Translation difference	(30)	-
At period/year end	<u>5,839</u>	<u>-</u>

19. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Trade payables	561,006	476,740
Other payables	115,217	42,430
Withholding tax payable	195	469
VAT payable	14,439	12,521
	<u>690,857</u>	<u>532,160</u>

Trade and other payables are non-interest bearing and normally settled on 30-60 days' terms. Trade payables include Ushs 486,284 million (2022: Ushs 413,301 million) due to UETCL. The balance of Ushs 74,722 million (2022: Ushs 63,439 million) is due to contractors and other service providers.

Other payables include an employee performance bonus accrual of Ushs 4,155 million (31 December 2022: Ushs 14,132 million). Bonus of Ushs 17,875 million was paid during the period (2022: Ushs 15,463 million).

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

20. BANK OVERDRAFTS

	Unaudited	Audited
	30 June 2023	31 December 2022
	Ushs million	Ushs million
Standard Chartered Bank (SCB)	1,480	40,061
Stanbic Bank Uganda Limited (SBU)	42,163	87,800
	<u>43,643</u>	<u>127,861</u>

As at period-end, the Company had drawn down USD 12 million (2022: USD 34 million) from Standard Chartered Bank and Stanbic Bank under the revolving credit facilities and permitted indebtedness as disclosed in Note 16.

21. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED

	Unaudited		Audited	
	30 June 2023		31 December 2022	
	Dividend per share	Total	Dividend per share	Total
	Ushs	Ushs million	Ushs	Ushs million
Dividend paid				
Final dividend paid	-	-	54.1	87,814
	<u>-</u>	<u>-</u>	<u>54.1</u>	<u>87,814</u>

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

22. CASH AND CASH EQUIVALENTS

	Unaudited	Unaudited
	30 June 2023	30 June 2022
	Ushs million	Ushs million
Bank balances	42,347	73,078
Bank overdrafts	(43,643)	(88,452)
Bank balances not available for use	(11)	(11)
	<u>(1,307)</u>	<u>(15,385)</u>

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

23. LETTERS OF CREDIT

As at period-end, the Company had letters of credit facilities with Standard Chartered Bank Uganda Limited (the "bank"). The letters of credit facilitate the purchase and importation of equipment and inventories for the repair, upgrading and expansion of the Distribution Network and related electricity distribution accessories. The Company may be required to deposit amounts with the bank to act as collateral for the active letters of credit to facilitate the purchase and importation of partially delivered goods. There are no balances deposited as cash cover under the letters of credit facilities as at period-end (31 December 2022: Nil).

As at period-end, the Company also had letters of credit with the bank amounting to Ushs 6,830 million (31 December 2022: Ushs 1,826 million) with no cash cover. These are covered by the goods under importation and insurance.

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

24. FINANCIAL INSTRUMENTS

The Company's financial instruments are categorised as follows.

Financial assets	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Debt instruments at amortised cost		
Buy out amount	921,437	1,008,916
Concession financial asset	336,569	340,121
Non-current	1,258,006	1,349,037
Trade and other receivables	281,759	277,239
Bank balances	42,347	46,098
Current	324,106	323,337
Total financial assets	1,582,112	1,672,374
Financial liabilities		
	Unaudited 30 June 2023 Ushs million	Audited 31 December 2022 Ushs million
Financial liabilities at amortised cost		
Borrowings	74,286	176,631
Concession obligation	336,569	340,121
Customer security deposits	11	11
Accrued expenses	12,834	17,165
Trade and other payables	672,437	505,051
Bank overdrafts	43,643	127,861
	1,139,780	1,166,840
Current	803,211	826,719
Non-current	336,569	340,121
	1,139,780	1,166,840

25. SHAREHOLDING

a) Shareholding

Name	30 June 2023		31 December 2022	
	Number of shares	Percentage shareholding	Number of shares	Percentage shareholding
1 National Social Security Fund	379,912,288	23.40%	378,933,288	23.34%
2 Allan Gray	240,654,523	14.82%	240,654,523	14.82%
3 Kimberlite Frontier Africa Master Fund	144,564,483	8.90%	144,564,483	8.90%
4 Utilico Emerging Markets Limited	135,900,000	8.37%	135,900,000	8.37%
5 Coronation Global Opportunities Fund	100,197,906	6.17%	114,157,171	7.03%
6 Kilimanjaro Frontier Africa Fund	63,600,000	3.92%	85,691,227	5.28%
7 International Finance Corporation	45,220,900	2.78%	45,220,900	2.78%
8 SBSA IML LAU	44,115,729	2.72%	16,000,000	0.99%
9 Conrad and Hilton Foundation	31,327,420	1.93%	39,796,024	2.45%
10 Vanderbilt University	30,867,324	1.90%	31,327,420	1.93%
11 Others	407,517,432	25.09%	391,632,969	24.11%
	1,623,878,005	100.00%	1,623,878,005	100.00%

b) Spread of issued shares as at 30 June 2023

Shareholding (number of shares)	Number of shareholders	Number of shares held	Percentage shareholding
Less than 500 shares	1102	212,444	0.01%
500 - 5,000 shares	3,208	5,863,476	0.36%
5,001 – 10,000 shares	628	4,879,577	0.30%
10,001 – 100,000 shares	1,089	32,415,608	2.00%
100,001 - 1,000,000 shares	316	93,562,376	5.76%
Above 1,000,000 shares	92	1,486,944,524	91.57%
	6,435	1,623,878,005	100.00%

26. EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)

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

	Unaudited 30 June 2023		Unaudited 30 June 2022	
	Ushs million	USD'000	Ushs million	USD'000
Operating profit before amortisation	243,530	64,503	178,456	53,555
Foreign exchange losses	495	1,051	(15,612)	(8,284)
EBITDA	244,025	65,554	162,844	45,271

27. CONTINGENT LIABILITIES

a) Legal claims

The Company is a defendant in various legal actions arising in the normal course of business. The Company has been advised by its Legal Counsels that it is only possible but not probable that cases with claims amounting to Ushs 2.7 billion (2022: Ushs 3.1 billion) could be decided against the Company. Accordingly, no provision for liabilities relating to these cases has been made in these financial statements. The Company continues to defend itself against these actions and therefore it is not practical to determine the timing or size of the contingent liabilities.

b) Tax disputes

Interest and penalties relating to the 2016 restatement of revenue

URA issued an assessment on the basis that the restatement of the Company's 2016 financial statements to correct the lifeline surcharge revenue meant that income tax had been understated in the respective year by Ushs 9.48 billion. Consequently, the Company was liable to late payment interest and penalties amounting to Ushs 2 billion and Ushs 1.2 billion, respectively.

The Company accrued for the assessed principal tax in the 2016 restated financial statements and paid the amount to URA in 2018. The Company disputes and has objected to the interest and penalties on the following basis:

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

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

"42. Accrual-Basis Taxpayer:

- 1. A taxpayer who is accounting for tax purposes on an accrual basis –*
 - a) derives income when it is receivable by the taxpayer; and*
 - b) incurs expenditure when it is payable by the taxpayer.*
- 2. Subject to the ITA, an amount is receivable by a taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by instalments."*

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

27. CONTINGENT LIABILITIES (CONTINUED)

Unpaid taxes on imports of boxed meter solutions

URA issued an assessment disputing the basis of the Company's declaration of meter boxed solution consignments under HS Code 9028.38.00 which specifically relates to electricity meters attracting an import duty of 0%. The Authority proposed reclassification to HS Code 8537.10.00 which relates to electricity control and distribution equipment of less than 1000 volts with an import duty rate of 10%.

The resultant assessment following the reclassification gave rise to a tax liability of Ush 6.8 billion as additional duty payable on the assessed consignments. The Company disputes and has objected to the additional duties on the following basis;

1. A single-phase meter boxed solution is not an instrument used in control and distribution of electricity. The primary function of a single phased meter solution is to measure electricity consumption to the customer.
2. Similarly, the components of a single phased meter solution enable the electricity meter to perform its functions of measuring the electricity consumption of a customer.
3. Following the guidance under general rule 3, the description of items covered under HS Code 8537.10 is not the most specific description that applies to the single phased meter boxed solution.
4. The Company classified these electricity meters under HS Code 9028.38.00 which specifically lists "electricity meters" among items covered by the HS code thus maintaining their essential character of metering as opposed to the non-specific reclassification as electricity control and distribution equipment under HS Code 8537.10.00.

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

27. RELATED PARTY DISCLOSURES

Directors' interests

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

Director	Number of shares		% of shareholding	
	Unaudited 30 June 2023		Audited 31 December 2022	
Selestino Babungi	4,565,000	0.28%	4,565,000	0.28%
Patrick Bitature	2,011,100	0.12%	2,011,100	0.12%
Florence N. Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Ridolfi Riccardo	1,971,474	0.12%	962,784	0.06%
Hon. Gerald Ssendaula	586,800	0.04%	586,800	0.04%

Compensation for key management personnel

	Unaudited	Unaudited
	6 months ended	6 months ended
	30 June 2023	30 June 2022
	Ushs million	Ushs million
Directors' emoluments and expenses	1,468	1,550
Contributions to NSSF	558	611
Short term employee benefits	3,420	3,481
Long term incentive benefits and other bonuses	3,617	4,239

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

UMEME LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

28. CAPITAL COMMITMENTS

As at period-end, the Company had capital commitments of Ushs 80,052 million (30 June 2022: Ushs 92,905 million) relating to upgrading and expansion of the distribution network.

29. FAIR VALUE MEASUREMENT

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

	Unaudited 30 June 2023		Audited 31 December 2022	
	Carrying amount Ushs million	Fair value Ushs million	Carrying amount Ushs million	Fair value Ushs million
Other financial asset: Buyout	921,437	1,024,169	1,008,916	1,585,586
Concession financial asset	336,569	331,339	340,121	325,131
Concession financial obligation	336,569	331,339	340,121	325,131

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

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

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

Item	Inputs	Inputs applied		Sensitivity of input to fair value Change in input	Sensitivity of input to fair value	
		2023	2022		2023	2022
					Ushs million	
Other financial asset	USD equivalent market yield on GOU treasury bonds with similar term	10.44%	9.46%	+0.1%	1,893	3,929
Concession financial asset	Market interest rate for term loans with similar term	8.50%	5.90%	+0.1%	5	12
Concession obligation		8.50%	5.90%	+0.1%	5	12

30. UKRAINE, RUSSIA CONFLICT

The Company's directors have assessed that this conflict and related sanctions do not have a significant impact on the Company's operations because of the following considerations:

- The Company provides an essential service with a tariff that is regulated by ERA. The impact of macroeconomic changes on the tariffs are reflected in the tariff by ERA through quarterly adjustments for changes in the macro-economic factors of fuel prices, foreign exchange rates and inflation rates (together, 'the adjustment factors').
- The Company does not depend on suppliers based in the countries impacted by the conflict and related sanctions.
- The impact of the supply chain disruptions continues to be mitigated by proactive and dynamic inventory management and to ensure that there is enough stock of materials to support the capital expenditure and network maintenance programs.

32. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period which require adjustment to or disclosure in these interim condensed financial statements.

UMEME LIMITED
SUPPLEMENTARY INFORMATION
MEMORANDUM FINANCIAL INFORMATION IN US DOLLARS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

BASIS OF TRANSLATION

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

The foreign exchange rates applied were as follows:

	30 June 2023	30 June 2022	31 December 2022
Average rate	3,723	3,597	3,695
Period-end rate	3,672	3,764	3,719
<i>Source: Bank of Uganda</i>			

UMEME LIMITED
SUPPLEMENTARY INFORMATION
MEMORANDUM FINANCIAL INFORMATION IN US DOLLARS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	6 months ended 30 June 2023 USD '000	6 months ended 30 June 2022 USD '000
Revenue from contracts with customers	288,967	249,365
Cost of sales	<u>(193,362)</u>	<u>(171,962)</u>
GROSS PROFIT	95,605	77,403
Repair and maintenance expenses	(2,923)	(4,543)
Administration expenses	(27,128)	(27,457)
Foreign exchange (loss)/gain	(1,051)	8,284
Increase in expected credit losses	<u>-</u>	<u>(132)</u>
OPERATING PROFIT BEFORE AMORTISATION	64,503	53,555
Amortisation of intangible assets	<u>(56,466)</u>	<u>(21,828)</u>
OPERATING PROFIT	8,037	31,727
Finance income	2,405	2,910
Finance costs	<u>(6,882)</u>	<u>(4,900)</u>
PROFIT BEFORE TAX	3,560	29,737
Income tax expense	<u>(934)</u>	<u>(7,896)</u>
PROFIT FOR THE PERIOD	<u>2,626</u>	<u>21,841</u>
	USD	USD
BASIC AND DILUTED EARNINGS PER SHARE	<u>0.002</u>	<u>0.013</u>

UMEME LIMITED
SUPPLEMENTARY INFORMATION
MEMORANDUM FINANCIAL INFORMATION IN US DOLLARS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	30 June 2023 USD '000	31 December 2022 USD '000
ASSETS		
Non-current assets		
Intangible assets	184,947	207,602
Other financial asset: Buy out amount	250,927	271,314
Concession financial asset	91,655	91,464
	<u>527,529</u>	<u>570,380</u>
Current assets		
Inventories	20,840	17,791
Contract assets	11,018	11,351
Current income tax recoverable	-	-
Trade and other receivables	77,295	75,120
Prepayments	8,566	4,363
Bank balances	11,532	12,397
	<u>129,251</u>	<u>121,022</u>
TOTAL ASSETS	<u>656,780</u>	<u>691,402</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	8,217	8,217
Share premium	20,815	20,815
Retained earnings	217,034	242,586
	<u>246,066</u>	<u>271,618</u>
Non-current liabilities		
Concession obligation	91,655	91,464
Deferred tax liability	54,850	64,393
	<u>146,505</u>	<u>155,857</u>
Current liabilities		
Borrowings: current portion	20,229	47,499
Customer security deposits	3	3
Contract liabilities	28,935	24,683
Accrued expenses	3,495	4,616
Provisions	237	237
Trade and other payables	188,135	143,106
Current income tax payable	11,290	9,399
Bank overdrafts	11,885	34,384
	<u>264,209</u>	<u>263,927</u>
TOTAL EQUITY AND LIABILITIES	<u>656,780</u>	<u>691,402</u>

UMEME LIMITED
SUPPLEMENTARY INFORMATION
MEMORANDUM FINANCIAL INFORMATION IN US DOLLARS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Issued capital USD '000	Share premium USD '000	Retained earnings USD '000	Total equity USD'000
At 1 January 2022	8,217	20,815	222,610	251,642
Profit for the period	-	-	21,841	21,841
Dividend	-	-	(23,385)	(23,385)
At 30 June 2022	8,217	20,815	221,066	250,098
At 1 January 2023	8,217	20,815	242,586	271,618
Profit for the period	-	-	2,626	2,626
Dividend declared	-	-	(28,178)	(28,178)
At 30 June 2023	8,217	20,815	217,034	246,066

UMEME LIMITED
SUPPLEMENTARY INFORMATION
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	6 months ended 30 June 2023	6 months ended 30 June 2022
Profit before tax	3,560	29,737
<i>Adjustment for non-cash items:</i>		
Amortisation of intangible assets	54,220	21,802
Impairment intangible assets	2,245	26
Interest on bank deposits	(37)	(60)
Finance income on other financial asset	(2,177)	(2,558)
Finance income on concession financial asset	(191)	(292)
Finance cost on concession obligation	191	292
Other financing costs	4,361	1,555
Expected credit losses on trade and other receivables	-	132
Interest expense on long and short-term borrowings	2,115	2,589
Amortisation of deferred transaction costs on borrowings	215	472
Cash flows before working capital changes	64,502	53,695
<i>Changes in working capital items:</i>		
(Increase)/decrease in inventories	(3,049)	2,132
Decrease/(increase) in contract assets	333	(2,006)
Increase in trade and other receivables	(2,175)	2,718
Increase in prepayments	(4,203)	(1,257)
Increase in contract liabilities	4,252	6,203
Decrease in accrued expenses	(1,121)	(2,439)
Increase/(decrease) in trade and other payables	16,851	(168)
Cash generated from operating activities	75,390	58,878
Interest received from banks	37	60
Interest paid on long and short-term borrowings	(2,115)	(2,589)
Other financing costs paid	(4,361)	(1,555)
Borrowing transaction costs paid	-	(36)
Income tax paid	(9,504)	(2,655)
Net cash flows from operating activities	59,447	52,103
Investing activities		
Purchase of intangible assets	(11,246)	(15,541)
Net cash flows used in investing activities	(11,246)	(15,541)
Financing activities		
Repayment of principal on long-term borrowing facilities	(27,485)	(24,059)
Net cash flows from financing activities	(27,485)	(24,059)
Net increase in cash and cash equivalents	20,716	12,503
Cash and cash equivalents at 1 January	(21,990)	(12,646)
Foreign exchange differences	918	(3,944)
Cash and cash equivalent 30 June	(356)	(4,087)