ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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AGM	Annual General Meeting	LV	Low Voltage
ADB	African Development Bank	MV	Medium Voltage
BST	Bulk Supply Tariff	MEMD	Ministry of Energy and Mineral Development
Capex	Capital Expenditure	NSSF	National Social Security Fund
CGU	Cash Generating Unit	OBA	Output Based Aid
DOMC	Distribution, Operating and Management Costs	OCI	Other Comprehensive Income
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	Opex	Operating Expenditure
ECL	Expected Credit Losses	PSP	Power Supply Price
ECP	Electricity Connections Policy	PL	Profit and Loss
EIR	Effective Interest Rate	PV	Present Value
ERA	Electricity Regulatory Authority	REP	Rural Electrification Program
ESG	Environmental, Social and Governance	RQ	Reconciling Amount
FVoci	Fair Value through Other Comprehensive Income	RFR	Risk Free Interest Rate
FVTpl	Fair Value through Profit or Loss	SHE	Safety, Health, and Environment
GDP	Gross Domestic Product	SMT	Senior Management Team
GoU	Government of Uganda	SPPI	Solely Payment of Principal and Interest
GW	Giga Watts	TOU	Time of Use
GWh	Giga Watt Hours	UEDCL	Uganda Electricity Distribution Company Limited
HVE	Total Energy Purchased	UETCL	Uganda Electricity Transmission Company Limited
IAS	International Accounting Standards	UEGCL	Uganda Electricity Generation Company Limited
LIBOR	London Interbank Offered Rate	URA	Uganda Revenue Authority
IFC	International Finance Corporation	Ushs	Uganda Shillings
IFRS	International Financial Reporting Standards	USD	United States Dollars
IFRIC	International Financial Reporting Interpretations Committee	VAT	Value Added Tax
IPP	Independent Power Producer	WHT	Withholding Tax
ISA	International Standards on Auditing	WIP	Work In Progress
IVA	Independent Verification Agency		
KV	Kilo-Volts		
KW	Kilo Watts		
Km	Kilometer		
IT	Information Technology		
LAA	Lease and Assignment Agreement		
LED	Light-Emitting Diode		

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

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

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

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

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

Main Bankers
Stanbic Bank Uganda Limited
Corporate Branch, Crested Towers
P. O. Box 7131
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Main Lawyers
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SM Chambers
Plot 14, Hannington Road
P. O. Box 3213
Kampala, Uganda

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

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which show the state of affairs of Umeme Limited (“Umeme” or the ‘’Company”).

1. GENERAL INFORMATION

Company background

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

The Company took over the system for the distribution and supply of electricity (the ‘’Distribution System’’) in Uganda from Uganda Electricity Distribution Company Limited (UEDCL) under a concession arrangement (the ‘’Concession’’) for a period of 20 years which commenced on 1 March 2005 and terminates on 28 February 2025 plus a 30-day transition period to 30 March 2025. Under the Concession, Umeme is also required to operate, maintain, upgrade, and expand the Distribution System within Uganda and such contiguous areas as Umeme and ERA may agree.

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

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

Umeme’s core business activities are summarized as follows:

- Construction services for electricity distribution infrastructure including sub stations, medium voltage lines and low voltage infrastructure.
- Operation and maintenance of the distribution network for safe, reliable, and efficient electricity distribution.
- Connections of new customers to the grid.
- Provision of electricity retail and commercial services that include customer service, billing, revenue protection, revenue collections.
- Public sensitisation and awareness on electricity safety and responsible use of energy.
- Provision of electricity technical advisory services.
- Provision of project management and consultancy services.
- Technical development and training services.

1. GENERAL INFORMATION (CONTINUED)

Shared purpose and values

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

Umeme's values are:

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

Administrative structure

The countrywide operations are categorised, for administrative purposes, into the following four regions under the supervision of Regional Managers and Network Operations Managers: Kampala East, Kampala West, North Eastern and Western regions. These regions are further subdivided into 28 districts under the supervision of an Operations Manager reporting to the Regional Manager. The Company delivers its strategic business objectives through the devolved district structure.

2. KEY SHAREHOLDER INFORMATION

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Continuing effects of the Geo-political conflicts.
- The legal and regulatory environment.
- The remaining concession tenor limiting financing options.
- Sustainable end user tariff regime that is adequate to meet the electricity sector revenue requirements.
- Ability of the Company to meet set regulatory targets of: energy losses, revenue collections, working capital and operating costs.
- Compliance with statutory codes on power quality, reliability, customer service standards and safety.
- The general economic conditions that affect the cost of doing business and customers' ability to settle their electricity bills in time.
- Vandalism of the distribution network and theft of electricity and operational materials.
- Significant capital financing requirements to maintain, rehabilitate and expand the distribution network.
- Volatility of interest rates, fuel prices and foreign exchange rates.
- Power supply availability to meet the growing electricity demand.
- Self-generation by customers.
- Increasing competition for specialist talent.
- Bottlenecks in global supply chains.
- Rising global prices.
- Recovery of buyout amount in full at natural termination of concession.

4. FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

Financial statistics	2023 Ushs million	2022 Ushs million	2023 USD '000	2022 USD '000
Financial results - for the year				
Revenue	2,196,363	1,887,326	588,736	511,002
Gross profit	746,722	632,746	200,159	171,473
EBITDA	483,220	384,792	129,527	104,369
Amortisation	442,122	160,095	118,511	43,327
Operating profit	42,206	238,805	12,310	67,877
Profit before tax	15,384	214,873	5,120	61,400
Profit for the year	11,470	148,215	4,071	43,361
Capital investments – for the year				
Investment in the distribution network	136,213	110,656	36,512	29,947
Financial position - At year-end				
Total assets	2,347,235	2,571,066	619,779	691,402
Equity	937,381	1,010,048	247,511	271,618
Outstanding interest - bearing term borrowings	-	176,631	-	47,499
Cash flow data – for the year				
Net cash flows from operating activities	460,941	350,013	122,959	95,134
Net cash flows used in investing activities	(136,198)	(110,656)	(36,508)	(29,947)
Net cash flows used in financing activities	(283,297)	(267,704)	(76,240)	(71,514)
Per share	**Ushs**	**Ushs**		
Basic and diluted earnings per share	7.1	91.3	0.003	0.027
Proposed interim dividend per share	24.0	-	0.007	-
Proposed dividend per share	54.2	63.9	0.014	0.17

Operating and other statistics	2023	2022
Electricity sales during the year (GWh)	4,219	3,849
Electricity purchases during the year (GWh)	5,033	4,628
Energy losses (percentage)	16.2%	16.8%
Revenue collections rate (percentage)	99.0%	99.7%
Total length of distribution lines (Km)	18,798	17,839
Total length of low voltage lines (Km)	22,927	22,803
Total distribution transformers at year-end	16,288	15,542
Bulk supply off take points (UETCL substations 132KV/66KV/33KV/11KV)	24	22
Distribution substations (33KV/11KV)	62	62
New connections during the year	191,874	121,132
Total number of consumers	1,948,843	1,757,565
Total number of Company employees	2,510	2,301
Exchange rate: US Dollar (USD) to Uganda Shilling (Ushs) - at year-end	3,787	3,719
Exchange rate: USD to Ushs (annual average)	3,731	3,695

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

5. DIVIDENDS

Subject to the approval of the shareholders, the directors recommend to the members that a final dividend of Ushs 54.2 per ordinary share be paid for the year ended 31 December 2023 (2022: Ushs 63.9 per share, subject to deduction of withholding tax where applicable, to the shareholders registered in the books of the Company at close of business on 28 June 2024. If approved, the outstanding dividend will be paid on or about 19 July 2024. The total dividend for the year will be Ushs 78.2 per ordinary share (2022: Ushs 63.9 per share inclusive of an interim dividend for the year of Ushs 24 per ordinary share which was paid in February 2024. (2022: Nil)

6. MANAGEMENT BY THIRD PARTIES

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

7. DIRECTORS

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

	Name	Role	Nationality
a)	Patrick Bitature	Chairman	Ugandan
b)	Selestino Babungi	Managing Director	Ugandan
c)	Hon. Gerald Ssendaula	Non-executive Director	Ugandan
d)	Florence Namatta Mawejje	Non-executive Director	Ugandan
e)	Andrew Buglass	Non-executive Director	British
f)	Anthony Marsh	Non-executive Director	British
g)	Stephen Emasu	Non-executive Director	Ugandan
h)	Riccardo Ridolfi	Non-executive Director	Italian
i)	Johan De Bruijn	Non-executive Director	South African
j)	Florence N. Nsubuga	Executive Director-Resigned November 2023	Ugandan

8. DIRECTORS' INTEREST IN THE COMPANY'S SHARES

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

Director	Number of shares	% of shareholding	Number of shares	% of shareholding
	2023		2022	
Selestino Babungi	4,565,000	0.28%	4,565,000	0.28%
Riccardo Ridolfi	1,971,474	0.12%	962,784	0.06%
Florence N Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Gerald Ssendaula	586,800	0.04%	586,800	0.04%
Patrick Bitature	468,589	0.03%	2,011,100	0.12%

9. INSURANCE

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

10. AUDITOR

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

Approval of the financial statements

These financial statements were approved at a meeting of the directors held on 22 march 2024.

By order of the Board,

Signed: ....

SHONUBI, MUSOKE & Co.
ADVOCATES
P.O. BOX 3213
KAMPALA

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

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

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

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

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and employees are required to maintain the highest ethical standards in ensuring that the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring the known risks across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

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

Approval of the financial statements

The financial statements of Umeme Limited, as identified in the first paragraph, were approved by the Board of Directors on ...22 March......... 2024 and signed on its behalf by:

Signature	**Signature**
Patrick Bitature	BABUNGI SELESTINO
Director's name	**Director's name**

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Certified Public Accountants of Uganda
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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF UMEME LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Umeme Limited (the "Company") set out on pages 13 to 86, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and the financial performance and the cash flows of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2012 of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

<table>
<tr><th>No.</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1.</td><td colspan="2">Accounting for capital investments in the Distribution Network</td></tr>
<tr><td></td><td>The Company took over the system for the distribution and supply of electricity (the "Distribution System") in Uganda from Uganda Electricity Distribution Company Limited (UEDCL) under a concession arrangement (the "Concession") for a period of 20 years.

The concession is structured so that if Umeme's operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme's annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. The annual return is based on the unrecovered USD based capital investments as approved by the Electricity Regulatory Authority.

The investments made by the Company into the Distribution Network are initially recorded as intangible assets and recovered through the tariff methodology as annual capital recovery charges, factored into the tariffs charged to the customers. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The investments not yet recovered through the tariff methodology at the time of transfer of the Distribution Network to UEDCL are to be paid to the Company as a buy out amount.

We considered this to be a key audit matter because:

• The amounts involved and related disclosures, as presented in Notes 17 and 18, are significant to the Company's financial results and position.

• The accounting for the related intangible asset and buy out amount involves assumptions and management judgement such as determining: the investments that are expected to be recovered through the tariff methodology vis-a-vis through the buy out amount; and the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement.</td><td>Our audit procedures included but were not limited to:

• Understanding the Company's processes for recording and accounting for capital investments.

• Checking the occurrence of capital investment transactions through review, on a sample basis, of supporting documentation.

• Evaluating the management assumptions and judgements applied in determining the capital investments expected to be recovered through the tariff methodology vis-a-vis the buy out amount.

• Evaluating the management assumptions and judgements applied in determining the discount rates applied in calculating the fair value of the buy out amount on initial recognition and measurement and checking the arithmetic correctness of the calculations.

• Evaluating the rates applied in the amortisation of the intangible asset and checking the arithmetic correctness of the amortisation calculations.

• Assessing the adequacy of the Company's disclosures regarding the capital investments.</td></tr>
</table>

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information

The directors are responsible for the other information. Other information consists of the information included in the Company Information, Report of the Directors, Statement of Directors' Responsibilities and the Supplementary Information appended to the audited financial statements, which we obtained prior to the date of this report, and the other information included in the Annual Report, which is expected to be made available to us after that date, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

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

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

Ernst & Young

....

Ernst & Young
Certified Public Accountants
Kampala, Uganda

....

Julius Rwajekare
Partner

...25.......**March 2024**

	Notes	2023 Ushs million	2022 Ushs million
Revenue from contracts with customers	6	2,196,363	1,887,326
Cost of sales	7	(1,449,641)	(1,254,580)
GROSS PROFIT		**746,722**	**632,746**
Repair and maintenance expenses	8	(51,296)	(34,161)
Administration expenses	9	(210,609)	(213,305)
Foreign exchange gain	10(a)	1,108	14,108
Increase in expected credit losses	10(b)	(1,597)	(488)
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX		**484,328**	**398,900**
Amortisation and write off of intangible assets	11	(442,122)	(160,095)
OPERATING PROFIT		**42,206**	**238,805**
Finance income	12	17,959	21,457
Finance costs	13	(44,781)	(45,389)
PROFIT BEFORE TAX	**14**	**15,384**	**214,873**
Income tax expense	15(a)	(3,914)	(66,658)
PROFIT FOR THE YEAR		**11,470**	**148,215**
		2023 Ushs	**2022 Ushs**
BASIC AND DILUTED EARNINGS PER SHARE	**16**	**7.1**	**91.3**

The notes set out on pages 18 to 86 form an integral part of these financial statements.

	2023 Ushs million	2022 Ushs million
Profit for the year	**11,470**	**148,215**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Differences on translation from functional currency to presentation currency	19,614	56,493
Total comprehensive income for the year, net of tax	**31,084**	**204,708**

The notes set out on pages 18 to 86 form an integral part of these financial statements.

UMEME LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 Dec 2023 Ushs million	31 Dec 2022 Ushs million
ASSETS			
Non-current assets			
Intangible assets	17	445,174	771,996
Other financial asset	18	1,074,678	1,008,916
Concession financial asset	19	-	340,121
		1,519,852	**2,121,033**
Current assets			
Concession financial asset: Current portion	19	347,639	-
Inventories	20	73,294	66,157
Contract assets	21	42,678	42,210
Trade and other receivables	22	307,574	279,344
Prepayments		13,380	16,224
Bank balances	23	42,818	46,098
		827,383	**450,033**
TOTAL ASSETS		**2,347,235**	**2,571,066**
EQUITY AND LIABILITIES			
Equity			
Issued capital	24 (c)	27,748	27,748
Share premium	25	70,292	70,292
Retained earnings		609,430	701,711
Translation reserve		229,911	210,297
		937,381	**1,010,048**
Non-current liabilities			
Concession obligation	28	-	340,121
Deferred tax liability	15(c)	173,708	239,450
Long term incentive plan	29	11,456	-
		185,164	**579,571**
Current liabilities			
Borrowings: Current portion	27	-	176,631
Concession obligation: Current portion	28	347,639	-
Customer security deposits	30	11	11
Contract liabilities	31	86,163	91,788
Current income tax payable	15(b)	19,811	34,950
Accrued expenses	32	14,335	17,165
Provisions	32	1,913	881
Trade and other payables	33	663,626	532,160
Bank overdrafts	34	91,192	127,861
		1,224,690	**981,447**
TOTAL EQUITY AND LIABILITIES		**2,347,235**	**2,571,066**

The financial statements were approved by the Board of Directors on ...22 March........ 2024 and were signed on its behalf by:

Signature

Patrick B Itetu

Director's name

Signature

BARUNGI SELESTINO

Director's name

The notes set out on pages 18 to 86 form an integral part of these financial statements.

UMEME LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Issued capital Ushs million	Share premium Ushs million	Retained earnings Ushs million	Translation reserve Ushs million	Total equity Ushs million
At 1 January 2022		**27,748**	**70,292**	**641,310**	**153,804**	**893,154**
Profit for the year		-	-	148,215	-	148,215
Other comprehensive income, net of tax		-	-	-	56,493	56,493
Total comprehensive income for the year, net of tax		**-**	**-**	**148,215**	**56,493**	**204,708**
Dividend paid – 2021 final dividend	26	-	-	(87,814)	-	(87,814)
At 31 December 2022		**27,748**	**70,292**	**701,711**	**210,297**	**1,010,048**
At 1 January 2023		**27,748**	**70,292**	**701,711**	**210,297**	**1,010,048**
Profit for the year		-	-	11,470	-	11,470
Other comprehensive income, net of tax		-	-	-	19,614	19,614
Total comprehensive income for the year, net of tax		**-**	**-**	11,470	19,614	**31,084**
Dividend paid - 2022 final dividend	26	-	-	(103,751)	-	(103,751)
At 31 December 2023		**27,748**	**70,292**	**609,430**	**229,911**	**937,381**

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

The notes set out on pages 18 to 86 form an integral part of these financial statements.

UMEME LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Ushs million	2022 Ushs million
Profit before tax		15,384	214,873
Adjustment for non-cash items:			
Gain on disposal of assets	6	(15)	-
Amortisation of intangible assets	11	432,855	159,952
Impairment of intangible assets	11	9,267	143
Interest income on bank deposits	12	(336)	(436)
Finance income on other financial asset	12	(16,396)	(19,044)
Finance income on concession financial asset	12	(1,227)	(1,977)
Finance cost on concession obligation	13	1,227	1,977
Other financing costs	13	29,994	20,145
Expected credit losses on trade and other receivables	10(b)	1,597	488
Provision for obsolete stock	20	(4,240)	4,118
Interest expense on long- and short-term borrowings	27	11,460	20,241
Amortisation of deferred transaction costs	27	2,100	3,056
Income tax penalty	15(b)	(4,795)	4,795
Increase in provisions	32	1,015	-
Cash flows before working capital changes		**477,890**	**408,331**
Changes in working capital items:			
(Increase)/decrease in inventories		(2,897)	30,028
Increase in contract assets		(468)	(3,654)
Increase in trade and other receivables		(29,827)	(41,411)
Decrease/(increase) in prepayments		2,844	(2,133)
(Decrease)/increase in contract liabilities		(5,625)	35,137
Increase in Long term Incentive Plan		11,456	-
Decrease in accrued expenses		(2,830)	(5,480)
Increase/(decrease) in trade and other payables		131,466	(10,460)
Cash generated from operating activities		**582,009**	**410,358**
Interest received from banks		336	436
Current income tax paid	15(b)	(80,000)	(20,036)
Long and short term borrowings interest paid	27	(11,410)	(20,468)
Other financing costs paid	13	(29,994)	(20,145)
Borrowings transaction costs paid	27	-	(132)
Net cash flows from operating activities		**460,941**	**350,013**
Investing activities			
Investment in the distribution network	17	(136,213)	(110,656)
Proceeds from sale of intangible assets		15	-
Net cash flows used in investing activities		**(136,198)**	**(110,656)**
Financing activities			
Dividend paid	26	(103,751)	(87,814)
Repayment of principal for long term borrowing facilities	27	(179,546)	(179,890)
Net cash flows used in financing activities		**(283,297)**	**(267,704)**
Net (decrease)/increase in cash and cash equivalents		**41,446**	**(28,347)**
Cash and cash equivalents at 1 January		(81,774)	(44,885)
Net foreign exchange differences		(8,057)	(8,542)
Cash and cash equivalents at 31 December	**35**	**(48,385)**	**(81,774)**

The notes set out on pages 18 to 86 form an integral part of these financial statements.

1. COMPANY INFORMATION AND GOING CONCERN

1.1 Company information

Umeme Limited (''Umeme'' or the ''Company'') entered into a concession arrangement (the ''concession'') effective from 1 March 2005 in which, among other terms, it signed a Lease and Assignment Agreement ("LAA") with Uganda Electricity Distribution Company Limited ("UEDCL") for the Power Distribution Network for a period of 20 years which commenced on 1 March 2005 and terminates on 28 February 2025 plus a 30-day transition period to 30 March 2025. The LAA provides for termination of the agreement by either party, but a "Buy-Out Amount", as defined in the agreement, is payable to the Company by Government of Uganda ("GoU").The concession is structured so that if Umeme's operational performance matches the targets used in setting the tariffs, and assuming no growth in sales volume during the retail tariff year, Umeme's annual return from operating the electricity distribution concession will be equal to a contractually allowed annual return of 20% on capital investments. This contractual return is set through the life of the concession and is not part of the tariff review. The return is on investment in capital expenditure. The annual return is based on the unrecovered capital investments, in nominal USD, approved by the ERA.

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

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

1.2 Going concern

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 concession agreements stipulate conditions to be fulfilled before the retransfer 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.

1. COMPANY INFORMATION AND GOING CONCERN (CONTINUED)

1.2 Going concern (continued)

- 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 buyout amount is paid in full by GOU.

- In the case of the natural termination of the Term, GOU shall pay the Buy Out Amount not later than 30 days following the last day of the Term. Upon receipt of the Buy Out Amount, the Company shall retransfer the Distribution System to UEDCL or its designee.

- The Company shall deliver to GOU not later than 90 days prior to the end of the natural Term or, if the Agreement is terminated earlier not later than 45 days following the commencement of the Retransfer Transition Period, a statement of the estimated Buy Out Amount payable in reasonable detail and with supporting documents providing the basis for the Company's determination of the Buy Out Amount shown in such statement. The estimate of the Buy Out Amount will be reconciled on the date of retransfer to determine the final Buy Out Amount. Amounts claimed shall be subject to audit by GOU. The reasonable cost of the audit shall be shared equally by GOU and the Company and the Company's portion shall be paid out of the Buy Out Amount.

- Until such time as GOU pays the appropriate Buy Out Amount, GOU will continue to perform under this Agreement and will cause UEDCL and UETCL to continue to perform under the Lease Agreement and the Power Sales Agreement, respectively, in accordance with their terms.

- In the case of the expiry of the natural Term, unless the transfer of the Leased Assets and payment of the Buy Out Amount is delayed by the Company, from and after the date that is 30 days following the end of the natural Term, GOU shall pay the Company interest on any outstanding portion of the Buy Out Amount at a rate per annum equal to 10% for the period from 30 days until 45 days after the end of the natural Term, 15% for the period 46 days until 90 days after the end of the natural Term, and 20% for the period from and after 91 days after the end of the natural Term, until GOU pays the Buy Out Amount in full.

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 financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 22 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation and statement of compliance

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

The financial statements have been prepared in accordance and comply IFRS, as issued by the IASB, and the requirements of the Companies Act, 2012 of Uganda. For purposes of reporting under the Companies Act, 2012 of Uganda, the statement of financial position represents the balance sheet in these financial statements and the statement of profit or loss represents the profit and loss account.

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

b) Functional and presentation currencies and translation of foreign currencies

Functional currency and translation to functional currency

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

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

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

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

Presentation currency and translation from functional to presentation currency

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c) Service concession arrangement

The concession agreements set out terms, conditions and obligations of the parties to the different contracts as indicated in Note 42 The directors assessed that the concession is within the scope of IFRIC 12 because:

- the Government (grantor) controls and regulates what services the Company must provide with the infrastructure, to whom it must provide them, and the tariffs that are charged; and,
- the Government controls, through ownership and beneficial entitlement, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Company received possession of the concession assets but not ownership and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years, plus a 30-day transition period, on 30 March 2025, unless the contract is terminated before that date. Umeme also has the rights and obligation to make the necessary modifications to the Distribution Network as deemed desirable to be in proper conduct and in accordance with the requirements of the laws of Uganda. The Company also has an obligation to receive capital contributions from customers and construct and install the infrastructure paid for. ERA may also include within the tariffs a component for recovery of funds from customers for financing assets that are not directly used in the Distribution Network but are necessary for the operation of the Distribution Network (non-network assets).

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c) Service concession arrangement (continued)

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

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

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

d) Revenue from contracts with customers

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

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

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

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

The Company recognises revenue from sale of electricity at a point in time and revenue 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d) Revenue from contracts with customers (Continued)

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

Electricity sales

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

Rate-regulated activities

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

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

Other regulated income

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

Contract balances

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d) Revenue from contracts with customers (Continued)

Contract balances (Continued)

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

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

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

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

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

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

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

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

e) Finance income and finance costs

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

f) Intangible assets

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

The Distribution Network restoration, reinforcement and modification costs that are funded by the Company and meet the recognition criteria of property, plant and equipment are added to the intangible asset and in cases where the costs are not expected to be recovered through the tariff methodology by the end of the concession, they are classified as a financial asset, that is, the buy out amount. The buy out amount represents capital investments by the Company in the distribution system which would not have been recovered through the tariff methodology at the end of the concession. The buy out amount is adjustable depending on the circumstances of the concession termination.

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

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

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

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. During the year, 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 year 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 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 year the asset is de-recognised.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g) Impairment of non-financial assets

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

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Value in use is determined using budgets.

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

h) Financial instruments

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

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 as further detailed under the accounting policy on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'SPPI' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Financial instruments (continued)

Financial assets (continued)

<u>Subsequent measurement</u>
For purposes of subsequent measurement, financial assets are classified in four categories:

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

Financial assets at fair value through profit or loss

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

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
- the Company has transferred substantially all the risks and rewards of the asset, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Further disclosures on impairment of financial assets are included under the disclosures on significant judgements, estimates and assumptions and the notes on the respective financial assets.

Financial liabilities

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

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

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

Subsequent measurement
After initial recognition, the Company’s financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Financial instruments (continued)

Financial Liabilities (continued)

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

i) Cash and cash equivalents

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

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

j) Inventories

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

k) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

l) Tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, in accordance with the provisions of the Income Tax Act (Cap 340) of Uganda. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the income tax returns in respect to aspects where the Income Tax (Cap 340) of Uganda is subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided for in full, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in OCI is recognised in OCI and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset, if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

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

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and,
- receivables and payables that are stated with the amount of VAT included.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

m) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

n) Dividend

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

o) Borrowing costs

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

p) Provisions

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

q) Comparatives

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

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

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in the financial statements or reclassifies items in the financial statements; and,
- the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

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

- the end of the current period;
- the end of the preceding period; and,
- the beginning of the preceding period.

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

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

r) Equity

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

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

s) Leases

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

t) Fair value measurement

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Impairment at cash generating unit level

As at 31 December 2023, the Company's market capitalization as at year-end was Ushs 649,551 million (2022: Ushs 440,071 million) which was lower than the carrying amount of the Company's net assets of Ushs 939,589 million (2022: Ushs 1,010,048 million). The directors consider that this is not an impairment indicator whereby the carrying amount of the net assets of the Company may not be recoverable. The judgements applied in this assessment include that the Company's business fundamentals remain positive as expected, with increasing profitability and investments in the Distribution Network. Furthermore, the market capitalization is higher than the carrying amount of the net operating assets. The directors also consider that the carrying amount of the net assets of the Company is supported by the buy out amount for which the Company has contractual and legal remedies that support its recoverability.

Lease arrangements

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

Useful lives of intangible assets

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

Investments in the Distribution Network

The directors have determined that the Company has rights in the concession agreements to recover all investments in the Distribution Network that are done in accordance with the concession agreements. The investments are firstly recovered through the intangible asset mechanism, that is, through the tariff methodology during the concession period, and secondly, investments not recovered through the tariff methodology by the end of the concession period are recovered through the buy out amount mechanism. The amounts recovered through the intangible asset mechanism are derived from the investments verified and approved by ERA for recovery through the tariff rate asset base. Investments verified by ERA and not approved for recovery through the tariff methodology, but for which there is reasonably sufficient evidence that the investments were done in accordance with the concession agreements, are considered to be recoverable through the buy out amount option. In the period when Umeme operates the concession, Umeme does assume demand risk, that is, Umeme will, depending on operating efficiencies, and the use of electricity by the customers only be entitled to collect the cash that the asset generates. As Umeme has no guaranteed right to recover the costs incurred on expanding or upgrading the distribution network until the buy out is triggered on termination or on natural term end, the costs expected to be recovered during the period when Umeme operates the concession are accounted for as intangible assets. The directors apply judgement in determining that the Company has sufficient evidence that the investments were done in accordance with the concession agreements. The directors also apply judgement in determining the discount rate to use in calculating the fair value on initial recognition of these financial assets, that is, the market rate applicable to similar investments. Refer to Note 18 for further disclosures on the buy out amount financial asset.

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

Judgments (Continued)

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

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

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

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

Refer to Note 27 for further disclosures on borrowings.

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

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

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

Refer to Note 6 for further disclosures on revenue.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

Estimates and assumptions (Continued)

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

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

Further disclosures on tax and tax contingencies are included in Notes 15 and 40.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Notes 22 and 43.

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

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

Refer to Note 40 for further disclosures.

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

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

Estimates and assumptions (Continued)

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

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

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

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 but did not have an impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Effective for annual periods beginning on or after 1 January 2023
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

5. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The standards issued but not yet effective that are not expected to have a material impact on the Company's financial statements:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1 (Effective for annual periods on or after 1 January 2024)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (Effective for annual periods on or after 1 January 2024)
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (Effective for annual periods on or after 1 January 2024)
- Sale or Contribution of Assets between an investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28 (Effective date postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)
- Lack of exchangeability -Amendments to IAS 21 (Effective for annual periods on or after 1 January 2025)

6. 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.

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

The Company's revenue is disaggregated by customer tariff category of billing as follows:

	Notes	2023 Ushs million	2022 Ushs million
Electricity Sales			
Domestic		630,083	551,336
Commercial		290,337	254,900
Street lighting		933	813
Medium industrial		318,220	286,600
Large industrial		492,314	410,137
Extra-large industrial		356,742	324,862
Total amount billed to customers		**2,088,629**	**1,828,648**
Add: Recognition of deferred income [Note 31(c)]	(a)	-	-
Recovery of Non-network asset funds [Note 31(d)]	(b)	-	-
Less: Amounts collected from customers that are not revenue for the year:			
Growth factor amounts	(a)	(10,796)	(30,000)
Recovery of amounts for funding non-network assets	(b)	(10,916)	(7,131)
Recovery of amounts for ERA Approved UEDCL Investments	(b)	(2,369)	(2,609)
		2,064,548	**1,788,908**
Other revenue streams:			
Construction revenue - construction of assets	(c)	122,253	89,457
		122,253	**89,457**
Other regulated income:			
Reconnection fees		201	126
Inspection fees		8,976	5,997
		9,177	**6,123**
Other non-regulated income:			
Sale of scrap and other income		4	52
Fines and other income		366	2,786
Gain on disposal of assets		15	-
		385	**2,838**
Total revenue from contracts with customers		**2,196,363**	**1,887,326**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a)	There were no amounts (2022: Nil) previously deferred, relating to growth factor amounts recognised during the period in accordance with Modification Number Five to Umeme's Electricity Supply License No.048. Ush 10,796 million was deferred during the year (2022: Ush 30,000 million) to fund one pole connections.
(b)	In accordance with Amendment Number 4 of the Company's Electricity Supply License, ERA approved Ushs 10,916 million (2022: Ushs 7,131 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. Additionally, no amounts (2022: Nil) relating to unutilised funds for non-network assets was recovered during the period. ERA further approved UEDCL non-network assets investments of Ushs 2,369 million (2022: Ushs 2,609 million).
(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 asset 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. No amounts (2022: Ushs 36,669 million) relate to construction revenue from ADB connection project.
(d)	Information about the Company's performance obligations is summarised in Note 2(d).
(e)	Contract balances are trade receivables (Note 22), contract assets (Note 21) and contract liabilities (Note 31).

7. COST OF SALES

	2023 Ushs million	2022 Ushs million
Electricity purchase from UETCL	1,312,682	1,155,896
Generation levy	14,706	9,227
Construction costs: construction of assets [Note 6(c)]	122,253	89,457
	1,449,641	**1,254,580**

8. REPAIRS AND MAINTENANCE EXPENSES

	2023 Ushs million	2022 Ushs million
Distribution (overhead and underground)	9,397	4,645
Transformers, meters and other electrical equipment	22,832	12,290
Other repairs and maintenance	19,067	17,226
	51,296	**34,161**

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

9. ADMINISTRATION EXPENSES

	2023 Ushs million	2022 Ushs million
Staff and network contractor management costs[1]	125,733	121,342
Transport costs	27,607	23,578
Software support agreements	8,592	9,496
Operating concession charges – UEDCL	8,234	7,645
Publicity, advertisement and SMS communication	1,604	2,180
ERA licensing fees	6,435	6,041
Rental expenses	2,850	2,716
Directors' expenses and allowances	2,910	2,838
Other administration costs[2]	10,237	19,621
Consultancy fees	2,917	5,144
Telephone expenses	7,730	7,361
Debt collection expenses	1,929	2,014
Insurance premium charges	3,831	3,329
	210,609	**213,305**

[2]Other administration costs mainly relate to legal, security, electricity and listing compliance costs.

[1]Staff and network contractor management costs		
Salaries and wages	69,748	70,827
National Social Security Fund (NSSF) contributions	8,267	8,635
Long term incentive plan expenses	11,285	-
Other employment related costs	36,433	41,880
	125,733	**121,342**

The other employment related costs that are significant include the following amounts:

	2023 Ushs million	2022 Ushs million
Short term employee performance award	7,517	14,119
Contractor management fees[1]	9,442	10,387
Staff medical expenses	4,559	3,584
Travel expenses	3,067	3,144
Retirement benefit scheme	2,958	2,686
	27,543	**33,920**

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

10. OTHER OPERATING EXPENSES

		2023 Ushs million	2022 Ushs million
Unrealised forex differences		(104)	23,463
Realised forex differences		(1,004)	(37,571)
(a) Net foreign exchange gains		**(1,108)**	**(14,108)**
b) Movement in expected credit losses	**Notes**		
Increase in ECL - trade receivables	22	2,500	488
Decrease in ECL - other receivables	22	(903)	-
		1,597	**488**

11. AMORTISATION AND WRITE OFF OF INTANGIBLE ASSETS

	2023 Ushs million	2022 Ushs million
Amortisation of intangible assets (Note 17)	432,855	159,952
Impairment of intangible assets (Note 17)	9,267	143
	442,122	**160,095**

12. FINANCE INCOME

	2023 Ushs million	2022 Ushs million
Interest on bank deposits	336	436
Finance income on other financial asset (Note 18)	16,396	19,044
Financing income on concession financial asset (Note 19)	1,227	1,977
	17,959	**21,457**

13. FINANCE COSTS

	2023 Ushs million	2022 Ushs million
Finance costs relating to debt facilities		
Interest expense on Facility A (Note 27)	2,712	5,040
Interest expense on Facility B (Note 27)	2,902	5,380
Interest expense on Facility C (Note 27)	3,175	5,332
Interest expense on Facility D (Note 27)	2,671	4,489
Amortisation of borrowings transaction costs[1]	2,100	3,056
Other financing costs[2]	29,994	20,145
	43,554	**43,442**
Less: Capitalised borrowing costs	-	-
	43,554	**43,442**
Finance costs related to other financial liabilities		
Accrued interest on customer security deposits	-	(30)
Finance charge on concession obligation (Note 28)	1,227	1,977
	1,227	**1,947**
Total finance costs	**44,781**	**45,389**

[1]This relates to loan upfront costs amortised during the period.

[2]The other financing costs comprise of the following:

	2023 Ushs million	2022 Ushs million
Interest expense on overdraft facilities	12,844	9,866
Other financing related costs*	17,150	10,279
	29,994	**20,145**

*These relate to charges for late payment of BST invoices due to delayed settlement by some GOU entities of their electricity bills due to Umeme.

14. PROFIT BEFORE TAX

	2023 Ushs million	2022 Ushs million
Profit before tax is stated after charging:		
Amortisation of intangible assets	432,855	159,952
Write off of intangible assets	9,267	143
Auditor's remuneration[1]	963	778
NSSF - employer's contributions	8,267	8,635
Directors' expenses and allowances	2,910	2,838
Short term employee performance award	7,517	14,119
Long term incentive plan expenses	11,285	-
Donations	194	253
Unrealised forex differences	(104)	23,463
Staff medical and welfare expenses	5,492	3,972
And after crediting		
Interest on bank deposits	(336)	(436)

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

15. TAXATION

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

a) **Income tax expense**

	2023 Ushs million	2022 Ushs million
Amounts recognized in profit or loss		
Current income tax charge for the year	69,822	62,129
Current income tax – prior years (over)/under provision	(166)	2,004
Deferred tax (credit) /charge for the year	(64,408)	4,503
Deferred tax charge – prior years over provision	(1,334)	(1,978)
	3,914	**66,658**

The effective tax rate is 25.4% (2022: 31.02%) The reconciliation between the income tax expense and the product of accounting profit and the tax rate is as follows:

	2023 Ushs million	2022 Ushs million
Accounting profit before income tax	15,384	214,873
At statutory income tax rate of 30%	4,615	64,462
Tax effect of:		
Expenses not allowable for tax purposes		
Non qualifying depreciation	1,383	552
Staff welfare	857	28
[1]Other non-deductible expenses	(1,441)	1,590
Current income tax – prior year (over) /under provision	(166)	2,004
Deferred tax charge – prior years overprovision	(1,334)	(1,978)
Income tax expense charged to profit or loss	**3,914**	**66,658**

[1]Relates to prior year penalty charges now reversed.

b) Current income tax payable/(recoverable)

	2023 Ushs million	2022 Ushs million
At 1 January	34,950	(13,942)
Current income tax charge for the year	69,822	62,129
Current income tax- prior year (over)/ under provision	(166)	2,004
Under-provision penalty	(4,795)	4,795
Payment of current income tax	(80,000)	(20,036)
At 31 December	**19,811**	**34,950**

15. TAXATION (CONTINUED)

c) Deferred tax liability

Deferred tax is calculated on all temporary differences using the liability method at the applicable rate of 30% (2022: 30%). The net deferred tax liability is attributed to the following:

	Closing balance	Movement for the year		Opening balance
		Profit or loss	Prior year over provision	
	Ushs million	Ushs million	Ushs million	Ushs million
At 31 December 2023				
Deferred tax liabilities / (assets)				
Accelerated tax depreciation	180,386	(79,315)	(1,476)	261,177
Allowance for expected credit losses (ECL)	(3,161)	7,868	-	(11,029)
Other provisions[1]	(2,985)	409	-	(3,394)
Unrealised foreign exchange gains	(532)	6,630	142	(7,304)
Net deferred tax liability	**173,708**	**(64,408)**	**(1,334)**	**239,450**

	Closing balance	Movement for the year		Opening balance
		Profit or loss	Prior year over provision	
		Ushs million	Ushs million	Ushs million
At 31 December 2022				
Deferred tax liabilities / (assets)				
Accelerated tax depreciation	261,177	7,295	-	253,882
Allowance for expected credit losses (ECL)	(11,029)	(165)	(38)	(10,826)
Other provisions	(3,394)	1,696	(1,503)	(3,587)
Unrealised foreign exchange gains	(7,304)	(4,323)	(437)	(2,544)
Net deferred tax liability	**239,450**	**4,503**	**(1,978)**	**236,925**

[1]Other Provisions relate to; Provision for Legal fees, provision for stock write off, and deferred revenue.

16. BASIC AND DILUTED EARNINGS PER SHARE

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

	2023	2022
Profit attributable to ordinary equity holders (Ushs million)	**11,470**	**148,215**
Basic number of ordinary shares (million) [Note 24]	1,624	1,624
Diluting shares (million)	-	-
Basic and diluted weighted average number of ordinary shares (millions)	1,624	1,624
Basic and diluted earnings per share (Ushs)	**7.1**	**91.3**

17. INTANGIBLE ASSETS

	GoU support and 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
Write offs	-	(788)	(788)
Transfer from financial asset (Note 18)	-	149,365	149,365
Translation differences	165	74,368	74,533
At 31 December 2022	**3,622**	**1,857,742**	**1,861,364**
Additions	-	136,213	136,213
Disposal		(15)	(15)
Write offs[1]	-	(11,841)	(11,841)
Transfer from financial asset (Note 18)	-	(30,058)	(30,058)
Translation differences	67	35,691	35,758
At 31 December 2023	**3,689**	**1,987,732**	**1,991,421**
Amortisation			
At 1 January 2022	**(2,609)**	**(884,131)**	**(886,740)**
Charge for the year	(123)	(159,829)	(159,952)
Write offs	-	645	645
Translation differences	(143)	(43,178)	(43,321)
At 31 December 2022	**(2,875)**	**(1,086,493)**	**(1,089,368)**
Charge for the year	(123)	(432,732)	(432,855)
Disposals		15	15
Write offs[1]		2,574	2,574
Translation differences	(73)	(26,540)	(26,613)
At 31 December 2023	**(3,071)**	**(1,543,176)**	**(1,546,247)**
Net carrying amount			
At 31 December 2023	**618**	**444,556**	**445,174**
At 31 December 2022	**747**	**771,249**	**771,996**

[1]The write offs relate to damaged/fault assets that require replacement. The net carrying amount of the write offs in 2023 is Ushs 9,267 million (2022: 143 million).

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

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

17. INTANGIBLE ASSETS (CONTINUED)

Capitalised borrowing costs

Funding used to construct qualifying assets is financed out of borrowings. The capitalisation rate applied is the weighted average of the borrowings costs applicable to qualifying capital expenditure. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 0% (2022: 0%) and the amount of borrowing costs capitalised during the year ended 31 December 2023 was Nil (2022: Nil).

Collateral for borrowings

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

18. OTHER FINANCIAL ASSET: BUY OUT AMOUNT

	2023 Ushs million	2022 Ushs million
At 1 January	1,009,272	1,088,511
Transfer (to)/from intangible assets (Note 17)	30,058	(149,365)
Finance income accrued	16,396	19,044
Translation differences	19,308	51,082
At 31 December	**1,075,034**	**1,009,272**
Expected credit losses	(356)	(356)
	1,074,678	**1,008,916**

The movement in expected credit losses was as follows:

	2023 Ushs million	2022 Ushs million
At 1 January	356	356
Increase for the year	-	-
Translation differences	-	-
At 31 December	**356**	**356**

The buy out amount is computed as the gross accumulated capital investments less the cumulative capital recovery charges expected to be allowed in the tariffs by the time of transferring the Distribution Network to UEDCL and discounted over the remaining concession period using the pre-tax return on investment of 28.6% (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. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate. The buy out amount is contractually denominated in USD. The USD balance has been translated to Ushs at the reporting date spot exchange rate of 3,787.21 (2022: 3,718.63).

As at 31 December 2023, the estimated weighted average depreciation rate was 18.0% (2022: 10.23%) and it is hence estimated that capital investments amounting to Ushs 1,074,678 million or USD 283 million, as of that date (2022: Ushs 1,008,916 million or USD 271 million) will not have been recovered through the tariff methodology by the end of the concession.

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 buy out amount are pledged as collateral for the term borrowing facilities as disclosed in Note 27.

Umeme's right to payment of a buy out amount on termination of the concession is set out in the Support Agreement dated 17 May 2004 between the Government of Uganda and Umeme Limited, as amended. The payment by the GoU to Umeme of the buy out amount is one of conditions for transferring by Umeme of the Distribution System back to UEDCL at the end of the concession term.

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

Section 12.2(b) of the GoU Support Agreement (Payment of buy out amount) requires Umeme to deliver to the GoU, not later than 90 days prior to the end of the term of the concession, a statement of the Company's estimate of the buy out amount payable in reasonable detail and with supporting documents providing the basis for the Company's determination of the buy out amount. Umeme's statement of the buy out amount, which is to be delivered to the GoU, is subject to audit by the GoU, whose cost shall be borne equally by Umeme and the GoU. It is possible that the GoU audit process could result into differences in interpretation of the terms and conditions relating to what qualifies to be recoverable as part of the buyout amount.

Until such time as the buy out amount is paid by GoU to Umeme and the Distribution System transferred back to UEDCL, GoU is obliged to pay interest on the buy out amount equal to 10% per annum, for the period 30 days to 45 days after the concession termination date, increasing to 15 % per annum for the period from 46 days to 90 days after the concession termination date, and then 20% per annum, after 90 days until the buy out amount is ultimately paid in full by the GoU (Section 12.2(e) of the GoU Support Agreement).

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

	2023		2022	
	Ushs million	**USD million**	**Ushs million**	**USD Million**
Gross investments[1]	3,150,959	832	2,956,311	795
Less: Cumulative capital recoveries	(1,867,095)	(493)	(1,442,828)	(388)
Unrecovered investments	**1,283,864**	**339**	**1,513,483**	**407**
The gross investments comprise:				
Total investments in the ERA tariff base[2]	2,207,943	583	2,037,809	548
Total investments not yet approved by ERA	943,016	249	918,502	247
	3,150,959	**832**	**2,956,311**	**795**
The investments not yet approved by ERA are represented by:				
Completed projects undergoing ERA verification	874,846	231	870,160	234
Capital work-in-progress	68,170	18	48,342	13
	943,016	**249**	**918,502**	**247**

[1]Includes capital work-in-progress.

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

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

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

The table below includes Umeme's capital investments over the period 2005 to 2023. The amounts presented below are at the historical average Ushs:USD exchange rates while the amounts presented in the statement of financial position are at the closing Ushs:USD exchange rates.

	2005-2015 Ushs Million	2016 Ushs million	2017 Ushs million	2018 Ushs million	2019 Ushs million	2020 Ushs million	2021 Ushs million	2022 Ushs million	2023 Ushs million	Total Ushs million
Substations, low voltage lines & services	981,149	314,558	229,999	226,830	100,143	272,067	103,008	101,790	122,275	2,451,819
Land and buildings	12,124	1,309	470	123	46	188	664	2,511	-	17,435
Furniture, fittings, tools & office equipment	14,466	1,730	2,408	2,794	3,228	3,245	4,444	3,431	5,431	41,177
Computers, communication & MIS	34,942	117	3,504	837	1,348	2,506	13,603	1,620	8,291	66,768
Motor vehicles	20,973	83	47	16	52	738	1,254	1,304	216	24,683
Total investments	**1,063,654**	**317,797**	**236,428**	**230,600**	**104,817**	**278,744**	**122,973**	**110,656**	**136,213**	**2,601,882**
Represented by:										
Completed and capitalised	1,009,833	273,114	238,559	213,696	147,478	309,339	121,556	106,182	118,930	2,538,687
Capital work-in-progress	53,821	44,683	(2,131)	16,904	(42,661)	(30,595)	1,417	4,474	17,283	63,195
	1,063,654	**317,797**	**236,428**	**230,600**	**104,817**	**278,744**	**122,973**	**110,656**	**136,213**	**2,601,882**
In USD million										
Average foreign exchange rate (Ushs:USD)	2,608	3,423	3,616	3,732	3,709	3,724	3,593	3,695	3,731	
Total investments in USD million	**408**	**93**	**65**	**62**	**28**	**75**	**34**	**30**	**37**	**832**

19. CONCESSION FINANCIAL ASSET

	2023 Ushs million	2022 Ushs million
At 1 January	340,121	322,734
Finance income for the year	1,227	1,977
Translation differences	6,291	15,410
At 31 December	**347,639**	**340,121**
Maturity analysis of the financial asset:		
Outstanding financial asset	347,639	340,121
Less: Amount recoverable within one year	(347,639)	-
Non-current portion of financial asset	**-**	**340,121**
The financial asset is recoverable as analysed below:		
Within one year	347,639	-
Between one and two years	-	340,121
Between two and three years	-	-
	347,639	**340,121**

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

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

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

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

Refer to Note 28 for further disclosures.

20. INVENTORIES

	2023 Ushs million	2022 Ushs million
Overhead materials and accessories	16,872	22,345
Underground cables, materials and accessories	9,699	9,129
Substation transformers and accessories	23,674	12,922
Meters, metering equipment and accessories	17,800	18,348
Tools and other equipment	5,575	7,534
Stationery	659	1,104
	74,279	**71,382**
Provision for obsolescence	(985)	(5,225)
	73,294	**66,157**
Provision for obsolescence		
At 1 January	5,225	1,107
Inventory write off	(4,240)	-
Net movement in provision	-	4,118
At 31 December	**985**	**5,225**

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

Inventories expensed during the year under cost of sales amounted to Ushs 112,275 million (2022: Ushs 82,224 million) while Ushs 49,671 million (2022: Ushs 29,312 million) was expensed under repairs and maintenance expenses. No inventory (2022: Ushs 2,383 million) was held under inventory in relation to KfW and ADB projects pending customer connections.

21. CONTRACT ASSETS

	2023 Ushs million	2022 Ushs million
a) Amounts recoverable from customer capital contributions		
At 1 January	10,397	8,192
Additions to customer funded installations	121,947	91,699
Amounts billed to customers	(122,253)	(89,457)
Translation differences	187	(37)
At 31 December	**10,278**	**10,397**
b) ECP costs not yet verified		
At 1 January	32,646	31,184
Costs incurred during the year	-	-
Less: Billed during the year	-	-
Excess costs above the standard billing rate	-	-
Translation differences	602	1,462
At 31 December	**33,248**	**32,646**
Expected credit losses	(848)	(833)
	32,400	**31,813**
Expected credit losses		
At 1 January	833	820
Increase in provision	-	-
Translation differences	15	13
At 31 December	**848**	**833**
Total contract assets		
At 31 December	**42,678**	**42,210**
At 1 January	**42,210**	**38,556**

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

21. CONTRACT ASSETS (CONTINUED)

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

22. TRADE AND OTHER RECEIVABLES

	31 December 2023 Ushs million	31 December 2022 Ushs million	1 January 2022 Ushs million
Trade receivables	276,868	257,195	230,786
Less: Allowance for expected credit losses	(9,582)	(34,925)	(32,867)
Net trade receivables	**267,286**	**222,270**	**197,919**
Letters of credit	-	-	-
Other receivables[1]	8,411	24,234	3,500
Ministry of Energy – Peri Urban Development project	2,049	2,012	2,300
REA – ECP receivables	29,934	29,727	33,651
Customs tax advance	-	2,105	2,009
Less: Allowance for expected credit losses	(106)	(1,004)	(958)
	40,288	**57,074**	**40,502**
Trade and other receivables	**307,574**	**279,344**	**238,421**

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

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

	2023 Ushs million	2022 Ushs million
At 1 January	34,925	32,867
Allowance for ECLs for the year	2,500	488
Less: Bad debts written off[1]	(28,536)	-
Translation differences	693	1,570
At 31 December	**9,582**	**34,925**
Bad debts written off are made up as follows:		
Trade receivables relating to the concession period	28,536	-
	28,536	**-**

[1]There are no amounts due from contractors for materials issued for KFW connections as of year-end (2022, Ushs 19,231) included in the other receivables.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Year	Total	<30 days	30-60 days	60 – 90 days	>90 days (default)
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
2023	276,868	163,117	35,276	68,893	9,582
2022	257,195	140,002	26,152	56,116	34,925
2021	230,786	114,814	23,930	59,175	32,867
2020	225,162	111,746	23,295	45,049	45,072

Expected credit losses on other receivables	REA - ECP receivables Ushs million	Peri-Urban / Other receivables Ushs million	Customer capital contributions receivable Ushs million	Total Ushs million
At 1 January	**863**	**77**	**18**	**958**
Increase/(decrease) for the year	19	(10)	(9)	-
Translation difference	46	-	-	46
At 31 December 2022	**928**	**67**	**9**	**1,004**
Increase/(decrease) for the year	(903)	-	-	(903)
Translation differences	5	-	-	5
At 31 December 2023	**30**	**67**	**9**	**106**

The changes in expected credit losses are under Note 10.

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

	2023 Ushs million	2022 Ushs million
At 1 January	2,012	2,300
Additions	-	-
Translation differences	37	(288)
At 31 December	**2,049**	**2,012**

23. BANK BALANCES

	2023 Ushs million	2022 Ushs million
Bank balances	42,818	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 bank deposits market interest rates.

24. ISSUED CAPITAL

a) Number of shares	**2023**	**2022**
i) Authorised ordinary shares		
At 1 January and 31 December	1,800,000,000	1,800,000,000
ii) Number of issued ordinary shares		
At 1 January and 31 December	1,623,878,005	1,623,878,005
b) Par value of ordinary shares		
At 1 January and 31 December per share (Ushs per share)	17.088	17.088
c) Value of issued shares	**2023 Ushs million**	**2022 Ushs million**
Nominal value of shares at 1 January and 31 December	27,748	27,748

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

d) Spread of issued shares

Number of shares At 31 December 2023	**Number of shareholders**	**Number of shares held**	**Percentage shareholding**
Less than 500	1,182	228,688	0.01%
500 - 5,000	3,268	5,973,579	0.37%
5,001 – 10,000	618	4,800,547	0.30%
10,001 – 100,000	1,074	31,806,341	1.96%
100,001 - 1,000,000	312	89,425,391	5.51%
Above 1,000,000	89	1,491,643,459	91.86%
	6,543	**1,623,878,005**	**100.00%**

Number of shares At 31 December 2022	**Number of Shareholders**	**Number of shares held**	**Percentage shareholding**
Less than 500	1,078	241,619	0.01%
500 - 5,000	3,080	5,794,647	0.36%
5,001 – 10,000	619	4,814,879	0.30%
10,001 – 100,000	1,082	32,190,838	1.98%
100,001 - 1,000,000	320	97,178,820	5.98%
Above 1,000,000	84	1,483,657,202	91.37%
	6,263	**1,623,878,005**	**100.00%**

24. ISSUED CAPITAL (CONTINUED)

e) Shareholding

	Name	31 December 2023 Number of shares	31 December 2023 Percentage shareholding	31 December 2022 Number of shares	31 December 2022 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	135,000,000	8.31%	135,900,000	8.37%
5	Coronation Global Opportunities Fund	95,606,506	5.89%	126,759,671	7.81%
6	Kilimanjaro Frontier Africa Fund	67,100,000	4.13%	45,100,000	2.78%
7	International Finance Corporation	45,220,900	2.78%	45,220,900	2.78%
8	Bnymsanv re bnymlb	43,529,629	2.68%	68,073,885	4.19%
9	Conrad and Hilton Foundation	31,327,420	1.93%	31,327,420	1.93%
10	Vanderbilt University	30,867,324	1.90%	30,867,324	1.90%
11	Others	410,094,932	25.25%	376,476,511	23.18%
		1,623,878,005	**100.00%**	**1,623,878,005**	**100.00%**

25. SHARE PREMIUM

	2023 Ushs million	2022 Ushs million
At 1 January and 31 December	**70,292**	**70,292**

26. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED

	2023 Dividend per share Ushs	2023 Total Ushs million	2022 Dividend per share Ushs	2022 Total Ushs million
Dividend paid				
Final dividend	63.9	103,751	54.1	87,814
	63.9	**103,751**	**54.1**	**87,814**
Dividend proposed				
Interim dividend	24.0	38,973	-	-
Final dividend	54.2	165,906	63.9	103,751
	78.2	**204,879**	**63.9**	**103,751**

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

27. BORROWINGS

	2023 Ushs million	2022 Ushs million
Long term facilities – Facilities A and B	-	92,025
Long term facilities – Facilities C and D	-	86,700
Less: Deferred transaction costs	-	(2,094)
	-	**176,631**
Less: Current portion - amount due within one year		
Facilities A and B	-	(90,935)
Facilities C and D	-	(85,696)
Amounts due within one year	**-**	**(176,631)**
Amounts due in more than one year	**-**	**-**

a) Long term facilities

	2023 Ushs million			2022 Ushs million		
	Facility A	**Facility B**	**Total**	**Facility A**	**Facility B**	**Total**
At 1 January	44,475	47,550	92,025	85,063	90,727	175,790
Interest charge for the year	2,712	2,902	5,614	5,040	5,380	10,420
Translation differences	302	328	630	4,345	4,632	8,977
Less: Principal repayment	(44,788)	(47,887)	(92,675)	(44,874)	(47,749)	(92,623)
Less: Interest payment	(2,701)	(2,893)	(5,594)	(5,099)	(5,440)	(10,539)
At 31 December	**-**	**-**	**-**	**44,475**	**47,550**	**92,025**
The amounts due are made up as follows:						
Principal due after one year	-	-	-	-	-	-
Principal due in one year	-	-	-	44,475	47,550	92,025
	-	**-**	**-**	**44,475**	**47,550**	**92,025**

	2023 Ushs million			2022 Ushs million		
	Facility C	**Facility D**	**Total**	**Facility C**	**Facility D**	**Total**
At 1 January	47,089	39,611	86,700	89,911	75,710	165,621
Interest charge for the year	3,175	2,671	5,846	5,332	4,489	9,821
Translation differences	74	67	141	4,589	3,865	8,454
Less: Principal repayment	(47,179)	(39,692)	(86,871)	(47,353)	(39,914)	(87,267)
Less: Interest payment	(3,159)	(2,657)	(5,816)	(5,390)	(4,539)	(9,929)
At 31 December	**-**	**-**	**-**	**47,089**	**39,611**	**86,700**
The amounts due are made up as follows:						
Principal due after one year	-	-	-	-	-	-
Principal due in one year	-	-	-	47,089	39,611	86,700
	-	**-**	**-**	**47,089**	**39,611**	**86,700**

27. BORROWINGS (CONTINUED)

b) Deferred transaction costs

Long term facilities	2023 Ushs million			2022 Ushs million		
	Facility A	**Facility B**	**Total**	**Facility A**	**Facility B**	**Total**
At 1 January	454	636	1,090	717	1,033	1,750
Management, security and agency fees	-	-	-	66	66	132
Amortisation for the year	(455)	(638)	(1,093)	(362)	(510)	(872)
Translation differences	1	2	3	33	47	80
At December	**-**	**-**	**-**	**454**	**636**	**1,090**

	2023 Ushs million			2022 Ushs million		
	Facility C	**Facility D**	**Total**	**Facility C**	**Facility D**	**Total**
At 1 January	677	327	1,004	1,778	1,278	3,056
Management, security and agency fees	-	-	-	-	-	-
Amortisation for the year	(679)	(328)	(1,007)	(1,179)	(1,005)	(2,184)
Translation differences	2	1	3	78	54	132
At December	**-**	**-**	**-**	**677**	**327**	**1,004**

Term and revolving credit facility agreement

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

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

27. BORROWINGS (CONTINUED)

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

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

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

If Umeme procured the renewal of the Concession in accordance with the amended and restated borrowing agreement by the Concession Renewal Longstop Date (31 December 2020), Umeme needed to 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 needed to 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 were applicable after the reporting period.

- 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 included Umeme acknowledging that it may not declare, make or pay any dividend, charge, fee or other distribution unless it had:
    - Demonstrated that the Capex Funding Ratio was equal to, or is greater than, 2.0:1, that was, USD 140 million;
    - The Debt Service Accrual Account (DSAA), into which semi-annual interest expense and amortised principal repayment had to be deposited before the next interest payment date, was funded in accordance with the Facilities Agreement prior to declaration of dividends.
    - Satisfied other relevant provision of the Facilities Agreement.

The Capex Funding Ratio as of 2021 and 2022 was 2.12:1.

27. BORROWINGS (CONTINUED)

Term and revolving credit facility agreement (Continued)

Facilities A, B, C and D bore interest at LIBOR (applicable screen rate) plus a margin of 5% 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 was not 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 communicated that transition was not applicable as the facility would 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 was expected to arise from this.

The following were the applicable annual interest rates:

	2023	2022
Long term facilities		
Facility A	10.40%	6.62%
Facility B	10.40%	6.62%
Facility C	10.40%	6.62%
Facility D - Standard Chartered Bank	10.40%	6.62%
Facility D - Stanbic Bank	10.40%	6.62%

The revolving credit facilities other than those denominated in Ushs attract interest at US Federal Funds Target Rate Midpoint plus 3.5% per annum while the interest rates for those denominated in Ushs is the Uganda Government 182 days treasury bill rate plus 5.2% per annum.

Revolving credit facilities		
Ushs	15.84%	15.38%
USD	10.17%	10.07%

The term and revolving credit facilities were secured against a first ranking fixed charge on all the Company's rights, title and interest under the intangible assets from time to time and all related rights; and all contracts of insurance in respect of the Mandatory Insurances in which the Company had 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:

	2023 USD'000			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	727	778	1,505	1,364	1,456	2,820
Principal repayments	(11,960)	(12,787)	(24,747)	(12,006)	(12,775)	(24,781)
Interest repayments	(727)	(778)	(1,505)	(1,364)	(1,456)	(2,820)
At December	**-**	**-**	**-**	**11,960**	**12,787**	**24,747**

	2023 USD'000			2022 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
Drawdown	-	-	-	-	-	-
Interest accrued	851	716	1,567	1,443	1,215	2,658
Principal repayments	(12,663)	(10,652)	(23,315)	(12,669)	(10,679)	(23,348)
Interest repayments	(851)	(716)	(1,567)	(1,443)	(1,215)	(2,658)
At December	**-**	**-**	**-**	**12,663**	**10,652**	**23,315**

As at year-end, the Company was compliant with the five ratios and covenants specified in the facilities agreement as disclosed in note 43.

27. BORROWINGS (CONTINUED)

Other permitted financial indebtedness – Stanbic Bank Uganda Limited
The Company held overdraft facilities with Stanbic Bank Uganda Limited of USD 20 million as per the provisions in the facilities agreement on permitted financial indebtedness.

The Stanbic Bank Uganda Limited facility attracts interest at the GOU 182 Treasury Bill rate plus a margin of 3.5% per annum for amounts drawn in Ushs or the 3 months US Federal Funds Target Rate Midpoint plus a margin of 3.5% for amounts drawn down in USD. The applicable interest rate for the Stanbic Bank Uganda Limited Ushs facilities was 15.38% (2022: 13.18%) and for the USD facilities was 8.478% (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.

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

	Term loans Ushs million	Short term facilities Ushs million	Deferred transaction costs Ushs million	Total Ushs million
At 1 January 2023	**178,725**	**-**	**(2,094)**	**176,631**
Changes from financing cash flows				
Principal repayments	(179,546)	-	-	(179,546)
Total changes from financing cash flows	**(179,546)**			**(179,546)**
Changes from operating cash flows				
Interest repayments	(11,410)			(11,410)
Transaction costs paid	-	-	-	-
Total changes from operating cash flows	**(11,410)**		**-**	**(11,410)**
Other changes				
Interest charge	11,460			11,460
Amortisation of deferred transaction costs		-	2,100	2,100
Translation differences	771	-	(6)	765
Total other changes	**12,231**		**2,094**	**14,325**
At 31 December 2023	**-**	**-**	**-**	**-**
At 1 January 2022	**341,411**		**(4,806)**	**336,605**
Changes from financing cash flows				
Principal repayments	(179,890)	-	-	(179,890)
Total changes from financing cash flows	**(179,890)**			**(179,890)**
Changes from operating cash flows				
Interest payments	(20,468)			(20,468)
Transaction costs paid	-	-	(132)	(132)
Total changes from operating cash flows	**(20,468)**		**(132)**	**(20,600)**
Other changes				
Interest charge	20,241			20,241
Amortisation of deferred transaction costs		-	3,056	3,056
Translation differences	17,431	-	(212)	17,219
Total other changes	**37,672**		**2,844**	**40,516**
At 31 December 2022	**178,725**	**-**	**(2,094)**	**176,631**

27. BORROWINGS (CONTINUED)

Cash flow impact of borrowings (continued)

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

	2023 Ushs million	2022 Ushs million
Revolving credit facilities		
Standard Chartered Bank Uganda Limited	-	34,137
Stanbic Bank Uganda Limited	-	5,166
Total approved undrawn facilities	**-**	**39,303**

28. CONCESSION FINANCIAL OBLIGATION

	2023 Ushs million	2022 Ushs million
At January	340,121	322,734
Financing expense for the year	1,227	1,977
Translation differences	6,291	15,410
At 31 December	**347,639**	**340,121**
Maturity analysis of the concession obligation:		
Outstanding obligation	347,639	340,121
Less: Due within one year	347,639	
Non-current portion of the obligation	**-**	**340,121**
The concession obligation is due as analysed below:		
Within one year	347,639	-
Between one and two years	-	340,121
Between two and three years	-	-
	347,639	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 485 billion at the current year-end foreign exchange rate) using a discounting rate of 8.911%. Interest is accrued annually to determine the amortised cost amount of the concession obligation as at year-end. The corresponding amount is recognised as a financial asset as disclosed in Note 19.

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

29. LONG TERM INCENTIVE PLAN LIABILITY

This relates to the provision for the All Staff Award Scheme and Long Term Incentive Plan 4 which were implemented in 2022.

	2023 Ushs million	2022 Ushs million
At 1 January	-	-
Provision for the year	11,285	-
Payment	-	-
Translation differences	171	-
At 31 December	**11,456**	**-**

Umeme desires to retain and incentivise its workforce to deliver the Company's objectives of safety, customer service, increased access and financial performance. The directors believe that an important route to achieving these goals is to have employees who are incentivised to stay in the Company's employ and have a shared interest in the medium-term performance of the Company, which is impacted by achievement of these objectives. Consequently, the directors approved Schemes in 2022 under which employees will be eligible to receive a cash award on the Vesting Date of 28 February 2025, as described below:

All Staff Award Scheme: This Scheme provides employees with an opportunity to receive an award if they remain in good standing employ of the Company up to 28 February 2025. Participating employees will be eligible to receive a cash award of USD 3000 (upon which PAYE tax may be payable by the employee) at the end of the Vesting Period, providing they still meet the eligibility criteria. There is no shareholding requirement for participation in this Scheme.

Long Term Incentive Plan: This Plan was offered to eligible employees in the middle and senior management grades, including Executive Directors. Participants have the opportunity of receiving an Award based on the performance of the Company over the Performance Period from 1 January 2022 to 31 December 2024. The size of the Award will be determined by the EBITDA performance of the Company measured in USD terms, above the Base Performance Level (USD 300 million) over the Performance Period.
The size of the Award may be enhanced by the holding by the employee of shares in the Company throughout the Vesting Period. The higher the amount that such employees have invested in the Company's shares, the higher will be the ultimate cash award that they receive (subject to a grade-specific maximum value of qualifying shares and provided that they meet the other criteria for the cash award). Employees who chose to buy and hold shares that, in aggregate, exceed the maximum value of qualifying shares for their grade will only receive cash awards computed with reference to the maximum number of qualifying shares.
To qualify to receive the full cash award the employee must be the registered owner throughout the Vesting Period of the specified number of Qualifying Shares. After the Vesting Date, the employee will receive the cash award (upon which PAYE tax may be payable by the employee), provided that the employee has fulfilled the eligibility criteria, and the Company has achieved its financial performance target in terms of EBITDA over the three years ending 31 December 2022, 31 December 2023, and 31 December 2024 compared to the Base Performance Level for that period. The cash award is not dependent on the share price during the Vesting Period and at the Vesting Date.
The above provision represents the estimated cost of the cash awards under the schemes for the year discounted to its present value at a weighted average discounting rate of 18%. The number of participating staff and qualifying shares were as indicated below:

	All Staff Award Scheme	Long Term Incentive Plan	
	Number of staff	Number of shares	Number of staff
At 1 January 2022	0	-	0
New participants in the scheme	1,555	13,028,340	101
Leavers	(61)	0	0
At 31 December 2022	1,494	13,028,340	101
Leavers	120	0	0
At 31 December 2023	1,374	13,028,340	101

30. CUSTOMER SECURITY DEPOSITS

	2023 Ushs million	2022 Ushs million
At 1 January	11	7
Amount received during the year	-	3
Amount refunded during the year	-	-
Translation differences	-	1
At 31 December	**11**	**11**

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

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

	2023 Ushs million	2022 Ushs million
Domestic customers	0.1	0.1
Commercial customers - ordinary	0.2	0.2
Commercial customers - commercial time of use	0.5	0.5
Industrial customers - ordinary	1	1
Industrial customers-heavy	2	2

ERA issued guidelines that require the Company to ring-fence the cash held in respect of customer security deposits from any other funds of the Company. The Company is required to invest the deposits in government securities or approved assets with similar risk profile. The Company shall pay to the customer an interest rate equivalent to the annualised rate on a 360-treasury bill as published by Bank of Uganda. The guidelines were effective from 1 January 2011. The Company accrued for the estimated interest payable on the security deposits for the year. There was no interest paid in relation to interest on customer security deposits during the year. (2022: Nil).

31. CONTRACT LIABILITIES

	Note	31 December 2023 Ushs million	31 December 2022 Ushs million	1 January 2022 Ushs million
Deferred revenue on prepaid sales	(a)	10,089	4,641	11,279
Deferred construction income	(b)	10,396	10,762	3,741
Deferred capital fund – Growth factor revenue	(c)	11,244	29,329	-
Deferred capital fund – Non-network assets	(d)	4,022	692	1,771
Deferred capital fund – Skills development	(e)	155	152	146
Deferred capital fund – Customer rebates and meter testing	(f)	6,374	10,546	10,066
Advance payments by energy customers	(g)	41,887	34,736	27,085
ADB Funding	(h)	-	930	2,563
UDB Funding	(i)	1,996	-	-
		86,163	**91,788**	**56,651**

(a) Deferred revenue on pre-paid sales

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

As at 31 December 2023, GoU-TOU units valued at Ushs 5,465 million (2022: Ushs 491 million) had not been consumed while it was estimated that 7.3% of the pre-paid electricity tokens purchased by domestic customers in December 2023 had not been consumed (2022: 7.6%).

	2023				2022		
	GoU - TOU	Domestic customers	Total		GoU - TOU	Domestic customers	Total
	Ushs million	Ushs million	Ushs million		Ushs million	Ushs million	Ushs million
At 1 January	491	4,150	4,641		7,042	4,237	11,279
Payments received	38,744	627,067	78,250		44,930	548,443	593,373
Amortised to revenue	(33,609)	(626,572)	(72,620)		(51,039)	(548,531)	(599,570)
Translation differences	(161)	(21)	(182)		(442)	1	(441)
At 31 December	**5,465**	**4,624**	**10,089**		**491**	**4,150**	**4,641**

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

(b) Deferred construction income	2023 Ushs million	2022 Ushs million
At 1 January	10,762	3,741
Amount received	67,878	60,363
Amount utilized (Note 6)	(68,622)	(52,790)
Foreign exchange loss/(gains)	378	(552)
Unutilized customer contributions at 31 December	**10,396**	**10,762**

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

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

31. CONTRACT LIABILITIES (CONTINUED)

(c) Deferred capital fund – Growth factor revenue	2023 Ushs million	2022 Ushs million
At 1 January	29,329	-
Amount collected during the year (Note 6)	10,796	-
Amount utilised to offset revenue shortfall during the period/year	-	30,000
Amount utilised	(29,007)	-
Translation difference	126	(671)
At 31 December	**11,244**	**29,329**

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

(d) Deferred capital fund: Non-network assets	2023 Ushs million	2022 Ushs million
At 1 January	692	1,771
Amount collected during the year (Note 6)	10,916	7,131
Regulatory claw-back	-	-
Reversal of utilised amounts	-	-
Amount utilised for purchasing non-network assets	(7,648)	(8,288)
Translation differences	62	78
At 31 December	**4,022**	**692**
The amount utilised was spent as follows:		
Furniture, fittings, tools and office equipment	51	424
Computers, communication equipment and Management Information System	795	2,660
Motor vehicles	6,802	5,204
	7,648	**8,288**

As indicated in note 6(b), the balance as at 31 December 2023 relates to the amount billed to and collected from customers for funding non-network assets but not yet utilized.

(e) Skills development

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

	2023 Ushs million	2022 Ushs million
At 1 January	152	146
Translation differences	3	6
At 31 December	**155**	**152**

31. CONTRACT LIABILITIES (CONTINUED)

(f) Customer rebates and meter testing

This relates to the amounts collected from customers for use under the industrial rebates policy and meter testing but not yet utilised.

	2023			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
Amount collected	-	-	-	-	-	-
Amount utilised	(4,391)	-	(4,391)	-	-	-
Translation differences	216	3	219	470	10	480
At 31 December	**6,162**	**212**	**6,374**	**10,337**	**209**	**10,546**

(g) Advance payments by energy customers

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

	2023 Ushs million	2022 Ushs million
At 1 January	34,736	27,085
Amount received	75,986	68,500
Amortised to revenue	(69,268)	(60,656)
Translation difference	433	(193)
At 31 December	**41,887**	**34,736**

(h) ADB Funding

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

	2023 Ushs million	2022 Ushs million
At 1 January	930	2,563
Amount received	-	34,467
Amortised to revenue	(945)	(35,766)
Translation difference	15	(334)
At 31 December	**-**	**930**

(i) UDB Funding

This relates to subsidy funds advanced by UDB to be utilised for connection of 30,000 customers.

	2023 Ushs million	2022 Ushs million
At 1 January	-	-
Amount received	8,100	-
Amortised to revenue	(6,230)	-
Translation difference	126	-
At 31 December	**1,996**	**-**

32. ACCRUED EXPENSES AND PROVISIONS

(a) Accrued expenses

	2023 Ushs million	2022 Ushs million
At 1 January	17,165	22,645
Accrual for the year	116,972	151,601
Utilizations	(120,001)	(157,259)
Translation differences	199	178
At 31 December	**14,335**	**17,165**

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

b) Provisions

Provision for litigation	2023 Ushs million	2022 Ushs million
At 1 January	881	841
Provisions for the period	1,015	-
Translation differences	17	40
At 31 December	**1,913**	**881**

The provision relates to litigation which is in process against the company relating to disputes with various counter parties. The increase in provision relates to a claimant who is seeking for a compensation amounting to 1,015 million which is assessed to be the carrying amount of the equipment of which the company is alleged to reimburse the claimant.

33. TRADE AND OTHER PAYABLES

	2023 Ushs million	2022 Ushs million
Trade payables	610,385	476,740
Other payables	29,646	42,430
Withholding tax payable	398	469
VAT payable	23,197	12,521
	663,626	**532,160**

Trade and other payables are non-interest bearing and normally settled on 30-60 days' terms. Trade payables include Ushs 532,869 million (2022: Ushs 413,301 million) due to UETCL. The balance of Ushs 77,516 million (2022: Ushs 63,439 million) is due to contractors and other service providers.

Other payables include short term employee performance award accrual of Ushs 8,023 million (2022: Ushs 14,132 million). Ushs 12,717 million was paid during the year (2022: Ushs 15,463 million).

34. BANK OVERDRAFTS

	Notes	2023 Ushs million	2022 Ushs million
Standard Chartered Bank (SCB)	(a)	-	40,061
Stanbic Bank Uganda Limited (SBU)	(a)	91,192	87,800
Total amount drawn down		**91,192**	**127,861**
Less: Deferred transaction costs	(b)	-	-
		91,192	**127,861**

(a) The movement in the bank overdraft facilities was as follows:

	SCB Ushs million	SBU Ushs million	Total Ushs million
At 1 January 2023	**40,061**	**87,800**	**127,861**
Proceeds received	28,690	63,858	92,548
Interest accrued	3,642	7,555	11,197
Repayments – principal	(68,839)	(61,446)	(130,285)
Repayments – interest	(3,642)	(7,555)	(11,197)
Translation differences	88	980	1,068
At 31 December 2023	**-**	**91,192**	**91,192**
At 1 January 2022	**45,690**	**49,424**	**95,114**
Proceeds received	34,708	96,510	131,218
Interest accrued	1,325	1,223	2,548
Repayments - principal	(42,496)	(61,379)	(103,875)
Repayments - interest	(1,325)	(1,223)	(2,548)
Translation differences	2,159	3,245	5,404
At 31 December 2022	**40,061**	**87,800**	**127,861**

As at 31 December 2023, the total amount drawn down in USD was USD 24 million (2022: USD 34 million) from Standard Chartered Bank Limited and Stanbic Bank Uganda Limited. The drawdowns were under the revolving credit facilities and permitted indebtedness as disclosed in Note 27.

35. CASH AND CASH EQUIVALENTS

	2023 Ushs million	2022 Ushs million
Bank balances (Note 23)	42,818	46,098
Bank overdrafts (Note 34)	(91,192)	(127,861)
Bank balances not available for use (Note 30)	(11)	(11)
	(48,385)	**(81,774)**

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

36. FINANCIAL INSTRUMENTS

The Company's financial instruments are categorised as follows:

Financial assets

	2023 Ushs million	2022 Ushs million
Debt instruments at amortised cost		
Other financial asset (Buy out amount)	1,074,678	1,008,916
Concession financial asset	-	340,121
Non-current	**1,074,678**	**1,349,037**
Trade receivables	267,286	222,270
Concession financial asset	347,639	340,121
Other receivables[1]	8,397	24,220
MEMD - Peri Urban Development project	2,049	2,012
REA – ECP	29,934	29,727
Trade and other receivables	**655,305**	**618,350**
Bank balances	42,818	46,098
Current	**698,123**	**664,448**
Total financial assets	**1,772,801**	**2,013,485**

Financial liabilities

	2023 Ushs million	2022 Ushs million
Financial liabilities at amortised cost		
Borrowings	-	176,631
Concession obligation	347,639	340,121
Customer security deposits	11	11
Accrued expenses	14,335	17,165
Trade and other payables[2]	632,007	505,051
Bank overdrafts	91,192	127,861
	1,085,184	**1,166,840**
Current	1,085,184	826,719
Non-current	-	340,121
	1,085,184	**1,166,840**

[1]Other receivable amount considered as financial asset relate to the receivable from UDB customers.
[2]Other payable amount considered as financial liability relate to payable to UDB and goods and services received but not yet invoiced.

37. LETTERS OF CREDIT

As at 31 December 2023, 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. There are no balances deposited as cash cover under the letters of credit facilities as at 31 December 2023 (2022: Nil). The amounts deposited with the bank act as collateral for the active letters of credit to facilitate the purchase and importation of partially delivered goods.

As at 31 December 2023, the Company also had letters of credit with the bank amounting to Ushs 7,277 million (2022: Ushs 1,826 million) with no cash cover. These are covered by insurance and the goods under importation.

38. RELATED PARTY DISCLOSURES

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

The following transactions were done with the shareholder:

	2023 Ushs million	2022 Ushs million
Sale of electricity – NSSF	1,716	1,628
Social security contributions to NSSF	14,446	13,421
Dividend payment to shareholders	24,276	20,500

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

	2023 Ushs million	2022 Ushs million
Social security contributions payable – NSSF	1,082	983
Dividends approved but not yet paid	-	-

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

Directors' interests

Some directors held, directly, an interest in the Company's ordinary issued share capital as indicated in the table below. The total shareholding information is provided in Note 24(e).

Director	Number of shares 2023	% of shareholding 2023	Number of shares 2022	% of shareholding 2022
Selestino Babungi	4,565,000	0.28%	4,565,000	0.28%
Riccardo Ridolfi	1,971,474	0.12%	962,784	0.06%
Florence N Nsubuga	1,260,000	0.08%	1,260,000	0.08%
Gerald Ssendaula	586,800	0.04%	586,800	0.04%
Patrick Bitature	468,589	0.03%	2,011,100	0.12%

Compensation for key management personnel

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

	2023 Ushs million	2022 Ushs million
Directors' emoluments and expenses	2,910	2,838
Contributions to NSSF	861	899
Short term employee benefits	7,596	7,114
Short term employee performance award	3,270	4,239
	14,637	**15,090**

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

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

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

	2023		2022	
	Ushs million	**USD '000**	**Ushs million**	**USD '000**
Operating profit before amortisation, impairment of intangible assets, interest and tax[1]	484,328	130,821	398,900	111,204
Foreign exchange losses	(1,108)	(1,294)	(14,108)	(6,835)
EBITDA	**483,220**	**129,527**	**384,792**	**104,369**

40. 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 3.0 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 2.1 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 2019. The Company disputes and has objected to the interest and penalties on the following basis:
Although the under provision of the lifeline surcharge revenue resulted in a restatement of the Company's 2016 financial statements as the Company was deemed entitled to the income for financial reporting purposes, the income relating to this under provision was not taxable in 2016 as at this time, the under recovery was not known to both the Company and ERA. The income became taxable when ERA actually included the amounts in the 2019 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."*

In 2023, Parliament amended the Tax Procedures Code Act 2014 by introducing Section 40D which provided for waiver of interest and penalty on payment of principal tax by 31st December 2023. The Company qualified for this waiver having previously paid the undisputed principal. The Company awaits confirmation from URA that is currently updating tax ledger positions.

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[1] As presented in the statement of profit or loss.

40. 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 Company and URA consented the matter before the Tax appeals tribunal. The resultant impact of the consent of Ushs 3.21 billion has been accounted for in the financial statements.

41. COMMITMENTS

Minimum investment requirements

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

Concession fees commitments

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

	2023		2022	
	Minimum payments	PV of minimum payments	Minimum payments	PV of minimum payments
	Ushs million		Ushs million	
Within one year	348,044	347,639	-	-
After one year but not more than five years	-	-	341,742	340,121
After five years	-	-	-	-
Less: Amounts representing finance charges	(405)	-	(1,621)	-
Present value (PV) of minimum concession fees payments	**347,639**	**347,639**	**340,121**	**340,121**

42. CONCESSION ARRANGEMENT

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

Lease and Assignment Agreement (LAA)

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

a) The Company received “possession of the assets under the concession but not ownership” and thus assumed the exclusive right to use, maintain and retire the Distribution Network assets and related systems and retransfer the assets back to UEDCL after 20 years, plus a 30-day transition period, on 30 March 2025, unless the contract is terminated before that date. Umeme is required to make monthly rental payments into an “Escrow Account” for the assets under concession, assigned interest and other rights equivalent to: debt service for loans of UEDCL; actual depreciation and interest expenses related to the portion of the assets under concession assets acquired on or after 1 January 2002; a maximum return on equity of 10% on the assets carrying amount effective January 2009; and administration fees. Umeme will always receive the rental payments made to UEDCL regardless of the performance of the Distribution Network assets that were taken over from UEDCL and therefore the Company does not assume any demand risk. Umeme has, in terms of the rental payments, an unconditional right to receive cash as indicated in Note 19. The right to receive cash is accounted for by the Company as a financial asset.

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

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

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

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

Support Agreement

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

42. CONCESSION ARRANGEMENT (CONTINUED)

Power Sales Agreement (PSA)

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

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

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

Licence for Supply and Distribution of Electricity

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

Escrow Agreement

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

43. RISK MANAGEMENT

Regulatory and environmental risks

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

Financial risks

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

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

43. RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risk

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2023 and 2022. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and proportion of financial instruments in foreign currencies are all constant at the reference dates. The analyses exclude the impact of movements in market variables on non-financial instruments like statutory liabilities and assets, provisions and prepayments.

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

- The sensitivity of the profit or loss is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2023 and 2022.

<u>Interest rate risk</u>

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

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

No hedging instruments were in place in respect to Facilities C and D as of year-end (2022: None). The Company is assessing the viability of entering into appropriate hedging arrangements.

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

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Interest rate risk (Continued)

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

At 31 December 2023	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Financial assets						
Other financial asset (Buy out amount)	-	-	838,375	-	236,303	1,074,678
Concession financial asset	-	347,639	-	-	-	347,639
Trade and other receivables	-	-	-	-	275,683	275,683
Bank balances	42,818	-	-	-	-	42,818
	42,818	**347,639**	**838,375**	**-**	**511,986**	**1,740,818**
Financial liabilities						
Borrowings	-	-	-	-	-	-
Concession obligation	-	347,639	-	-	-	347,639
Customer security deposit	-	11	-	-	-	11
Accrued expenses	-	-	-	-	14,335	14,335
Trade and other payables	-	-	-	-	632,007	632,007
Bank overdrafts	91,192	-	-	-	-	91,192
	91,192	**347,650**	**-**	**-**	**646,342**	**1,085,184**
Net exposure	**(48,374)**	**(11)**	**838,375**	**-**		

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Interest rate risk (Continued)

At 31 December 2022	Up to 1 month	1 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Financial assets						
Buy out amount	-	-	788,228	-	220,688	1,008,916
Concession financial asset	-	-	340,121	-	-	340,121
Trade and other receivables	-	-	-	-	277,239	277,239
Bank balances	46,098	-	-	-	-	46,098
	46,098	**-**	**1,128,349**	**-**	**497,927**	**1,672,374**
Financial liabilities						
Borrowings	-	176,631	-	-	-	176,631
Concession obligation	-	-	340,121	-	-	340,121
Customer security deposits	-	11	-	-	-	11
Accrued expenses	-	-	-	-	17,165	17,165
Trade and other payables	-	-	-	-	505,051	505,051
Bank overdrafts	127,861	-	-	-	-	127,861
	127,861	**176,642**	**340,121**	**-**	**522,216**	**1,166,840**
Net exposure	**(81,763)**	**(176,642)**	**788,228**	**-**		

The interest rate risk exposure arising, assuming an increase/decrease in interest rates by 3%, is a decrease/increase in profit before tax and equity of Ushs 23,700 million (2022: Ushs 15,895 million) and Ushs 16,590 million (2022: Ushs 11,127 million), respectively.

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Market risk **(continued)**

Foreign exchange risk

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

The table below summarises the Company's potential exposure to foreign currency exchange rate risk as at 31 December 2023 and 31 December 2022. The table includes only financial instruments. The Company is not exposed to foreign currency risk on amounts denominated in USD as this is the Company's functional currency. The amounts denominated in USD are indicated in the table below for information. All amounts presented are in Ushs million.

At 31 December 2023	**USD**	**GBP**	**EURO**	**KES**	**Ushs**	**Total**
Financial assets						
Buy out amount	1,074,678	-	-	-	-	1,074,678
Concession financial asset	347,639	-	-	-	-	347,639
Trade and other receivables	29,904	-	-	-	245,779	275,683
Bank balances	699	-	-	-	42,119	42,818
Total financial assets	**1,452,920**	**-**	**-**	**-**	**287,898**	**1,740,818**
Financial liabilities						
Borrowings	-	-	-	-	-	-
Concession obligation	347,639	-	-	-	-	347,639
Customer security deposits	-	-	-	-	11	11
Accrued expenses	-	-	-	-	14,335	14,335
Trade and other payables	101,469	573	485	1	529,479	632,007
Bank overdrafts	50,752	-	-	-	40,440	91,192
Total financial liabilities	**499,860**	**573**	**485**	**1**	**584,265**	**1,085,184**
Net open position	**953,060**	**(573)**	**(485)**	**(1)**	**(264,476)**	

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Foreign exchange risk (Continued)

	USD	GBP	EURO	KES	Ushs	Total
At 31 December 2022						
Financial assets						
Buy out amount	1,008,916	-	-	-	-	1,008,916
Concession financial asset	340,121	-	-	-	-	340,121
Trade and other receivables	28,799	-	-	-	248,440	277,239
Bank balances	25,566	-	-	-	20,532	46,098
Total financial assets	**1,403,402**	**-**	**-**	**-**	**268,972**	**1,672,374**
Financial liabilities						
Borrowings	176,631	-	-	-	-	176,631
Concession obligation	340,121	-	-	-	-	340,121
Customer security deposits	-	-	-	-	11	11
Accrued expenses	-	-	-	-	17,165	17,165
Trade and other payables	44,738	225	632	2	459,454	505,051
Bank overdrafts	56,955	-	-	-	70,906	127,861
Total financial liabilities	**618,445**	**225**	**632**	**2**	**547,536**	**1,166,840**
Net open position	**784,957**	**(225)**	**(632)**	**(2)**	**(278,564)**	

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

***Market risk* (continued)**

Foreign exchange risk (Continued)

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

	Change in USD to Ushs rate	Effect on profit before tax	Effect on equity
		Ushs million	Ushs million
2023	+5%	13,224	9,257
	-5%	(13,224)	(9,257)
2022	+5%	13,928	9,750
	-5%	(13,928)	(9,750)

The applicable USD to Ushs exchange rates were as follows:

	2023	2022
Closing foreign exchange rate	3,787	3,719
Average foreign exchange rate	3,731	3,695

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

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

Credit risk

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

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

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

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Unpaid amounts due from GoU bodies are recoverable through contractual rights in the concession agreements. 99.6% (2022: 97.9%) of the domestic customers are connected to pre-paid metering and there is a target uncollected debt provision in the tariff methodology to mitigate against unrecoverable receivables. The maximum exposure to credit risk and credit concentration as represented by the carrying amount of each class of financial assets before considering collateral or other credit enhancements held by the Company was as indicated below:

	2023		2022	
	Ushs million	**%**	**Ushs million**	**%**
Buy out amount	1,074,678	60.62%	1,008,916	60.33%
Concession financial asset	347,639	19.61%	340,121	20.34%
Trade receivables	267,286	15.08%	222,270	13.29%
Other receivables	8,397	0.47%	24,220	1.45%
MEMD - Peri Urban Development project	2,049	0.12%	1,950	0.12%
REA – ECP	29,934	1.69%	28,799	1.72%
Bank balances	42,818	2.42%	46,098	2.76%
Total financial assets	**1,772,801**	**100.0%**	**1,672,374**	**100.0%**

The concentration of credit risk is further analysed as follows:

	2023		2022	
	Ushs million	**%**	**Ushs million**	**%**
Due from GoU bodies				
Buy out amount	1,074,678	60.62 %	1,008,916	60.33%
Concession financial asset	347,639	19.61 %	340,121	20.34%
MEMD	1,987	0.11%	1,950	0.12%
REA	29,904	1.69%	28,799	1.72%
Trade receivables - GoU bodies	85,089	4.80%	50,137	3.00%
	1,539,297	86.83 %	**1,429,923**	**85.4%**
Recoverable from other customers				
Trade receivables - other customers	182,197	10.28 %	172,133	10.29%
Other receivables	8,397	0.45%	24,220	1.45%
	190,594	10.73 %	**196,353**	**11.74%**
Due from banks				
Bank balances	42,818	2.42%	46,098	2.76%
	42,818	**2.42%**	**46,098**	**2.76%**
Total financial assets	**1,772,709**	**100.0%**	**1,672,374**	**100.0%**

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

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

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

The expected credit losses for the other financial assets are generally determined using expected credit loss rates derived from the prevailing credit ratings of the counter parties. The determination of expected credit losses reflects the probability-weighted outcome, time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and expected future economic conditions. No other financial assets were considered to be in default (2022: None).

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

	2023			
	Gross receivable Ushs million	**Loss rates**	**ECL Ushs million**	**Carrying amount Ushs million**
Trade receivables				
Domestic	17,056	0.01%	(2)	17,055
Commercial	29,220	0.05%	(15)	29,204
Industrial – High Voltage	61,262	0.00%	-	61,262
Industrial – Low Voltage	35,957	0.00%	-	35,957
Industrial – EV	38,464	0.00%	-	38,464
Street lightening	255	0.00%	-	255
Government of Uganda	85,089	0.00%	-	85,089
Impaired receivables	9,565	100.0%	(9,565)	-
	276,868		**(9,582)**	**267,286**
Other financial assets				
REA - ECP receivables	29,934	0.10%	(30)	29,904
MEMD – Peri-Urban development project	2,049	3.03%	(62)	1,987
Other receivables	8,411	0.17%	(14)	8,397
Bank balances	42,818	0.00%	-	42,818
Concession financial asset	347,639	0.00%	-	347,639
Buy out amount	1,075,034	0.033%	(356)	1,074,678
	1,505,885		**(462)**	**1,505,423**
Total financial assets	**1,782,753**		**(10,044)**	**1,772,709**

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

	2022			
	Gross receivable Ushs million	**Loss rates**	**ECL Ushs million**	**Carrying amount Ushs million**
Trade receivables				
Domestic	19,689	6.7%	(1,325)	18,364
Commercial	29,706	0.5%	(149)	29,557
Industrial – High Voltage	53,891	0.6%	(323)	53,568
Industrial – Low Voltage	35,875	0.0%	-	35,875
Industrial – EV	35,235	2.2%	(775)	34,460
Street lightening	309	0.0%	-	309
Government of Uganda	50,137	0.0%	-	50,137
Impaired receivables	32,353	100%	(32,353)	-
	257,195		**(34,925)**	**222,270**
Other financial assets				
REA - ECP receivables	29,727	3.12%	(928)	28,799
REA - OBA receivables	-	0.00%	-	-
MEMD – Peri-Urban development project	2,012	3.08%	(62)	1,950
Other receivables	24,234	0.06%	(14)	24,220
Bank balances	46,098	0.00%	-	46,098
Concession financial asset	340,121	0.00%	-	340,121
Buy out amount	1,009,272	0.035%	(356)	1,008,916
	1,451,464		**(1,360)**	**1,450,104**
Total financial assets	**1,708,659**		**(36,285)**	**1,672,374**

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

Liquidity risk

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

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

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

43. RISK MANAGEMENT (CONTINUED)

Financial risks (Continued)

Liquidity risk (Continued)

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

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

Financial liabilities	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total
At 31 December 2023					
Borrowings	-	-	-	-	-
Concession obligation	-	-	347,639	-	347,639
Customer security deposits	11	-	-	-	11
Accrued expenses	-	14,335	-	-	14,335
Trade and other payables	454,384	177,623	-	-	632,007
Bank overdrafts	91,192	-	-	-	91,192
	545,587	**191,958**	**347,639**	**-**	**1,085,184**
At 31 December 2022					
Borrowings	-	-	176,631	-	176,631
Concession obligation	-	-		340,121	340,121
Customer security deposits	11	-	-	-	11
Accrued expenses	-	17,165	-	-	17,165
Trade and other payables	367,283	137,768	-	-	505,051
Bank overdrafts	127,861	-	-	-	127,861
	495,155	**154,933**	**176,631**	**340,121**	**1,166,840**

100% of the Company's financial liabilities will mature in less than one year after 31 December 2023(2022: 71%) based on the undiscounted cash flows above.

Fair value measurement

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

	2023		**2022**	
	Carrying amount Ushs million	**Fair value Ushs million**	**Carrying amount Ushs million**	**Fair value Ushs million**
Other financial asset (buy out amount)	1,074,678	1,226,736	1,008,916	1,251,376
Concession financial asset	347,639	348,044	340,121	341,324
Concession obligation	347,639	348,044	340,121	341,324

43. RISK MANAGEMENT (CONTINUED)

Fair value measurement (Continued)

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

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

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

Item	Inputs	Inputs applied		Sensitivity of input to fair value		
		2023	2022	Change in input	2023	2022
					Ushs million	
Other financial asset	USD equivalent market yield on GOU treasury bonds with similar term	10.05%	10.20%	+-0.1%	1,344	2,287
Concession financial asset	Market interest rate for term loans with similar term	8.96%	8.13%	+-0.1%	1	5
Concession obligation		8.96%	8.13%	+-0.1%	1	5

44. CAPITAL MANAGEMENT

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

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

	Note	2023 Ushs million	2022 Ushs million
Borrowings	27	-	176,631
Add: Net cash and Cash equivalents	35	48,385	81,774
Net debt		**48,385**	**258,405**
Issued capital	24 (c)	27,748	27,748
Share premium	25	70,292	70,292
Retained earnings		609,430	701,711
Translation reserve		229,912	210,297
Total capital		**937,382**	**1,010,048**
Net debt plus capital		**985,767**	**1,268,453**
Gearing ratio		**4.9%**	**20.4%**

44. CAPITAL MANAGEMENT (CONTINUED)

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

Financial covenant	Covenant requirement	Actual	
		2023	2022
Interest cover	≥ 2.5 : 1	11.75	9.07
Adjusted leverage	≤ 3.0 : 1	0.10	0.67
Relevant financial indebtedness to equity	≤ 2.5 : 1	0.08	0.30
Debt service cover	≥ 1.15 : 1	1.85	1.22
Buy out amount to relevant facility amount	≥ 1.1 : 1	1.32	1.29

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

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

45. GEO-POLITICAL UNCERTAINITIES

The directors of the company have assessed that the ongoing global conflicts 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 shifts on the sector tariffs are harmonized by the 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.

46. SEGMENT INFORMATION

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

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

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

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

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

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

46. SEGMENT INFORMATION (CONTINUED)

Customer segment	Description	Based on usage			Fixed monthly charge	
		Usage	Ushs/kWh		Ushs	
			2023	2022	2023	2022
Domestic consumers	Low voltage supply at 240 volts to residential houses, small shops and kiosks	Lifeline charge applicable for the first 15 units consumed in a month	250	250	3,360	3,360
		Energy units between 16 – 80 (Ush/kWh)	808.9	747.5		
		Energy units between 81 – 150 (Ush/kWh)	412.0	412.0		
		Energy Units above 150 (Ush/kWh)	808.9	747.5		
Commercial	Low voltage supply to three phase low voltage with load not exceeding 100 Amperes and supplied at 415 volts e.g., small scale industries like maize mills	Peak, shoulder and off peak	624.6	597.2	3,360	3,360
Medium industrial	Low voltage supply to medium scale industries, taking power at low voltage (415 V), with maximum demand of up to 500kVA	Peak, shoulder and off peak	472.3	472.9	22,400	22,400
Large industrial	High voltage supply to large scale industrial users, taking power at high voltage (11,000 or 33,000 V), with maximum demand exceeding 500kVA but up to 1,500kVA	Peak, shoulder and off peak Additional maximum demand charge	386.3	355.0	70,000	70,000
Extra-large industrial consumers	High voltage 11,000V or 33,000V, with maximum demand exceeding 1,500kVA and dealing in manufacturing	Peak, shoulder and off peak Additional maximum demand charge	326.6	300.2	70,000	70,000
Street lighting	Supply for street lighting in cities, municipalities, towns, trading centres and community centres	Average	370	370	-	-

47. EVENTS AFTER THE REPORTING PERIOD

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

CONCESSION ASSETS: UMEME FUNDED ASSETS

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

	Substations, low voltage lines & services Ushs million	Land & buildings Ushs million	Furniture & fittings, tools & office equipment Ushs million	Computers, communication equipment & MIS Ushs million	Motor vehicles Ushs million	Capital work-in-progress (CWIP) Ushs million	Total Ushs million
At 1 January 2022	**1,340,962**	**17,281**	**32,058**	**67,639**	**18,181**	**48,020**	**1,524,141**
Additions	-	-	-	-	-	110,656	110,656
Transfer from CWIP	97,315	2,511	3,431	1,620	1,304	(106,181)	-
Disposals	(81)	-	(673)	-	(34)	-	(788)
Transfer to financial asset	149,365	-	-	-	-	-	149,365
Translation difference	66,506	841	1,547	3,240	880	1,354	74,368
At 31 December 2022	**1,654,067**	**20,633**	**36,363**	**72,499**	**20,331**	**53,849**	**1,857,742**
Additions						136,213	136,213
Transfer from CWIP	104,991	-	5,431	8,291	216	(118,929)	-
Disposals	(11,199)	-	(657)	-	-	-	(11,856)
Transfer from financial asset	(30,058)						(30,058)
Translation difference	36,060	380	743	1,463	377	(3,332)	35,691
At 31 December 2023	**1,753,861**	**21,013**	**41,880**	**82,253**	**20,924**	**67,801**	**1,987,732**
Depreciation							
At 1 January 2022	**780,460**	**7,303**	**25,213**	**54,696**	**16,459**	**-**	**884,131**
Charge for the year	149,038	825	3,733	5,699	534	-	159,829
Disposals	(31)	-	(580)	-	(34)	-	(645)
Translation difference	38,163	352	1,221	2,650	792		43,178
At 31 December 2022	**967,630**	**8,480**	**29,587**	**63,045**	**17,751**	**-**	**1,086,493**
Charge for the year	421,411	949	4,018	5,455	899	-	432,732
Disposals	(2,088)	-	(501)	-	-	-	(2,589)
Translation difference	24,182	172	598	1,250	338		26,540
At 31 December 2023	**1,411,135**	**9,601**	**33,702**	**69,750**	**18,988**	**-**	**1,543,176**
Net carrying amount							
At 31 December 2023	**342,726**	**11,412**	**8,178**	**12,503**	**1,936**	**67,801**	**444,556**
At 31 December 2022	**686,437**	**12,153**	**6,776**	**9,454**	**2,580**	**53,849**	**771,249**

MEMORANDUM FINANCIAL INFORMATION IN USD FOR THE YEAR ENDED 31 DECEMBER 2023

BASIS OF TRANSLATION

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

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

	2023	**2022**	**2021**
Average foreign exchange rate	3731	3,695	3,561
Year-end foreign exchange rate	3787	3,719	3,549
Source: Bank of Uganda			

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 USD '000	2022 USD '000
Revenue from contracts with customers	588,736	511,002
Cost of sales	(388,577)	(339,529)
GROSS PROFIT	**200,159**	**171,473**
Repair and maintenance expenses	(13,750)	(9,245)
Administration expenses	(56,454)	(57,727)
Foreign exchange gains/(losses)	1,294	6,835
Increase in expected credit losses	(428)	(132)
PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX	**130,821**	**111,204**
Amortisation of intangible assets	(118,511)	(43,327)
OPERATING PROFIT	**12,310**	**67,877**
Finance income	4,814	5,807
Finance costs	(12,004)	(12,284)
PROFIT BEFORE TAX	**5,120**	**61,400**
Income tax expense	(1,049)	(18,039)
PROFIT FOR THE YEAR	**4,071**	**43,361**
Other comprehensive income		
Translation differences	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,071**	**43,361**

	2023 USD	2022 USD
BASIC AND DILUTED EARNINGS PER SHARE	**0.003**	**0.025**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	2023 USD '000	2022 USD '000
ASSETS		
Non-current assets		
Intangible assets	117,546	207,602
Other financial asset	283,765	271,314
Concession financial asset	-	91,464
	401,311	**570,380**
Current assets		
Concession financial asset	91,793	-
Inventories	19,353	17,791
Contract assets	11,269	11,351
Trade and other receivables	81,214	75,120
Prepayments	3,533	4,363
Bank balances	11,306	12,397
	218,468	**121,022**
TOTAL ASSETS	**619,779**	**691,402**
EQUITY AND LIABILITIES		
Equity		
Issued capital	8,217	8,217
Share premium	20,815	20,815
Retained earnings	218,479	242,586
	247,511	**271,618**
Non-current liabilities		
Borrowings: Non-current portion	-	-
Concession obligation	-	91,464
Deferred tax liability	45,868	64,393
Long term incentive plan	3,025	-
	48,893	**155,857**
Current liabilities		
Borrowings: Current portion	-	47,499
Concession obligation	91,793	-
Customer security deposits	3	3
Contract liabilities	22,751	24,683
Current income tax payable	5,231	9,399
Accrued expenses	3,785	4,616
Provisions	505	143,106
Trade and other payables	175,228	237
Bank overdrafts	24,079	34,384
	323,375	**263,927**
TOTAL EQUITY AND LIABILITIES	**619,779**	**691,402**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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 year			43,361	43,361
Other comprehensive income, net of tax				
Total comprehensive income for the year, net of tax			43,361	43,361
Dividend paid – 2021 final dividend			(23,385)	(23,385)
At 31 December 2022	**8,217**	**20,815**	**242,586**	**271,618**
At 1 January 2023	**8,217**	**20,815**	**242,586**	**271,618**
Profit for the year			4,071	4,071
Other comprehensive income, net of tax				
Total comprehensive income for the year, net of tax			4,071	4,071
Dividend paid - 2022 final dividend			(28,178)	(28,178)
At 31 December 2023	**8,217**	**20,815**	**218,479**	**247,511**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 USD '000	2022 USD '000
Profit before tax	5,120	61,400
Adjustment for non-cash items:		
Gain on disposal of assets	(4)	-
Amortisation of intangible assets	116,027	43,288
Impairment of intangible assets	2,484	39
Interest income on bank deposits	(90)	(118)
Finance income on other financial asset	(4,395)	(5,154)
Finance income on concession financial asset	(329)	(535)
Finance cost on concession obligation	329	535
Other financing costs	8,040	5,452
Expected credit losses on trade and other receivables	428	132
Provision for obsolete stock	(1,145)	1,093
Interest expense on long and short term borrowings	3,072	5,478
Amortisation of deferred transaction costs	563	827
Income tax penalty	(1,298)	1,298
Increase in provisions	268	-
Cash flows before working capital changes	**129,070**	**113,735**
Changes in working capital items:		
(Increase)/decrease in inventories	(417)	9,376
Decrease/(increase) in contract assets	82	(488)
Increase in trade and other receivables	(6,522)	(8,078)
Decrease/(increase) in prepayments	831	(393)
(Decrease)/Increase in contract liabilities	(1,932)	8,722
Increase in Long term Incentive Plan	3,025	
Decrease in accrued expenses	(831)	(1,764)
Increase/(decrease) in trade and other payables	32,122	(9,775)
Cash generated from operating activities	**155,428**	**111,335**
Interest received from banks	90	118
Current income tax paid	(21,447)	(5,353)
Long- and short-term borrowings interest paid	(3,072)	(5,478)
Other financing costs paid	(8,040)	(5,452)
Borrowings transaction costs paid	-	(36)
Net cash flows from operating activities	**122,959**	**95,134**
Investing activities		
Investment in the distribution network	(36,512)	(29,947)
Proceeds from disposal of intangible assets	4	-
Net cash flows used in investing activities	**(36,508)**	**(29,947)**
Financing activities		
Dividend paid	(28,178)	(23,385)
Repayment of principal for long-term borrowing facilities	(48,062)	(48,129)
Net cash flows used in financing activities	**(76,240)**	**(71,514)**
Net increase/(decrease) in cash and cash equivalents	**10,211**	**(6,327)**
Cash and cash equivalents at 1 January	(21,990)	(12,646)
Translation differences	(997)	(3,017)
Cash and cash equivalents at 31 December	**(12,776)**	**(21,990)**