



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

**FOR THE SIX MONTHS PERIOD ENDED  
30 JUNE 2018**

**Umeme Limited**  
**Condensed Interim Financial Statements (Unaudited)**  
**For the six-month period ended 30 June 2018**

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**Umeme Limited**  
**Statement of directors' responsibilities**  
**For the six-month period ended 30 June 2018**

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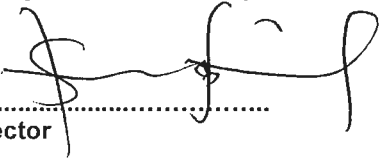
The Uganda Securities Exchange Rules, 2003 require the directors to prepare interim financial statements for the first six months of a financial year, which show the state of the financial affairs of Umeme Limited ("the Company") as at the end of the six-month period and of its operating results for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

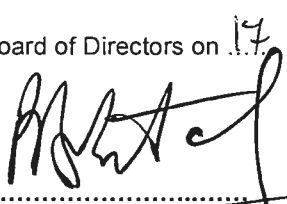
The directors are ultimately responsible for the internal control system of the Company. The directors delegate responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and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

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

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. In addition, 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 next twelve months from the date of this statement.

The interim financial statements were approved by the Board of Directors on 17 August 2018 and signed on its behalf by:

  
.....  
Director

  
.....  
Director

Date: 17 August 2018 .



**KPMG**  
**Certified Public Accountants**  
3rd Floor, Rwenzori Courts  
Plot 2 & 4A, Nakasero Road  
P O Box 3509  
Kampala, Uganda  
Reg No. AF0026

Telephone +256 414 340315/6  
Fax +256 414 340318  
Email info@kpmg.co.ug  
Website www.kpmg.com/eastafrica

## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF UMEME LIMITED FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

### INTRODUCTION

We have reviewed the accompanying condensed statement of financial position of Umeme Limited ("the Company") as at 30 June 2018, the condensed statements of profit or loss, condensed comprehensive income, condensed changes in equity and condensed cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed interim financial information"), which include a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 40. The directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

### EMPHASIS OF MATTER

We draw attention to Note 25 to the financial statements which states that the Company has sought court interpretation on whether Umeme is entitled to claim depreciation allowance and initial allowance under sections 27 and 28 respectively of the Income Tax Act for the assets that came to use after the concession date. The note gives details of the case and explains that the directors have disclosed a contingent liability as the ultimate outcome of the case cannot presently be determined. Our conclusion is not modified in respect of this matter.

**KPMG**  
Certified Public Accountants  
P.O. Box 3509  
Kampala, Uganda

Date: 20 August 2018

**Umeme Limited**  
**Condensed Statement of Profit or Loss**  
**For the six-month period ended 30 June 2018**

	Note	Unaudited 6 months ended 30 June 2018 Ushs million	Unaudited 6 months ended 30 June 2017 Ushs million
Revenue from customers with contracts	3	735,834	704,421
Cost of sales	4	<u>(474,359)</u>	<u>(486,444)</u>
<b>GROSS PROFIT</b>		<b>261,475</b>	<b>217,977</b>
Other operating income	5	<u>5,003</u>	<u>4,529</u>
		<b>266,478</b>	<b>222,506</b>
Repair and maintenance expenses		(21,678)	(12,250)
Administrative expenses	6	(83,914)	(81,091)
Effects of Amendment 5	7	-	(115,236)
Foreign exchange losses		<u>(2,297)</u>	<u>(1,173)</u>
<b>OPERATING PROFIT BEFORE AMORTISATION</b>		<b>158,589</b>	<b>12,756</b>
Amortisation of intangible assets		<u>(46,848)</u>	<u>(41,828)</u>
<b>OPERATING PROFIT/(LOSS)</b>		<b>111,741</b>	<b>(29,072)</b>
Finance income	8	21,252	16,274
Finance costs	9	<u>(45,652)</u>	<u>(43,854)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>87,341</b>	<b>(56,652)</b>
Income tax (expense)/credit		<u>(26,296)</u>	<u>9,128</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b><u>61,045</u></b>	<b><u>(47,524)</u></b>
<b>BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE</b>	<b>10</b>	<b><u>38</u></b>	<b><u>(29)</u></b>

The notes on pages 8 to 40 form an integral part of these financial statements

**Umeme Limited**  
**Condensed Statement of Comprehensive Income**  
**For the six-month period ended 30 June 2018**

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	Unaudited 6 months ended 30 June 2018 Ushs million	Unaudited 6 months ended 30 June 2017 Ushs million
<b>Profit/(Loss) for the period</b>	<b>61,045</b>	<b>(47,524)</b>
<b>Other comprehensive income/(loss)</b>		
Foreign currency translation differences	<u>42,673</u>	<u>(35,540)</u>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b><u>103,718</u></b>	<b><u>(83,064)</u></b>

The notes on pages 8 to 40 form an integral part of these financial statements.

**Umeme Limited**  
**Condensed Statement of Financial Position**  
**As at 30 June 2018**

		Unaudited	Audited
	Note	30 June 2018 Ushs million	31 December 2017 Ushs million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	1,064,801	1,023,798
Other financial asset	12	634,174	499,770
Concession arrangement : financial asset	13	437,792	394,985
		<u>2,136,767</u>	<u>1,918,553</u>
<b>Current assets</b>			
Inventories		70,135	58,490
Amount recoverable from customer capital contributions	14	3,776	12,461
Tax recoverable		-	8,123
Trade and other receivables	15	303,540	329,762
Bank balances	16	15,025	22,044
		<u>392,476</u>	<u>430,880</u>
<b>TOTAL ASSETS</b>		<u><b>2,529,243</b></u>	<u><b>2,349,433</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		27,748	27,748
Share premium		70,292	70,292
Retained earnings		415,272	369,658
Transiation reserve		192,644	149,971
		<u>705,956</u>	<u>617,669</u>
<b>Non-current liabilities</b>			
Borrowings	17	425,802	460,960
Concession obligation	18	437,792	394,985
Deferred income tax liability		172,160	160,859
Long term incentive plan		-	-
		<u>1,035,754</u>	<u>1,016,804</u>
<b>Current liabilities</b>			
Borrowings: Current portion	17	194,459	198,656
Customer security deposits		372	615
Deferred income		64,101	37,768
Provisions		36,408	32,986
Trade and other payables		413,482	401,266
Current income tax payable		7,898	-
Short term borrowing	19	70,813	43,669
		<u>787,533</u>	<u>714,960</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,529,243</b></u>	<u><b>2,349,433</b></u>

These financial statements were approved by the Board of Directors on 17 August 2018 and signed on its behalf by:

Director

Director

The notes on pages 8 to 40 form an integral part of these financial statements.

**Umeme Limited**  
**Condensed Statement of Changes in Equity**  
**For the six-month period ended 30 June 2018**

	<b>Issued capital Ushs million</b>	<b>Share premium Ushs million</b>	<b>Translation reserve Ushs million</b>	<b>Retained earnings Ushs million</b>	<b>Total Equity Ushs million</b>
At 1 January 2017	27,748	70,292	179,405	314,607	592,052
Loss for the period	-	-	-	(47,524)	(47,524)
Other comprehensive loss, net of tax	-	-	(35,540)	-	(35,540)
Dividend declared	-	-	-	(12,745)	(12,745)
<b>At 30 June 2017 - unaudited</b>	<b>27,748</b>	<b>70,292</b>	<b>143,865</b>	<b>254,338</b>	<b>496,243</b>
<b>At 1 January 2018</b>	<b>27,748</b>	<b>70,292</b>	<b>149,971</b>	<b>369,658</b>	<b>617,669</b>
Adjustment on initial application of IFRS 9 (net of tax) – note 2(f)	-	-	-	(3,161)	(3,161)
Adjusted balance at 1 January 2018	27,748	70,292	149,971	366,497	614,508
Profit for the period	-	-	-	61,045	61,045
Other comprehensive income, net of tax	-	-	42,673	-	42,673
Dividend declared	-	-	-	(12,270)	(12,270)
<b>At 30 June 2018 - unaudited</b>	<b>27,748</b>	<b>70,292</b>	<b>192,644</b>	<b>415,272</b>	<b>705,956</b>

The notes on pages 8 to 40 form an integral part of these financial statements.



**Umeme Limited**  
**Condensed Statement of Cashflows**  
**For the six-month period ended 30 June 2018**

	Note	Unaudited 6 months ended 30 June 2018 Ushs million	Unaudited 6 months ended 30 June 2017 Ushs million
Profit before tax		87,341	(56,652)
<b>Adjustment for:</b>			
Interest received from banks		(228)	(265)
Finance income on concession financial asset	13	(15,765)	(14,217)
Amortisation of intangible assets		46,848	45,312
Interest expense on borrowings	17	23,987	22,836
Amortisation of deferred transaction costs	17	2,617	2,613
Finance cost on concession obligation	18	15,765	14,217
Adjustment on initial application of IFRS 9 (net of tax)		(3,161)	-
Financing income from other financial asset	12	(5,259)	(1,792)
IFRS 9 impairment on other financial asset	12	318	-
Dividends declared		(12,270)	(12,745)
Unrealised foreign exchange losses gains on translation		(4,660)	460
		<b>135,533</b>	<b>(233)</b>
Inventories		(11,645)	(6,202)
Amounts recoverable from customer capital contributions		8,685	(1,015)
Trade and other receivables		26,222	107,863
Provision for deferred bonus scheme		-	(2,867)
Deferred income		26,333	7,243
Provisions		3,422	-
Trade and other payables		12,216	15,391
<b>Cash generated from operating activities</b>		<b>200,766</b>	<b>120,180</b>
Interest received from banks		228	265
Current income tax paid		(11,000)	(3,735)
Interest paid on borrowings	17	(22,979)	(22,699)
Commitment fees on borrowings	17	(1,460)	(2,246)
<b>Net cash flows from operating activities</b>		<b>165,555</b>	<b>91,765</b>
<b>Investing activities</b>			
Purchase of intangible assets	11	(113,297)	(99,125)
<b>Net cash flows used in investing activities</b>		<b>(113,297)</b>	<b>(99,125)</b>
<b>Financing activities</b>			
Repayment of borrowings	17	(140,928)	(62,008)
Net proceeds from borrowings	17	54,750	71,920
<b>Net cash flows (used in)/ from financing activities</b>		<b>(86,178)</b>	<b>9,912</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(33,920)</b>	<b>2,552</b>
Cash and cash equivalents at 1 January		(22,240)	(24,955)
<b>Cash and cash equivalents at 30 June</b>	21	<b>(56,160)</b>	<b>(22,403)</b>

The notes on pages 8 to 40 form an integral part of these financial statements.

**Umeme Limited**  
**Notes to the condensed interim financial statements**  
**For the six-month period ended 30 June 2018**

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**1. COMPANY INFORMATION AND GOING CONCERN**

**1.1 Company information**

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

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

The condensed interim financial statements of the Company for the six-months ended 30 June 2018 were authorized for issue in accordance with a resolution of the directors on ... 17 August 2018.

**1.2 Going concern**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017 and the notes to these condensed interim financial statements that include explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Company since 31 December 2017. The explanatory notes disclose the events and transactions that update the relevant information presented in the 2017 annual financial statements including:

- The nature and amount of items affecting the Company's financial position, performance and cash flows that are unusual because of their nature, size or incidence.
- The nature and amount of changes in estimates of amounts reported in prior periods.
- Issues and repayments of debt and equity securities.
- Dividends paid for ordinary shares.

Balances disclosed relating to the year ended 31 December 2017 are audited while balances relating to both 30 June 2018 and 30 June 2017 are unaudited.

**b) Use of judgements and estimates**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note f.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **c) Basis of preparation (continued)**

#### **Measurement of fair values.**

The Company has an established control framework with respect to the measurement of fair values. This includes a finance team with competency in valuation that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's Board Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data
- (Unobservable inputs).

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

### **d) Changes in accounting policies and methods of computation**

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2017 except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The changes in accounting policies are also expected to be reflected in the Company's annual financial statements as at and for the year ending 31 December 2018.

#### **Functional currency.**

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

#### **Presentation currency.**

The Company's financial statements are presented in Uganda shillings after translating the Company's functional currency.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Segment information**

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

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

**f) New standards, interpretations and amendments adopted by the Company**

The Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Company.

**i) IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has adopted IFRS 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of the Standard has not had an impact on the financial statements of the Company.

**ii) IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings

		<i>Impact of adopting IFRS 9 on opening balance</i>
<b>Retained Earnings</b>	<b>Note</b>	<b>Ushs 'million</b>
Impact net of tax of recognition of expected credit losses under IFRS 9	ii	(3,161)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) New standards, interpretations and amendments adopted by the Company (continued)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

**i) Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities (see (iii) below). The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value Through Other Comprehensive Income) – debt investment; FVOCI – equity investment; or FVTPL (Fair Value Through Profit and Loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets that are not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) New standards, interpretations and amendments adopted by the Company (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b> Ushs million	<b>New carrying amount under IFRS 9</b> Ushs million
<b>Financial assets</b>				
Trade receivables note 15	Loans and receivables	Amortised cost	187,070	182,870
Buyout Amount	Loans and receivables	Amortised cost	499,770	499,520
lifeline Surcharge Receivable	Loans and receivables	Amortised cost	103,710	103,658
VAT Claimable	Loans and receivables	Amortised cost	3,060	3,058
Letters of credit	Loans and receivables	Amortised cost	4	4
Amount recoverable from customer capital contributions	Loans and receivables	Amortised cost	12,461	12,455
Cash and cash equivalents	Loans and receivables	Amortised cost	22,044	22,044
OBA receivable	Loans and receivables	Amortised cost	11,481	11,476
<b>Total financial assets</b>			<b>839,600</b>	<b>835,085</b>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) New standards, interpretations and amendments adopted by the Company (continued)**

**i) Classification and measurement of financial assets and financial liabilities (continued)**

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of Ushs 4.515 million in the allowance for impairment of these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

**ii) Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents and receivables from Government.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Receivables from Government entities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to apply the simplified approach and record lifetime expected losses on all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) New standards, interpretations and amendments adopted by the Company (continued)

ii) Impairment of financial assets (continued)

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Presentation of impairment**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Energy debtors are presented net of IFRS 9 impairment as disclosed in note 15 while IFRS 9 impairment on other financial assets is recorded under provisions. As at 30 June 2018, impairment on other financial assets other than energy debtors amounted to Ushs 315 million (31 December 2017: Ushs 220 million)

**Impact of the new impairment model**

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	Ushs million
Loss allowance at 31 December 2017 under IAS 39	16,020
<i>Additional impairment recognised at 1 January 2018 on:</i>	
Trade receivables	4,200
Buyout Amount	250
Lifeline Surcharge Receivable	52
OBA receivable	2
Letters of credit	7
Amount recoverable from customer capital contributions	6
Cash and cash equivalents	-
VAT Claimable	50
	<u>20,535</u>

The following analysis provides further detail about the calculation of ECLs related to trade receivables on the adoption of IFRS 9. The additional impairment as at 1 January 2018 of Ushs 4,515 million is recorded net of tax at Ushs 3,161 million on initial application of IFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The ECLs were calculated based on actual credit loss experience over the past five years. The Company performed the calculation of ECL rates separately for customer categories.

The Company used the simplified approach to determine the expected credit losses ie a provision matrix, because; The customer base consists of a large number of small clients, the receivables have common risk characteristics and the trade receivables do not have a significant financing component.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors were mainly based on GDP and inflation forecasts.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) New standards, interpretations and amendments adopted by the Company (continued)**

**ii) Impairment of financial assets (continued)**

The following table provides information about the Provision matrix the company uses to estimate ECLs for trade receivables

<b>Ageing</b>	<b>Weighted average loss rate</b>	<b>Credit Impaired</b>
0-90 days	4.3%	No
90-120 days	25%	No
120-150 days	50%	No
151-180 days	75%	No
Over 180 days	100%	Yes

The methodology described above has been used at the interim reporting date.

**iii) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below.

- The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

**g) Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted them in preparing these interim financial statements. The Company has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Company's financial statements

**IFRS 16 Leases**

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. IFRS 16 introduces a single, on-balance sheet lease accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements and is yet to complete its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g) Standards issued but not yet effective (continued)**

**IFRS 16 Leases (continued)**

In relation to the concession service arrangement, the concession payments and assets do not currently meet the requirements to be accounted for in terms of IAS 17, there would therefore be no impact to the concession arrangement by IFRS 16.

No significant impact is expected for the Company's other leases as they are low value and short term lease arrangements.

**i. Determining whether an arrangement contains a lease**

On transition to IFRS 16, the Company can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases under IAS 17 and IFRIC 4.

**ii. Transition**

As a lessee, the Company can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Company plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

The Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company's revenue streams are those described in the latest annual financial statements. Revenue is derived from contracts with customers.

The Company's primary geographical market is Uganda. Revenue from sale of electricity including lifeline surcharge revenue are recognised at a point in time when control of the asset is transferred to the customer. Generally on delivery of units or consumption of electricity by the customer.

Variable consideration for Umeme are stated but through changing prices over the contract term through quarterly price increases/decreases by ERA and pricing by time of day ie peak, shoulder and offpeak. The pricing by day reflect that value of electricity that the customer gets. In line with the IFRS 15 practical expedient, the company has assessed that the price adjustments are not variable considerations but reflects the value of providing future electricity units

Capital contribution received from the customers by Umeme from which construction revenue is derived are within the scope of IFRIC 12 and therefore scoped out of IFRS 15

In the following table, revenue is disaggregated by tariff code of billing.

		<b>Unaudited 30 June 2018 Ushs million</b>	<b>Unaudited 30 June 2017 Ushs million</b>
<b>Revenue by customer category</b>			
Domestic		207,069	189,595
Commercial		26,389	24,461
Medium industrial		2,310	1,918
Street lighting		357	550
Commercial – time of use		89,588	80,360
Medium industrial –time of use		147,506	137,486
Large industrial – time of use		153,643	139,573
Extra Large industrial – time of use		141,433	122,703
<b>Total amount billed to customers</b>		<b>768,295</b>	<b>696,646</b>
<b>Tariff adjustments</b>			
Recovery of growth factor revenues	3(a)	(15,199)	-
Recovery of income for funding non-network assets	3(b)	(4,655)	(3,199)
Surcharge revenue adjustments ( Lifeline revenue)	3(c)	17,000	-
Recovery of surcharge revenue ( Lifeline revenue)	3(d)	(35,971)	-
Recovery of industrial tariff rebates and meter testing revenues	3(e)	(5,291)	-
		<b>724,179</b>	<b>693,447</b>
<b>Construction revenue.</b>			
Construction revenue-construction of assets		11,655	10,974
		<b>735,834</b>	<b>704,421</b>

The company has initially adopted IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen comparative information is not restated.

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

**3(a)** Modification Number Five to Umeme's Electricity Supply Licence No.048 requires that the Growth factor (Hvey) revenues for year-on-year total energy purchases be deployed towards investments into the Distribution Network as approved by ERA and to be used to leverage grant or other counterpart financing that will be applied to investments in the Distribution Network. The Company is not entitled to a Return on Investment on the specific projects implemented using the reconciliation amounts in line with similar terms for projects funded using concessionary financing, but will earn a one-off management fee. An amount of Ushs 15,199 million (June 2017: nil) has been estimated as excess revenues earned by the Company through growth and as such in line with Amendment 5, this amount has been ring fenced for future Growth investments that will be approved by ERA.

**3(b)** In accordance with Amendment Number 4 of the Company's Electricity Supply License, ERA approved Ushs 4,655 million (June 2017: Ushs 3,199 million) to be collected from customers through the retail tariffs for purchase of non-network assets. Non-network assets are those which do not directly improve or expand the Distribution Network but are necessary for operation of the Distribution Network.

This amount was offset from the reported revenue in line with the funding mechanism.

**3(c)** Surcharge revenue adjustments relates to revenue earned during the period January to March 2018 as a result of an under provision in the tariff model in relation to the computation of surcharge on the lifeline tariff that resulted into an under recovery of Umeme revenue requirements for the respective financial years. ERA has confirmed that the amounts were earned as the Company fulfilled the performance obligation of supply of power and has therefore approved for the recovery of the amounts through collection in the subsequent tariffs.

**3(d)** As disclosed in the 2017 annual financial statements the Company earned surcharge revenue relating to the year 2016 (Ushs 46,038 million) and 2017 ( Ushs 57,672 million) as a result of an under provision in the tariff model in relation to the computation of surcharge on the lifeline tariff that resulted into an under recovery of Umeme revenue requirements for the respective financial years. ERA allowed for the recovery/collection of these amounts through the tariff effective April 2018. The adjustment of Ushs 35,971 million (June 2017: nil) relates to amounts billed and recovered during the period April 2018 to June 2018.

**3(d)** The Company provides construction services for asset additions to the Distribution Network in accordance with the concession agreements. The Company only recovers the actual costs incurred in constructing the assets. Thus, construction revenue is equal to the construction costs. The expenses that are incurred on the assets additions funded by direct cash contributions paid by customers are recognised in the Statement of Profit and Loss as construction cost of sales and the amounts paid by the customers for the service installations ('non-refundable capital contributions' or 'NRCC') are recognised as construction revenue when utilized. The costs incurred on the installations funded by the Company are offset from the related construction revenue as this reflects the substance and legal form of the transactions.

**3(b)** In a bid to facilitate industrial connections and, therefore, grow demand, ERA approved Ushs 5,166 million as industrial tariff rebates for partial offset of monthly bills of industrial consumers who finance connections that have a potential to benefit third party customers. ERA also approved Ushs 125 million to facilitate testing of meters in order to ensure compliance with the Weight and Measures (Electricity meter) rules.

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**4. COST OF SALES**

	Unaudited 30 June 2018 Ushs million	Unaudited 30 June 2017 Ushs million
Electricity purchase from UETCL	460,411	473,343
Generation levy	2,293	2,127
Construction costs-construction of assets	11,655	10,974
	<u>474,359</u>	<u>486,444</u>

**5. OTHER OPERATING INCOME**

Reconnection fees	349	341
Inspection fees	3,352	3,220
Sale of scrap and other disposals	697	13
OBA Income	317	478
Fines and sundry income	288	477
	<u>5,003</u>	<u>4,529</u>

**6. ADMINISTRATIVE EXPENSES**

Staff costs	43,004	36,627
Transport costs	5,902	5,033
Other administration costs	22,762	19,849
Consultancy fees	1,951	2,294
Telephone expenses	2,793	2,246
Debt collection expenses	1,404	693
Insurance charges	1,041	1,243
Impairment provision for bad and doubtful debts	5,057	13,106
	<u>83,914</u>	<u>81,091</u>

**7. EFFECTS OF AMENDMENT 5**

Provision for Growth factor revenues	-	65,860
Provision for Tax IN receivable	-	38,644
Provision for appeal costs receivable	-	10,732
	<u>-</u>	<u>115,236</u>

As reported in the prior period financial statements, the Company assessed that it was entitled to recover the amounts clawed back by ERA, following the implementation of Amendments Number 2 and 4, in respect to the Growth factor revenues, and that the Company had commercial mechanisms and remedies to recover the growth factor (Hvey) and Tax IN revenues accrued. On this basis, the Growth factor and Tax IN revenues were accrued in the periods when earned. Amendment Number 5 did not provide for recovery of the previously clawed back Growth factor revenues amounting to Ushs 65,860 million (USD 18.2 million) and Tax IN revenues amounting to Ushs 38,643 million (USD 10.7 million) as envisaged in the Consent Judgement.

Appeal costs relate to costs incurred by ERA and Umeme in connection with the Electricity Distribution Tribunal Appeals 3 and 9 of 2012 that were paid for by the Company as required by the terms of the Consent Judgment. Amendment Number 5 did not provide for recovery of the Appeal costs amounting to Ushs 10,732 million (USD 3 million) as envisaged in the Consent Judgement.

Due to the uncertainty arising from the timing of recovery of these revenues which had not been fully resolved, an impairment provision was recognised as at 30<sup>th</sup> June 2017.

The Company continues to engage ERA and other sector stakeholders to provide a recovery mechanism for these revenue.

8. FINANCE INCOME

	Unaudited 30 June 2018 Ushs million	Unaudited 30 June 2017 Ushs million
Interest on bank deposits	228	265
Financing income on concession financial asset	15,765	14,217
Financing income interest receivable on buyout amount	5,259	1,792
	<u>21,252</u>	<u>16,274</u>

9. FINANCE COSTS

Accrued interest on customer security deposits	283	507
Finance charge on concession obligation	15,765	14,217
Amortised borrowing costs	2,683	2,573
Interest expense on Facility A	9,205	9,235
Interest expense on Facility B	11,668	12,506
Other financing costs	6,048	4,816
	<u>45,652</u>	<u>43,854</u>

10. BASIC AND DILUTED EARNINGS PER SHARE

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

	Unaudited 30 June 2018	Unaudited 30 June 2017
<b>Profit/(loss) attributable to shareholders (Ushs million)</b>	<b>61,045</b>	<b>(47,524)</b>
Opening basic weighted average number of ordinary shares (million)	1,624	1,624
Basic and Diluted weighted average number of ordinary shares (million)	1,624	1,624
<b>Basic and Diluted earnings/(loss) per share (Ushs)</b>	<u><b>38</b></u>	<u><b>(29)</b></u>

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**11. INTANGIBLE ASSETS**

	GOU support & assurances rights	Other Concession rights	Total
	Ushs million	Ushs million	Ushs million
<b>Cost</b>			
<b>At 1 January 2017 - audited</b>	<b>3,523</b>	<b>1,662,266</b>	<b>1,665,789</b>
Additions	-	236,427	236,427
Disposals and write offs	-	(21,171)	(21,171)
Transfer to buyout amount	-	(433,690)	(433,690)
Translation differences	26	10,768	10,794
<b>At 31 December 2017 - audited</b>	<b>3,549</b>	<b>1,454,600</b>	<b>1,458,149</b>
Additions	-	113,297	113,297
Disposals and write offs	-	(3,594)	(3,594)
Transfer to buyout amount	-	(91,711)	(91,711)
Translation differences	236	97,655	97,891
<b>At 30 June 2018 - unaudited</b>	<b>3,785</b>	<b>1,570,247</b>	<b>1,574,032</b>
<b>Amortisation</b>			
<b>At 1 January 2017 - audited</b>	<b>(1,970)</b>	<b>(346,510)</b>	<b>(348,480)</b>
Charge for the year	(123)	(82,545)	(82,668)
Disposals and write offs	-	6,504	6,504
Translation differences	(31)	(9,676)	(9,707)
<b>At 31 December 2017 - audited</b>	<b>(2,124)</b>	<b>(432,227)</b>	<b>(434,351)</b>
Charge for the year	(62)	(43,984)	(44,046)
Disposals and write offs	-	792	792
Translation differences	(154)	(31,472)	(31,626)
<b>At 30 June 2018 - unaudited</b>	<b>(2,340)</b>	<b>(506,891)</b>	<b>(509,231)</b>
<b>Net carrying amount</b>			
<b>At 30 June 2018 - unaudited</b>	<b>1,445</b>	<b>1,063,356</b>	<b>1,064,801</b>
<b>At 31 December 2017 - audited</b>	<b>1,425</b>	<b>1,022,373</b>	<b>1,023,798</b>

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

**Capitalised borrowing costs**

Funding used to construct qualifying assets is financed out of borrowings. The capitalisation rate applied is the weighted average of the borrowings costs applicable to qualifying capital expenditure. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.641% (2017:7.813% ) and the amount of borrowing costs capitalised during the year ended 30 June 2018 was Ushs 2 million (2017: 9,000 million)

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**12. OTHER FINANCIAL ASSET: BUY OUT AMOUNT**

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
At 1 January	499,770	70,018
Transfer from intangible asset	91,711	433,690
Interest income	753	321
Unwinding of interest	4,506	-
Fair value loss	-	(7,985)
IFRS 9 Impairment	(318)	
Translation difference	37,752	3,726
	<u>634,174</u>	<u>499,770</u>

The financial asset represents the fair value of capital investments by the Company, which will not have been recovered through the tariff at the time of transferring the distribution network back to Uganda Electricity Distribution Limited at the end of the Concession (buy out amount). It is computed as the gross accumulated capital investments less cumulative expected capital recovery charges at the time of transfer and discounted at an internal rate of return of 18.1% and a weighted average cost of capital (WACC) of 5.23% for investments yet to be approved by ERA over the remaining period of this concession. Annual capital recovery charges are computed as the product of the gross total accumulated investments and weighted average depreciation rate.

As at 30 June 2018, the estimated weighted average depreciation rate was 9.5% (2017: 9.5%) and it is hence estimated that capital investments amounting to Ushs 91,711 million (USD 24.7 million), (2017: Ushs 433,690 million, USD 120 million) as of that date will not have been recovered through the tariff at the end of the concession. The buy-out amount shall be paid in cash with a 5% return and hence any amounts due are accounted for as a financial asset. The buy-out amount is contractually denominated in USD. The USD balances have been translated to Uganda shillings at the reporting date spot exchange rate of Ushs 3,885.

The carrying amount of the unrecovered capital investments as at 30 June 2018 were as follows:

	Unaudited		Audited	
	30 June 2018		31 December 2017	
	Ushs million	USD million	Ushs million	USD million
Umeme Gross investments (incl WIP)	2,315,171	596	2,059,359	565.5
Less: Cumulative capital recovery charges*	(570,752)	(147)	(456,757)	(132)
<b>Unrecovered investments</b>	<u>1,744,419</u>	<u>449</u>	<u>1,602,602</u>	<u>433.5</u>
Total investments in the ERA Tariff base**	1,573,728	405	1,256,628	352.1
Total investments not yet verified by ERA	741,444	191	802,731	213.4

Investments pending ERA verification are represented by:

	Unaudited		Audited	
	30 June 2018		31 December 2017	
	Ushs million	USD million	Ushs million	USD million
Completed projects under ERA verification	565,855	145.7	686,973	181.6
Works- in-progress	175,589	45.2	115,758	31.8
Investments not yet verified by ERA	<u>741,444</u>	<u>190.9</u>	<u>802,731</u>	<u>213.4</u>

\* The cumulative capital recoveries and investments approved by ERA are inclusive of allowance for impairment charge of USD 7.0 million relating to the year ended 31 December 2010. The gross investments are adjusted by this amount.

\*\* Investments in ERA tariff base normally changes as more investments are verified and approved by ERA.



**Umeme Limited**  
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**12. OTHER FINANCIAL ASSET: BUY OUT AMOUNT (CONTINUED)**

Completed investments that are yet to be approved by ERA are summarized below.

	2018	2017	2016	2015	2014	2005-2013	Total
Completed investments yet to be approved – USD million	17.2	12.8	33.9	9.1	38.8	33.9	145.7

USD 60 million relating to capital investments completed in 2017 has been allowed in the 2018 tariff base pending verification by ERA.

Whilst all investment amounts are expected to be recovered, there is an uncertainty as to the quantum of these investments that will be recovered as capital investments for the purposes of earning a return on investment or provided for as additional operational expenditure in future tariff determinations.

The table below shows a summary of Umeme's capital investments over the period 2005 to 2017.

	2005-2011	2012	2013	2014	2015	2016	2017	2018	
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
	Million	million	million	million	million	million	million	million	million
<b>In Uganda Shillings</b>									
Substations, Low Voltage Lines & Services	210,235	84,611	142,941	264,483	278,879	314,558	229,999	112,193	1,637,899
Land and Buildings	6,394	1,052	992	2,909	777	1,309	470	-	13,903
Furniture & Fittings, Tools & Office equipment	9,427	3,143	340	780	776	1,730	2,408	903	19,507
Computers, Communication & MIS	24,459	8,393	1,334	664	92	117	3,504	201	38,764
Motor vehicles	18,877	875	1,217	-	4	83	46	-	21,102
<b>Total investments</b>	<b>269,392</b>	<b>98,074</b>	<b>146,824</b>	<b>268,836</b>	<b>280,528</b>	<b>317,797</b>	<b>236,427</b>	<b>113,297</b>	<b>1,731,175</b>
<b>Represented by:</b>									
Capitalised	257,051	101,430	135,511	267,415	248,426	273,114	238,559	63,579	1,585,085
Capital work in progress	12,341	(3,356)	11,313	1,421	32,102	44,683	(2,132)	49,718	146,090
	<b>269,392</b>	<b>98,074</b>	<b>146,824</b>	<b>268,836</b>	<b>280,528</b>	<b>317,797</b>	<b>236,427</b>	<b>113,297</b>	<b>1,731,175</b>
<b>In US Dollars</b>									
Av. Foreign exchange rate–Ushs:USD	2,079	2,691	2,522	2,778	3,242	3,423	3,616	3,705	
<b>Total investment: USD million equivalent</b>	<b>130</b>	<b>36</b>	<b>58</b>	<b>97</b>	<b>87</b>	<b>93</b>	<b>65</b>	<b>31</b>	<b>597</b>

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**13. CONCESSION ARRANGEMENT FINANCIAL ASSET**

	<b>Un audited</b>	<b>Audited</b>
	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>Ushs million</b>	<b>Ushs million</b>
At 1 January	394,985	363,025
Financing income for the year	15,765	29,047
Foreign exchange gain	27,042	2,913
	<u>437,792</u>	<u>394,985</u>
<b>At 31 December</b>	<b>437,792</b>	<b>394,985</b>
Maturity analysis of the financial asset:		
Outstanding financial asset	437,792	394,985
Less: Amount recoverable within one year	-	-
	<u>437,792</u>	<u>394,985</u>
<b>Non-current portion of financial asset</b>	<b>437,792</b>	<b>394,985</b>
The financial asset is recoverable as analysed below:		
Within one year	-	-
Between one and two years	1,065	20,226
Between two and three years	3,694	9,700
Between three and four years	3,989	8,276
Between four and five years	4,308	8,938
After five years	424,736	347,845
	<u>437,792</u>	<u>394,985</u>

Under the terms of the Lease and Assignment Agreement (LAA), the Company has an unconditional right to collect cash from the users of the distribution network for concession rental payments to UEDCL as determined by Electricity Regulatory Authority (ERA) through the tariff methodology.

No concession rental payments were made to UEDCL regarding the concession obligation during the years ended 31 December 2017 and for the period ended 30 June 2018 as ERA excluded the concession rental fees from the end user tariffs for the period.

UEDCL bears the risk that the cash flows generated by the users of the Distribution Network using the tariff approved by ERA will not be sufficient to recover the concession rental amounts paid by the Company to UEDCL. The Company's cash flows relating to the rentals paid are effectively secured, which results in a financial asset as the consideration received. 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. Concession rental payments to UEDCL regarding the concession obligation are accounted for in Note 18.

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**14. AMOUNT RECOVERABLE FROM CUSTOMER CAPITAL CONTRIBUTIONS**

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
At 1 January	12,461	6,982
Additions to customer funded installations	1,629	2,600
Completed customer funded installations	(11,090)	2,788
Translation difference	776	91
<b>At the end of period</b>	<b><u>3,776</u></b>	<b><u>12,461</u></b>

**15. TRADE AND OTHER RECEIVABLES**

Trade receivables	237,611	256,214
<b>Less: Allowance for impairment</b>	<b><u>(77,139)</u></b>	<b><u>(69,144)</u></b>
<b>Net trade receivables</b>	<b><u>160,472</u></b>	<b><u>187,070</u></b>
Prepayments	22,664	12,370
Letters of credit	12,874	4
Surcharge regulatory revenue receivable	84,739	103,710
Other receivables	9,330	12,067
OBA receivable	13,461	11,481
VAT claimable	-	3,060
	<b><u>143,068</u></b>	<b><u>142,692</u></b>
<b>Trade and other receivables</b>	<b><u>303,540</u></b>	<b><u>329,762</u></b>

Surcharge regulatory revenue receivable of Ushs 84,739 million (2017: Ushs 103,710 million) as described in note 3 (c).

Other receivables comprise of staff advances and 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 the fair values.

The movement in the allowance for impairment is as shown below:

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
At 1 January	69,144	66,551
Allowance for impairment for the year	5,057	16,020
Less: Bad debts written off (see below)	-	(13,428)
IFRS 9 2017 catch-up adjustment	3,161	-
Translation difference	(223)	1
<b>At 31 December</b>	<b><u>77,139</u></b>	<b><u>69,144</u></b>

Bad debts written off are made up as follows:

UEDCL trade receivables	-	13,427
Umeme trade receivables	-	13,427
	<b><u>-</u></b>	<b><u>13,427</u></b>

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**15. 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 30 June 2018, the ageing analysis of trade receivables was as follows:

Year	Total	Neither past due nor impaired			Impaired
		<30 days	30-60 days	>60 days	
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
30 June 2018	237,611	105,998	13,976	40,498	77,139
31 December 2017	256,214	102,903	13,115	71,052	69,144

**16. BANK BALANCES**

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
Bank balances	<u>15,025</u>	<u>22,044</u>

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

**17. BORROWINGS**

	Un audited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
Amounts due to lenders: Term loan	567,122	594,584
Short term loan	60,412	72,972
Less: Deferred transactions costs	<u>(7,273)</u>	<u>(7,940)</u>
	<b>620,261</b>	<b>659,616</b>
<b>Less: Current portion - amount due within one year</b>		
Term loan	(134,047)	(125,684)
Short term loan	(60,412)	(72,972)
<b>Amounts due within one year</b>	<u>(194,459)</u>	<u>(198,656)</u>
<b>Amounts due in more than one year</b>	<u>425,802</u>	<u>460,960</u>

Umeme Limited  
Notes to the condensed interim financial statements (continued)  
For the six-month period ended 30 June 2018

17. BORROWINGS (CONTINUED)

a) Amount due to Lenders

Term Loan	Unaudited 30 June 2018 Ushs million			Audited 31 December 2017 Ushs million		
	Facility A	Facility B	Total	Facility A	Facility B	Total
<b>Movement on the account</b>						
At 1 January	262,216	332,368	594,584	303,688	411,262	714,950
Amount received during the period	-	-	-	-	-	-
Interest charge for the period	9,230	11,700	20,930	18,893	25,217	44,110
Foreign exchange losses	17,895	22,681	40,576	1,973	2,518	4,491
Less: Principal repayment	(23,322)	(43,706)	(67,028)	(43,438)	(81,405)	(124,843)
Less: Interest payment	(9,676)	(12,264)	(21,940)	(18,900)	(25,224)	(44,124)
<b>At period end</b>	<b>256,343</b>	<b>310,779</b>	<b>567,122</b>	<b>262,216</b>	<b>332,368</b>	<b>594,584</b>
The amounts due are made up as follows:						
Principal	209,704	223,372	433,076	218,485	250,414	468,899
Principal payable in one year	46,639	87,407	134,046	43,731	81,954	125,685
	<b>256,343</b>	<b>310,779</b>	<b>567,122</b>	<b>262,216</b>	<b>332,368</b>	<b>594,584</b>

Short term loan – Standard Chartered Bank

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
<b>Movement on the account</b>		
At 1 January	72,972	-
Amount received during the period	-	71,920
Interest charge for the period	915	1,027
Interest payment	(1,039)	(903)
Principal repayment	(73,900)	-
Foreign exchange loss	1,052	928
	<b>-</b>	<b>72,972</b>

Short term loan – DFCU Bank Limited

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
<b>Movement on the account</b>		
At 1 January	-	-
Amount received during the period	54,750	-
Interest charge for the period	2,142	-
Foreign exchange loss	3,520	-
	<b>60,412</b>	<b>-</b>

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**17. BORROWINGS (CONTINUED)**

**b) Deferred Transaction Costs**

Term Loan	Unaudited			Audited		
	30 June 2018			31 December 2017		
	Ushs million			Ushs million		
	Facility A	Facility B	Total	Facility A	Facility B	Total
<b>Movement on the account</b>						
At 1 January	3,151	4,789	7,940	5,219	7,294	12,513
Upfront and guarantee fees	-	-	-	-	-	-
Management, security and agency fees	-	-	-	-	-	-
Amortisation for the period	(743)	(661)	(1,404)	(2,222)	(2,624)	(4,846)
Foreign exchange losses	171	286	457	154	119	273
<b>At Period end</b>	<b>2,579</b>	<b>4,414</b>	<b>6,993</b>	<b>3,151</b>	<b>4,789</b>	<b>7,940</b>

	Unaudited	Audited
	30 June 2018	31 December 2017
	Ushs million	Ushs million
<b>Short term loan – Standard Chartered Bank</b>		
<b>Movement on the account</b>		
At 1 January	-	-
Arrangement and commitment fees	912	2,246
Amortization for the period	(912)	(2,263)
Foreign exchange losses	-	17
<b>At 31 December</b>	<b>-</b>	<b>-</b>

	Unaudited	Audited
	30 June 2018	31 December 2017
	Ushs million	Ushs million
<b>Short term loan – DFCU Bank Limited</b>		
<b>Movement on the account</b>		
At 1 January	-	-
Arrangement and commitment fees	548	-
Amortization for the period	(301)	-
Foreign exchange losses	33	-
<b>At 31 December</b>	<b>280</b>	<b>-</b>

The Company has a term and revolving credit facilities agreement worth USD 235 million with International Finance Corporation (IFC), Standard Chartered Bank and Stanbic Bank Uganda Limited as the mandated lead arrangers. USD 90 million is 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. Standard Chartered Bank is the overdraft issuer, security agent and the facility agent.

During the period, the company accessed a short term facility of Ushs 54,750 million (USD 15 million) from DFCU bank Limited as per the provisions on permitted financial indebtedness in the Term Loan facilities agreement.

As at 30 June 2018, the Company had an outstanding balance of Ushs 256,343 million (USD 67 million) (2017: Ushs 262,216 million (USD 72 million) on Facility A, Ushs 310,779 million (USD 80 million) (2017: Ushs 332,368 million (USD 91 million) on Facility B, and Ushs 60,412 million (USD 15 million) the short-term loan with DFCU Bank.

**17. BORROWINGS (CONTINUED)**

Facilities A and B both attract interest at LIBOR (applicable screen rate) + a margin of 5%.

Facility A is 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). Facility B is 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).

The Company made loan repayments of Ushs 23,322 (USD 6 million) relating to facility A , Ushs 43,706 million (USD 11.3 million) relating to facility B and Ushs 73,900 million in relation to short term loan with Standard Chartered Bank.

The short term facility with DFCU Bank attracts interest at the 182 Treasury Bill rate plus a margin of 5.5 per annum for amounts drawn in Ushs or the 6 months LIBOR plus a margin of 5%in respect of amounts drawdown in United States Dollars.

The short term loan with DFCU Bank Limited is an unsecured revolving / renewable credit facility with a maximum tenor of six months.

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

As at 30 June 2018, the company complied with all the 5 ratios and covenants as required by the loan agreements.



**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**18. CONCESSION OBLIGATION**

	Un audited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
At 1 January	394,985	363,025
Financing expense for the period	15,765	29,047
Foreign exchange loss	27,042	2,913
<b>At 31 December</b>	<b><u>437,792</u></b>	<b><u>394,985</u></b>
Maturity analysis of the concession obligation:		
Outstanding concession obligation	437,792	394,985
Less: Amount payable within one year	-	-
<b>Non-current portion of concession obligation</b>	<b><u>437,792</u></b>	<b><u>394,985</u></b>
The concession obligation is payable as analysed below:		
Within one year	-	-
Between one and two years	1,065	20,226
Between two and three years	3,694	9,700
Between three and four years	3,989	8,276
Between four and five years	4,308	8,938
After five years	424,736	347,845
	<b><u>437,792</u></b>	<b><u>394,985</u></b>

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 lease rental payments under the concession agreements at the commencement of the concession was estimated to be Ushs 219 billion (US\$ 119 million) using a discount rate of 8.911%. The present value of the concession obligation is adjusted in case of changes in the estimated repayments schedule.

**19. SHORT TERM BORROWINGS**

	Unaudited 30 June 2018 Ushs million	Audited 31 December 2017 Ushs million
Overdraft	71,262	44,157
Less: Deferred transactions costs	(449)	(488)
	<b><u>70,813</u></b>	<b><u>43,669</u></b>
<b>Deferred transaction costs</b>		
At 1 January	488	644
Management, security and agency fees	-	-
Amortisation for the period	(68)	(160)
Foreign exchange loss	29	4
	<b><u>449</u></b>	<b><u>488</u></b>



**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**19. SHORT TERM BORROWINGS (CONTINUED)**

As at 30 June 2018, the Company had drawn down Ushs 53,329 million, USD 14 million (2017: Ushs 44,157 million, USD 12 million) from Standard Chartered Bank and Stanbic Bank under the revolving credit facility as disclosed in Note 17. The revolving credit facility attracts interest based on the Treasury Bill rate plus a margin determined by the facility agent (if withdrawn in Ushs) or LIBOR plus a margin determined by the facility agent (if withdrawn in USD dollars).

The Company also drew down Ushs 17,930 million, USD 5 million (2017: nil) from DFCU Bank Limited. The facility attracts interest based on the 182 Treasury bill rate plus a margin of 5.5%.

As at 30 June 2018, the total outstanding amount drawn was in Ushs and USD. The applicable interest rates were 14.416% (Ushs), 9.8015 % ( USD) for the Standard Chartered Bank Facility, 17.017% (Ushs) for Stanbic Bank Limited facility and 14.148% for the DFCU Bank facility. Other terms and conditions are as disclosed in Note 17.

**20. DISTRIBUTIONS TO SHAREHOLDERS MADE AND PROPOSED**

	Unaudited 30 June 2018		Audited 31 December 2017	
	Dividend per share Ushs	Total Ushs million	Dividend per share Ushs	Total Ushs million
<b>Dividend paid</b>				
Interim dividend paid	-	-	-	-
Final dividend paid	7.2	12,270	7.8	12,745
	<u>7.2</u>	<u>12,270</u>	<u>7.8</u>	<u>12,745</u>
<b>Dividend proposed</b>				
Proposed interim dividend	12.7	20,622	-	-

At the Annual General Meeting held on 17 May 2018, the shareholders approved a final dividend for the year ended 31 December 2017 of Ushs 7.2 per ordinary share to be paid for the year ended 31 December 2017. The dividends were paid to the shareholders on the 6<sup>th</sup> July 2018.

**21. CASH AND CASH EQUIVALENTS**

	Unaudited 30 June 2018 Ushs million	Unaudited 30 June 2017 Ushs million
Bank balances	15,025	17,397
Short term loan facilities	(70,813)	(39,577)
Bank balances not available for use	(372)	(223)
	<u>(56,160)</u>	<u>(22,403)</u>

**22. LETTERS OF CREDIT**

As at 30 June 2018, the Company had letters of credit facilities with Standard Chartered Bank Uganda Limited. The letters of credit facilitate the purchase and importation of network equipment and related electricity distribution accessories. A total of Ushs 12,874million (USD 3.3million) had been issued under the letters of credit facilities as at 30 June 2018 (31 December 2017: Ushs4 million).

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**22. LETTERS OF CREDIT (CONTINUED)**

As at 30 June 2018, the Company also had letters of credit with Standard Chartered Bank Uganda Limited amounting to Ushs 27,353 million (December 2017: Ushs 16,010 million) with no cash cover. These are covered by the goods under importation and insurance

These Letters of credit are issued against the working capital lines of credit with Standard Chartered Bank Uganda Ltd.

**23. SHAREHOLDING**

**e) Shareholding**

Name	30 June 2018		31 December 2017	
	Number of shares	Percentage shareholding	Number of shares	Percentage shareholding
1 National Social Security Fund	376,315,085	23.2%	376,315,085	23.2%
2 Allan Gray Kimberlite Frontier Africa	160,265,433	9.9%	156,332,791	9.6%
3 Master Fund	134,821,783	8.3%	134,186,083	8.3%
4 Investec Asset management Africa	70,502,449	4.3%	71,913,402	4.4%
5 Utilico Emerging Markets Limited	69,911,788	4.3%	69,911,788	4.3%
6 The Africa Emerging Markets Fund	64,063,887	3.9%	64,063,887	3.9%
7 International Finance Corporation	45,220,900	2.8%	45,220,900	2.8%
8 Imara S P Reid (Pty) Ltd	44,644,209	2.7%	40,078,109	2.5%
9 Coronation Global Opportunities Fund	42,125,470	2.6%	42,125,470	2.6%
10 Duet Fund	39,796,024	2.5%	39,796,024	2.5%
11 Others	576,210,977	35.5%	583,934,466	36%
	<b>1,623,878,005</b>	<b>100%</b>	<b>1,623,878,005</b>	<b>100%</b>

**b) Spread of issued shares as at 30 June 2018**

Shareholding (number of shares)	Number of Shareholders	Number of shares held	Percentage shareholding
Less than 500 shares	480	93,273	0.01%
500 - 5,000 shares	2,841	5,330,928	0.33%
5,001 – 10,000 shares	622	4,923,337	0.30%
10,001 – 100,000 shares	1,096	33,341,867	2.05%
100,001 - 1,000,000 shares	434	114,828,513	7.07%
Above 1,000,000 shares	125	1,465,360,087	90.24%
	<b>5,598</b>	<b>1,623,878,005</b>	<b>100%</b>

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

**24. EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMMORTISATION (EBITDA)**

The Company uses EBITDA as part of its alternative performance measures. For this purpose, EBITDA is defined as operating profits before amortisation adjusted for foreign exchange losses/gains, finance lease income.

For the purposes of borrowing covenants computation, EBITDA is adjusted for any extra ordinary gains and losses that are not as a result of normal course of business, any non-cash items and any gains or losses from sale of assets (other than inventory sold in the ordinary course of business).

	Unaudited 30 June 2018		Unaudited 30 June 2017	
	Ushs Million	USD '000	Ushs Million	USD '000
Operating profit before amortisation	158,589	42,913	12,756	3,582
Foreign exchange losses	2,297	620	1,173	325
Effects of Amendment 5 – note 7	-	-	115,236	31,870
Other tax provision	4,196	1,091	-	-
<b>Total EBITDA</b>	<b>165,082</b>	<b>44,624</b>	<b>129,165</b>	<b>35,777</b>

**25. CONTINGENT LIABILITIES**

**(a) Tax Assessments – tax treatment of concession assets**

Uganda Revenue Authority (URA) conducted a tax audit during the period. URA noted that all investments in the Distribution Network (concession assets) accounted for under concession accounting (IFRIC 12) in the financial statements should have been treated as intangible assets on adoption of IFRIC 12 in 2008 for purposes of determining taxable income, and that the Company is not entitled to tax depreciation allowances. URA has not issued a tax assessment with respect to this matter as the company had sought Court interpretation on the same. URA, however, issued a specific assessment indicating that for the years 2013 to 2016 the Company underpaid tax as a result of utilisation of carry forward tax losses and tax credits. The assessed amount was Ushs 9.2 billion as principal tax, interest and penalties from carry forward tax losses and Ushs 4.2 billion relating to utilisation of tax credits.

The Company is in the process of objecting to this assessment, on similar grounds as those adopted in the treatment of Concession assets noted below:

- I. Based on the Income Tax Act (ITA) cap 340, URA should use specific principles of taxation for purposes of determining taxable income and not just accounting standards as the sole basis for determination of taxable income.
- II. URA has previously provided a private ruling to another concessionaire giving them the right to claim tax depreciation allowances on concession assets. The Company's tax treatment of concession assets should be consistent with other tax payers operating under concession arrangements.
- III. The concession agreement between Umeme Limited and Government of Uganda conferred to Umeme the right to claim capital allowances for investments in the modification of the distribution network.
- IV. The tax losses and tax credit that the Company utilised are directly related to Umeme's tax treatment of its capital investments and were utilised in accordance with the Income Tax Act.

The Directors believe, following consultation with the company's Tax Consultants and Legal Counsel, that the Company has a high chance of having this dispute determined in its favour. The consent judgement reached in 2015 between Umeme and URA with respect to these items did not remove the rights of either party with regards to the tax treatment of Concession assets.

**Umeme Limited**  
**Notes to the condensed interim financial statements (continued)**  
**For the six-month period ended 30 June 2018**

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Accordingly, no provision for any liability relating to these matters has been made in these financial statements.

**(b) Interest and Penalties relating to the 2016 Restatement of Revenue**

URA issued an assessment indicating the restatement of the Company's 2016 financial statements resulting from recognition of lifeline revenue led to an under payment of the corporation tax amounting to Ushs 9.48 billion and the related automatic interest and penalties of Ushs 2 billion and Ushs 1.2 billion respectively.

The Company accrued for the assessed principal tax in the 2016 restated financial statements and paid it in to URA in 2018. However, the Company is in the process of objecting to the interest and penalties based on the following;

Although the under provision of the lifeline revenue resulted in a restatement of the Company's 2016 financial statements, the income relating to this under provision was not taxable in 2016. The income became taxable when ERA acknowledged the under provision and approved recovery through the 2018 tariff. This is based on interpretation of Section 42 of the Income Tax Act (ITA) explained in detail below.

For income tax purposes, Section 42(2) of the Income Tax Act (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 Income Tax Act, an amount is receivable by a taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by instalments."

The directors therefore, in consultation with the company's Tax Consultants and Legal Counsel, believe that the Company has a high chance of having this dispute determined in its favour. Accordingly, no provision for any liability relating to these matters has been made in these financial statements

**Umeme Limited**  
**Supplementary Information**  
**For the six-month period ended 30 June 2018**

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**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017 IN US DOLLARS**

The Company's functional currency is US Dollars effective 1 January 2015; however the Company has elected to present its financial statements in Uganda Shillings. To meet the needs of certain users of the financial statements, the statement of comprehensive income, statement of financial position and statement of changes in equity have been presented in US Dollars as indicated in the accompanying memoranda.

The translation is done in accordance with the Company's accounting policy as disclosed in note 2. The rates applicable for 2017 and 2018 were as follows:

	<b>June 2018</b>	<b>June 2017</b>	<b>December 2017</b>
Average rate	3,705	3,596	3,616
Period-end rate	3,885	3,594	3,642
	<i>Source: Bank of Uganda</i>		

Umeme Limited  
Supplementary Information  
For the six-month period ended 30 June 2018

**STATEMENT OF PROFIT OR LOSS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018**

	Unaudited 6 months ended 30 June 2018 USD '000	Unaudited 6 months ended 30 June 2017 USD '000
Revenue	198,795	195,164
Cost of sales	<u>(128,199)</u>	<u>(134,771)</u>
<b>GROSS PROFIT</b>	<b>70,596</b>	<b>60,393</b>
Other operating income	<u>1,347</u>	<u>1,257</u>
	<b>71,943</b>	<b>61,650</b>
Repair and maintenance expenses	(5,857)	(3,396)
Administration expenses	(22,553)	(22,478)
Effects of Amendment 5	-	(31,869)
Foreign exchange losses	<u>(620)</u>	<u>(325)</u>
<b>OPERATING PROFIT BEFORE AMORTISATION</b>	<b>42,913</b>	<b>3,582</b>
Amortisation of intangible assets	<u>(12,806)</u>	<u>(11,595)</u>
<b>OPERATING PROFIT</b>	<b>30,107</b>	<b>(8,013)</b>
Finance income	5,683	4,511
Finance costs	<u>(12,376)</u>	<u>(12,149)</u>
<b>PROFIT BEFORE TAX</b>	<b>23,414</b>	<b>(15,651)</b>
Income tax expense	<u>(6,827)</u>	<u>2,538</u>
<b>PROFIT FOR THE YEAR</b>	<b><u>16,587</u></b>	<b><u>(13,113)</u></b>
	Unaudited 6 months ended 30 June 2018 USD	Unaudited 6 months ended 30 June 2017 USD
<b>BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE</b>	<b><u>0.01</u></b>	<b><u>(0.008)</u></b>

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**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018**

	Unaudited 6 months ended 30 June 2018 USD '000	Unaudited 6 months ended 30 June 2017 USD '000
Profit for the year	16,587	(13,113)
<b>Other comprehensive income</b>		
Foreign exchange translation differences	<u>(449)</u>	<u>(9,035)</u>
<b>Total comprehensive income for the year, net of tax</b>	<b><u>16,138</u></b>	<b><u>(22,148)</u></b>

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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Unaudited 30 June 2018 USD '000	Audited 31 December 2017 USD '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	274,098	281,079
Other Financial Asset	163,247	137,209
Concession financial asset	112,695	108,441
	<u>550,040</u>	<u>526,729</u>
<b>Current assets</b>		
Inventories	18,054	16,059
Amount recoverable from customer capital contributions	972	3,421
Tax recoverable	-	2,230
Trade and other receivables	78,136	90,534
Bank balances	3,868	6,052
	<u>101,030</u>	<u>118,296</u>
<b>TOTAL ASSETS</b>	<u><u>651,070</u></u>	<u><u>645,025</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	8,217	8,217
Share premium	20,815	20,815
Retained earnings	162,258	149,661
Reserves	(9,564)	(9,115)
	<u>181,726</u>	<u>169,578</u>
<b>Non-current liabilities</b>		
Borrowings: Non-current portion	109,609	126,554
Concession obligation	112,695	108,441
Deferred income tax liability	44,317	44,163
	<u>266,621</u>	<u>279,158</u>
<b>Current liabilities</b>		
Borrowings: Current portion	50,057	54,540
Customer security deposits	96	169
Deferred income	16,500	10,369
Provisions	9,372	9,056
Trade and other payables	106,437	110,166
Current income tax payable	2,033	-
Bank overdraft	18,228	11,989
	<u>202,723</u>	<u>196,289</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>651,070</u></u>	<u><u>645,025</u></u>



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**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018**

	Issued capital USD '000	Share premium USD '000	Translation Reserve USD '000	Retained earnings USD '000	Total equity USD'000
At 1 January 2018	8,217	20,815	-	134,721	163,753
Loss for the period	-	-	-	(13,113)	(13,113)
Other comprehensive loss, net of tax	-	-	(9,035)	-	(9,035)
Dividend declared	-	-	-	(3,544)	(3,544)
<b>At 30 June 2018 - unaudited</b>	<b>8,217</b>	<b>20,815</b>	<b>(9,035)</b>	<b>118,064</b>	<b>138,061</b>
<b>At 1 January 2018</b>	<b>8,217</b>	<b>20,815</b>	<b>(9,115)</b>	<b>149,661</b>	<b>169,578</b>
Initial application of IFRS 9 (net of tax)	-	-	-	(821)	(821)
<b>Adjusted balance at 1 January 2018</b>	<b>8,217</b>	<b>20,815</b>	<b>(9,115)</b>	<b>148,840</b>	<b>168,757</b>
(Loss)/profit for the period	-	-	-	16,587	16,587
Other comprehensive loss, net of tax	-	-	(449)	-	(449)
Dividend declared	-	-	-	(3,169)	(3,169)
<b>At 30 June 2018 - unaudited</b>	<b>8,217</b>	<b>20,815</b>	<b>(9,564)</b>	<b>162,258</b>	<b>181,726</b>

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**STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30 JUNE 2018**

Cash flows from operating activities	Unaudited 6 months ended 30 June 2018 USD '000	Unaudited 6 months ended 30 June 2017 USD '000
Profit before tax	23,414	(15,651)
<b>Adjustment for:</b>		
Interest received from banks	(62)	(74)
Finance income on concession financial asset	(4,254)	(3,939)
Amortisation of intangible assets	12,806	12,560
Interest expense on Facilities A and B	6,446	6,327
Amortisation of deferred transaction costs	708	724
Finance cost on concession obligation	4,254	3,939
Adjustment on initial application of IFRS 9 (net of tax)	(821)	-
Financing income from other financial asset	(1,367)	(498)
IFRS 9 impairment on other financial asset	82	-
Dividends declared	(3,169)	(3,544)
	<b>38,037</b>	<b>(156)</b>
<b>Changes in:</b>		
Inventories	(1,995)	(1,815)
Amounts recoverable from customer capital contributions	2,449	(294)
Trade and other receivables	12,398	29,451
Provision for deferred bonus scheme	-	(793)
Deferred income	6,131	2,027
Provisions	316	-
Trade and other payables	(3,729)	4,874
<b>Cash generated from operating activities</b>	<b>53,607</b>	<b>33,294</b>
Interest received from banks	62	74
Current income tax paid	(2,858)	(1,042)
Interest paid on borrowings	(5,929)	(6,316)
Commitment fees on borrowings	(400)	(625)
<b>Net cash flows from operating activities</b>	<b>44,482</b>	<b>25,385</b>
<b>Investing activities</b>		
Purchase of intangible assets	(30,579)	(27,463)
<b>Net cash flows used in investing activities</b>	<b>(30,579)</b>	<b>(27,463)</b>
<b>Financing activities</b>		
Repayment of borrowings	(37,253)	(17,253)
Net proceeds from borrowings	15,000	20,000
<b>Net cash flows (used in)/ from financing activities</b>	<b>(22,253)</b>	<b>2,747</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,350)</b>	<b>670</b>
Cash and cash equivalents at 1 January	(6,106)	(6,902)
<b>Cash and cash equivalents at 30 June</b>	<b>(14,456)</b>	<b>(6,233)</b>
<b>Cash and cash equivalents</b>		
Bank balances	3,868	4,840
Bank overdraft	(18,228)	11,011
Bank balances not available for use	(96)	(62)
	<b>(14,456)</b>	<b>(6,233)</b>