

# UMEME LIMITED

## AUDITED FINANCIAL STATEMENTS FOR

### THE YEAR ENDED 31 DECEMBER 2021



The Directors of Umeme Limited (“the Company”) are pleased to present the audited financial statements for the year ended 31 December 2021.

The financial results reflect our 2021 recovery strategy from the Covid-19 effects anchored on the delivery of the Concession mandate of investing in distribution grid expansion, network operation and maintenance, improving electricity distribution efficiency and reliability, customer grid connections and provision of technical and advisory services.

#### OPERATIONAL PERFORMANCE

##### Safety

The safety of our staff, contractors, and the public remain our top priority. We continued to adapt to the new ways of work, orchestrated by the Covid-19 restrictions, to ensure continuity of service to our customers and general business operations.

We note, with regret, 11 fatal accidents resulting from illegal interference with the electricity distribution network recorded during the year. There is an increase in incidents of vandalism of network infrastructure, posing significant safety risks, prolonged outages to customers and increasing the costs of network replacement. In the year, theft caused the loss of 21 km of cable, 134 km of conductor, 101 poles and 42 transformers.

Umeme continues to sensitise the public on responsible use of electricity and risks associated with network interference through a wide range of communication channels and engagements. We urge the public to refrain from interference with electricity infrastructure and remain vigilant, reporting any unsafe network conditions or emergencies to our contact or service centres for resolution.

##### Customer Connections

We connected 129,511 customers to the grid compared to 57,000 in 2020.

The increased connections were delivered through customer self-funding and the free connections program of the Government of Uganda. Of the additional customers, 1,410 were in the commercial and medium industry categories and 45 were large industries.

The customer base increased by 9% to 1.6 million of which 99% comprise domestic customers that are on prepayment metering systems.

##### Electricity Demand

Electricity sales increased by 10% to 3,507 GWh from 3,201 GWh of 2020. This increase is higher than the 6% registered during the pre-Covid years. The growth in 2021 was driven by increased industrial

demand at 11.5% from new and existing customers, 9% from medium and commercial customers, and 6.5% from domestic customers. There was increased consumption of power by existing and new customers during the year due to improved distribution system stability because of continued capital investments and improved economic environment following the lifting of restrictions.

##### Energy Losses

The energy losses for the year stagnated at mid-year levels of 18.0% compared to 17.5% in 2020 and 16.4% in 2019, the last full year before the impact and effects of Covid-19 pandemic. The Covid-19 restrictions on movements as directed by the Government impacted our ability to execute our loss reduction plan. We appreciate Government support in the drive to reduce and curb power theft. We believe stronger penalties, as proposed in the Electricity Amendment Act shall act as a deterrent against vandalism of network infrastructure and illegal electricity usage. We have rolled out a revised strategy to reduce energy losses to sustainable levels.

##### Revenue Collections

Collection of billed electricity revenues is fundamental for the sustainability of the entire electricity supply industry, growth, and overall service delivery. The cash collections enable the financing of the whole electricity system, generation, transmission, and distribution. For the year ended 31 December 2021, our revenue collection rate was 99.1%. Pre-paid sales contributed 30% of revenues. We once again appreciate our customers for continuing to pay their bills on time, that enables continued service delivery and investments in Uganda’s electricity industry.

##### Capital Investments

We delivered our annual investment programme of Ushs 122.5 billion (US\$ 34.1 million), completing projects aimed at improving supply reliability, growing demand, public safety, reduction of energy losses and improving efficiency in operations. Some of the projects implemented include: Nakasamba power station in Entebbe, conversion of 28,000 post-paid customers to the Yaka

prepaid system, line refurbishments in Fort Portal and Kisubi Kampala South, reconfiguration and supply stabilisation in Nalya, Najjera, Buwate, Namugongo and the Ntinda belt, additional transformer zones and customer new connections.

#### FINANCIAL PERFORMANCE REVIEW

The main drivers of the financial performance were capital investments in the grid that anchored growth in sales and improved efficiency in distribution operations.

**Revenues:** Revenue increased by 13.5% to Ushs 1,885 billion in 2021 compared to Ushs 1,661 billion in 2020, driven by increased electricity sales and revenues from provision of electricity distribution construction services.

**Gross profit** increased to Ushs 642,232 million from Ushs 478,989 million in 2020 on account of improved operational efficiencies and underlying distribution margins.

**Operating costs** increased by 6.3% to Ushs 239,887 million in 2021, on account of global conditions that resulted in inflationary pressures on key inputs, increased business operations in service delivery and network repair and maintenance costs.

**Finance costs** reduced by 20.3% primarily due to the reduction in interest rates and continued repayment of our term loan facilities.

**Earnings Before Interest Tax Depreciation and Amortization (EBITDA)** for the year increased to Ushs 402,345 million compared to Ushs 245,686 million; driven by the performance on gross margin and operating costs.

**Net profit:** Profit after Tax increased to Ushs 139,149 million from Ushs 43,081 million of 2020.

**The Earnings per Share (EPS):** This increased to Ushs 85.7 from Ushs 26.5 for 2020.

**Capital Position:** Outstanding interest-bearing debt reduced to Ushs 336,605 million in 2021 from Ushs 517,104 million in 2020 following debt repayments of Ushs 170,934 million during the year (2020: Ushs 110,052 million).

**Cashflow:** During the year under review, the company generated Ushs 295,193 million (2020: Ushs 277,141 million) from operating activities.

The cash generated was used to fund the 2021 capital investments program and the Company’s financing obligations.

#### PROPOSED DIVIDENDS

Subject to the approval of the shareholders, the directors recommend to members that a final dividend of Ushs 54.1 per ordinary share be paid for the year ended 31 December 2021 (2020: Ushs 12.2), subject to deduction of withholding tax where applicable, to shareholders registered in the books of the Company at close of business 24th June 2022. If approved, the outstanding dividend will be paid on or about 22 July 2022.

#### CONCLUSION

Umeme remains committed to delivering on its mandate as enshrined in the Concession agreements while delivering value to its stakeholders. There is urgency in scaling the level of investments in the electricity distribution system to unlock suppressed demand, reduce technical losses, improve efficiencies, and increase grid connections in line with the National Development Plan. The Company has continued to demonstrate its operating, technical and financial capabilities in electricity distribution operations, with other countries citing Uganda’s electricity model as beneficial to the government, communities, and other stakeholders.

The Company will continue to engage with the Government of Uganda for clarity on the future of the Concession as the current one comes to an end in 2025. We remain committed to securing an optimal arrangement for the concession which delivers value to the government, customers, and our shareholders.

We extend our appreciation to the Government of Uganda, our business partners, customers, and stakeholders for the continued support to Umeme.

Together we can achieve more.

**EXTRACT OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

STATEMENT OF PROFIT OR LOSS		
	2021 Ushs million	2020 Ushs million
Revenue from contracts with customers	1,885,018	1,660,841
Cost of sales	(1,242,786)	(1,181,852)
<b>GROSS PROFIT</b>	<b>642,232</b>	<b>478,989</b>
Repair and maintenance expenses	(50,366)	(45,744)
Administration expenses	(189,521)	(179,945)
Foreign exchange losses	(23,854)	(11,413)
Increase in expected credit losses	-	(7,614)
<b>PROFIT BEFORE AMORTISATION, IMPAIRMENT, INTEREST AND TAX</b>	<b>378,491</b>	<b>234,273</b>
Amortisation and write off of intangible assets	(164,975)	(141,275)
<b>OPERATING PROFIT</b>	<b>213,516</b>	<b>92,998</b>
Finance income	19,474	18,913
Finance costs	(39,013)	(48,950)
<b>PROFIT BEFORE TAX</b>	<b>193,977</b>	<b>62,961</b>
Income tax expense	(54,836)	(19,880)
<b>PROFIT FOR THE YEAR</b>	<b>139,141</b>	<b>43,081</b>
	<b>2021 Ushs</b>	<b>2020 Ushs</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>85.7</b>	<b>26.5</b>

STATEMENT OF COMPREHENSIVE INCOME		
	2021 Ushs million	2020 Ushs million
<b>Profit for the year</b>	<b>139,141</b>	<b>43,081</b>
<b>Other comprehensive income</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Differences on translation from functional currency to presentation currency	(29,382)	(6,264)
<b>Total comprehensive income for the year, net of tax</b>	<b>109,759</b>	<b>36,817</b>

SUMMARY STATEMENT OF CASH FLOWS		
	2021 Ushs million	2020 Ushs million
<b>Cash generated from operating activities</b>	<b>334,584</b>	<b>351,411</b>
Interest received from banks	230	484
Current income tax paid	(6,029)	(30,082)
Long and short term borrowings interest paid	(24,835)	(37,163)
Other financing costs paid	(8,717)	(6,416)
Borrowings transaction costs paid	-	(1,093)
<b>Net cash flows from operating activities</b>	<b>295,233</b>	<b>277,141</b>
<b>Investing activities</b>		
Investment in the distribution network	(122,502)	(278,744)
Proceeds from sale of intangible assets	61	-
<b>Net cash flows used in investing activities</b>	<b>(122,441)</b>	<b>(278,744)</b>
<b>Financing activities</b>		
Dividend paid	(19,811)	(67,131)
Repayment of principal for long term borrowing facilities	(170,934)	(73,402)
Repayment of principal for short term borrowing facilities	-	(36,650)
Proceeds from term borrowing facilities	-	70,690
<b>Net cash flows used in financing activities</b>	<b>(190,745)</b>	<b>(106,493)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,953)</b>	<b>(108,096)</b>
Cash and cash equivalents at 1 January	(52,489)	52,364
Net foreign exchange differences	25,557	3,243
Cash and cash equivalents at 31 December	<b>(44,885)</b>	<b>(52,489)</b>

STATEMENT OF FINANCIAL POSITION		
	31 Dec 2021 Ushs million	31 Dec 2020 Ushs million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	640,858	787,665
Other financial asset	1,088,155	1,016,856
Concession financial asset	322,734	329,283
	<b>2,051,747</b>	<b>2,133,804</b>
<b>Current assets</b>		
Inventories	100,303	102,600
Contract assets	38,556	91,433
Current income tax recoverable	13,942	41,137
Trade and other receivables	238,421	218,402
Prepayments	14,091	47,642
Bank balances	50,236	30,022
	<b>455,549</b>	<b>531,236</b>
<b>TOTAL ASSETS</b>	<b>2,507,296</b>	<b>2,665,040</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	27,748	27,748
Share premium	70,292	70,292
Retained earnings	641,310	521,980
Translation reserve	153,804	183,186
	<b>893,154</b>	<b>803,206</b>
<b>Non-current liabilities</b>		
Borrowings: Non-current portion	165,831	341,464
Concession obligation	322,734	329,283
Long term incentive plan	-	58
Deferred tax liability	236,925	215,313
	<b>725,490</b>	<b>886,118</b>
<b>Current liabilities</b>		
Borrowings: Current portion	170,774	175,640
Customer security deposits	7	496
Contract liabilities	56,651	139,866
Accrued expenses	22,645	53,931
Provisions	841	1,311
Trade and other payables	542,620	522,457
Bank overdrafts	95,114	82,015
	<b>888,652</b>	<b>975,716</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,507,296</b>	<b>2,665,040</b>

STATEMENT OF CHANGES IN EQUITY					
	Issued capital Ushs million	Share premium Ushs million	Retained earnings Ushs million	Translation reserve Ushs million	Total equity Ushs million
At 1 January 2020	27,748	70,292	546,030	189,450	833,520
Profit for the year	-	-	43,081	-	43,081
Other comprehensive income, net of tax	-	-	-	(6,264)	(6,264)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>43,081</b>	<b>(6,264)</b>	<b>36,817</b>
Dividend paid – 2019 final dividend	-	-	(67,131)	-	(67,131)
<b>At 31 December 2020</b>	<b>27,748</b>	<b>70,292</b>	<b>521,980</b>	<b>183,186</b>	<b>803,206</b>
At 1 January 2021	27,748	70,292	521,980	183,186	803,206
Profit for the year	-	-	139,141	-	139,141
Other comprehensive income, net of tax	-	-	-	(29,382)	(29,382)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>139,141</b>	<b>(29,382)</b>	<b>109,759</b>
Dividend paid - 2020 final dividend	-	-	(19,811)	-	(19,811)
<b>At 31 December 2021</b>	<b>27,748</b>	<b>70,292</b>	<b>641,310</b>	<b>153,804</b>	<b>893,154</b>

**Message from Directors**

The audited financial statements are extracts from the books of the Company. A copy of the audited financial statements for the year ended 31 December 2021 can be obtained at the Umeme Limited Head Office at Rwenzori House, Plot 1 Lumumba Avenue, Kampala Uganda and on [www.umeme.co.ug](http://www.umeme.co.ug)

The financial statements were approved by the Board of Directors on ..... March 2022, and were signed on its behalf by:

  
Chairman

  
Director