# RWANDA ENERGY GROUP LIMITED
# CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

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# Company information

**MEMBERS OF THE BOARD OF DIRECTORS (BOARD):**

| | |
|---|---|
| Prof. Manasse MBONYE | Chairperson |
| Dr. Papias Malimba MUSAFIRI - | Chairperson (resigned on 25 June 2015) |
| Mr. Robert NYAMVUMBA | Vice Chairperson (appointed 19 January 2018) |
| Ms. Rose BAGUMA | Member |
| Mr. Jean Claude ILIBONEYE | Member |
| Mr. Francis KAREMERA | Member |
| Ms. Christelle KAYIHURA | Member (appointed 19 January 2018) |
| Mr. Samuel MPORANZI | Member (resigned 19 January 2018) |
| Ms. Rehema NAMUTEBI | Member |
| Ms. Alice RWEMA | Vice Chairperson (resigned 19 January 2018) |
| Mr Jean Bosco Mugiraneza | Board Secretary (resigned 15 May 2017) |
| Mr. Ron WEISS | Board Secretary (appointed 15 May 2017) |

**REGISTERED OFFICE:**

KN82 ST 3, Nyarugenge District

P.O Box 573

Kigali, Rwanda

**AUDITORS:**

RUMA Certified Public Accountants

Printer Set House, KN4 AV. No 30

P.O Box 2611

Kigali

**BANKERS:**

**National Bank of Rwanda**

P. O. Box 6219

Kigali

**Ecobank Rwanda Limited**

P. O. Box 3268

Kigali

**Bank of Kigali**

P. O. Box 259

Kigali

**I and M Bank (Rwanda) Limited**

P. O. Box 354

Kigali

**Guaranty Trust Bank (Rwanda) Limited**

P. O. Box 331

Kigali

**Access Bank (Rwanda) Limited**

3rd Floor, UTC Building

Kigali

**Equity Bank Rwanda Limited**

P. O. Box 494

Kigali

**Banque Populaire du Rwanda Limited**

P. O. Box 1348

Kigali

**Compagnie Générale de Banque Limited**

P. O. Box 3477

Kigali

# Directors Report

The Directors present their report together with the audited financial statements of the Rwanda Energy Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2015 which show the state of the Company's affairs.

**Principal activities**

The core business of the Company is managing the subsidiaries namely Energy Utility Corporation Ltd (EUCL) and Energy Development Corporation Limited (EDCL)
EUCL
The core business of the EUCL subsidiary is generation, transmission, distribution and retail of electricity generated by Government owned power plants under concession arrangement to different players including the Company and also power purchased from independent power producers.
EDCL
The core business of the EDCL subsidiary is development of energy projects funded by the Government and other partners.

**Results**

| | Consolidated |
|---|---|
| For year ended 30 June | **2015**<br>**Frw** |
| **(Loss)/Profit** | **(927,402,522)** |

**Reserves**

The reserves of the institution are stated on pages 10.

**Directors**

The directors who served during the year and to the date of this report are as shown on page 2.

## Statement of Management Responsibilities

Article 11 of Law no.14/2010 of 7 May 2010 requires annual preparation and presentation of financial statements to relevant key stakeholders as provided by the law. The enclosed financial statements for the twelve (12) months period ended 30 June 2015 together with the supporting notes on pages 9 to 15 have been prepared on Accruals basis of accounting as required for Government Business Enterprises under Article 31 of the Financial Regulations established by the Ministerial Order No.002/07 of 9 February 2007.

These financial statements are based on the information extracted from the books of account of Rwanda Energy Group (REG) and the information provided is accurate and complete in all material respects.

As required by the REG Article of Association, it is my responsibility to ensure that proper books of account and accounting records are kept for the transactions of REG as well as the maintenance of a sound system of internal control, which is to be relied upon to safeguard, from misuse, the government assets in the possession of REG, and to prepare financial statements of REG that are free of material misstatement whether caused by error or any other irregularities.

To the best of our knowledge, the system of internal control has operated adequately throughout the reporting period, and the financial statements fairly reflect the financial affairs of REG for the twelve (12) months period ended 30 June 2015.

Nothing has come to the attention of management to indicate that REG will not continue operating as a going concern for the foreseeable future.

**Signature:** Ron Weiss
**Ron WEISS**
**Chief Executive Officer**

RWANDA ENERGY GROUP
Rwanda Energy Group
REG
CHIEF EXECUTIVE OFFICER

**Date:** 2 8 SEP 2018

**Signature:**
**Robert NYAMVUMBA**
**Ag. Chairman Board of Directors**

RWANDA ENERGY GROUP LIMITED
Rwanda Energy Group
REG
BOARD OF DIRECTORS

RUMA
CERTIFIED PUBLIC ACCOUNTANTS

RUMA Certified Public Accountants
KN 4 Av. No 30, 3rd Floor
P. O. Box 2611, Kigali, Rwanda
Tel: +250 788301220 / +250 788683226
Office : +250 252573781
Email:info@rumacpa.com
www.rumacpa.com

# REPORT OF THE INDEPENDENT AUDITOR'S ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RWANDA ENERGY GROUP LIMITED TO THE BOARD OF DIRECTORS

We have audited the accompanying consolidated financial statements of Rwanda Energy Group Limited, set out on pages 7 to 39 which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

## Director's Responsibility for the consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Accruals basis of accounting as required for Government Business Enterprises under Article 31 of the Financial Regulations established by the Ministerial Order No.002/07 of 9 February 2007 and the requirements of the Rwandan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## Basis for Qualified Opinion

Energy Utility Corporation Limited (EUCL) a subsidiary of Rwanda Energy Group Limited utilizes Government owned power plants for generation of electricity. The Government owned power plants have been recognized as concession intangible assets with a carrying value of Frw 88,554,166,410 (Note 16). The carrying amount is extracted from the records of Government despite the fact that there is no signed concession agreement between the company and the Government outlining the terms of the concession and despite the fact that the carrying amount of a concessioned asset does not always reflect the total costs of the concessioned assets to a grantor. The concession intangible asset overstates the carrying amount of assets and liabilities by Frw 88,554,166,410.

RUMA
CERTIFIED PUBLIC ACCOUNTANTS

RUMA Certified Public Accountants
KN 4 Av. No 30, 3rd Floor
P. O. Box 2611, Kigali, Rwanda
Tel: +250 788301220 / +250 788683226
Office : +250 252573781
Email:info@rumacpa.com
www.rumacpa.com

We were initially appointed auditors in June 2016 which was subsequent to the end of the Group's financial year. As a result, we were unable to satisfy ourselves by other auditing procedures concerning the inventories held by the subsidiaries at 30 June 2015, which are stated in the consolidated statement of financial position at Frw 16,392,214,991. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and the elements making up the consolidated statements of comprehensive income, changes in equity, and cash flows.

**Qualified Opinion**

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Rwanda Energy Group Limited as at June 30, 2015, and its financial performance and its cash flows for the year then ended in accordance Accruals basis of accounting as required for Government Business Enterprises under Article 31 of the Financial Regulations established by the Ministerial Order No.002/07 of 9 February 2007 and the requirements of the Rwandan Companies Act.

## Report on Other Legal and Regulatory Requirements

The Companies Act of Rwanda number 07/2009 of 27 April 2009 requires that in carrying our audit, we consider and report to you on the following matters.

We confirm that:

**i)** We are not related to Rwanda Energy Group Limited and have no interests or debts in the company;

**ii)** Except as stated in the basis for Qualified Opinion, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

**iii)** In our opinion, proper books of account have been kept by Rwanda Energy Group Limited, so far as appears from our examination of those books;

**iv)** We have communicated to you through a management letter highlighting problems linked with Rwanda Energy Group Limited s management and our recommendations for improvement.

Yours faithfully,

RUMA Certified Public Accountants
P.O.Box 2611
KIGALI - RWANDA
Tel: 0252 573781
Fax: 0252 574816

Obed Rugara,
Partner,
RUMA Certified Public Accountants

Date 08 OCT 2018

# Income statement

| | Notes | 2015<br>Frw |
|---|---|---|
| Revenue | 5 | 59,441,530,137 |
| Cost of Sales | 6 | (60,998,220,678) |
| **Gross profit** | | **(1,556,690,541)** |
| Other income | 7 | 58,265,129,785 |
| Distribution and transmission costs | 8 | (10,081,919,633) |
| Contribution to private power projects and subsidies | 9 | (23,538,824,230) |
| Administrative expenses | 10 | (13,277,257,190) |
| **Operating profit before depreciation and amortization** | | **9,810,438,191** |
| Depreciation and amortisation | 11 | (10,200,140,924) |
| **Operating loss after depreciation and amortization** | | **(389,702,733)** |
| Finance income | 12(a) | 5,262,674 |
| Finance costs | 12(b) | (763,082,687) |
| **Loss before income tax** | | **(1,147,522,746)** |
| Income tax expense | 13 | 220,120,224 |
| **Loss for the year** | | **(927,402,522)** |

The notes on pages 12 to 39 are an integral part of these financial statements.

## Statement of comprehensive income

| | 2015<br>Frw |
|---|---|
| Loss for the year | (927,402,522) |
| Other comprehensive income | - |
| **Total comprehensive income for the year** | **(927,402,522)** |

The notes on pages 12 to 39 are an integral part of these financial statements.

## Statement of financial position

| ASSETS | Notes | 2015 Frw |
|---|---|---|
| **Non-current assets** | | |
| Property and equipment | 14 | 288,365,059,468 |
| Intangible assets | 15 | 93,554,165 |
| Concession financial asset: Non-current portion | 16(b) | 84,126,458,089 |
| | | **372,585,071,722** |
| **Current assets** | | |
| Concession financial asset: Current portion | 16(a) | 4,427,708,321 |
| Inventory | 17 | 16,392,214,991 |
| Trade and other receivables | 18 | 11,287,785,749 |
| Cash and cash equivalent | 19 | 12,157,390,322 |
| | | **44,265,099,383** |
| **TOTAL ASSETS** | | **416,850,171,105** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | | 3,000,000 |
| Revenue reserves | | (927,402,522) |
| Reorganization reserve | | 62,984,358,702 |
| | | **62,059,956,180** |
| **Non-current liabilities** | | |
| Concession obligation: Non-current portion | 21(b) | 84,126,458,089 |
| Deferred tax liability | 22 | 27,331,595,750 |
| Grants - Utility | 23(a) | 70,116,800,072 |
| Borrowings | 24 | 18,654,711,495 |
| | | **200,229,565,406** |
| **Current liabilities** | | |
| Concession obligation: Current portion | 21(a) | 4,427,708,321 |
| Trade and other payables | 25 | 43,329,260,776 |
| Grants - Development | 23(b) | 106,803,680,423 |
| | | **154,560,649,520** |
| **TOTAL EQUITY AND LIABILITIES** | | **416,850,171,105** |

The notes on pages 12 to 39 are an integral part of these financial statements

**Signature:** Ron Weiss
**Ron WEISS**
**Chief Executive Officer**

RWANDA ENERGY GROUP LIMITED Rwanda Energy Group REG CHIEF EXECUTIVE OFFICER

2 8 SEP 2018

**Date:** 

**Signature:** 
**Robert NYAMVUMBA**
**Ag. Chairman Board of Directors**

RWANDA ENERGY GROUP LIMITED Rwanda Energy Group REG BOARD OF DIRECTORS

**Date:** 0 4 OCT 2018

## Statement of changes in equity

| | Notes | Share capital<br>Frw | Retained earnings<br>Frw | Reorganization reserves<br>Frw | Total<br>Frw |
|---|---|---|---|---|---|
| Year ended 30 June 2015 | | | | | |
| Transfer on reorganization | | | - | 3,441,729,400 | 3,441,729,400 |
| Reorganization adjustments | **8** | | | 59,545,629,302 | 59,545,629,302 |
| Profit/(loss) for the year | | - | (927,402,522) | | (927,402,522) |
| Reallocation to share capital | 7 | 3,000,000 | - | (3,000,000) | - |
| **At end of year** | | **3,000,000** | **(927,402,522)** | **62,984,358,702** | **62,059,956,180** |

The notes on pages 12 to 39 are an integral part of these financial statements.

## Statement of cash flows

| | Notes | 2015<br>Frw |
|---|---|---|
| Loss before income tax | | (1,147,522,747) |
| Adjustments for: | | - |
| Interest income | | (5,262,674) |
| Interest expenses | | 1,296,692 |
| Depreciation | | 10,175,584,906 |
| Amortisation of intangible assets | | 24,556,019 |
| Realised grants | | (57,947,185,814) |
| Reorganisation | | 15,480,791,510 |
| Adjustments in OFID loan balance | | (6,712,100,288) |
| Changes in: | | - |
| - Inventory | | (1,789,056,858) |
| - Trade and other receivables | | (562,761,731) |
| - Trade and other payables | | 1,117,191,387 |
| | | - |
| **Cash generated from operations** | | **(41,364,469,598)** |
| Interest received | | 5,262,674 |
| Interest paid | | (1,296,692) |
| **Net cash generated from operating activities** | | **(41,360,503,616)** |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | | (101,760,385,657) |
| **Net cash used investing activities** | | **(101,760,385,657)** |
| **Cash flows from financing activities** | | |
| Proceed from grant | | 141,116,077,218 |
| Repayment of Bank of Kigali loan | | (422,761,527) |
| Proceeds from loan facilities | | 2,392,500,619 |
| **Net cash generated from financing activities** | | 143,085,816,310 |
| **Net increase in cash and cash equivalents** | | **(35,072,963)** |
| Cash and cash equivalents at beginning of the period | | 12,192,463,285 |
| **Cash and cash equivalents at end of the period** | | **12,157,390,322** |

The notes on pages 12 to 39 are an integral part of these financial statements.

# Notes

## 1 General information

The Rwanda Energy Group (REG) is a private company domiciled in the Republic of Rwanda and wholly owned by Government of Rwanda. It was established in August 2014 after desolution of the Energy, Water and Sanitation Authority (EWSA) through Prime Minister's Order N°87/03 of 16/08/2014. It has two subsidiaries namely Energy Utility Corporation Limited (EUCL) and Energy Development Corporation Limited (EDCL).

The core business of the Company is transmission, distribution and retail of electricity generated by Government owned power plants under concession arrangement to different players including the Company and also power purchased from independent power producers. It also develop energy projects funded by Government and other partners.

The address of the Company's registered office is as follows:

Energy Utility Corporation Ltd (EUCL)
KN82 ST 3, Nyarugenge District, Kigali City,
P.O.Box. 537 Kigali, Rwanda.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### a) Reporting period of the financial statements

Financial statements cover the period 1 July 2014 to 30 June 2015. Although the Company was legally established in August 2014, the assets and liability of its predecessor Energy Water and Sanitation Authority (EWSA) were transferred to it and continued with the same business. The Company and EWSA are under the same control hence this was considered restructuring and it met the conditions of capital reorganisation. The accounting of capital reorganisation requires the new company's consolidated financial statements to include the existing entity's full results (including comparatives), even though the reorganization may have occurred part of the way through the year. This reflects the view that the transaction involves two entities controlled by the same controlling party – the financial statements reflect the numbers from the perspective of that party and they reflect the period over which that party has had control. Hence, Company's performance for the year includes EWSA's performance from 1 July – 11 August 2014.

### b) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw) which is the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

## c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services or goods supplied, stated net of value-added tax (VAT), returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- Sale of electricity (External) – Revenue is recognised upon month end billing for post-paid customers and upon loading of electricity units by dealers for prepaid customers;
- Rental of postpaid electricity meters – Revenue is recognised upon month end billing for post-paid customers;
- Electricity work – Revenue is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;
- Electricity equipment sales – Revenue is recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers acceptance of the products. Delivery does not occur until the products have been accepted by the customer.
- Sale of electricity (Internal consumption) – Recognised upon month end billing for Company offices and other sites. Subsequently, credit notes are raised and posted under distribution costs;
- Other income – This is composed of revenue received from sources other than the core business of the Company as follows:
  - Fuel subsidies – Relates to fuel used in thermal power plants managed by Company but the fuel is paid for by Government. Revenue is recognised in the period the fuel has been utilised in the thermal power plants.
  - Penalties – Relates to penalties charged to customers and is recognised upon billing of customer or default of the contract.
  - Realised grants – Revenue recognised in the period the grant was utilized.
  - Reconnection fees – Recognised when customer is reconnected and billed for the reconnection.
  - Realised grants from Government, Donors and other budget agencies – Revenue is recognised upon utilisation of grants received from Government;
  - Other sundry income – This relates to connection fees charged by EUCL on behalf of EARP project. Revenue is recognised once EUCL acknowledges the amount charged on behalf of EARP.

## d) Property and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the annual depreciation rates as follows:

| Category | Depreciation rate |
|---|---|
| Buildings | 5% |
| Generation assets | 5% |
| Transmission assets | 5% |
| Distribution assets | 5% |
| Motor vehicles | 25% |
| Computer equipment | 33.3% |
| Furniture and fittings | 12.5% |

**Assets under construction**

Assets under construction - work-in-progress (WIP) is included under property and equipment and comprises costs incurred on ongoing capital works. These costs include material, transport and labour cost incurred. Work-in-progress is not depreciated until the assets are completed and brought into use.

## e) Intangible assets

This relates to acquired computer software licences. They are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 10 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

## f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## g) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on weighted average basis. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation. Obsolete and defective inventories are fully written off.

## h) Trade receivables

Trade receivables are amounts due from customers for services rendered or merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

## i) Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

## j) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

## k) Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## l) Income tax

### i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## m) Retirement benefits obligations

The employees and the Company contribute to the Social Security Fund of Rwanda, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to the income statement.

## n) Government and other grants

Government and other grants are recognised where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

## o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## p) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# 3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

## Critical judgments in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax asset and liability

Deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax liability is recognised on timing differences between the carrying amount of assets and the tax written down values. The deferred tax asset is netted off with deferred tax liability.

The carrying value of deferred tax liability at 30 June 2015 was Frw 26.9 billion. Further details are contained in Note 22.

## Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Property and equipment are assessed for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself. Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

## 4 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Company has exposure to the following risks as a result of its financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risk

a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the finance director, except for credit risk relating to accounts receivable balances. The finance director is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Company does not have any significant concentrations of credit risk.

For trade receivables, the commercial director assesses the credit quality of the customer, taking into account its financial position, nature of their business, past experience and other factors. The Company does not grade the credit quality of receivables.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| | | **Past due not impaired** | | |
|---|---|---|---|---|
| | **Neither past due nor impared Frw** | **Over 60 days Frw** | **Over 365 days Frw** | **Total Frw** |
| **At 30 June 2015** | | | | |
| Trade receivables | 3,995,849,324 | 1,996,155,277 | 2,766,501,840 | 8,758,506,441 |
| Other receivables | 1,437,086,551 | 636,464,397 | 152,362,021 | 2,225,912,969 |
| Short term deposit | - | - | 365,000,000 | 365,000,000 |
| Bank balances | 12,779,851,299 | - | - | 12,779,851,299 |
| | **18,212,787,174** | **2,632,619,674** | **3,283,863,861** | **24,129,270,709** |

The customers under the fully performing category are paying their debts as they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. Commercial, recovery and finance departments are actively following up on these receivables.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows

| | Less than 1 year Frw | Between 1 and 2 years Frw | Between 2 and 5 years Frw | Over 5 years Frw |
|---|---|---|---|---|
| **At 30 June 2015:** | | | | |
| Trade and other payables | 49,377,711,955 | - | - | - |
| Other payables and accruals | 3,811,184,049 | - | - | - |
| Borrowing | - | 1,453,494,055 | 17,257,587,380 | 70,724,894,896 |
| | **53,188,896,004** | **1,453,494,055** | **17,257,587,380** | **70,724,894,896** |

c) Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the balance sheet and income statement by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion. The Company is exposed to the following risks:

*Currency risk*

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the Company.

*Commodity risk*

The Company is exposed to price risk on the fuel that is used for the generation of electricity.

## 5 Revenue

| | 2015 Frw |
|---|---|
| Sale of electricity (External) | 54,707,354,047 |
| Sale of electricity (Internal Consumption) | 4,078,812,807 |
| Electricity works | 581,510,724 |
| Electricity equipment sales | 28,329,283 |
| Rental of postpaid electricity meters | 45,523,276 |
| | **59,441,530,137** |

Realisation of funds and grants from Government, Donors and other budget agency relates to EDCL. It's the amount of grant used to match the expenditure incurred and recorded in the income statement. This does not include amount of fund or grant used for work in progress.

## 6 Cost of sales

| | 2015 Frw |
|---|---|
| Repairs and maintenance – generation | 1,621,332,859 |
| Fuel and Lubricating oils | 44,132,681,352 |
| Purchase of electricity | 15,244,206,467 |
| | **60,998,220,678** |

## 7 Other income

| | 2015 Frw |
|---|---|
| Penalties charged | 701,073,028 |
| Other sundry income | 3,867,026,884 |
| Realised grants | 8,451,964,755 |
| Reconnection fees | 953,042 |
| Subsidies and funds from Government | 40,053,304,624 |
| Realisation of grants from Donors | 4,787,256,281 |
| Realisation of funds from other budget agencies | 403,551,171 |
| | **58,265,129,785** |

## 8 Distribution and transmission costs

| | 2015 Frw |
|---|---|
| Repairs and maintenance on distribution network | 2,420,807,537 |
| Electricity and connection works (Internal Consumption) | 4,078,812,807 |
| Commissions on distribution of electricity | 2,739,880,336 |
| Motor vehicle running expenses | 486,346,473 |
| Contribution to EARP Project | 274,251,381 |
| Tools on distribution of electricity | 39,965,758 |
| Other rentals on distribution of electricity | 26,083,248 |
| Costs of takeover of land | 15,772,093 |
| | **10,081,919,633** |

Contribution to EARP Project relates to expenses incurred by the Company on EARP projects as a requirement of the program.

## 9 Contribution to private energy projects and subsidies

| | 2015<br>Frw |
|---|---|
| Tax Counterpart on Development projects | 15,391,565,457 |
| Contribution to Independent development projects | 5,682,523,583 |
| Transfer to Central government institutions | 153,828,037 |
| General services | 2,038,638,774 |
| Supplies and services | 272,268,379 |
| | **23,538,824,230** |

The fuel subsidies relates to fuel for the thermal power plant at the economic free zone and is provided by Government through EDCL. Tax counterpart on development project relates to VAT, WHT and import duty paid for the different projects. (Refer to Note 28 for additional information). Contribution to independent development project relates to company's support to the energy sector.

## 10 Administrative expenses

| | 2015<br>Frw |
|---|---|
| Salaries and other related costs | 7,048,401,939 |
| Advertising and promotions | 83,684,473 |
| Repairs and maintenance of buildings | 190,472,879 |
| Mission & travelling | 871,913,912 |
| Rents and rates | 68,518,993 |
| Telephone charges | 199,175,145 |
| License and other taxes | 834,073,858 |
| Office Supplies | 202,800,399 |
| Printing, postage and stationery | 7,636,906 |
| Consultancy and professional fees | 1,183,905,552 |
| Legal fees and damages | 193,974,764 |
| Meeting expenses | 18,189,527 |
| Newspapers, subscriptions and periodicals | 6,796,328 |
| Participations & contributions | 45,131,464 |
| General supplies & expenses | 82,578,861 |
| Stock handling expenses | 8,641 |
| Miscellaneous expenses | 1,345,074,786 |
| Refreshment & reception expenses | 20,300,502 |
| Coffee break expenses | 40,820,281 |
| Staff recreation & games | 8,376,230 |
| Patents & District taxes | 530,000 |
| Surcharges and penalties | 196,901 |
| Insurance | 330,681,568 |
| Donations & charity | 934,304 |

| | 2015 Frw |
|---|---|
| Cleaning expenses | 39,218,098 |
| Security expenses | 151,193,906 |
| Bank Charges & commissions | 221,649,734 |
| Motor vehicle repair, fuel and lubricants | 81,017,239 |
| | **13,277,257,190** |

## 11 Depreciation and amortisation

| | 2015 Frw |
|---|---|
| Depreciation of property and equipment (Note 14) | 10,175,584,906 |
| Amortisation of intangible assets (Note 15) | 24,556,019 |
| | **10,200,140,925** |

## 12 Finance income and costs

| | 2015 Frw |
|---|---|
| **a) Finance income** | |
| Bank Interest income | 5,262,674 |
| | **5,262,674** |
| **b) Finance costs** | |
| Interest on overdrawn balance | 1,296,692 |
| Exchange losses | 761,785,995 |
| | **763,082,687** |

## 13 Income tax expense

| | 2015 Frw |
|---|---|
| Current income tax | - |
| Deferred tax income (Note 22) | 220,120,224 |
| | **220,120,224** |

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

## 14 Property and equipment

| | Land | Buildings | Transmission assets | Distribution assets | Motor vehicles | Furniture and fittings | Computer equipment | Assets under construction (WIP) | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Frw | Frw | Frw | Frw | Frw | Frw | Frw | Frw | Frw |
| **Cost/Valuation** | | | | | | | | | |
| At 01 July 2014 | 3,889,382,082 | 3,216,813,189 | 46,364,619,982 | 109,484,189,539 | 4,560,350,000 | 565,555,460 | 5,224,304,144 | 316,448,041,723 | 489,753,256,119 |
| Adjustments | - | (62,500) | 16,785,255,435 | (11,401,752,269) | (1,950,000) | 227,084,842 | (4,488,986,052) | (226,970,601,823) | (225,851,012,367) |
| Additions | - | - | 26,682,308 | 253,975,320 | - | 13,159,052 | - | 101,466,568,977 | 101,760,385,657 |
| Transfers | - | - | 12,369,036,027 | 12,671,206,746 | - | - | - | (92,162,227,808) | (67,121,985,035) |
| **At 30 June 2015** | 3,889,382,082 | 3,216,750,689 | 75,545,593,752 | 111,007,619,336 | 4,558,400,000 | 805,799,354 | 735,318,092 | 98,781,781,069 | 298,540,644,374 |
| **Depreciation** | | | | | | | | | |
| At 01 July 2014 | | | | | | | | | |
| Charge for the year | - | 160,837,534 | 3,362,232,733 | 5,154,326,623 | 1,139,600,000 | 105,275,043 | 253,312,973 | - | 10,175,584,906 |
| **At 30 June 2015** | - | 160,837,534 | 3,362,232,733 | 5,154,326,623 | 1,139,600,000 | 105,275,043 | 253,312,973 | - | 10,175,584,906 |
| **Net book value** | | | | | | | | | |
| **At 30 June 2015** | 3,889,382,082 | 3,055,913,155 | 72,183,361,019 | 105,853,292,713 | 3,418,800,000 | 700,524,311 | 482,005,119 | 98,781,781,069 | 288,365,059,468 |

**Revaluation of property plant and equipment**

The Prime Ministers Order N°87/03 of 16/08/2014 Determining Modalities of Transfer of Responsibilities and Property of Energy, Water and Sanitation Authority (EWSA) ("PMO") required valuation of assets to determine the value of assets to be allocated to the new entities including EUCL. Accordingly all assets in each category were valued except assets under construction (WIP) which was valued at cost.

The valuation was conducted by PwC Kenya who subcontracted Integrated Property Consultants Limited, a registered valuer in Rwanda. The results of the valuation and adjustments were incorporated in the financial statement after approval by the management.

The revalued amounts were recorded as opening balances of property plant and equipment of EUCL. Assets acquired after valuation were recorded at cost

## 15 Intangible assets

| | EUCL Frw | EDCL Frw | Total Frw |
|---|---|---|---|
| At 01 July 2014 | 27,490,082 | 89,061,548 | 116,551,630 |
| Additions | 1,558,554 | - | 1,558,554 |
| Charge for the year | (13,137,617) | (11,418,402) | (24,556,019) |
| **At 30 June 2015** | **15,911,019** | **77,643,146** | **93,554,165** |

The EUCL intangible asset relates to Suprima software which was acquired by EWSA in 2006 at a cost of Frw 120 million and was being amortised over a period of 10 years. At 01 July 2014, the net carrying amount was approximately Frw 27 million.
The Sage software was no longer in use and accordingly the carrying amount was fully amortised during the period.
The GIS software was acquired by EARP program in 2011 and improved in 2012 at a total cost of Frw 114 million and was being amortised over a period of 10 years. At 01 July 2014, the net carrying amount was approximately Frw 89 million.

## 16 Concession Financial Assets

| | 2015 Frw |
|---|---|
| **At 01 July 2014** | 73,159,509,250 |
| Improvement on concessioned assets | 15,394,657,160 |
| **At 30 June 2015** | **88,554,166,410** |

## 16 Concession Financial Assets (continued)

| | 2015 Frw |
|---|---|
| **Maturity analysis of the financial asset:** | |
| **a) Concession financial asset: Current portion** | 4,427,708,321 |
| **b) Concession financial asset: Non-current portion** | |
| The financial asset is recoverable as analysed below: | |
| Within one year | 4,427,708,321 |
| Between one and two years | 4,427,708,321 |
| Between two and three years | 4,427,708,321 |
| Between three and four years | 4,427,708,321 |
| Between four and five years | 4,427,708,321 |
| After five years | 61,987,916,484 |
| | **84,126,458,089** |
| **Total concessioned financial asset** | **88,554,166,410** |

The PMO N°87/03 of 16/08/2014 Determining Modalities of Transfer of Responsibilities and Property of Energy, Water and Sanitation Authority (EWSA) ("PMO") article 5 on transfer from public domain to private domain stated power plants shall remain property of the Government of Rwanda but shall be managed by the companies through concession agreements with the Government. Several power plants were concessioned to other parties and the residual ones are under the management of EUCL. The concessioned power plants have been treated as concessioned financial assets from the beginning of the period.

Government is in the process of concluding the concessioning arrangement with EUCL. At the date of this report, the draft concession agreement had not been signed. However, the term of the concession has been assumed to be 20 years as per the draft agreement between EUCL and Government of Rwanda. The power plants recorded as concession financial asset are as follows:

| | 2015 Frw |
|---|---|
| Nyabarongo Power Plant funded by Export-Import bank of India | 67,121,985,035 |
| Jabana II Thermal Power Plant | 6,491,634,305 |
| Mukungwa I Hydro Power Plant | 4,663,022,207 |
| Ntaruka Hydro Power Plant | 4,460,760,320 |
| Jabana I Thermal Power Plant | 4,084,871,890 |
| Nshili Micro Hydro Power Plant | 630,677,915 |
| Nyabahanga Micro Hydro Power Plant | 569,435,938 |
| Gatsata Thermal Power Plant | 531,778,800 |
| | **88,554,166,410** |

## 17 Inventory

Inventories comprise the following items:

| | 2015 Frw |
|---|---|
| Generation, transmission and distribution materials | 15,333,778,201 |
| Goods in transit | 9,717,424 |
| Fuel and lubricating oils | 334,588,999 |
| Others | 714,130,367 |
| | **16,392,214,991** |

## 18 Trade and other receivables

| | Frw |
|---|---|
| Trade receivables | 8,296,099,253 |
| Other receivables | 894,577,102 |
| Letters of credit | 1,437,031,615 |
| Shared bank balance | 199,259,012 |
| Loan to beneficiaries | 460,818,767 |
| | **11,287,785,749** |

Management commissioned an independent debtor reconciliation exercise to determine the fair position of trade receivables. The balances brought forward following the preparation of the opening balance sheet were not accurate as there was a mismatch between the commercial billing system and the accounting system. Reconciliation process determined initial unreconciled debtors as Frw 38.8 billion. Errors and omissions of Frw 16.6 billion were identified in both commercial billing system and accounting system and corrected in the billing system. Frw 13.9 billion was determined to be unrecoverable due to various reasons and was treated as contingent assets hence not recognised in the financial statement but disclosed here. Recoverable amount was determined to be Frw 8.2 billion and is recognised as trade receivable above. Management is considering engaging debtors collector and/legal team to make additional follow up of the irrecoverable amount and any amount recovered through that process will be recognised as other income of the Company.

Based on the date of reconciliation, there was no specific provision of bad and doubtful debts as subsequent events were considered.

Shared bank accounts relate bank balances of two bank accounts in Zigama CSS bank and BRD bank which are in the name of EWSA thus the new entities (EUCL and WASAC) are not able to access the fund in those bank accounts. The amounts have been shared equally in this report.
The loan to beneficiaries relates to Sustainable Energy Development Project (SEDP)/World Bank Funds project. The beneficiaries are advanced solar water heating system on credit and they make repayment over a period of two years.

## 19 Cash and cash equivalents

| | Frw |
|---|---|
| Short term deposits | 365,000,000 |
| Bank balances | 11,792,142,391 |
| Cash in hand | 247,931 |
| | **12,157,390,322** |

Short term deposits represent fixed deposits in Access bank.

Bank balances are short term deposits made for varying period depending on cash requirements of the company and no interest is earned in these deposits.

## 20 Share capital

| | 2015 Frw | 2014 Frw |
|---|---|---|
| **Share capital** | | |
| 3,000,000 shares at Frw 1 each | 3,000,000 | 3,000,000 |

The company's share capital at registration date was Frw 3,000,000 made up of 3,000,000 shares of Frw 1 each. The registration was done pending the reform process through the PMO which was to determine the share capital of the new company based on the valuation of assets.

Article 8 of PMO prescribed the share capital of the new company be determined by the net value of its asset recorded after valuation. The share capital on registration was reallocated from re-organization reserve.

The adjustment for investment in subsidiaries is to recognize the company's investment in its subsidiaries. Accordingly this was a non-cash investment.

## 21 Concession obligation

| | Frw |
|---|---|
| At 01 July 2014 | 73,159,509,250 |
| Improvement on concessioned assets | 15,394,657,160 |
| **At 30 June 2015** | **88,554,166,410** |

**Maturity analysis of the financial asset**

| | |
|---|---|
| **a) Concession financial asset: Current portion** | **4,427,708,321** |
| **b) Concession financial asset: Non-current portion** | |
| Maturity of concession obligation: | |
| Within one year | 4,427,708,321 |
| Between one and two years | 4,427,708,321 |
| Between two and three years | 4,427,708,321 |
| Between three and four years | 4,427,708,321 |
| Between four and five years | 4,427,708,321 |
| After five years | 61,987,916,484 |
| | **84,126,458,089** |
| | **88,554,166,410** |

The assets from which the concession obligation arises are listed in note 16.
The value of the assets was determined through a valuation completed in June 2015. Accordingly, the difference between the fair value and the revalued amount is assumed to be insignificant.
There are no events after the reporting period indicating impairment of the concessioned finance assets. Accordingly, no reduction has been made in the concession obligation.

## 22 Deferred tax liability

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

| | 2015 Frw |
|---|---|
| At beginning of year | 27,551,715,974 |
| Charge to income statement | (220,120,224) |
| At end of year | **27,331,595,750** |

Deferred income tax assets and liabilities, deferred income tax charge in the income statement, and deferred income tax charge in other comprehensive income are attributable to the following items:

| | At 01 July 2014 | Charged/ (credited) to P/L | Charged/ (credited) to OCI | At 30 June 2015 |
|---|---|---|---|---|
| **Period ended 30 June 2015** | Frw | Frw | Frw | Frw |
| **Deferred income tax liabilities** | | | | |
| Property and equipment | 39,117,983,759 | 3,958,521,588 | | 43,076,505,347 |
| **Deferred income tax assets** | | | | |
| Tax losses carried forward | (11,566,267,785) | (4,178,641,812) | - | (15,744,909,597) |
| **Net deferred income tax liability** | **27,551,715,974** | **(220,120,224)** | - | **27,331,595,750** |

Deferred income tax of Frw 220,120,224 was charged to the income statement. This represents deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

## 23 Grants

### a) Grants - Utility

| | Awarded to EWSA Frw | Assets from EARP Frw | Total Frw |
|---|---|---|---|
| At 01 July 2014 | 46,591,256,669 | 48,796,832,696 | 95,388,089,365 |
| Adjustments | 2,995,486,706 | (20,333,383,583) | (17,337,896,877) |
| Realised grants | (5,282,075,142) | (2,651,317,274) | (7,933,392,416) |
| **At 30 June 2015** | **44,304,668,233** | **25,812,131,839** | **70,116,800,072** |

Between 2006 and 2015, the sector received grants totaling to approximately Frw 95 billion from Government of Rwanda, Government of Netherlands, World Bank, JICA, AFREA and GEF for construction of network assets and other supporting assets.

At 01 July 2014, the carrying amounts of grants relating to electricity assets in use were estimated at Frw 95 billion and transferred to the Company. Subsequently, adjustments of Frw 17.3 billion was made to remove grants determined not related to utility. Grants amounting to Frw 7.9 were realized as income proportionate to the write down of value of asset acquired and/or constructed.

### b) Grants - Development

| | EDCL Internal Projects Frw | EDCL External Project Frw | EDCL EARP Projects Frw | Total Frw |
|---|---|---|---|---|
| At 01 July 2014 | 269,297,736,816 | 32,941,994,288 | 19,667,493,788 | 321,907,224,892 |
| Adjustments | (215,063,747,782) | (19,483,166,718) | 606,580,731 | (233,940,333,769) |
| New grants | 81,075,420,746 | 27,998,582,317 | 32,042,074,155 | 141,116,077,218 |
| Realised grants | (40,051,928,536) | (1,818,639,239) | (8,143,225,623) | (50,013,793,398) |
| Transfers | (72,265,494,520) | - | - | (72,265,494,520) |
| **At 30 June 2015** | **22,991,986,724** | **39,638,770,648** | **44,172,923,051** | **106,803,680,423** |

EDCL grants are recorded as deferred income in the statement of financial position and are utilized once the expenditure is recognized. The company had opening grants of Frw 321.9 billion. Subsequently, an adjustment of Frw 233.9 billion was made to remove grants relating to assets not transferable to EUCL such as Power Plants and private power projects, during the year the company received new grants of Frw 141.1 billion and utilised grants amounting to Frw 50 billion. At the end of the year they had not utilised grant of Frw 106.8 billion which were represented by work in progress, funds in the bank, receivables and inventory.

## 24 Borrowings

| | Bank of Kigali - Peat to Power Project Frw | EARP - EASSDP IDA & OFID Loan Frw | Total Frw |
|---|---|---|---|
| At 01 July 2014 | 16,684,972,403 | 41,485,256,284 | 58,170,228,687 |
| Adjustments | | (41,485,256,284) | (41,485,256,284) |
| Proceed of loan | 2,392,500,619 | - | 2,392,500,619 |
| Repayment | (422,761,527) | - | (422,761,527) |
| **At 30 June 2015** | **18,654,711,495** | **-** | **18,654,711,495** |

i) Bank of Kigali
A loan facility of USD 30.9 million was advanced to EWSA in 2012 to finance construction of the Gishoma PEAT Power Plant. The loan facility has floating interest rate of the loan was 15%. The loan was guaranteed by Ministry of Finance and Economic Planning. Approximately Frw 440 million was paid to Bank of Kigali in the process of loan restructuring after which the Government of Rwanda took over the loan.

ii) EARP - EASSDP IDA & OFID loan
Two loans contract number 5193-RW and 4651-RW were obtained by the Government of Rwanda from the International Development Association (IDA) to fund the Electricity Access Scale-Up and Sector-Wide Approach Development Project (EASSDP) implemented by EARP. Since there were no sub agreement between the company and the Government, the loans were treated as grants to the company and not loans.

## 25 Trade and other payables

| | 2015 |
|---|---|
| | Frw |
| Trade payables | 9,070,327,897 |
| Other payables | 24,429,352,485 |
| General provisions | 9,732,852,561 |
| Accruals | 96,727,833 |
| | **43,329,260,776** |

Trade and other payables are non-interest bearing and normally settled between 30 – 60 days terms.

## 26 Reorganization adjustments

| | 2015 |
|---|---|
| | Frw |
| **a) Adjustments to reorganization reserve** | |
| **REG Holding** | |
| Adjustment on valuation of property plant and equipment | **(1,410,000)** |
| **EDCL** | |
| Adjustment on share capital | 1,500,000 |
| Adjustment to derecognize opening WIP relating to hydro power plants and private projects | (226,970,601,823) |
| Adjustment to derecognize grants on WIP | 233,940,333,769 |
| Adjustment to derecognize loan on completed projects | 41,485,256,284 |
| Adjustment to recognition EARP connection fees opening balance from EUCL | 10,066,747,871 |
| Adjustment to recognize EARP connection movement for the year | 2,846,767,952 |
| Accrual in relation to legal case | (96,727,833) |
| Adjustment through internal projects | (194,052,857) |
| Reclassification of grants | 5,143,509,485 |
| | **66,222,732,848** |
| **EUCL** | - |
| Adjustment on grants through EDCL | 20,333,383,583 |
| Adjustment on grants to utility | (2,995,486,706) |
| Adjustments to revaluation of property plant and equipment | 1,120,999,456 |
| Deferred tax adjustment - Opening balance write off | (440,988,834) |
| Deferred tax adjustment - recomputed opening balance | (27,551,715,974) |
| Deposits write back | 2,859,614,929 |
| | **(6,674,193,546)** |
| | **59,547,129,302** |
| **b) Reclassification of reorganization reserve to share capital** | |
| REG Holding share capital | (3,000,000) |
| | **(3,000,000)** |

## 27 Contingent liabilities

The Company is a defendant of the following cases:

a) Yashinoya Trading and Construction Co. Ltd case at Kigali International Arbitration Center (KIAC): The case was brought by Yashinoya Trading and Construction Co. Ltd a contactor of geothermal drilling project at Karisimbi implemented by REG subsidiary after their contract was terminated in February 2014 for nonperformance. Yashinoya through their lawyers filed suit with KIAC seeking emergency hearing and wishing arbitration to refrain REG from seizing the performance guarantee; order REG not interfere with the site; order REG not to interfere or seize any of their Equipment on site; order REG to pay USD 2.5 million Plus interest. However, REG made a counter claim amounting to USD 2.6 million. KIAC delivered the first ruling on the injunction sought by Yashinoya and the parties are now waiting for ruling on the substance of the case. Based on professional advice received, the directors are confident that the KIAC will rule in their favor, and no provision has been made.

b) Rousant International Limited case relating to charges incurred due for delays in importation Rousant International Limited a provided services to REG's programme EARP. During the delivery of the service Rousant International Limited incurred additional costs of storage and demurrage amounting to USD 134,430 at the Port of Dar es Salaam for late clearance of goods which is attributable to late provision of bills of lading by REG. It served a notification on 16 September 2016 with a notification of its intent to move the case with the International Chamber of Commerce HQ in Paris France. The legal team is pushing the service provider to accept amicable settlement outside court. Based on professional advice received, the directors are confident that the case will be settled amicably out of court but a provision has been made.

## 28 VAT and import duty paid by EDCL

The company through EDCL subsidiary has incurred VAT and import duty to the tune of Frw 28 billion. Out of the Frw 28 billion, Frw 11 billion relates to both VAT on imports and local purchases. In principle this VAT should be recoverable from RRA. However, the challenge would be EDCL is currently not considered a VAT taxable person because the entity does not generate revenue. Therefore RRA would be reluctant to refund a business that is not accounting for corresponding output tax on its input tax. The company should engage RRA and the Ministry of Finance to establish a workable mechanism in which they should be refunded this VAT despite the fact that they are not a VAT taxable business. The remaining Frw 17 billion relates to Withholding tax (which is not claimable) and custom duties paid on various projects. This tax should be considered as part of project costs. Details of these taxes are in the table below:

| | VAT | | WHT | | | |
|---|---|---|---|---|---|---|
| Periods | VAT on local purchases | VAT on imported services | Withholding @ 15% | Withholding @ 3%% | Customs duties | Total |
| | Frw | Frw | Frw | Frw | Frw | Frw |
| July 2014 | - | 158,749,190 | - | - | 1,302,214,755 | 1,460,963,945 |
| August 2014 | - | 395,577,514 | - | - | 1,184,376,143 | 1,579,953,657 |
| September 2014 | 1,489,924 | 1,734,428,584 | 1,596,223,522 | 8,503,155 | 1,277,888,224 | 4,618,533,409 |
| October 2014 | 16,285,764 | 1,246,996,060 | 51,822,147 | - | 1,007,547,789 | 2,322,651,760 |
| November 2014 | 728,695 | 393,064,824 | - | - | 255,808,034 | 649,601,553 |
| December 2014 | 50,706,372 | 925,746,951 | 242,734,671 | - | 1,928,089,048 | 3,147,277,042 |
| January 2015 | 30,073,756 | 801,277,965 | 160,316,414 | 27,372,557 | 505,802,513 | 1,524,843,205 |
| February 2015 | 9,122,198 | 366,310,045 | 19,457,872 | - | 216,196,183 | 611,086,298 |
| March 2015 | 461,069,095 | 408,295,443 | 609,084,486 | 7,170,909 | 741,122,543 | 2,226,742,476 |
| April 2015 | 8,408,417 | 822,302,414 | 382,424,426 | | 386,601,232 | 1,599,736,489 |
| May 2015 | 255,271,690 | 2,464,863,012 | 855,402,719 | 606,269 | 2,442,440,607 | 6,018,584,297 |
| June 2015 | 69,285,131 | 394,978,928 | 1,871,557,012 | 36,622,652 | 35,751,335 | 2,408,195,058 |
| **Total** | **902,441,042** | **10,112,590,930** | **5,789,023,269** | **80,275,542** | **11,283,838,406** | **28,168,169,189** |
| **Grand total** | **11,015,031,972** | | **17,153,137,217** | | | **28,168,169,189** |

## Appendices

### i. Income statement

| | Notes | REG Consolidated Frw | EUCL Frw | EDCL Frw | REG Frw | Consolidation Adjustments Frw |
|---|---|---|---|---|---|---|
| Revenue | 5 | 59,441,530,137 | 59,441,530,137 | - | - | |
| Cost of Sales | 6 | (60,998,220,678) | (60,998,220,678) | - | - | - |
| **Gross profit** | | **(1,556,690,541)** | **(1,556,690,541)** | - | - | - |
| Other income | 7 | 78,586,167,189 | 28,572,373,791 | 50,013,793,398 | - | - |
| Distribution costs | 8 | (10,081,919,633) | (10,081,919,633) | - | - | |
| Contribution to private power projects | 9 | (43,859,861,634) | - | (43,859,861,634) | - | |
| Administrative expenses | 10 | (13,277,257,190) | (7,641,897,765) | (5,635,359,425) | - | |
| **Operating profit before depreciation and amortisation** | | **9,810,438,191** | **9,291,865,852** | **518,572,339** | - | - |
| Depreciation and amortisation | 11 | (10,200,140,924) | (9,493,193,098) | (518,572,339) | (188,375,487) | |
| **Operating profit after depreciation and amortisation** | | **(389,702,733)** | **(201,327,246)** | - | **(188,375,487)** | - |
| Finance income | 12(a) | 5,262,674 | 5,262,674 | - | - | |
| Finance costs | 12(b) | (763,082,687) | (763,082,687) | - | - | |
| **Loss before income tax** | | **(1,147,522,746)** | **(959,147,259)** | - | **(188,375,487)** | - |
| Income tax expense | 13 | 220,120,224 | 220,120,224 | - | - | |
| **Loss for the year** | | **(927,402,522)** | **(739,027,035)** | - | **(188,375,487)** | |

## ii. Statement of financial position

| | Notes | REG Consolidated Frw | EUCL Frw | EDCL Frw | REG Frw | Consolidation Adjustments Frw |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 14 | 288,365,059,468 | 183,111,411,069 | 98,189,216,614 | 7,064,431,785 | - |
| Intangible assets | 15 | 93,554,165 | 15,911,019 | 77,643,146 | - | - |
| Concession financial asset: Non-current portion | 16(b) | 84,126,458,089 | 84,126,458,089 | - | - | - |
| Investment in subsidiaries | | 0 | - | - | 55,734,551,430 | -55,734,551,430 |
| Amounts due to related parties: Non-current portion | | 0 | - | 10,513,515,823 | - | -10,513,515,823 |
| | | 372,585,071,722 | 267,253,780,177 | 108,780,375,583 | 62,798,983,215 | -66,248,067,253 |
| **Current assets** | | | | | | |
| Concession financial asset: Current portion | 16(a) | 4,427,708,321 | 4,427,708,321 | | - | - |
| Inventory | 17 | 16,392,214,991 | 8,987,111,409 | 7,405,103,582 | - | - |
| Trade and other receivables | 18 | 11,287,785,749 | 9,131,822,662 | 2,155,963,087 | - | - |
| Cash and cash equivalent | 19 | 12,157,390,322 | 2,742,606,857 | 9,414,783,465 | - | - |
| Amounts due to related parties : Current portion | | 0 | - | 2,400,000,000 | - | -2,400,000,000 |
| | | 44,265,099,383 | 25,289,249,249 | 21,375,850,134 | 0 | -2,400,000,000 |
| **Total assets** | | 416,850,171,105 | 292,543,029,426 | 130,156,225,717 | 62,798,983,215 | -68,648,067,253 |
| **Equity and liabilities** | | | | | | |
| **Equity** | | | | | | |
| Share capital | | 3,000,000 | 40,000,000,000 | 1,500,000 | 3,000,000 | -40,001,500,000 |
| Revenue reserves | | -927,402,522 | -739,027,035 | - | -188,375,487 | - |
| Re-organisation Reserve | | 62,984,358,702 | 15733051430 | - | 62984358702 | -15,733,051,430 |
| | | 62,059,956,180 | 54,994,024,395 | 1,500,000 | 62,798,983,215 | -55,734,551,430 |

| | Notes | REG Consolidated Frw | EUCL Frw | EDCL Frw | REG Frw | Consolidation Adjustments Frw |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Concession obligation: Non-current portion | 21(b) | 84,126,458,089 | 84,126,458,089 | - | - | - |
| Deferred tax liability | 22 | 27,331,595,750 | 27,331,595,750 | - | | - |
| Grants | 23(a) | 70,116,800,072 | 94,679,696,438 | - | - | -24,562,896,366 |
| Borrowings | 24 | 18,654,711,495 | - | 18,654,711,495 | - | - |
| Amounts due to related parties | | 0 | 10,513,515,823 | - | - | -10,513,515,823 |
| | | 200,229,565,406 | 216,651,266,100 | 18,654,711,495 | 0 | -35,076,412,189 |
| **Current liabilities** | | | | | | |
| Concession obligation: Current portion | 21(a) | 4,427,708,321 | 4,427,708,321 | - | - | - |
| Amounts due to related parties | | 0 | 2,400,000,000 | - | - | -2,400,000,000 |
| Trade and other payables | 25 | 43,329,260,776 | 14,070,030,611 | 29,259,230,165 | - | - |
| Grants | 23(b) | 106,803,680,423 | - | 82,240,784,057 | - | 24,562,896,366 |
| | | 154,560,649,520 | 20,897,738,932 | 111,500,014,222 | 0 | 22,162,896,366 |
| | | 354,790,214,926 | 237,549,005,032 | 130,154,725,717 | 0 | -12,913,515,823 |
| **Total equity and liabilities** | | 416,850,171,106 | 292,543,029,427 | 130,156,225,717 | 62,798,983,215 | -68,648,067,253 |

## iii. Statement of cash flows

| | Notes | Consolidated 2015 Frw | EUCL 2015 Frw | EDCL 2015 Frw | REG 2015 Frw | Adjustments 2015 Frw |
|---|---|---|---|---|---|---|
| Loss before income tax | | (1,147,522,747) | (959,147,260) | - | (188,375,487) | |
| Adjustments for: | | - | - | - | - | |
| Interest income | | (5,262,674) | (5,262,674) | - | - | |
| Interest expenses | | 1,296,692 | 1,296,692 | - | - | |
| Depreciation | | 10,175,584,906 | 9,480,055,482 | 507,153,937 | 188,375,487 | |
| Adjustments in OFID loan balance | | (6,712,100,288) | (6,712,100,288) | | | |
| Amortisation of intangible assets | | 24,556,019 | 13,137,617 | 11,418,402 | - | |
| Realised grants | | (57,947,185,814) | (7,933,392,416) | (50,013,793,398) | - | |
| Reorganisation | | 15,480,791,510 | 2,858,056,377 | 12,622,735,133 | - | |
| Changes in: | | - | - | - | - | |
| - Inventory | | (1,789,056,858) | (2,493,022,443) | 703,965,585 | - | |
| - Trade and other receivables | | (562,761,731) | (1,607,547,399) | 622,024,141 | - | 422,761,527 |
| - Trade and other payables | | 1,117,191,387 | (5,394,664,747) | 6,511,856,134 | - | |
| - Related parties | | - | 12,913,515,823 | (12,913,515,823) | - | |
| **Cash generated from operations** | | **(41,364,469,598)** | **160,924,764** | **(41,948,155,889)** | - | |
| Interest received | | 5,262,674 | 5,262,674 | - | - | |
| Interest paid | | (1,296,692) | (1,296,692) | - | - | |
| **Net cash generated from operating activities** | | **(41,360,503,616)** | **164,890,746** | **(41,948,155,889)** | - | - |
| | | | - | - | - | |
| **Cash flows from investing activities** | | | - | - | - | |
| Purchase of property and equipment | | (101,760,385,657) | (26,032,029,045) | (100,291,252,978) | - | 24,562,896,366 |
| **Net cash used investing activities** | | **(101,760,385,657)** | **(26,032,029,045)** | **(100,291,252,978)** | - | **24,562,896,366** |

| | Notes | Consolidated 2015 Frw | EUCL 2015 Frw | EDCL 2015 Frw | REG 2015 Frw | Adjustments 2015 Frw |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | | |
| Proceed from Grant | | 141,116,077,218 | 24,562,896,366 | 141,116,077,218 | | (24,562,896,366) |
| Repayment of Bank of Kigali loan | | (422,761,527) | | | | (422,761,527) |
| Proceeds from loan facilities | | 2,392,500,619 | - | 2,392,500,619 | - | |
| **Net cash generated from financing activities** | | 143,085,816,310 | 24,562,896,366 | 143,508,577,837 | - | (24,985,657,893) |
| | | | - | - | - | |
| **Net increase in cash and cash equivalents** | | **(35,072,963)** | **(1,304,241,933)** | **1,269,168,970** | - | |
| Cash and cash equivalents at beginning of the period | | 12,192,463,285 | 4,046,848,790 | 8,145,614,495 | - | |
| **Cash and cash equivalents at end of the period** | | **12,157,390,322** | **2,742,606,857** | **9,414,783,465** | - | - |