ENERGY UTILITY CORPORATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Table of contents	Page

CERTIFIED TRUE COPY

....
DELOITTE RWANDA LIMITED

Company Information

Members of the Board of Directors (Board):

Prof. Manasse MBONYE	Chairperson
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)
Mr. Jean Bosco MUGIRANEZA	Board Secretary
Ms. Rehema NAMUTEBI	Member
Ms. Alice RWEMA	Vice Chairperson (resigned 19 January 2018)
Mr. Ron WEISS	Board Secretary

Registered office:

KN82 ST 3, Nyarugenge District
P.O Box 5964
Kigali, Rwanda

Auditors:

Deloitte Rwanda Limited
1st floor, Umoja Building
KN3 Road
P.O. Box 3903
Kigali, Rwanda

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

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

Directors' Report

The Directors present their report together with the audited financial statements of the Energy Utility Corporation Limited (the "Company") for the year ended 30 June 2018 which show the state of the Company's affairs.

Principal activities

The core business of the Company is transmission, distribution and retail of electricity generated by the entity.

Results for the year

	2018 Rwf	2017 Rwf
Loss before income tax	(14,053,524,166)	(6,753,880,038)
Income tax credit/(expense)	(1,063,988,432)	(2,566,470,327)
Loss for year	(15,117,512,598)	(9,320,350,365)

Dividends

The Board of Directors do not recommend payment of dividends in respect of the year ended 30 June 2018.

Reserves

The reserves of the Company are set out on page 7 of these financial statements.

Directors

The directors who served during the year and to the date of this report are as shown on page 1.

Auditors

The auditors, who were appointed during the year, Deloitte Rwanda Limited have expressed their willingness to continue in office in accordance with Law No 17/2018 of 13/04/2018.

By order of the Board

Company Secretary

....2018

CERTIFIED TRUE COPY

....
DELOITTE RWANDA LIMITED

Statement of Directors' Responsibilities

The Law No. 17/2018 of 13/04/2018 governing companies requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the Company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the Company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Law No. 17/2018 of 13/04/2018 governing companies and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Law No. 17/2018 of 13/04/2018 governing companies. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of the Company's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 30 June 2018 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Rwandan Law No. 17/2018 of 13/04/2018 governing companies.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Director

18 September 2018
Date

ENERGY UTILITY CORPORATION LTD
EUCL
ENERGY UTILITY CORPORATION LIMITED
MANAGING DIRECTOR

Ron Weiss
Director

RWANDA ENERGY GROUP LIMITED
Rwanda Energy Group
REG
CHIEF EXECUTIVE OFFICER

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

Deloitte Rwanda Limited
1st Floor Umoja Building
KN3 Road
P.O. Box 3903
Kigali
Rwanda

Tel: +250 (0) 788 157 500
+250 (0) 783 000 673
+250 (0) 735 087 388
Email: deloitterwanda@deloitte.com
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Members of Energy Utility Corporation Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Energy Utility Corporation Limited, as set out on pages 8 to 31 which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Energy Utility Corporation Limited (the Company) as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 17/2018 of 13/04/2018 governing companies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Institute of Certified Public Accountants of Rwanda Code of ethics (ICPAR Code of Ethics), which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code), together with other ethical requirements that are relevant to our audit of the financial statements in Rwanda, and we have fulfilled our other responsibilities under those requirements.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

To the Members of Energy Utility Corporation Limited
Report on the Audit of the Financial Statements (Continued)

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of Law No. 17/2018 of 13/04/2018 governing companies and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Energy Utility Corporation Limited
Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

Report on other Legal and regulatory Requirements

As required by Article 132 of the Law No. 17/2018 of 13/04/2018 governing companies, we report to you based on our audit that:

i. We have obtained all information and explanations which to the best of our knowledge and belief was required for our audit;
ii. Based on our audit, we have not identified any reason to believe that proper accounting records have not been kept;
iii. We have no relationship, interests and debt in the company;
iv. We have reported to the directors and management in the form of a separate management letter, internal control and other weaknesses identified during the audit and our recommendations for improvement;
v. In our opinion, according to the best of the information and the explanations given to us as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of this Law regarding the requirement for individual annual accounts.

For: Deloitte Rwanda Limited

DELOITTE RWANDA LIMITED
P.O. Box 3903
KIGALI, RWANDA

David Waweru
Director

Signed at Kigali, on 18 September 2018

	Notes	2018 RWF	2017 RWF
Revenue	7	91,024,386,928	84,852,245,449
Cost of sales	8	(79,151,141,650)	(73,749,733,361)
Gross profit		**11,873,245,278**	**11,102,512,088**
Grants and subsidies	9	15,885,601,711	16,890,207,694
Other income	10	5,684,175,607	7,022,629,081
Distribution costs	11	(15,541,572,445)	(16,738,635,451)
Administrative expenses	12	(17,741,654,984)	(13,569,471,934)
Operating profit before interest, tax, depreciation and amortization		**159,795,167**	**4,707,241,478**
Depreciation and amortization	13	(10,474,186,660)	(10,720,881,656)
Operating loss		**(10,314,391,493)**	**(6,013,640,178)**
Interest income	14(a)	53,018,991	186,268,430
Finance costs	14(b)	(3,792,151,664)	(926,508,290)
Loss before income tax		**(14,053,524,166)**	**(6,753,880,038)**
Income tax credit/(expense)	15	(1,063,988,432)	(2,566,470,327)
Loss for year		**(15,117,512,598)**	**(9,320,350,365)**
Other comprehensive income (net of tax)			
Other comprehensive income		-	-
Total comprehensive loss for the year		**(15,117,512,598)**	**(9,320,350,365)**

The notes on pages 12 to 31 are an integral part of these financial statements.

DELOITTE RWANDA LIMITED

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

Energy Utility Corporation Limited
Statement of financial position
As at 30 June 2018

ASSETS	Notes	2018 Rwf	2017 Rwf
Non-current assets			
Plant and equipment	16	188,397,554,424	189,486,588,890
Concession intangible asset	17	54,963,188,053	73,006,132,934
Intangible assets	18	2,175,782,619	871,570,843
Amounts due from related parties	27(a)	11,069,259,426	4,835,202,812
		256,605,784,522	268,199,495,479
Current assets			
Concession intangible asset	17	-	4,294,478,409
Inventory	19	12,759,477,951	12,850,472,487
Trade and other receivables	20	11,423,964,507	10,890,317,030
Bank and cash balances	21	10,046,131,754	8,596,392,590
		34,229,574,212	36,631,660,516
TOTAL ASSETS		290,835,358,734	304,831,155,995
EQUITY AND LIABILITIES			
Equity			
Share capital	22	40,000,000,000	40,000,000,000
Revenue reserves		(21,849,356,105)	(6,731,843,507)
Re-organisation reserve	29	15,733,051,430	15,733,051,430
		33,883,695,325	49,001,207,923
Non-current liabilities			
Concession liabilities	23(a)	54,963,188,053	73,006,132,934
Deferred income tax liability	24	31,625,656,782	30,561,668,350
Grants	25	101,218,089,591	106,684,464,029
Borrowings	26	16,339,957,822	5,159,748,682
Amounts due to related parties	27(b)ii	6,919,138,650	8,508,783,270
Total non current liabilities		211,066,030,898	223,920,797,265
Current liabilities			
Concession intangible obligation	23(b)	-	4,294,478,409
Amounts due to related parties	27(b)i	6,732,088,000	3,745,409,142
Trade and other payables	28	39,153,544,511	23,869,263,256
		45,885,632,511	31,909,150,807
TOTAL EQUITY AND LIABILITIES		290,835,358,734	304,831,155,995

The financial statements on pages 8 to 31 were approved by the Directors on 18/09/2018 and signed on its behalf by:

Director

Ron Weiss
Director

ENERGY UTILITY CORPORATION LTD MANAGING DIRECTOR

DELOITTE RWANDA LIMITED

RWANDA ENERGY GROUP LIMITED CHIEF EXECUTIVE OFFICER

CERTIFIED TRUE COPY

Energy Utility Corporation Limited
Statement of changes in equity
For the year ended 30 June 2018

	Share capital	Retained earnings	Reorganisation reserves	Total
	Rwf	Rwf	Rwf	Rwf
At beginning At 1 July 2016	40,000,000,000	2,588,506,858	15,733,051,430	58,321,558,288
Loss for the year	-	(9,320,350,365)	-	(9,320,350,365)
At 30 June 2017	**40,000,000,000**	**(6,731,843,507)**	**15,733,051,430**	**49,001,207,923**
At 1 July 2017	40,000,000,000	(6,731,843,507)	15,733,051,430	49,001,207,923
Loss for the year	-	(15,117,512,598)	-	(15,117,512,598)
At 30 June 2018	**40,000,000,000**	**(21,849,356,105)**	**15,733,051,430**	**33,883,695,325**

The reorganisation reserve is a non-distributable reserve and it arose from the reorganisation of Energy Water and Sanitation Authority (EWSA) into Energy Utility Corporation Limited (EUCL), Energy Development Corporation Limited (EDCL), Rwanda Energy Group (REG) and Water and Sanitation Corporation (WASAC).

The notes on pages 12 to 31 are an integral part of these financial statements.

CERTIFIED TRUE COPY
DELOITTE RWANDA LIMITED

	2018 Rwf	2017 Rwf
Loss before income tax	(14,053,524,166)	(6,753,880,038)
Adjustments for:		
Depreciation	10,235,744,630	10,477,163,205
Impairment of plant and machinery	-	653,484,234
Disposal of vehicles moved to WASAC	193,946,484	-
Increase in provision for obsolete stocks	310,306,935	(622,385,044)
Increase in provision for bad and doubtful debts	4,086,206,691	839,476,398
Realised grants	(5,466,374,438)	(5,744,843,842)
Amortisation of intangible assets	238,442,030	243,718,451
Interest income	(53,018,991)	(186,268,430)
Cash flows before working capital movements	(4,508,270,825)	(1,093,535,066)
Changes in working capital		
Increase in inventory	(219,312,399)	(3,485,042,709)
Increase in Trade and other receivables	(4,619,854,168)	(1,334,595,224)
Increase in Trade and other payables	15,284,281,255	6,307,744,833
Increase in Related party balances	(4,837,022,376)	(5,652,892,828)
Cash generated from operations	**1,099,821,487**	**(5,258,320,994)**
Interest received	53,018,991	186,268,430
Net cash generated from/(used in) operating activities	**1,152,840,478**	**(5,072,052,564)**
Cash flows from investing activities		
Purchase of software	(1,542,653,806)	-
Purchase of property and equipment	(9,340,656,648)	(6,169,326,735)
Net cash used investing activities	**(10,883,310,454)**	**(6,169,326,735)**
Cash flows from financing activities		
Proceeds from related party borrowings	-	1,345,409,142
Proceeds from borrowings from RESSP project	5,891,428,521	5,159,748,682
Proceeds from borrowings from Equity Bank	5,288,780,619	-
Net cash from investing activities	**11,180,209,140**	**6,505,157,824**
Net increase/ (decrease) in cash and cash equivalents	1,449,739,164	(4,736,221,475)
Cash and cash equivalents at beginning of year	8,596,392,590	13,332,614,065
At end of the year	**10,046,131,754**	**8,596,392,590**
Represented by		
Bank and cash balances	**10,046,131,754**	**8,596,392,590**

The notes on pages 12 to 31 are an integral part of these financial statements.

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

1 General information

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

The core business of the Company is transmission, distribution and retail of electricity generated by Government owned power plants under concession arrangement to different participants including the Company and also power purchased from independent power producers.
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 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 other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs)

3.1 Amendments to IFRS that are mandatorily effective for the current period

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company has liabilities arising from financing activities from external lenders (note 26). The related party balances as per Note 27 relates to unpaid transactions with the related parties at year end. The application of these amendments has had no impact on the Company's financial statements

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
The directors of the company conclude that the application of these amendments have had no material impact on the Company's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company does not have deferred tax assets for unrealised losses.

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

3 Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs)

3.1 Amendments to IFRS that are mandatorily effective for the current period

Annual Improvements to IFRSs 2014 - 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are mandatorily effective for the Company.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

The directors of the Company conclude that the application of the amendments have had no impact on the Company's financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organization.

IFRIC 22 Foreign currency transactions and advance consideration

IFRIC 22 addresses how to determine the date of transactions for the purpose of determining the exchange rate to use on initial recognition for an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in recognition of a non- monetary asset or non -monetary liability (for example, a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires entity to determine the date of transaction for each payment or receipt of advance consideration.

The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The directors of the company conclude that the application of the amendments have had no impact on the company's financial statements.

3.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 Leases*

* Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and leases. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees(i.e. all on balance sheet) except for short-term leases and leases of low values assets.

The right –of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lease accounting, IFRS 16 subsequently carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Early adoption of standards

CERTIFIED TRUE COPY
DELOITTE RWANDA LIMITED

4 Summary of significant accounting policies (Continued)

a) 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 (Rwf) which is the Company's functional currency.

b) 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 Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings, trade receivables, trade payables and cash and cash equivalents are presented in Statement of Comprehensive Income within 'finance income or cost'.

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:

• Sales of electricity - external

Electricity sales revenue is recognised when customers on post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved consumer tariffs. Electricity sales revenue for customers on prepaid metering is recognised when customers purchase electricity units. Electricity sales revenue is recognised in the financial statements net of Value Added Tax ("VAT").

Sale of electricity - internal refers to revenue from consumption by Company offices and installations. These revenues are billed and recognised on the same basis described above.

• Revenue from works

Customers are required to fully or part-fund the cost of new installations to their facilities. This amount is paid in advance to the Company as a non-refundable capital contribution. The non-refundable capital contribution is treated as an advance payment until utilised for the construction of the installation paid for, at this point it is then

• Dark fibre revenue

This represents income from rental of Company fibre optic cable lines to third parties. The revenue from renting the lines is recognised on a monthly basis for the period the contract is effective.

• Connections and other non-energy sales

Other revenues include reconnection fees, meter replacement fees, fines, penalties, tender fees and other sundry incomes. They are recognised as they are earned at the rates prescribed by applicable rates or at the amounts agreed with the customers.

• Interest income

Finance revenue comprises interest receivable from bank deposits and other deposits. Finance revenue is recognised as it accrues in Statement of Comprehensive Income, using the effective interest method.

• Subsidies

Subsidies are recognised at the actual amounts received from Government or related entities. These amounts are paid directly to the fuel supplier and the tax authorities in order to compensate the cash shortfall arising from a capped regulated tariff.

4 Summary of significant accounting policies (Continued)

c) Revenue recognition (continued)

- Interest income

Finance revenue comprises interest receivable from bank deposits and other deposits. Finance revenue is recognised as it accrues in Statement of Comprehensive Income, using the effective interest method.

- Subsidies

Subsidies are recognised at the actual amounts received from Government or related entities. These amounts are paid directly to the fuel supplier and the tax authorities in order to compensate the cash shortfall arising from a capped regulated tariff.

- Realised grants

Grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants used to purchase, construct or otherwise acquire non-current assets are recognised in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Capital work in progress

Capital work-in-progress is included under property and equipment and comprises costs incurred on ongoing capital works relating to both customer and internal works. These costs include material, transport and labour cost incurred.

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:

Transmission assets - 5%
Distribution assets - 5%
Motor vehicles - 25%
Computer equipment - 33.3%
Furniture and fittings - 12.5%

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

4 Summary of significant accounting policies (Continued)

e) Service concession agreement

The concession arrangement is governed by the provisions in 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").

Article 5 of the PMO stated that power plants shall remain property of the Government of Rwanda (GoR) but shall be managed by the companies through concession agreements with GoR. Under this article, Government concessioned eight (8) power plants to EUCL.

The significant terms of the agreement are the following:

- The concession agreement for the eight plants is for twenty (20 years) years;
- As a transitional arrangement for the first 5 years from 18/08/2014 (effective date), the annual concession fee will be restricted to zero (0) Frw to allow for progressive reduction in the weighted cost of generation (weighted average cost of the energy mix);
- After the grace period, monthly payments to GoR will be effected by the company over the useful-life of each generation plant concessioned.

The key obligations of EUCL in this arrangement are:

- Refurbish, operate the plants in accordance with this agreement, prudent utility practices, relevant permits and all laws/regulations;
- adhere to and observe at all times standards and practices concerning the protection of health, safety and the environmental regulations which are then in force and are legally binding in Rwanda;
- Employ staff or engage contractors of high repute and competence to guarantee the smooth operation and maintenance of these plants.

EUCL's rights under this concession agreement are summarized as follows:

- the right to operate, maintain and develop the Plants;
- the right to generate power from the Plants; and
- the right to control and sell power generated by the Plants pursuant to the provisions in this Agreement and other relevant laws and regulations governing the electricity supply industry.

Renewal of the concession agreement
Either party may elect to have the concession renewed for another term whose length, terms and conditions thereof are agreed to by the other party. Once such renewal arrangements have been triggered, the existing terms and conditions remain in force beyond the expiring term albeit on transitional basis until the renewal or lack of it have been fully determined and the rights and obligations have been transferred to an appropriate party.

Expiration without prejudice
The expiration or earlier termination of this Agreement shall be without prejudice to all rights and obligations of the Parties accrued under this Agreement prior to such expiration or earlier termination but otherwise the Parties shall have no further obligations hereunder following such expiration or earlier termination except for obligations which are expressed to survive such expiration or earlier termination pursuant to this Agreement.

The Company recognises an intangible asset to the extent that it receives a right to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset is measured at the present value of all fixed future payments to be made by the Company to GoR (as described below). See note note 4(f).

The Company is required to make monthly rental payments to GoR for the concession assets taken over from GoR as indicated in Note 26. The Company recognises a liability in respect of the unfulfilled obligations it assumed in exchange for these assets. This rental payment obligation is accounted for as a financial liability measured at the present value of all fixed future payments to be made to the GoR.

4 Summary of significant accounting policies (Continued)

f) Intangible assets

This relates to acquired computer software licences and right of use assets (explained in Note 4(e)).

Computer software

Computer software licenses 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.

Computer software is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from unforeseeable changes of such software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Right of use asset

Property, plant and equipment included in the concession arrangement from the Government of Rwanda are not recognised in the Company's financial statements in accordance with IFRIC 12. Under the concession agreements, the Company received the right to access, operate and use the concession assets, charge customers for the supply of electricity, and other rights in the form of government support and assurances for a period of 20 years in exchange for monthly rental payments and obligations to restore, reinforce and modify the Distribution Network. The Company recognised a Right of use intangible asset valued at the present value of the lease obligations (rental payments over the period of the concession).

The right of use asset is amortised evenly over the period of the concession agreement.

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

g) 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.

h) 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 provided for.

i) 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.

Impairment of trade receivables

The Company assesses at each reporting date whether there is any objective evidence that trade receivables are impaired. Trade receivables are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4 Summary of significant accounting policies (Continued)

j) Cash and cash equivalents

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.

k) 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.

l) Borrowings

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.

m) Income tax

i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in Statement of Comprehensive Income, 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 Statement of Comprehensive Income.

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

4 Summary of significant accounting policies (Continued)

m) Income tax (continued)

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in Profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

n) Retirement benefits obligations

The employees and the Company contribute to the Rwanda Social Security Board, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to profit or loss.

o) 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.

p) 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.

q) 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.

4 Summary of significant accounting policies (Continued)

r) Impairment of Assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

5 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.

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

A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profits 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. A 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 the deferred tax liability.

Key sources of estimation uncertainty

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 as are follows:

Plant and equipment

Plant 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

Plant 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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

6 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 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

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 Board. The credit risk is limited only to post paid clients, these clients are analysed before standard payment and service terms are offered. 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:

	Neither past due not impaired	Past due not impaired	Impaired	
		Over 60 days	Over 365 days	Total
	Rwf	Rwf	Rwf	Rwf
At 30 June 2018				
Trade receivables	8,646,445,760	400,384,225	19,966,169,307	29,012,999,292
Other receivables	-	2,337,343,151	-	2,337,343,151
Prepayments	39,791,371	-	-	39,791,371
Bank balances	10,039,409,505	-	-	10,039,409,505
	18,725,646,636	**2,737,727,376**	**19,966,169,307.00**	**41,429,543,319**
At 30 June 2017				
Trade receivables	4,285,902,274	5,077,306,005	15,879,962,616	25,243,170,895
Other receivables	1,267,626,331	-	-	1,267,626,331
Prepayments	-	259,482,420	-	259,482,420
Bank balances	8,583,681,075	-	-	8,583,681,075
	14,137,209,680	**5,336,788,425**	**15,879,962,616**	**35,353,960,721**

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

6 Financial risk management objectives and policies (continued)

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.
(i) Commodity risk

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

(ii) Foreign currency risk

Foreign currency exposure arises mainly from purchase transactions that are denominated in a currency other than the functional currency (Rwanda Franc). The currencies in which these transactions are primarily denominated are U.S. Dollars (USD) and Euro.

The currency fluctuation for the USD and Euro within the Rwanda market is closely monitored by the government through the National Bank of Rwanda and is therefore considered fairly stable within plus minus 10%.

The table below summarises the company's exposure to foreign currency risks:

	30 June 2018		30 June 2017	
	EURO	**USD**	**EURO**	**USD**
Bank and cash balances	-	5,182,820,875	-	4,266,154,632
Borrowings	-	11,051,177,203	-	5,159,748,682
Trade and other payables	984,328,260	12,811,655,333	974,582,435	12,684,807,260
	984,328,260	29,045,653,411	974,582,435	22,110,710,574

The following exchange rates were applied during the year:

	Reporting rate			
	Average rate		**Year end rate**	
Currency	**2018**	**2017**	**2018**	**2017**
Euro	980	920	1,002	950
USD	830	800	860	830

Sensitivity analysis on foreign currency rates
A 10 percent movement of the Rwandan Franc against the following currencies at 30 June 2018 would have increased/ (decreased) the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2017.

	Income statement			
As at 30 June	**2018 RWF +10%**	**2018 RWF -10%**	**2017 RWF +10%**	**2017 RWF -10%**
Euro	98,432,826	(98,432,826)	97,458,244	(97,458,244)
USD	2,904,565,341	(2,904,565,341)	2,211,071,057	(2,211,071,057)

CERTIFIED TRUE COPY
DELOITTE RWANDA LIMITED

6 Financial risk management objectives and policies (continued)

c) 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.

The Board performs cash flow forecasting and monitors 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 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:

	6 months or less Rwf	Over 6 months Rwf	More than 12 months Rwf	Carrying amount Rwf
At 30 June 2018				
Assets				
Amounts due from related parties	-	-	11,069,259,426	11,069,259,426
Trade and other receivables	11,423,964,507	-	-	11,423,964,507
Bank and cash balances	10,046,131,754	-	-	10,046,131,754
	21,470,096,261	-	11,069,259,426	32,539,355,687
Liabilities				
Trade payables	(32,757,377,147)	-	-	(32,757,377,147)
Other payables	(4,161,811,452)	-	-	(4,161,811,452)
Amount due to related parties	-	(6,732,088,000)	(6,919,138,650)	(13,651,226,650)
Concession liabilities	-	-	(54,963,188,053)	(54,963,188,053)
Borrowings	-	-	(16,339,957,822)	(16,339,957,822)
Total financial liabilities	(36,919,188,599)	(6,732,088,000)	(78,222,284,525)	(121,873,561,124)
Net liquidity gap	(15,449,092,338)	(6,732,088,000)	(67,153,025,099)	(89,334,205,437)
At 30 June 2017				
Assets				
Amounts due from related parties	-	-	4,835,202,812	4,835,202,812
Trade and other receivables	10,890,317,030	-	-	10,890,317,030
Bank and cash balances	8,596,392,590	-	-	8,596,392,590
	19,486,709,620	-	4,835,202,812	24,321,912,432
Liabilities				
Trade payables	(17,588,711,414)	-	-	(17,588,711,414)
Other payables	(3,880,250,814)	-	-	(3,880,250,814)
Amount due to related parties		(3,745,409,142)	(8,508,783,270)	(12,254,192,412)
Concession liabilities		(4,294,478,409)	(73,006,132,934)	(77,300,611,343)
Borrowings			(5,159,748,682)	(5,159,748,682)
	(21,468,962,228)	(8,039,887,551)	(86,674,664,886)	(116,183,514,665)
	(1,982,252,608)	(8,039,887,551)	(81,839,462,074)	(91,861,602,233)

d) Capital management

Capital is herein defined as equity attributable to shareholders of the Company. The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

	2018	2017
Loans and borrowings (inc related party liabilities)	29,991,184,472	17,413,941,094
Bank and cash balances	(10,046,131,754)	(8,596,392,590)
Related party receivables	(11,069,259,426)	(4,835,202,812)
Net debt	**8,875,793,292**	**3,982,345,692**
Equity	**33,883,695,325**	**49,001,207,923**
Gearing (Net debt/ equity)	**26%**	**8%**

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

		2018	2017
7	**Revenue**	**Rwf**	**Rwf**
	Sales of electricity - external	90,468,304,737	84,584,893,572
	Sale of electricity - related entities	556,082,191	267,351,877
		91,024,386,928	84,852,245,449
8	**Cost of sales**		
	Purchase of electricity	59,305,740,395	49,602,682,067
	Fuel and lubricating oils	19,016,195,142	21,515,894,783
	Repairs and maintenance - generation	829,206,113	2,631,156,511
	Amortisation of concession asset (note 17)	-	4,294,478,409
		79,151,141,650	78,044,211,770
	Realisation of concession obligation (note 23)	-	(4,294,478,409)
		79,151,141,650	73,749,733,361
9	**Grants and subsidies**		
	Subsidies	10,419,227,273	11,145,363,853
	Realised grants	5,466,374,438	5,744,843,841
		15,885,601,711	16,890,207,694

Subsidies are received from Government as part of compesation for amounts not received under the the tariff setting methodology. The Government, through the Rwanda Regulatory Authority, determines the tariffs to be charged to end users and a contribution to cover the shortfall between the Company's revenue requirement and the set tariff is given through subsidies.

Grants amounting to Rwf 5.5 billion (2017: Rwf: 5.7 billion) were realized as income proportionate to the write down of value of asset acquired and/or constructed.

		2018	2017
10	**Other income**	**Rwf**	**Rwf**
	Connections and other non-energy sales	2,931,674,909	3,335,908,874
	Revenue from works	1,451,797,171	3,127,208,538
	Dark fibre revenue	1,300,703,527	559,511,669
		5,684,175,607	7,022,629,081
11	**Distribution costs**		
	Repairs and maintenance	5,588,140,716	8,353,404,551
	Electricity and connection works - internal	3,794,630,826	4,361,642,722
	Commissions	1,565,355,636	1,595,413,708
	Motor vehicle running expenses	507,238,576	538,778,494
	Impairment of plant and equipment	-	653,484,232
	Provision for bad and doubtful debts	4,086,206,691	1,235,911,744
		15,541,572,445	16,738,635,451

CERTIFIED TRUE COPY

....

DELOITTE RWANDA LIMITED

		2018 Rwf	2017 Rwf
12	**Administrative expenses**		
	Salaries and other related costs	8,575,707,660	7,048,247,273
	Consultancy and professional fees	3,092,402,409	2,185,297,305
	Support to EDCL	1,447,104,296	1,072,500,000
	Licence and other taxes	652,466,007	232,402,962
	Telephone charges	603,829,972	285,597,679
	Insurance	502,403,011	383,766,708
	Mission and travelling	717,419,352	193,101,196
	Office Supplies	432,980,099	711,380,704
	Advertising and promotions	299,272,242	301,545,167
	Refreshment and reception expenses	214,966,468	151,084,150
	Repairs and maintenance of buildings	251,159,879	255,458,247
	Security expenses	185,330,308	207,010,423
	Rents and rates	184,899,760	194,584,284
	Bank Charges and commissions	200,158,249	42,156,623
	Participations and contributions	130,715,248	108,867,362
	Legal fees and damages	120,732,084	67,943,989
	Cleaning expenses	85,541,952	55,103,452
	Donations and charity	42,463,040	64,824,418
	Tender committee costs	2,102,948	8,599,992
		17,741,654,984	13,569,471,934
13	**Depreciation and amortisation**		
	Depreciation of assets	10,235,744,630	10,477,163,205
	Amortisation of intangible assets	238,442,030	243,718,451
		10,474,186,660	10,720,881,656
14	**Interest income and finance costs**		
(a)	**Interest income**		
	Bank interest income	53,018,991	186,268,430
(b)	**Finance costs**		
	Interest on loans	375,036,639	-
	Exchange losses	3,417,115,025	926,508,290
		3,792,151,664	926,508,290
15	**Income tax expense**		
	Current income tax	-	-
	Deferred income tax		
	-Charge for the year	(4,222,635,399)	(1,944,473,731)
	-Tax losses de-recognised	5,286,623,831	-
	-over provision in respect of prior years	-	4,510,944,058
		1,063,988,432	2,566,470,327
	Tax reconciliation		
	Loss before income tax	(14,053,524,166)	(6,753,880,038)
	Tax at statutory rate of 30% (2017:30%)	(4,216,057,250)	(2,026,164,011)
	Tax effects of:		
	Expenses not deductible for tax purposes	(6,578,149)	81,690,279
	Tax losses de-recognised	5,286,623,831	-
	Deferred tax - Over provision	-	4,510,944,059
		1,063,988,432	2,566,470,327

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

16 Plant and equipment

	Transmission assets Rwf	Distribution assets Rwf	Motor vehicles Rwf	Furniture and fittings Rwf	Computer equipment Rwf	Assets under construction Rwf	Total Rwf
COST							
At 1 July 2016	83,461,872,228	124,435,060,581	3,139,524,286	852,462,518	747,759,280	1,467,060,548	214,103,739,441
Additions	-	732,711,588	1,291,675,255	308,545,097	765,302,913	3,071,091,882	6,169,326,735
Capitalisation of WIP	-	204,277,819	-	-	-	(204,277,819)	-
At 30 June 2017	83,461,872,228	125,372,049,988	4,431,199,541	1,161,007,615	1,513,062,193	4,333,874,611	220,273,066,176
At 1 July 2017	83,461,872,228	125,372,049,988	4,431,199,541	1,161,007,615	1,513,062,193	4,333,874,611	220,273,066,176
Additions		2,058,155,192	506,685,383	226,167,627	208,720,915	6,340,927,531	9,340,656,648
Written off	-	-	(459,725,000)	-	-		(459,725,000)
At 30 June 2018	83,461,872,228	127,430,205,180	4,478,159,924	1,387,175,242	1,721,783,108	10,674,802,142	229,153,997,824
DEPRECIATION							
At 1 July 2016	7,153,551,876	10,776,322,068	1,146,107,032	183,861,347	395,987,526	-	19,655,829,849
Charge for the year	3,815,419,352	5,703,698,641	614,489,715	105,038,914	238,516,583	-	10,477,163,205
Impairment for the year	462,166,526	138,420,278	-	34,858,019	18,039,409	-	653,484,232
At 30 June 2017	11,431,137,754	16,618,440,987	1,760,596,747	323,758,280	652,543,518	-	30,786,477,286
DEPRECIATION							
At 1 July 2017	11,431,137,754	16,618,440,987	1,760,596,747	323,758,280	652,543,518	-	30,786,477,286
Charge for the year	3,624,645,217	5,476,686,482	697,644,323	122,011,883	314,756,725	-	10,235,744,630
Eliminated on write off	-	-	(265,778,516)	-	-	-	(265,778,516)
At 30 June 2018	15,055,782,971	22,095,127,469	2,192,462,554	445,770,163	967,300,243	-	40,756,443,400
CARRYING AMOUNT							
At 30 June 2018	68,406,089,257	105,335,077,711	2,285,697,370	941,405,079	754,482,865	10,674,802,142	188,397,554,424
At 30 June 2017	72,030,734,474	108,753,609,001	2,670,602,794	837,249,335	860,518,675	4,333,874,611	189,486,588,890

Revaluation of 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 Board.

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

Impairment of property plant and equipment
A physical verification of individual assets was carried out during the year to ensure that the carrying amount did not exceed the recovarable amount. During the verification exercise, it was determined that some of the assets were damaged and/ or were obsolete as per the judgement of technical team.

In accordance with IAS 36 Impairment of Assets, an impairment loss was recognised to write down the asset values to their recovarable amount.

CERTIFIED TRUE COPY
DELOITTE RWANDA LIMITED

17 Concession intangible assets

	2018 Rwf	2017 Rwf
At beginning of year	77,300,611,343	81,595,089,752
Movement	-	(4,294,478,409)
Adjustment to concession intangible asset	(22,337,423,290)	-
At end of year	**54,963,188,053**	**77,300,611,343**
Maturity analysis of the concession intangible asset		
Current	-	4,294,478,409
Non-current	-	73,006,132,934
	-	**77,300,611,343**

Article 5 of the Prime Minister Order 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. In prior year the concessioned power plants had been treated as concessioned intangible assets from the beginning of the concession period until the concession agreements are concluded. On the 5th of December 2017 the Cabinet of Rwanda approved the concessioned assets, and on the 4th of June 2018, the Government of Rwanda and the Company agreed on the amounts to be paid for the concession (though this has not been agreed on signed contract) with payments commencing in August 2019.

In prior year a concession asset and corresponding liability was recorded based on the value of the assets as determined by an independent valuer. In current year, as the concession was officially approved and concession payments agreed upon, a Right of use intangible asset has been recorded valued at the present value of the fixed monthly payments. The value of the right of use asset has been transferred from Concession intangible assets to 'Intangible assets'.
The concession liability was valued the same way.

18 Intangible assets

	2018 Rwf	2017 Rwf
Computer software		
Cost		
At 1 July	1,926,743,201	1,926,743,201
Work in progress	1,542,653,806	-
	3,469,397,007	1,926,743,201
Amortisation		
At 1 July	1,055,172,358	811,453,907
Charge for year	238,442,030	243,718,451
	1,293,614,388	1,055,172,358
At year end	2,175,782,619	871,570,843

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

19 Inventory

	2018 Rwf	2017 Rwf
Inventories comprise the following items:		
Generation and other network materials	11,766,390,247	11,904,665,026
Fuel and lubricating oils	993,670,480	472,388,540
Other stock items	385,187,165	548,881,927
	13,145,247,892	12,925,935,493
Less : Provision for obsolete stock	(385,769,941)	(75,463,006)
	12,759,477,951	12,850,472,487

The movement in the provision for obsolete stock is as follows;

At the start of the year	75,463,006	697,848,050
	-	(793,072,296)
Movement during the year	310,306,935	170,687,252
	385,769,941	75,463,006

20 Trade and other receivables

Trade receivables	29,012,999,292	25,243,170,895
Less: Provision for bad and doubtful debts	(19,966,169,307)	(15,879,962,616)
Net trade receivables	9,046,829,985	9,363,208,279
Other receivables	2,337,343,151	1,267,626,331
Prepayments	39,791,371	259,482,420
	11,423,964,507	10,890,317,030

In 2015, during separation of EWSA resorces into new companies WASAC and REG/EUCL determination of the balances due from trade debtors was completed by independent firm and these receivables were received as part of equity contribution from the shareholder instead of liquid funds.

Recoverability of trade receivables of approximately Rwf. 13.9 billion was extremely doubtful based on the quality of evidence avialable. According a provision of the entire amount was made. This provision was made against general provision to adjust the equity received.

Included in other receivables for 2017 was penalty of $1.2 million receivable from Kivuwatt for delaying to deliver the 25 MW generation as stipulated in the contract. The balance still exist in 2018. Included in other receivables for 2018 are amounts to be received from RRA of $ 900,000 wrongly deducted from a power supplier Kivuwatt.

21 Bank and cash balances

	2018 Rwf	2017 Rwf
Cash at bank	10,039,409,505	8,583,681,075
Cash in hand	6,722,249	12,711,515
	10,046,131,754	8,596,392,590

Bank balances are short term deposits made for varying periods depending on cash requirements of the Company.

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

		2018 Rwf	2017 Rwf
22	**Share capital**		
	Issued and paid (40 billion shares at RWF1 per share)	40,000,000,000	40,000,000,000

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

The net asset after valuation of Rwf 62.4 billion was recorded under reorganisation reserves as at 1 July 2014 awaiting capitalisation. Subsequently, adjustments of Rwf 12.3 billion were made to arrive at net reorganisation of Rwf 50 billion at 30 June 2015. A transfer of Rwf 39.9 billion from reorganisation reserve to share capital has been made to arrive at a share capital of Rwf 40 billion and registered with the Rwanda Development Board. The balance Rwf 16 billion in the reorganisation reserve was maintained to allow for future adjustment of transactions affecting prior periods and the residual amount shall be capitalised by the Directors after two to three years.

		2018 Rwf	2017 Rwf
23	**Concession obligation**		
	At beginning of year	77,300,611,343	81,595,089,752
	Amortisation	-	(4,294,478,409)
	Adjustment	(22,337,423,290)	-
	At 30 June 2018	**54,963,188,053**	**77,300,611,343**
	Maturity analysis of the financial asset		
	Outstanding financial asset	54,963,188,053	77,300,611,343
(a)	Concession financial asset: Current portion	-	(4,294,478,409)
		54,963,188,053	**73,006,132,934**
(b)	**Non-current portion of the obligation**		
	Maturity of concession obligation:		
	Within one year	-	4,294,478,409
	Between one and two years	7,006,311,876	4,294,478,409
	Between two and three years	6,785,267,067	4,294,478,409
	Between three and four years	5,991,849,982	4,294,478,409
	Over five years	35,179,759,128	55,828,219,298
		54,963,188,053	**73,006,132,934**

On August 2014, management of eight generation plants was transferred to the Company from Government under a 20-year concession arrangement.

The present value of the obligation arising from the rental payments under the concession agreements at the commencement of the concession was estimated to be Rwf. 54 billion using a discounting rate of 12.5%. Interest is accrued annually to arrive at the present value of the concession obligation as at year end with the corresponding amount recognised as an asset.

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

24 Deferred income tax liability

Deferred income tax is calculated using the enacted income tax rate of 30% (2017: 30%). The movement on the deferred income tax account

	Note	2018 Rwf	2017 Rwf
At beginning of year		30,561,668,350	27,995,198,023
De-recognised deferred tax		5,286,623,831	-
(Credit)/ charge for the year	15	(4,222,635,399)	2,566,470,327
At end of year		31,625,656,782	30,561,668,350

Deferred income tax is calculated on all temporary differences using the liability method. The net deferred income tax liability is attributed to

	At 1 July 2017 Rwf	Derecognised tax losses Rwf	Charged/ (credited) to Profit or loss Rwf	At 30 June 2018 Rwf
Period ended 30 June 2018				
Deferred income tax liabilities/ (assets)				
Provisions	(529,889,278)	-	(1,307,630,533)	(1,837,519,811)
Accelerated tax depreciation	38,882,042,821	-	(2,231,001,598)	36,651,041,223
Tax losses carried forward	(7,790,485,193)	5,286,623,831	(684,003,268)	(3,187,864,630)
Net deferred income tax liability	30,561,668,350	5,286,623,831	(4,222,635,399)	31,625,656,782
Period ended 30 June 2017				
Deferred income tax liabilities/ (assets)				
Provisions	(286,695,624)	-	(243,193,654)	(529,889,278)
Accelerated tax depreciation	35,739,051,323	-	3,142,991,498	38,882,042,821
Tax losses carried forward	(7,457,157,676)	-	(333,327,517)	(7,790,485,193)
Net deferred income tax liability	27,995,198,023	-	2,566,470,327	30,561,668,350

25 Grants

	Grants to Utility Rwf	Grants through EDCL Rwf	Total Rwf
At 1 July 2017	42,274,128,619	64,410,335,410	106,684,464,029
Grant received during the period	-	-	-
Realised grants	(1,317,871,517)	(4,148,502,921)	(5,466,374,438)
At 30 June 2018	40,956,257,102	60,261,832,489	101,218,089,591
At 1 July 2016	43,592,000,136	67,525,034,390	111,117,034,526
Grant received during the period	-	1,312,273,344	1,312,273,344
Realised grants	(1,317,871,517)	(4,426,972,324)	(5,744,843,841)
At 30 June 2017	42,274,128,619	64,410,335,410	106,684,464,029

Between 2006 and 2017, the Company received grants totaling to approximately RWF 94.7 billion from Government of Rwanda, Government of Netherlands, World Bank, JICA, AFREA and GEF for construction of network assets and other supporting assets. Grants amounting to RWF 5.5 billion were realised as income proportionate to the write down of value of assets acquired and/ or constructed.

	2018 Rwf	2017 Rwf
Source of funds		
Grants awarded to former EWSA	40,956,257,102	42,274,128,619
Electricity Access Rollout Program (EARP)	60,261,832,489	64,410,335,410
	101,218,089,591	106,684,464,029

26 Borrowings

Term loans		
- Equity Bank	5,288,780,619	-
- RESSP	11,051,177,203	5,159,748,682
	16,339,957,822	5,159,748,682

Rwanda Energy Sector Support Programme (RESSP) is a project that was commissioned to increase the population's access to electricity and energy capacity strenthening. The project is funded through a loan from the International Development Agency of $95 million. At 30 June 2017, approximately $12.85 million (Rwf 11.1 billion) (2017: $6.3 million (Rwf. 5.2 billion)) had been drawn. The loan attracts an interest of 0.75% per annum and a commitment fee of 0.5% per annum of unwithdrawn loan balance. Repayment of this loan will commence in February 2022 with the last loan installment in August 2053.

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED

27 Amounts due to related parties

The Company's related parties include Rwanda Energy Group (REG) and Energy Development Corporation Limited (EDCL) which are all managed by one Board of Directors. REG is the parent Company of both EUCL and EDCL. The balances due from and to related parties at year end are:

		2018 Rwf	2017 Rwf
(a)	**Amounts due from related parties**		
	Amounts advanced to EDCL	8,526,043,760	2,979,756,628
	Amounts advanced to REG	2,543,215,666	1,855,446,184
		11,069,259,426	4,835,202,812
(b)	**Amounts due to related parties**		
	Amounts due to REG	-	13,321,142
	EARP amounts collected on behalf of EDCL	9,319,138,650	10,908,783,270
	Short term borrowing from EDCL	4,332,088,000	1,332,088,000
		13,651,226,650	12,254,192,412
i	Current portion	6,732,088,000	3,745,409,142
ii	Long term portion	6,919,138,650	8,508,783,270

The Company advanced to EDCL Rwf. 4.6 billion (2017: 3.0 billion) to service a loan that was used to construct the Gishoma Peat to Power plant. This amount will be capitalised together with other costs of the plant when the plant is transferred to the Company.

Included in amounts due from related parties is Rwf. 510 million was advanced to REG to purchase land on which the REG headquarters building will be constructed. The balance was advanced for purchase of vehicles, computers, payment of salaries and other administrative expenses.

There is no repayment schedule for this amount.

Amounts due to EDCL relate to amounts collected from customers as repayments of electricity connection charges that were advanced by EARP project managed by EDCL.

Short term borrowing of Rwf. 2.0 billion was received from EDCL to cope with a delay in receiving subsidies from Government. The subsidies were received and the borrowing retired. No interest was charged on this borrowing.

28 Trade and other payables

	2018 Rwf	2017 Rwf
Trade payables	32,757,377,147	17,588,711,414
Other payables	4,161,811,452	3,880,250,814
General provisions	2,234,355,912	2,400,301,028
	39,153,544,511	23,869,263,256

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

29 Re-organisation reserve

	2018 Rwf	2017 Rwf
Balance at year end	15,733,051,430	15,733,051,430

30 CONTINGENT LIABILITIES

The company did not have any contingent liabilities at the year-end (Nil-2017)

31 CURRENCY

The financial statements are presented in Rwandan francs (Frw) which is also the functional currency.

32 EVENTS AFTER THE REPORTING PERIOD

At the signing date of the financial statement, no subsequent event required adjustment or disclosure as required by IAS 10 "Events after reporting date"

CERTIFIED TRUE COPY

DELOITTE RWANDA LIMITED