

Our ref: T/BRJ/020/ESU1/18

April 6, 2018

Mr. Ian Walker
Engineering Solutions Uganda Limited
5th Street
Industrial Street
Kampala, Uganda

Dear Sirs,

ENGAGEMENT LETTER – TAXATION OBJECTION SERVICES

1. Introduction

- 1.1** Thank you for appointing us to provide tax advisory services to Engineering Solutions Uganda Limited (the "Company" "Engsol"). This engagement letter, together with the attachments (the "Engagement Letter"), sets out the basis upon which we will provide taxation objection services into the Uganda Revenue Authority's ('URA') audit and assessment to the Company (the "Engagement").

This engagement supersedes any previous proposals, correspondence and understandings, whether written or oral and will stay in force unless terminated by a subsequent agreement or understanding in writing.

2. Responsibilities of the tax advisor

- 2.1** We will be responsible for providing the technical taxation advise and support services to the Company in regards to the URA income tax assessments, LA010118856184, LA010118856185, LA010118856186, for the period July 1, 2014 to June 30, 2017 leading to our objection and the defence of that objection thereto, including appealing to the URA.
- 2.2** We will object to the income tax assessments above issued by the URA with the intent that only the proper tax due as per the Income Tax Act was and or is paid. If there is a partial acceptance of the objection as per the Objection Decision notice, we will appeal to the commissioner through the URA's Objection and Appeals Unit.

3. Responsibilities of management and directors

- 3.1** The responsibility of maintaining proper accounting records and preparing financial statements, including filing tax returns and complying with the tax thereon, together with adequate disclosure is that of the directors, through management of the Company.

4. Personnel

- 4.1** Mr Robert Busuulwa will be responsible for the conduct of this Engagement on our behalf. Our contact details are as follows;
Contact Person: Mr Robert Busuulwa
Direct telephone: +256 782 604 832
Email address: robert.busuulwa@mazars.ug

Fees

.1 Our fees are calculated and have been agreed in accordance with Schedule III attached.

6. Client service

6.1 Our objective is to provide you with a high quality service to meet your needs. If at any time you would like to discuss with us how our service to you could be improved or if you are in any way dissatisfied with the service you are receiving, please let us know by contacting Mr. Robert Busuulwa on +256 782 604 832.

6.2 We undertake to look into any complaint carefully and promptly and to do all that we can to explain and resolve the position to your satisfaction. If in any case we do not answer your complaint to your satisfaction, you may take up the matter with the Institute of Certified Public Accountants of Uganda.

7. Obligations and liabilities

7.1 We will exercise due care in the performance of our work in accordance with the applicable professional standards.

7.2 Because of the importance to our work, the information and representations supplied to us by the management, employees and agents of Engineering Solutions Uganda Limited, we shall not be held responsible or liable for any damage (as defined in the attached Terms of Business schedule II) or other consequence arising from matters on which information material to our work is deliberately withheld or concealed from us or misrepresented to us, except and only to the extent finally determined to have resulted from our knowingly disregarded matters of which we have actual knowledge, bad faith, gross negligence or willful default.

7.3 The aggregate liability of our firm, its partners, agents and employees or any of them (together referred to as the "Firm") for damage shall in all circumstances, be limited to three times the annual fees paid to us for our services as tax advisors to Engsol.

7.4 Our responsibility as tax advisors is limited to the period covered by our Engagement Letter and does not extend to matters that arise or arose during any earlier or later periods for which we were not engaged as tax advisors. This engagement will lapse upon the issuance of a final objection decision by the URA's Objection and Appeals Unit.

8. Other services

8.1 We may provide, if requested, additional services. Any additional services that you may request and that we agree to provide will be covered by separate arrangements.

9. Terms of business

9.1 A copy of our Terms of Business is attached at Schedule II. You should ensure that you read and understand our Terms of Business which contain important terms including those in connection with the scope of the Engagement, your responsibilities, fees, use of our advice, and our liability. The Terms of Business, together with the other schedules referred to in this letter, form part of the Engagement Letter. Should any of the terms included in the Terms of Business conflict with any of the other terms in this Engagement Letter, the latter will prevail. This Engagement Letter will take precedence over any of its schedules.

9.2 You expressly agree and understand that the terms in this Engagement Letter apply to all tax services provided by Mazars BRJ Advisory Services, pursuant to the Engagement, whether such services were performed or provided before or after signing of the Engagement Letter.

- 9.3** This Engagement Letter will remain in force and shall be fully effective until varied or replaced by written agreement between us or as specified in paragraph 7.4 above, whichever of these will come first. Each party may give notice in writing of termination to the other, which notice shall be delivered by either email, fax and/or a reputable courier service, indicating the reasons for termination such as a breach of the contract terms or non-remedy of written complaints within a reasonable time frame.
- 9.4** We would be very grateful if you could confirm your agreement to the terms in this Engagement Letter by signing and returning to us the attached copy. In any event, your continuing instructions will amount to an acceptance of those terms.

Yours faithfully



Robert Busuulwa
Director
For and on behalf of Mazars BRJ Advisory Services
Enc.

To Mazars BRJ Advisory Services:

I hereby confirm that Mazars BRJ Advisory Services is appointed to carry out the Engagement in accordance with the terms set out in this Engagement Letter.

Signed on behalf of **Engineering Solutions Uganda Limited**



Name

Ian Walker



Designation:

Managing Director

Date:

09.04.2018

Schedule I – Responsibilities of the Tax Advisor

Schedule of Services

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions. Our services, under Engagement, will be provided in two stages as shown in paragraphs 1 and 2 of this Schedule as follows;

1. Objection to 3 income tax assessments (LA010118856184, LA010118856185, LA010118856186)

- We will prepare workings, narrative and other technical support documents and explanations in preparation to the filing of an objection on the URA's web portal. We will discuss this support documentation with you before filing the objection online and ensure that you have fully understood our views beforehand;
- We will file an objection [s] on the URA's web-portal ('online') for each of the three assessments within the 45 days provided by Part VII and Section 24(1) of the Tax Procedures Code Act 2014 ('TPCA') as amended;
- Whilst this is not envisaged, where an event[s] occurs, which leads to believe that the time left off the objection timeline is likely to be insufficient, we will bring that matter to your attention, before the due date of filing of the objection, and apply for an extension, under Section 24(4) TPCA 2014, to submit the objection and object to the assessments on or before the approved objection date to cater for the delay caused by the URA in sending workings;
- We will submit the support documents for each of the assessments to the URA and closely follow up with the URA, including attending face to face meetings with you and or the URA, to ensure all the necessary information requested for is provided and being utilized;
- We will attend meetings with the URA along with the designated representative of the Company, in the case Ms Catherine Atuhaire. In each meeting, you will be notified of the date, time and venue of each meeting upon which you will have an option of attending or otherwise. We will present the technical arguments and press strongly the Company's tax position clearly and robustly. We will prepare minutes following those meetings, and provide you copies thereof and explain to you their implications;
- We expect the URA to serve the Company with a notice of an Objection Decision within 90 (ninety) days following the submission of the objection application. We expect this to be around the second week of August 2018;
- If the URA does not issue the Company with an objection decision within the 90 days mentioned above, we will advise you of our intention to make an election under Section 24 (7) TPCA 2014 to regard the URA as having made a decision to allow the objection;
- In the event that the URA issues its objection decision, we will advise the Company accordingly on the next best course of action. In case the objection decision is accepted by the URA in total, this engagement will come to an end, as envisaged in paragraph 7.4 above. Where the objection decision is partially accepted or rejected in total, we will proceed to the Objection and Appeals Unit at the URA for an appeal under paragraph 2 below, of this Schedule.

2. Appeal to the URA Objections and Appeals Unit

- 2.1 If the Company is dissatisfied with the URA's objection decision as mentioned in the final bullet in paragraph 1, above of this Schedule, we will advise you to lodge an appeal through the URA's Objections and Appeals Unit immediately. The law requires that an appeal of the URA's objection decision is lodged with the Tax Appeals Tribunal ("TAT") for review of the decision within 30 days following the decision. This engagement letter does not extend to the appear to the TAT;



- 2 We will present all, and any, information relating to the assessments and the objection decision. This will include all the correspondences from the URA and all the working papers deemed necessary to allow the URA Objections and Appeals Unit to understand the background of the Company's objection to the income tax assessments;
- 2.3 We will hold meetings with the Company to discuss the strategy and grounds of appeal, the merits of all the possibilities, information and facts to be presented to the URA Objections and Appeals Unit and the required timelines of delivery;
- 2.4 We will review and exhaust the customary law, case law and any guidance as part of our research to determine the most feasible grounds to present to the URA Objections and Appeals Unit;
- 2.5 We will prepare the necessary reconciliations and discuss them with the Company's representative in relation to the assessed liability with the spirit of reducing the tax liability professionally;
- 2.6 We will attend meetings with the URA Objections and Appeals Unit and the representative of the Company and send you minutes of the same, if necessary;
- 2.7 At the conclusion of the appeal process, and after the URA issues its decision, we will advise you on the next appropriate course of action under the laws of Uganda, which may include seeking legal redress through, firstly the TAT, and where necessary, the High Courts for a review of the decision;
- 2.8 Our services under this paragraph of the engagement will cease when the URA Objections and Appeals Unit issues its final decision following our appeal to any tax decision;
- 2.9 In that event, we will be available to provide further advice and assistance, under separate terms should that situation arise, on the process and actions to be taken, if the case proceeds to that level, through the courts of law. Where the review requires an assessment of matters outside our engagement, we will advise you of the effect of that on our scope of work and consequently fees.

3. Changes in the Law

- 3.1 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 3.2 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

4. Your responsibilities

- 4.1 To enable us to carry out our work the directors agree:
 - a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
 - b) To provide full information necessary for dealing with the Company's affairs:
We will rely on the information and documents being true, correct and complete;
 - c) To authorize us to approach such third parties as may be appropriate for information that we consider necessary to deal with the Company's affairs;
 - d) To keep us informed of material changes in circumstances that could affect the tax liabilities and/or obligations of the Company. If the directors are unsure whether the change is material or not, to let us know so that we can assess the significance.
 - e) To forward to us URA statements of account, copies of notices of assessment, letters and other communications received from URA in time to enable us to deal with them as may be necessary.

within the statutory time limits. Although URA will have the authority to communicate with us, it is essential that you let us have copies of any correspondence received because URA are not obliged to send us copies of all communications issued to your Company.

- f) To pay our fees as agreed and in the manner agreed upon commencement of the engagement or as may be amended by mutual consent, from time to time, in writing.
- 4.2 The work carried out within this engagement will be in respect of the Company's tax affairs. Any other work to be carried out will be set out in a separate letter of engagement.

Schedule II – Terms of Business

1. LIABILITY

- 1.1. For the purpose of these Terms of Business and the accompanying engagement letter, "Damage" shall mean the aggregate of all losses or damages (including interest thereon if any) and costs suffered or incurred, directly or indirectly, by the Company (together with such other parties whom the Firm and the Company have agreed may have the benefit of and rely upon our work on the terms hereof) (together "Addressees") under or in connection with this engagement or its subject matter (as same may be amended or varied) and any report prepared pursuant to it, including as a result of breach of contract, breach of statutory duty, tort (including negligence), or other act or omission by the Firm but excluding any such losses, damages or costs arising from the fraud or gross negligence of the Firm or in respect of liabilities which cannot lawfully be limited or excluded.
- 1.2. For the purpose of these Terms of Business, "the Firm", "us", "we" or "our" which, where appropriate, includes our successor and predecessor firms and our staff members shall mean Mazars BRJ Advisory Services, Mazars BRJ, its partners, directors, employees and agents. References in these Terms of Business to the "Company", "you", or "your" shall mean Engineering Solutions Uganda Limited, Engsol, a Company which is duly incorporated under the Companies Act, 2012 of the Laws of the Republic of Uganda and who are our clients for this Engagement.
- 1.3. Neither party to this Engagement will be liable to the other for failure to fulfill obligations caused by circumstances outside its reasonable control.
- 1.4. Neither party to this Engagement will directly or indirectly agree to assign, transfer or sell to anyone any claim against the other party arising out of this engagement, except that the Company may assign its rights to any such claim to: (1) its insurer or (2) a third party who acquires all or substantially all of the voting securities or assets of the Company.
- 1.5. The Firm shall not be liable to the Company for any punitive damages whatsoever or for any consequential loss or damage beyond the maximum liability specified in the Engagement Letter.
- 1.6. The Company agrees to indemnify and hold harmless the Firm against any and all liabilities, actions, proceedings, claims, costs, demands, damages and expenses (including legal fees) incurred or threatened or arising in respect of or in connection with any matter or circumstances relating to or resulting from the provision of services under the Engagement Letter provided however that the Firm shall not be so indemnified with respect to any matter resulting from its fraud, willful misconduct or gross negligence.
- 1.7. Notwithstanding the termination of the Engagement Letter, the provisions relating to the liability and indemnity of the Firm shall continue in full force and effect.

2. OUR EMPLOYEES

- 2.1. It is expressly agreed that, having regard to our interest in limiting the personal liability and exposure to litigation of employees, you will not bring any claim in respect of any damage against any or all of our employees personally.
- 2.2. For the duration of our engagement, and for 12 months after its termination or completion, the Company will not offer employment, or procure a third party to offer employment to any employee of ours who has taken part directly in the Engagement, without our consent.

3. GENERAL UNDERTAKINGS AND CONFIDENTIALITY

3.1. Confidential information

Confidential information concerning the business of the Company will not be disclosed by us to third parties (except for other professional advisers whom we may consult in relation to our work and save to the extent that the information is in the public domain) without your prior written consent unless otherwise required by law, a Court of competent jurisdiction, the tax authorities or other government or regulatory authority.

Likewise the Company will not disclose confidential information about the Firm without our consent. All information and advice, written or oral, of whatever nature, made available by us to you is for your sole use and shall not be disclosed or made available to any third party (save to the extent that same is in the public domain otherwise than by breach of this clause) without our prior written consent unless otherwise required by law, a Court of competent jurisdiction, the tax authorities or other government or regulatory authority.

3.2. Working papers and files

The working papers and files prepared in conjunction with our work, including electronic documents and files, are our firm's property, constitute confidential information and will only be retained by us in accordance with our firm's policies and procedures. We will notify you as soon as practicable (unless restricted by law) where we receive a legally compelling notice or request for access to your working papers from a third party.

Notwithstanding anything to the contrary herein, any product of the service, including without limitation all reports produced by Mazars BRJ are for the sole benefit of the Company. Mazars BRJ shall retain the copyright, technical knowhow and other intellectual property rights in developing the product of service and the Company shall have a non-exclusive, royalty free license to the use the aforementioned intellectual property rights in so far as it is incorporated in the product and service and only to such extent as is necessary in relation to the project or for purposes connected herewith.

3.3. Electronically transmitted information

We may communicate with you electronically. Electronically transmitted information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

We will use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically, but we will not be liable in respect of any error, omission or loss of confidentiality arising from or in connection with the electronic communication to you.

3.4. General

Nothing in this document precludes us or any member of our staff from taking such steps as are necessary in order to comply with the professional or ethical rules of any relevant professional body of which a partner or employee may be a member.

4. APPLICABLE LAW

The Terms of Business of this Engagement Letter shall be governed by, and construed in accordance with the laws of Uganda. The Courts of Uganda shall have exclusive jurisdiction to any claim, dispute or difference concerning the Engagement Letter and the Terms of Business and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have the jurisdiction.

5. ARBITRATION

The parties shall attempt, in an amicable manner, to adjust and settle any disagreements which may arise between them under or in connection with this Engagement.

In the event that any dispute arises between any of the parties to this engagement then at any time after the exhaustion of the procedures of mediation referred to in paragraph 5.1 above such dispute shall be referred to arbitration at the request of a party upon written notice to that effect (a "Notice of Arbitration") and be finally determined in accordance with the Arbitration Rules of a competent Court with jurisdiction in the Republic of Uganda (the "Rules"). The appointing authority under the Rules shall be a Judge of the Court sitting in Chambers (the "Appointing Authority").

5.1. The place of arbitration shall be Kampala, Uganda. The language of the arbitration shall be English. The arbitration shall take place before a panel of three (3) arbitrators appointed as follows:

- 5.1.1. one arbitrator shall be appointed by each party (together, the "Appointed Arbitrators") within ten (10) Business Days of receipt of the Notice of Arbitration;
- 5.1.2. the Appointed Arbitrators shall appoint a third arbitrator within twenty (20) Business Days of receipt by the parties of the Notice of Arbitration; and
- 5.1.3. If either party does not appoint an Appointed Arbitrator or the Appointed Arbitrators fail to agree upon a third arbitrator pursuant to this clause, such arbitrator shall be appointed by the Appointing Authority. Each party agrees that any decision or award in any arbitration made pursuant to this sub-clause shall be final and binding and hereby waives any right of appeal or recourse to any court of law.

Schedule III – Our Fees

Our fees are based on the degree of responsibility and skill involved and the time required to complete the assignment, plus expenses.

We have agreed to fix our fees for the tax support services as specified in Schedule I of this Engagement Letter. Our fees will be;

- **UGX 19,823,454 (Nineteen Million Eight Hundred Twenty Three Thousand Four Hundred and Fifty Four Uganda Shillings)** for handling the objection process in stage 1 of Schedule I; and
- **UGX 11,013,030 (Eleven Million Thirteen Thousand and Thirty Uganda Shillings)** at the appeal stage, or stage 2 of Schedule I.

Our fees for any subsequent tax services will be revised and communicated to you annually in writing. Our fees are exclusive of VAT, which is currently charged at 18%.

Our business terms require that we bill for our tax support services as follows;

- 50% of our fees at the commencement of the first part of the objection;
- 50% upon the URA issuing an objection decision;
- 50 % of our fees for the appeal process or stage 2 of Schedule I; and
- the final 50% at the issuance of the objection decision by the Objection and Appeals Unit.

We will notify you immediately of any circumstances that we encounter which could significantly affect our fees.

The timely completion of the tax work requires the full co-operation of your staff in the provision of records, documentation, other information and explanations relevant to the tax work. Estimates of time for completion of the tax work are given on the assumption that we receive this co-operation. We may charge additional fees and expenses which result from delays in providing this co-operation.

Incidental and out-of-pocket expenses such as travelling, subsistence, any special telecommunications or commuting charges and any other expenses properly incurred while engaged on your business, whether at your premises or elsewhere, will be charged at cost.