

**AIRTEL MOBILE COMMERCE RWANDA LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022**

AIRTEL MOBILE COMMERCE RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS	PAGE
Corporate Information	1 - 2
Directors' Report	3
Statement of Directors' Responsibilities	4
Report of the Independent Auditors	5 - 7
Financial Statements:	
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 32

AIRTEL MOBILE COMMERCE RWANDA LIMITED

**CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS

The directors who served during the year and to the date of this report were:

Name	Role	Date of appointment/resignation
Mr. Jean Claude Gaga	Managing Director	Appointed on 20 April 2022
Mr. Amit Chawla	Managing Director	Appointed on 04 September 2018 Resigned on 31 August 2021
Mr. Alok Bafna	Non-Executive Director	Appointed on 12 Feb 2018 Resigned on 20 April 2022
Mr. Mukesh Singla	Non-Executive Director	Appointed on 20 April 2022
Mr. Emmanuel Hamez	Managing Director	Appointed on 1 September 2021 Resigned on 20 April 2022

**PRINCIPAL PLACE OF
BUSINESS AND
REGISTERED OFFICE**

Airtel Mobile Commerce Rwanda Limited
Remera, Gasabo
P.O. Box 4164
Kigali
Rwanda

AUDITORS

BDO EA Rwanda Ltd
Certified Public Accountants
Career Centre Building, 8th Floor
KG 7AV, PO Box 6953
Kigali, Rwanda

BANKERS

I&M Bank Rwanda Limited P.O. Box 354 Kigali Rwanda	KCB Bank Rwanda plc P.O. Box 5620 Kigali Rwanda
Banque Populaire du Rwanda (BPR) plc P.O Box 1348 Kigali Rwanda	Zigama CSS P.O. Box 4772 Kigali Rwanda
Urwego Opportunity Bank Rwanda plc P.O Box 748 Kigali Rwanda	Equity Bank Rwanda plc P.O. Box 494 Kigali Rwanda
Bank of Kigali plc P.O. Box 175 Kigali Rwanda	Access Bank Rwanda Limited plc P.O Box 2059 Kigali Rwanda
Ecobank Rwanda plc P.O. Box 3268 Kigali Rwanda	Guaranty Trust Bank (Rwanda) plc P.O. Box 331 Kigali Rwanda

AIRTEL MOBILE COMMERCE RWANDA LIMITED

CORPORATE INFORMATION (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SECRETARY

Mr. Shema Baker
C/O Airtel Rwanda Limited
P.O. Box 4164
Kigali
Rwanda

LEGAL ADVISORS

Trust law chambers
P.O Box 6679
Kigali
Rwanda

B&A Advocates
P.O Box 4067
Kigali, Rwanda

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors submit their report on the affairs of Airtel Mobile Commerce Rwanda Limited ("the Company") together with financial statements and the auditors' report for the year ended 31 December 2022, which disclose the state of affairs of the Company.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are provision of mobile money services in Rwanda and to hold and safeguard the funds in trust for Airtel Money e-value account holders.

2. RESULTS

The results for the year are set out on page 8.

3. DIVIDEND

The directors do not recommend payment of dividend with respect to the year ended 31 December 2022 (2021: Nil).

4. RESERVES

The reserves of the Company are set out on page 10.

5. DIRECTORS

The Directors who held office during the year and to the date of this report are set out on page 1.

6. AUDITORS

BDO EA Rwanda Ltd were appointed in the year 2021 and have expressed their willingness to continue in office in accordance with Law No 007/2021 of 05/02/2021 governing companies in Rwanda.

By order of the Board

The financial statements on pages 8 to 32 were approved at a meeting of the Directors held on 29th/03/2023 and signed on its behalf by:

Shema Baker

Company Secretary

29th/03/2023



AIRTEL MOBILE COMMERCE RWANDA LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022**

Law No. 007/2021 of 05/02/2021 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 007/2021 of 05/02/2021 governing companies, and for such internal controls as 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. 007/2021 of 05/02/2021 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 its 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 31 December 2022 and of its loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Rwanda Law No. 007/2021 of 05/02/2021 governing companies.

The Company incurred a net loss of Rwf 760 million (2021: Rwf 787 million). As of 31 December 2022, accumulated losses were Rwf 1,548 million (2021: Rwf 787 million). The Directors are of the opinion that the Company is going concern on the basis that the Company:

- a) Will generate cash inflows from operations;
- b) Will obtain sufficient funding as required to meet its obligations as and when they fall due;
- c) The Company will be able to obtain from the holding company any additional funding required to meet its obligations as and when they fall due.

The Directors are confident that the funds described above will be available to the Company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.



Director

.....29/3/.....2023





Director



Tel: +250 738 304070
Tel: +250 788 309225
rwanda@bdo-ea.com
www.bdo-ea.com

BDO EA Rwanda Ltd
Career Center Building, 8th Floor
KG 541st Road, P.O. Box 6593
Kigali, Rwanda

To the Shareholder of Airtel Mobile Commerce Rwanda Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce Rwanda Limited (“Company”) set out on pages 8 to 32, which comprise the statement of financial position as at 31 December 2022, 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 financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Rwanda Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law No 007/2021 of 05/02/2021.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Rwanda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Rwanda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

We draw attention to note 24 of these financial statements which indicates that the Company incurred a net loss of Rwf 760 million (2021: Rwf 787 million). As of 31 December 2022, accumulated losses were Rwf 1,548 million (2021: Rwf 787 million) and that the company’s total liabilities exceed its assets by Rwf. 1,348 million (2021: Rwf 587 million). These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Law No 007/2021 of 05/02/2021, which we obtained prior to the date of this report. Other information 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 an audit opinion or 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.

2



Tel: +250 738 304070
Tel: +250 788 309225
rwanda@bdo-ea.com
www.bdo-ea.com

BDO EA Rwanda Ltd
Career Center Building, 8th Floor
KG 541st Road, P.O. Box 6593
Kigali, Rwanda

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Law No 007/2021 of 05/02/2021, and for such internal control as the Directors determine is 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.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout 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 Company'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.

A



Tel: +250 738 304070
Tel: +250 788 309225
rwanda@bdo-ea.com
www.bdo-ea.com

BDO EA Rwanda Ltd
Career Center Building, 8th Floor
KG 541st Road, P.O. Box 6593
Kigali, Rwanda

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.

Report on other legal and regulatory requirements

As required by the Law No. 007/2021 of 05/02/2021 we report to you, based on our audit, that:

- i. We have no relationship, interest or debt with Airtel Mobile Commerce Rwanda Limited. As indicated in our report on the audit of the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which includes comprehensive independence and other requirements.
- ii. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- iii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iv. We have communicated with those charged with governance our significant audit findings, and significant deficiencies in internal control that we identified during our audit;
- v. According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the Company, the annual financial statements comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

BDO EA Rwanda Ltd
Certified Public Accountants
Career Center Building, 8th Floor.
KG 541st, P.O Box 6593
Kigali, Rwanda


BDO EA RWANDA Ltd
Tel: +250 788309225
+250 738304070
P.O Box 6593 Kigali, Rwanda

Emmanuel Habineza, FCCA, CPA(R)
(PC/CPA0007/0014)
Managing Partner

301031 2023

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF COMPREHENSIVE INCOME
 (All amounts are in thousands Rwf, unless stated otherwise)

	Note	For the year ended (Note 1)	
		2022	2021
Income			
Revenue	5	3,645,292	954,429
		3,645,292	954,429
Expenses			
Sales and marketing expenses	6	2,558,187	690,806
Employee cost	7	501,552	228,474
Other expenses	8	524,713	279,494
Depreciation	10	411,673	240,644
Amortization	11	150,746	147,166
		4,146,871	1,586,584
Operating loss		(501,579)	(632,155)
Finance cost	9	282,791	156,902
Finance Income	9	(23,910)	(1,409)
Loss before tax		(760,460)	(787,648)
Income tax	18	-	-
Loss and total comprehensive loss for the period		(760,460)	(787,648)

There were no items of other comprehensive income for the year (2021: Nil)

Note

- 1) The company was incorporated on 22 February 2013; On April 1, 2021, the acquired Airtel Money operations of the group in Rwanda from its fellow subsidiary (Airtel Rwanda Limited). This was a common control business transaction. Hence the company recorded all the assets and liabilities at their predecessor carrying values. Therefore, the comparatives presented include the results (and other amounts) of Airtel Money operations for only 9 months.

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands Rwf, unless stated otherwise)

	Notes	As at 31st December	
		2022	2021
Non-current assets			
Property, plant and equipment	10	819,341	1,075,290
Capital work in progress	10	363,037	77,511
Intangible assets	11	231,513	7,729
		<u>1,413,891</u>	<u>1,160,530</u>
Current assets			
Trade receivables	12	186,786	33,106
Other current assets	13	480,009	483,752
Cash and cash equivalents	16	1,821,843	1,634,959
Balance held under mobile money trust	16	8,540,725	5,199,638
		<u>11,029,364</u>	<u>7,351,455</u>
Total assets		<u>12,443,255</u>	<u>8,511,985</u>
Equity			
Share capital	15	200,000	200,000
Accumulated losses		(1,548,108)	(787,648)
		<u>(1,348,108)</u>	<u>(587,648)</u>
Non-current liabilities			
Borrowings	14	2,004,914	2,004,914
		<u>2,004,914</u>	<u>2,004,914</u>
Current liabilities			
Trade and other payables	17	3,087,835	1,825,010
Other Non-Financial Liability	17	157,889	70,071
Mobile money wallet balance	16	8,540,725	5,199,638
		<u>11,786,449</u>	<u>7,094,719</u>
Total equity & liabilities		<u>12,443,255</u>	<u>8,511,985</u>

Note

The financial statements on pages 8 to 32 were approved by the board of directors on
29/3/2023 and were signed on its behalf by:

Director

Director



AIRTEL MOBILE COMMERCE RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands Rwf, unless stated otherwise)

	Share capital Rwf '000	Accumulated losses Rwf '000	Total Rwf '000
At 1 January 2021	200,000	-	200,000
Total comprehensive loss	<u>-</u>	<u>(787,648)</u>	<u>(787,648)</u>
<i>At 31 December 2021</i>	<u>200,000</u>	<u>(787,648)</u>	<u>(587,648)</u>
At 1 January 2022	200,000	(787,648)	(587,648)
Total comprehensive loss	<u>-</u>	<u>(760,460)</u>	<u>(760,460)</u>
At 31 December 2022	<u>200,000</u>	<u>(1,548,108)</u>	<u>(1,348,108)</u>

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS

(All amounts are in thousands Rwf, unless stated otherwise)

	Note	For the year ended 31 December	
		2022	2021
Cash flow from operating activities:			
Loss before tax		(760,460)	(787,648)
<i>Adjustments for:</i>			
Depreciation and Amortization	10&11	562,418	387,810
Finance cost	9	258,881	151,604
Operating cash flow before working capital changes		60,839	(248,234)
<i>Changes in working capital</i>			
Increase in trade and other receivables		(149,938)	(516,858)
Increase in trade and other payable		1,091,763	1,653,372
Increase in mobile money wallet balance		3,341,087	395,027
<i>Net cash generated from operating activities before tax</i>		4,343,751	1,283,307
Income tax paid	18	-	-
Net cash generated from operating activities		<u>4,343,751</u>	<u>1,283,307</u>
Cash flow from investing activities:			
Purchase of property, plant and equipment and intangibles	10&11	(815,780)	(1,548,340)
Net cash used in investing activities		<u>(815,780)</u>	<u>(1,548,340)</u>
Cash flow from financing activities:			
Issue of share capital	15	-	-
Proceeds from borrowings	14	-	2,004,914
Net cash generated from financing activities		<u>-</u>	<u>2,004,914</u>
Increase in cash and cash equivalents		3,527,971	1,739,881
Cash and cash equivalents at the beginning of the year		<u>6,834,597</u>	<u>5,094,716</u>
Cash and cash equivalents at the end of the year		<u>10,362,568</u>	<u>6,834,597</u>
Represented by:			
Balance held in wallets	16	1,087,937	808,315
Balance at Bank	16	733,906	826,644
Balance held under mobile money trust on behalf of customers	16	8,540,725	5,199,638
		<u>10,362,568</u>	<u>6,834,597</u>

**AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Corporate information

Airtel Mobile Commerce Rwanda Limited is a limited liability company registered and domiciled in Rwanda and licensed under the Law no 007/2021 of 05/02/2021 governing companies in Rwanda. The Company was incorporated on 22 February 2013 and it is 100% owned by Airtel Mobile Commerce Rwanda B.V.

Airtel mobile commerce Rwanda Limited is part of Bharti Airtel group of companies. The company's direct shareholder is Airtel Mobile commerce Rwanda BV incorporated and domiciled in the Netherlands. The step-up parent company that produces consolidated financial statements for public use within the group is Airtel Africa plc, a company incorporated and domiciled in London.

2. Application of new and revised international financial reporting standards (IFRSs)

New and revised IFRSs in issue but not yet effective

The following pronouncements issued by the IASB are relevant to the Company and effective for annual periods beginning on or after 1 January 2023. The Company's financial statements will be presented in accordance with these requirements, which are being evaluated but are not expected to have a material impact on the results, financial position or cash flows of the Company. These pronouncements have been issued by IASB, but are not yet effective

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 in relation to disclosure of accounting policies
- Amendments to IAS 8 in relation to accounting estimates
- Amendments to IAS 12 in relation to 'deferred tax related to assets and liabilities arising from a single transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

New and revised IFRSs that are effective for current year

No new IFRS issued during the year is applicable to the Company. Amendments to existing IFRSs have been applied by the Company as required, however, these amendments do not have any material impact on the Company's financial statements. The list of newly issued amendments is as follows:

- Amendments to IAS 37 in relation to 'Onerous contracts- cost of fulfilling contracts'

3. Accounting policies

Summary of significant accounting policies

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

3.1 *Statement of compliance*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

All the amounts included in the financial statements are reported in Rwandan Francs (Rwf), with all values rounded to the nearest thousands (Rwf "000") except when otherwise indicated.

Fair value is the price at the measurement date at which an asset can be sold, or the price paid to transfer a liability in an orderly transaction between market participants

The company is required to classify the fair valuation method of the financial/non-financial assets and liabilities either measured or disclosed at fair value in the financial statements using a three-level fair-value hierarchy (which reflects the significance of inputs used in the measurement of fair value).

Accordingly, the company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The three levels of the fair-value-hierarchy are described below:

- Level 1- Quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 - Significant inputs to the fair value measurement are directly or indirectly observable.
- Level 3 - Significant inputs to the fair value measurement are unobservable.

3.3 Revenue recognition

Revenue is recognised upon the transfer of control of promised products or services to the customer at the consideration which the company has received or expects to receive in exchange for those products or services, net of any taxes/duties and discounts. When determining the consideration to which the company is entitled for providing promised products or services via intermediaries, the company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the company is entitled is determined to be that receivable from the intermediary. To the extent that the intermediary is considered to be an agent, the consideration to which the company is entitled is determined to be the amount receivable from the ultimate customer.

As part of the mobile money services, the company earns commission from merchants for facilitating recharges, bill payment and other merchant payment. It also earns commission on the cash out of money from customers wallet. Such commission is recognised as revenue at a point in time on fulfilment of these services by the company.

3.4 Foreign currencies

(i) Functional and presentation currency

The items included within the financial statements are measured using the currency of the primary economic environment in which each entity operates (i.e., 'functional currency'). The financial statements are presented in Rwandan Franc which has been determined to be the entity's functional currency.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(ii) Transactions and balances

In preparing the financial statements of the Company, transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement/settlement, recognised in the Statement of Comprehensive Income within finance costs/finance income.

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

3.5 Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution plans, defined benefit plans, other long-term benefits including compensated absences. The employee benefits are recognised in the year in which the associated services are rendered by the employees. Short-term employee benefits are recognised in Statement of comprehensive income at undiscounted amounts during the period in which the related services are rendered. Details of long-term employee benefits are provided below:

Defined Contribution plans

The Company contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5% of the employees' gross salary. The Company's RSSB contributions are charged to profit or loss in the period to which they relate. The Company has no further obligations under these plans beyond its periodic contributions.

Other entitlements

The employees of the company are entitled to compensated absences. Compensated absences benefit comprises encashment and the availing of leave balances that were earned by the employees over the period of past employment.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax and deferred tax is recognised as an expense or income in profit or loss, except to the extent that it relates to items credited or debited directly to equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date. The payment made in excess/ (shortfall) of the income tax obligation for the respective periods are recognised in the statement of financial position under income tax assets/income tax liabilities, respectively.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Any interest, related to accrued liabilities for potential tax assessments are not included in income tax charge or (credit), but are rather recognised within finance costs.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable and are presented within current tax liabilities. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

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

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

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.7 Property, plant and equipment and capital work-in-progress

(i) Property, plant and equipment

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE is initially recognised at cost.

The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes and after deducting trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Further, it includes assets installed on the premises of customers where the associated risks, rewards and control remain with the Company.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Subsequent to initial recognition, PPE is stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of each asset. When an item of PPE is replaced, its carrying amount is derecognised from the statement of financial position and cost of the new item of PPE is recognised. The expenditure incurred after an item of PPE is ready to use, such as repairs and maintenance, are charged to the statement of comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

Gains and losses arising from retirement or disposal of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income within other income.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The asset's residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment and adjusted prospectively. Land is not depreciated:

Categories	Years
Computers	3 years
Furniture and fittings	2 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income within other income.

(ii) Capital work-in-progress

PPE in the course of construction less any accumulated impairment is carried at cost and presented separately as capital work-in-progress (CWIP) (including capital advances) in the statement of financial position until ready for use at which point it is transferred to PPE and subsequently depreciated. Such cost comprises the purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any other directly attributable costs.

3.8 Intangible assets

Identifiable intangible assets are recognised when the company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets with definite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life.

The Company's intangible asset comprises of software licenses which are amortised over the software license period, generally not exceeding three years.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3.9 Impairment of non-financial assets

Property, plant & equipment and intangible assets

Property, plant & equipment and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment recognised in statement of comprehensive income is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of the discount due to the passage of time is recognised within finance costs

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value).

However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the company's cash management and balance held under mobile money trust are also included as a component of cash and cash equivalents.

3.12 Statement of cash flow

Cash flows are reported using the indirect method as per IAS-7 "Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3.13 *Financial instruments*

a. Recognition, classification and presentation

Financial assets and liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the financial instrument. The company determines the classification of its financial instruments at initial recognition.

The company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The Company does not have any financial instruments classified as fair value through other comprehensive income. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company has classified all non-derivative financial liabilities as measured at amortised cost.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the company currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The amounts held by Airtel Money electronic value (E-value) account holders in their mobile money wallets are presented separately in the Balance Sheet as 'Mobile money wallet balance'. These amounts held in separate bank accounts on behalf of such E-value account holders are restricted for use by the Company and are presented as 'Balance held under mobile money trust'."

b. Measurement - Non-derivative financial instruments

I. Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Other transaction costs are expensed as incurred in the Statement of Comprehensive Income.

II. Subsequent measurement - financial assets

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

• Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method (if the impact of discounting/any transaction costs is significant). Interest income from these financial assets is included in finance income.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

• Financial assets at fair value through profit or loss ('FVTPL')

All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value."

Impairment

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

III. Subsequent measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant)."

c. De-recognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are derecognised from the statement of financial position when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the statement of comprehensive income."

3.14 Share capital

Issued ordinary shares are classified as 'share capital' in equity when the Company has an unconditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect.

3.15 Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised unless virtually certain and disclosed only where an inflow of economic benefits is probable.

3.16 Comparatives

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year. The prior period is 9 months and thus not comparable to the current year 12 months.

3.17 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount on initial recognition.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3.18 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, is a cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when it is expected to be settled in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

3.19 Common control transaction

Transfers involving entity or business in which all the combining entities or business are ultimately controlled by the same party or parties before and after the business combination, (and that control is not transitory) are accounted for at their historic carrying values. The difference between consideration paid/received and the historic carrying values is recorded in equity.

4 Critical accounting estimates and judgements

The estimates and judgements used in the preparation of these financial statements are continuously evaluated by the company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the company believes to be reasonable under the existing circumstances. These estimates and judgements are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date. Although the company regularly assesses these estimates, actual results could differ materially from these estimates – even if the assumptions underlying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the year in which they become known.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below:

- (i) Uncertain tax treatments -Uncertainties exist with respect to the interpretation of complex tax regulations. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions/contingencies, based on reasonable estimates, for potential audits by the tax authorities as well as where the probability of tax authorities accepting the company's treatment is in doubt

AIRTEL MOBILE COMMERCE RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

- (ii) Going concern – The company’s director has made an assessment of the company’s ability to continue as a going concern and are satisfied that the company has 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.

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Rwf'000	2021 Rwf'000
5. Revenue		
Commission on Money transfer	610,560	375,561
Cross Charge revenue for easy recharge (Refer note 14)	2,167,832	200,909
Commission on Bill and merchant payments	78,890	45,036
Cross charge revenue for commission on collection (Refer Note 14)	139,912	251,467
Cross charge revenue for Churn (Refer Note 14)	648,098	81,456
	<u>3,645,292</u>	<u>954,429</u>
6. Selling and distribution costs		
Marketing Expenses	68,436	79,461
Sales and distribution expenses	2,489,751	611,345
	<u>2,558,187</u>	<u>690,806</u>
7. Employee costs		
Salaries and bonus	473,079	223,300
Contribution to national social security fund	14,359	4,081
Leave encashment	14,114	1,093
	<u>501,552</u>	<u>228,474</u>
8. Other expenses		
Administrative expenses	145,375	61,084
IT Expenses	307,550	194,098
Legal & Professional charge	22,007	6,562
Regulatory cost	35,781	3,750
Audit fees	14,000	14,000
	<u>524,713</u>	<u>279,494</u>
9. Finance Cost and Income		
<i>Finance Cost</i>		
Net exchange Loss/(gain)	(26,486)	2,965
Interest expense	309,277	153,937
	<u>282,791</u>	<u>156,902</u>
<i>Finance Income</i>		
Interest income on receivable (Refer note 14)	23,910	1,409
	<u>23,910</u>	<u>1,409</u>

(This space is intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

10. Property, plant and equipment

<i>Year ended 31 December 2022</i>	Furniture and fittings Rwf'000	Computers Rwf'000	Total Rwf'000	Capital Work-In-Progress Rwf'000
<u>Cost</u>				
At 01 January 2022	1,347,421	198,177	1,545,598	77,511
Purchase of assets	153,473	2,251	155,724	285,526
At 31 December 2022	1,500,894	200,428	1,701,322	363,037
<u>Accumulated Depreciation</u>				
At 01 January 2022	272,131	198,177	470,308	-
Depreciation during the year	411,531	142	411,673	-
At 31 December 2022	683,662	198,319	881,981	-
<u>Net carrying amount</u>				
At 31 December 2022	817,232	2,109	819,341	363,037

<i>Period ended 31 December 2021</i>	Furniture and fittings Rwf'000	Computers Rwf'000	Total Rwf'000	Capital Work-In-Progress Rwf'000
<u>Cost</u>				
At 01 Jan 2021	-	-	-	-
Purchase of assets	816,471	198,177	1,014,648	532,871
Additions/Adjustments	530,950	-	530,950	(455,360)
At 31 December 2021	1,347,421	198,177	1,545,598	77,511
<u>Accumulated Depreciation</u>				
At 01 Jan 2021	-	-	-	-
Purchase of assets	31,487	198,177	229,664	-
Depreciation during the period	240,644	-	240,644	-
At 31 December 2021	272,131	198,177	470,308	-
<u>Net carrying amount</u>				
At 31 December 2021	1,075,290	-	1,075,290	77,511

The carrying value of Capital work-in progress as at December 31, 2022 and December 31, 2021 pertains to computers and furniture and fixture that are under installation and not ready for use.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

11. Intangible assets

	Software license Rwf'000
<i>Year ended 31 December 2022</i>	
<u>Cost</u>	
At 01 January 2022	372,390
Additions	374,530
	746,920
<u>Accumulated Depreciation</u>	
At 01 January 2022	364,661
Depreciation during the year	150,746
	515,407
<u>Net carrying amount</u>	
At 31 December 2022	231,513
<i>Period ended 31 December 2021</i>	
<u>Cost</u>	
At 01 January 2021	-
Purchase of assets	284,219
Additions/Adjustments	88,171
	372,390
<u>Accumulated Depreciation</u>	
At 01 January 2021	-
Purchase of assets	217,495
Depreciation during the period	147,166
	364,661
<u>Net carrying amount</u>	
At 31 December 2021	7,729

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

12. Trade receivables

	2022 Rwf'000	2021 Rwf'000
Trade receivables	18,469	8,696
Less: Provision for doubtful debts	<u>(12,189)</u>	<u>(1,700)</u>
	6,280	6,996
Due from related parties (Refer Note 14)	<u>180,506</u>	<u>26,110</u>
	<u>186,786</u>	<u>33,106</u>

13. Other Current assets

Prepaid expenses	68,557	32,514
Electricity token	146,381	116,076
Other receivable	<u>265,071</u>	<u>335,162</u>
	<u>480,009</u>	<u>483,752</u>

14. Related party transactions and balances

The following provides the total amount of transaction that has been entered into with related parties and outstanding balances for the relevant reporting period. The purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free except for borrowing balance which is charged @ 15%. There has been no guarantee provided for any related party payables.

(i) Due from related parties

	Relationship	As at Dec 2022 Rwf'000	As at Dec 2022 Rwf'000
Airtel Money Tanzania Limited	Fellow subsidiary	-	15,742
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	35,774	6,341
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	144,350	
Airtel Money Transfer Limited	Fellow subsidiary	<u>382</u>	<u>4,027</u>
		<u>180,506</u>	<u>26,110</u>

(ii) Due to related parties

Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	-	39,059
Airtel Money Tanzania Limited	Fellow subsidiary	5,973	-
Airtel Mobile Commerce Limited (Malawi)	Fellow subsidiary	22,483	195,869
Airtel Rwanda Limited	Fellow subsidiary	<u>1,982,054</u>	<u>1,487,289</u>
		<u>2,010,510</u>	<u>1,722,217</u>

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

(iii) Borrowings from related parties

Airtel Rwanda Limited	Fellow subsidiary	2,004,914	2,004,914
		<u>2,004,914</u>	<u>2,004,914</u>

The loan is unsecured attracting fixed interest rate of 15% and repayment is allowed any time free of any penalties.

(iv) Sale of services during the year

Goods/Service	Relationship	2022 Rwf'000	2021 Rwf'000
Airtel Mobile Commerce Zambia Limited	Money transfer Fellow subsidiary	3,828,762	1,727,238
Airtel Mobile Commerce Uganda Limited	Money transfer Fellow subsidiary	204,521	45,602
Airtel Money Tanzania Limited	Money transfer Fellow subsidiary	59,577	40,636
Airtel Money Kenya Limited	Money transfer Fellow subsidiary	10,614	6,097
Airtel Rwanda Limited	Cross charge revenue for commission on collection Fellow subsidiary	139,912	251,467
Airtel Rwanda Limited	Cross Charge revenue for easy recharge Fellow subsidiary	2,167,832	200,909
Airtel Rwanda Limited	Cross charge revenue for Churn Fellow subsidiary	648,098	81,456
Airtel Rwanda Limited	Interest income on receivable Fellow subsidiary	23,910	1,409
		<u>7,083,226</u>	<u>2,354,814</u>

(v) Purchase of services

Airtel Mobile Commerce Zambia Limited	Money transfer Fellow subsidiary	245,381	56,849
Airtel Mobile Commerce Uganda Limited	Money transfer Fellow subsidiary	93,411	49,530
Airtel Money Tanzania Limited	Money transfer Fellow subsidiary	53,806	27,990
Airtel Money Kenya Limited	Money transfer Fellow subsidiary	8,214	2,280
Airtel Mobile Commerce Limited (Malawi)	Money transfer Fellow subsidiary	19,552	18,314
Airtel Rwanda Limited	Cross charge of expenses Fellow subsidiary	312,231	138,832
		<u>732,595</u>	<u>293,795</u>

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

(vi) *Key management compensation*

Key management personnel are described as the persons having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly, including Executive Directors of the company. For the company these includes executive committee members.

Details of Key management personnel

(a) Jean Claude Gaga (Since January 2022)

Remuneration to Key management personnel are as below:

	2022 Rwf'000	2021 Rwf'000
(a) Salaries and other employment benefits	<u>244,257</u>	<u>-</u>

15. Share capital

	2022 Rwf'000	2021 Rwf'000
Issued and Paid-up share capital (2000 ordinary shares issued at par value of Rwf 100,000 each)	<u>200,000</u>	<u>200,000</u>
Authorized share capital (2000 ordinary shares issued at par value of Rwf 100,000 each)	<u>200,000</u>	<u>200,000</u>

In current year, company has not issued any ordinary shares.

16. Cash and cash equivalent

Balance held in wallets	1,087,937	808,315
Cash at bank	<u>733,906</u>	<u>826,644</u>
	<u>1,821,843</u>	<u>1,634,959</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following as at 31 December.

Cash at bank and on wallets	1,821,843	1,634,959
Balance held under mobile money trust*	<u>8,540,725</u>	<u>5,199,638</u>
	<u>10,362,568</u>	<u>6,834,597</u>

*The amount due to E-value holders amounting to Rwf'000 8,540,725 (2021: Rwf'000 5,199,638) includes liability for Interest wallet held separately for Rwf'000 363,887 (2021: Rwf'000 363,937) and liability for churn wallet for Rwf'000 860,434 (2021: Rwf'000 846,148) and liability for unallocated credit for Rwf'000 101,433 (2021: Rwf'000 295,994).

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

17. Trade payables and other Non-financial liabilities

Trade payables	730,168	61,255
Other payables	347,157	41,538
Due to related parties (Refer Note 14)	<u>2,010,510</u>	<u>1,722,217</u>
	<u>3,087,835</u>	<u>1,825,010</u>
Other Non-Financial Liability ¹	<u>157,889</u>	<u>70,071</u>

¹Other non-financial liability consists of other taxes payable

18. Income tax

Deferred income tax is calculated using the enacted income tax rate of 30%. The Company has not recognised the deferred tax assets arising from tax losses for year ended 31 December 2022 of Rwf 640,279,376 (2021: Rwf 601,206,334) as it is currently in a loss position and may recognise them in future if sufficient taxable profits are available. Deferred tax asset arising from the losses may be deducted from the taxable profit in the next five (5) tax periods.

	for the year ending 2022	for the year ending 2021
(i) Current year income tax	-	-
(ii) <u>Reconciliation of income tax</u>		
Loss before tax	<u>(760,460)</u>	<u>(787,648)</u>
Rwanda's statutory income tax rate of 30% (2021:30%)	(228,138)	(236,294)
Tax effect of expenses non-deductible	54,221	27,333
Deferred tax asset not recognized	<u>173,917</u>	<u>208,961</u>
	<u>-</u>	<u>-</u>
	As at 31 Dec 2022 Rwf '000'	As at 31 Dec 2021 Rwf '000'
(iii) <u>Deferred tax asset not recognized on</u>		
Accelerated depreciation on property and equipment	29,838	(18,622)
Provisions	46,986	156,003
Tax losses	<u>640,279</u>	<u>-</u>
	<u>717,103</u>	<u>137,381</u>

Tax loss of 2021 has been forfeited as per law due to change of shareholding structure. Unused tax losses and deductible temporary difference for which no deferred tax asset is not recognised

	As at 31 Dec 2022 Rwf '000'	As at 31 Dec 2021 Rwf '000'
Expiring within 5 years	717,103	137,381
Expiring beyond 5 Years	-	-
Unlimited	<u>-</u>	<u>-</u>
	<u>717,103</u>	<u>137,381</u>

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

19. Contingencies and capital commitments

(a) Legal claims

There are no lawsuits and claims pending against the Company in courts of law (2021:Nil)

(b) Capital commitments

The capital commitments for the year are as follows:

	2022 Rwf '000'	2021 Rwf '000'
Capital commitments	<u>94,523</u>	<u>278,511</u>
	<u>94,523</u>	<u>278,511</u>

Capital commitments are authorised and contracted for.

20. Financial risk management

The company has liabilities in the form of borrowings, trade and other payables as well as receivables in the form of cash, trade and other receivables. These arises as a part of the business activities and operations of the group.

The business activities of the company expose it to a variety of financial risk namely market risk (that is foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The company is exposed to various risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The company's risk management strategy is based on a clear understanding of various risks, disciplined risks assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with industry best practices. The Company's senior management oversees the management of these risks. The Board of directors' reviews policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise various types of risks: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits. The salient exposures to market risks are discussed below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to the risk of changes in market interest rates as the Company's interest-bearing debt obligation is at fixed interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when purchases are denominated in a different currency from the Company's functional currency).

The following table demonstrates the sensitivity, to a reasonable possible change in the USD with all other variables held constant, of the Company's profit before tax and equity due to changes in fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Rwf '000	2021 Rwf '000
<u>Foreign Currency denominated Assets</u>		
Due from related parties	180,506	26,110
Cash & Cash Equivalent	46,888	221,152
Total Assets	227,394	247,262
<u>Foreign Currency denominated Liabilities</u>		
Due to related parties	28,456	234,928
Total Liabilities	28,456	234,928
 Net financial position	 198,938	 12,334
 Sensitivity Analysis	 Effect on profit before tax	 Effect on equity
	Rwf '000	Rwf '000
<u>31st Dec 2022</u>		
Changes in USD +- 6%	11,936	11,936
<u>31st Dec 2021</u>		
Changes in USD +- 6%	740	740

Liquidity Risk

Liquidity risk is the risk that the company may not be able to meet its present and future obligations as and when due, without incurring unacceptable losses. The company's prudent liquidity risk management objective is to at all times maintain optimum level of liquidity to meet its cash and collateral requirement. The company closely monitors its liquidity position and deploy a robust cash management system. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	0-6 Months Rwf'000	6-12 Months Rwf'000	Above 12 Months Rwf'000	Total
At 31 December 2022:				
<u>Liabilities</u>				
Borrowings	-	-	2,004,914	2,004,914
Mobile money wallet balance	8,540,725	-	-	8,540,725
Trade and other payables	3,087,835	-	-	3,087,835
Total	11,628,560	-	2,004,914	13,633,474

At 31 December 2021:

	0-6 Months Rwf'000	6-12 Months Rwf'000	Above 12 Months Rwf'000	Total
<u>Liabilities</u>				
Borrowings	-	-	2,004,914	2,004,914
Mobile money wallet balance	5,199,638	-	-	5,199,638
Trade and other payables	1,825,010	-	-	1,825,010
Total	7,024,648	-	2,004,914	9,029,562

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

20. Financial risk management (Continued)

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The company is exposed to credit risk from its operating activities primarily from trade receivable but also from cash, other bank balances and other financial receivable.

Trade receivable

Trade receivables are typically non-interest bearing unsecured and derived from sales made to large number of independent customers. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk. Credit risk related to trade receivables is managed/mitigated in accordance with the policies and procedures established by the company by setting appropriate payment terms and credit period. The company uses an age-based provision policy to measure the expected credit loss (ECL) Based on industry practices and the business environment in which the company operates, the management considers trade receivables are credit impaired if payments are more than 90 days past due. In determining the amount of impairment, management considers the collateral against such receivables and any amount payable to such customers.

The below table details the risk profile of gross trade receivable based on company's provision policy.

At 31 December 2022:	12 Month or lifetime ECL	Internal Credit rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL	Performing	198,975	(12,189)	186,786
Cash at bank balances	Lifetime ECL	Performing	<u>1,821,843</u>	<u>-</u>	<u>1,821,843</u>
Total			<u>2,020,818</u>	<u>(12,189)</u>	<u>2,008,629</u>
At 31 December 2021:	12 Month or lifetime ECL	Internal Credit rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL	Performing	34,806	(1,700)	33,106
Cash at bank balances	Lifetime ECL	Performing	<u>1,634,959</u>	<u>-</u>	<u>1,634,959</u>
Total			<u>1,669,765</u>	<u>(1,700)</u>	<u>1,668,065</u>

21. Comparatives

The company was incorporated on 22 February 2013; On April 1, 2021, the acquired Airtel Money operations of the group in Rwanda from its fellow subsidiary (Airtel Rwanda Limited). This was a common control business transaction. Hence the company recorded all the assets and liabilities at their predecessor carrying values. Therefore, the comparatives presented include the results (and other amounts) of Airtel Money operations for only 9 months. Where necessary, comparative figures have been re-classified or/and adjusted or excluded to conform to changes in presentation in the current year.

(This space has been intentionally left blank)

AIRTEL MOBILE COMMERCE RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2022

22. Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities approximate to their carrying amount as on 31 December 2022 and 2021 on account of their current nature and they are recognised at amortized cost as on 31 December 2022 and 2021

<u>31 December 2022:</u>	Carrying Value Rwf'000	Fair Value Rwf'000
<i>Amortized Cost</i>		
Trade receivables and other current assets	666,796	666,796
Cash and Cash Equivalents	1,821,843	1,821,843
Balance held under Trust	8,540,725	8,540,725
Trade and other payables	(3,087,835)	(3,087,835)
Mobile Money Wallet Balance	(8,540,725)	(8,540,725)
Borrowings	(2,004,914)	(2,004,914)
<u>31 December 2021:</u>		
<i>Amortized Cost</i>		
Trade receivables and other current assets	516,858	516,858
Cash and Cash Equivalents	1,634,959	1,634,959
Balance held under Trust	5,199,638	5,199,638
Trade and other payables	(1,825,010)	(1,825,010)
Mobile Money Wallet Balance	(5,199,638)	(5,199,638)
Borrowings	(2,004,914)	(2,004,914)

23. Events after Reporting Period

No material subsequent events or transaction have occurred since the date of statement of financial position.

24. Going concern assessment

We draw attention to the fact that the Company incurred a net loss of Rwf 760 million (2021: Rwf 787 million). As of 31 December 2022, accumulated losses were Rwf 1,548 million (2021: Rwf 787 million) and that the company's total liabilities exceed its assets by Rwf. 1,348 million (2021: Rwf. 587 million) The Directors are of the opinion that the Company is going concern on the basis that the Company:

- a) Will generate cash inflows from operations;
- b) Will obtain sufficient funding as required to meet its obligations as and when they fall due;
- c) The Company will be able to obtain from the external financial institutions any additional funding required to meet its obligations as and when they fall due.

The Directors are confident that the funds described above will be available to the Company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.