

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

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

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AIRTEL 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. Richard Mugisha	Chairman	Appointed on 01 December 2014
Mr. Amit Chawla	Managing Director	Appointed on 04 September 2018 Resigned on 31 August 2021
Mr. Emmanuel Hamez	Managing Director	Appointed on 01 September 2021
Mr. Alok Bafna	Non-Executive Director	Appointed on 04 July 2017
Mr. Olivier Pognon	Non-Executive Director	Appointed on 12 February 2018 Resigned on 30 September 2021
Mr. Apoorva Mehrotra	Non-Executive Director	Appointed on 20 October 2022
Mr. Ian Ferrao	Non-Executive Director	Appointed on 16 September 2019 Resigned on 30 September 2022

PRINCIPAL PLACE OF
BUSINESS AND
REGISTERED OFFICE

Airtel 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

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	Equity Bank Rwanda Plc P.O. Box 494 Kigali, Rwanda
Deutsche Bank P.O. Box 5230 Kigali, Rwanda	Zigama CSS P.O. Box 4772 Kigali, Rwanda
The Hongkong & Shanghai Banking Corporation Limited Singapore	

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

AIRTEL RWANDA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors submit their report on the affairs of 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. INCORPORATION INFORMATION

Airtel Rwanda Limited (the Company) is a limited liability Company incorporated and domiciled in Rwanda and its registered office is Airtel Rwanda Limited, Remera, Gasabo, P.O. Box 4164, Kigali Rwanda. The principal activity of the Company is the provision of a public GSM mobile telecommunication network in Rwanda.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of a public mobile telecommunication network.

Effective 01 April 2021, in accordance with Central Bank of Rwanda regulation, the shareholders and the Board of Directors of Airtel Rwanda Limited and Airtel Mobile Commerce Rwanda Limited resolved that provision of mobile commerce services shall be operated and provided through Airtel Mobile Commerce Rwanda Limited. Till 31 Mar 2021, mobile commerce services were being provided by Airtel Rwanda Limited.

3. RESULTS

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

4. DIVIDEND

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

5. RESERVES

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

6. DIRECTORS

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

7. STAFF WELFARE

Management has designed a number of compensation packages in order to recruit and retain good quality and dedicated staff, including advances. Other staff incentives include a health insurance package.

8. RELATIONSHIP WITH STAKEHOLDERS

Airtel Rwanda Limited continues to maintain a good relationship with all stakeholders including the regulators.

9. RELATED PARTIES

All related party transactions and balances are disclosed in note 22 to these financial statements.



AIRTEL RWANDA LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. GOING CONCERN

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 funding from the third parties; and
- c) The Company will be able to obtain from the shareholders 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.

11. AUDITORS

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

12. DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

By Order of the Board

The financial statements on pages 8 to 50 were approved at a meeting of the Directors held on 28th/03/2023 and signed on its behalf by:

Shema Baker

Company Secretary

28th/03/2023



A handwritten signature.

AIRTEL RWANDA LIMITED

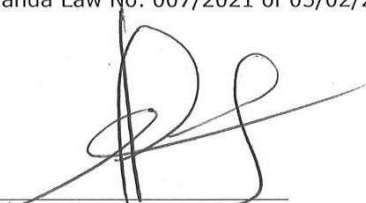
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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.


Emmanuel Hamez
Managing Director

28/03.....2023


Richard Mugisha
Chairman

28/03.....2023







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To the Shareholder of Airtel Rwanda Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Rwanda Limited ("Company") set out on pages 8 to 50, 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 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.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw your attention to note 38 of the financial statements which states that for the year ended 31 December 2022 the Company incurred a net loss of Rwf'000 40,245,604 (2021: Rwf'000 44,852,152). As at that date, accumulated losses were Rwf'000 381,906,953 (2021: Rwf'000 341,665,946) and the Company was in a net current liability position of Rwf'000 26,856,139 (2021: Rwf'000 26,501,760). These conditions, along with other matters as set forth in note 38, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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.

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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.

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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 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.

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Certified Public Accountants
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Kigali, Rwanda

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

30/03/2023

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts are in Thousand Rwf, unless stated otherwise)

	Note	For the year ended 31 December	
		2022	2021
Revenue	5	39,557,390	38,352,219
Other income	5	36,330	-
		39,593,720	38,352,219
Cost of sales	6	7,234,990	5,047,517
Network operating expenses	7	14,645,173	14,864,753
License fees	8	2,266,959	2,598,664
Employee benefit expenses	9	6,451,044	6,360,785
Sales and marketing expenses	10	6,024,923	4,416,712
Other operating expenses	11	3,847,481	4,320,005
Depreciation and amortization	12	15,847,795	19,876,602
		56,318,365	57,485,038
Operating loss		(16,724,645)	(19,132,819)
Foreign exchange loss	13	12,176,143	17,158,112
Finance costs	14	11,344,816	12,736,469
Other non-operating income	39	-	(4,175,248)
Loss before taxation		(40,245,604)	(44,852,152)
Income tax expense	29	-	-
Loss for the period		(40,245,604)	(44,852,152)
Other comprehensive income		4,597	-
Total comprehensive loss		(40,241,007)	(44,852,152)

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AIRTEL RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the Year ended December 31, 2022

STATEMENT OF FINANCIAL POSITION

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

		As at 31st December	
	Notes	2022	2021
<u>Non-current assets</u>			
Property, plant and equipment	15	37,803,280	45,520,201
Capital work in progress	15	4,889,931	847,180
Right of use asset	17	17,935,428	22,245,083
Intangible assets	16	8,286,790	9,928,804
Goodwill	18	10,242,636	10,242,636
Other non-current assets	19	2,702,829	1,358,377
		<u>81,860,894</u>	<u>90,142,281</u>
<u>Current assets</u>			
Inventories	20	275,287	65,994
Trade and other receivables	21	13,548,505	12,262,143
Due from related parties	22	12,528,045	13,470,690
Cash and cash equivalents	25	3,306,748	1,909,459
		<u>29,658,585</u>	<u>27,708,286</u>
Total assets		<u>111,519,479</u>	<u>117,850,567</u>
<u>Equity</u>			
Share capital	24	100,000	100,000
Accumulated losses		<u>(381,906,953)</u>	<u>(341,665,946)</u>
		<u>(381,806,953)</u>	<u>(341,565,946)</u>
<u>Non-current liabilities</u>			
Borrowings	23	402,092,569	372,480,050
Lease liabilities	31(c)	26,674,516	32,726,417
Deferred Revenue	27	8,044,623	-
		<u>436,811,708</u>	<u>405,206,467</u>
<u>Current liabilities</u>			
Lease liabilities	31(c)	6,596,453	4,919,150
Borrowings	23	2,722,004	3,294,385
Trade and other payables	26	25,391,210	30,492,990
Due to related parties	22	16,189,017	10,347,796
Deferred revenue	27	2,440,636	2,030,320
Bank overdraft	28	3,175,404	3,125,405
		<u>56,514,724</u>	<u>54,210,046</u>
Total equity & liabilities		<u>111,519,479</u>	<u>117,850,567</u>

The financial statements on pages 8 to 50 were approved by the board of directors on
28/03/2023 and were signed on its behalf by:

Emmanuel Hamez
Managing Director

Richard Mugisha
Chairman



AIRTEL RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the Year ended December 31, 2022

STATEMENT OF CHANGES IN EQUITY

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

	Share capital Rwf '000	Accumulated losses Rwf '000	Total Rwf '000
<i>At 1 January 2021</i>	100,000	(296,813,794)	(296,713,794)
Total comprehensive loss	<u>-</u>	<u>(44,852,152)</u>	<u>(44,852,152)</u>
<i>At 31 December 2021</i>	<u>100,000</u>	<u>(341,665,946)</u>	<u>(341,565,946)</u>
<i>At 1 January 2022</i>	100,000	(341,665,946)	(341,565,946)
Total comprehensive loss	<u>-</u>	<u>(40,241,007)</u>	<u>(40,241,007)</u>
<i>At 31 December 2022</i>	<u>100,000</u>	<u>(381,906,953)</u>	<u>(381,806,953)</u>

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AIRTEL RWANDA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the Year ended December 31, 2022

STATEMENT OF CASH FLOWS

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

		For the year ended 31 December	
	Note	2022	2021
OPERATING ACTIVITIES:			
Loss before tax		(40,245,604)	(44,852,152)
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	12	9,985,093	12,871,503
Amortizations of intangible asset	12	1,642,014	2,281,702
Depreciation on right of use asset	12	4,220,688	4,723,397
Provision for bad debt	11	201,384	38,747
Unrealized foreign exchange		12,331,232	16,441,050
Interest expenses	14	11,073,593	10,223,416
Fair Value of loan amortization	23	224,568	2,461,011
Other non-operating income	39	-	(4,175,248)
Operating Profit before working capital changes		(567,032)	13,426
<i>Working Capital Changes</i>			
Inventories		(209,293)	(15,686)
Trade and other receivables and due from related party		(1,843,140)	(5,700,072)
Trade and other payables and due to Related party		1,226,837	1,516,272
Deferred revenue		8,454,939	(239,373)
Net cash used in operating activities		7,062,311	(4,425,433)
Income tax paid	29	-	-
Net cash used in operating activities		<u>7,062,311</u>	<u>(4,425,433)</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(6,310,921)	(4,348,620)
Sale of property, plant and equipment		-	13,828,903
Net cash generated from/used in investing activities		<u>(6,310,921)</u>	<u>9,480,283</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings	23	22,793,880	11,549,710
Repayment of borrowings	23	(5,422,461)	(1,685,412)
Repayment of lease liabilities		(10,316,319)	(11,865,091)
Interest and other finance charges paid		(6,459,200)	(4,501,184)
Net cash used in/generated from financing activities		<u>595,900</u>	<u>(6,501,977)</u>
Increase/(decrease) in cash and cash equivalents		1,347,290	(1,447,127)
Cash and cash equivalents at the beginning of the year		(1,215,946)	231,181
Cash and cash equivalents at the end of the year		<u>131,344</u>	<u>(1,215,946)</u>
Represented by:			
Cash at bank and on hand	25	3,306,748	1,909,459
Bank overdraft	28	(3,175,404)	(3,125,405)
		<u>131,344</u>	<u>(1,215,946)</u>

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

1. Corporate information

Airtel Rwanda Limited (the Company) is a limited liability Company incorporated and domiciled in Rwanda and its registered office is Airtel Rwanda Limited, Remera, Gasabo, P.O. Box 4164, Kigali Rwanda. The principal activity of the Company is the provision of a public GSM mobile telecommunication network in Rwanda.

The parent Company is Bharti Airtel Rwanda Holdings Limited, which owns 100% shareholding of the Company. The intermediate parent of the company is Airtel Africa plc (formerly known as Airtel Africa Limited) which is listed in London Stock Exchange. The intermediate parent of Airtel Africa plc is Bharti Airtel Limited which is registered in India and listed in Bombay Stock Exchange and National Stock Exchange of India.

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

2.1. 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
- Amendments to IFRS 16 in relation to disclosure of accounting policies
- Amendments to IAS 1 in relation to 'classification of liabilities as current and non-current'

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.

2.2 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'
- Amendments to IAS 16 in relation to 'Proceeds before intended use of Property, Plant and Equipment

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

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).

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

3.3. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities, excluding discounts, rebates, and net of value-added tax (VAT) or duty.



AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The Company recognises revenue when it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

The following specific recognition criteria must also be met before revenue is recognised:

- *Sales of goods*

Sales of goods (handsets) are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

- *Service revenues*

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges, internet usage charges, roaming charges, activation fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of other operators for local, domestic long distance and international calls.

Service revenues are recognised as the services are rendered and are stated net of discounts, waivers and taxes. Revenues from pre-paid cards are recognised based on actual usage. Activation revenue and cost are recognized upfront on sim and activation Subscriber acquisition costs are expensed as incurred.

Revenues from national and international long-distance operations comprise revenue from provision of voice services which are recognised on provision of services while revenue from provision of bandwidth services is recognised over the period of arrangement.

The company estimates that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and thus defer the cost basis the average customer life.

Deferred revenue includes amount received in advance on pre-paid cards. The related services are expected to be performed within the next operating cycle.

3.4. Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The financial statements are presented in Rwandan Franc which has been determined to be the entity's functional currency.

(ii) Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other comprehensive income or profit, or loss are also recognised in OCI or profit or loss, respectively).

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 profit or loss 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.

Defined benefit plans

The company has defined benefit plans in form of 'Retirement Benefits' wherein, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each quarterly reporting periods. The obligation towards the said benefits is recognised in the balance sheet under provisions, at the present value of the defined benefit obligations. The present value of the said obligation is determined by discounting the estimated future cash outflows, using an appropriate discount rate.

Defined benefit costs are split into the following categories:

- i. Service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements.
- ii. Interest expense; and
- iii. Re-measurements.

The company recognises service costs within profit or loss as employee benefit expenses. Past service, cost is recognised in profit or loss when the plan amendment or curtailment occurs. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Interest cost is calculated by applying a discount rate to the defined benefit liability and is recognised within finance costs. Re-measurements comprising actuarial gains and losses are recognised immediately as a charge or credit to other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive income are not reclassified.

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

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.

The company provide for the liability towards these benefits on the basis of actuarial valuations carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognised in the statement of profit and loss in the period in which they arise.

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.

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.

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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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 but excluding any 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 as the associated risks, rewards and control remain with the Company.

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 assets. When an item of PPE is replaced, then its carrying amount is derecognised from the statement of financial position and cost of the new item of PPE is recognised. The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally 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 profit or loss on the date of retirement and disposal.

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:

• Buildings	-	20 years
• Buildings improvements	-	Period of lease or 20 years, whichever is less
• Network equipment	-	3 - 25 years
• Motor Vehicles	-	5 years
• Furniture and fixtures and office equipment	-	2-5 years
• Computer equipment	-	1-3 years

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

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.

ii) Capital work-in- progress

Assets related to construction/installation of capital projects are measured at historical costs which is comprised of purchase price plus any expenditure incurred up to the completion date. All capital work in progress are only transferred into the relevant property, plant and equipment categories once completed and commissioned.

3.8. Intangible assets

The Company's intangible asset comprises of licenses, goodwill and Customer base.

Acquired licenses and customer base are initially recognised at cost. Subsequently, license and customer base are measured at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is recognised in profit or loss on a straight-line basis over their useful lives. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from de-recognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable net assets purchased. Goodwill is not amortised; however, it is tested annually for impairment and carried at cost less any accumulated impairment losses. The gain / (losses) on the disposal of a cash-generating-unit ('CGU') include the carrying amount of goodwill relating to the CGU sold (in case goodwill has been allocated to group of CGUs; it is determined on the basis of the relative fair value of the operations sold).

Revaluation

After initial recognition, intangible assets excluding goodwill, are carried at revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on intangible assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such assets is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for the asset, the asset is carried at its cost less any accumulated amortisation and impairment losses.

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If the fair value of a revalued intangible asset can no longer be measured by reference to an active market, the carrying amount of the asset shall be its revalued amount at the date of the last revaluation by reference to the active market less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. The fact that an active market no longer exists for a revalued intangible asset may indicate that the asset may be impaired and that it needs to be tested in accordance with IAS 36 Impairment of Assets.

Cost and revaluation model

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate;

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- the intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during development; and
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

Subsequent to initial recognition of the development expenditure as an asset, the asset is carried at cost or revaluation as applicable less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The intangible is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 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 to be recognised in profit or loss 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. Impairment losses, if any, are recognised in statement of profit and loss.

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 a past event, it is probable that the Company will be required to settle the obligation, and which a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of comprehensive income date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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).

For the purpose of the statement the cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts included in current liabilities in the statement of financial position, and which are considered an integral part of the Company's cash management.

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 RWANDA LIMITED
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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.

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.

• *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."



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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Impairment of Financial Assets

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.

d. foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically-

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve

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.



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3.16. 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.

3.17. Leases

The company has applied IFRS 16 using the modified retrospective approach with effect from January 1, 2019. The company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before January 1, 2016 contains a lease.

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

3.17.1. Company as a lessee

On initial application of IFRS 16, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at January 1, 2019. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of January 1, 2019 and has accounted for these leases as short-term leases.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ('CPI'), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain re-measurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

i. Plant and equipment

The Company leases passive infrastructure for providing telecommunication services under composite contracts which include lease of passive infrastructure and land on which the passive infrastructure is built as well as maintenance, security, provision of energy etc. services. These leases typically run for a period of 3 to 15 years. Some leases include an option to renew the lease mainly for an additional period of 3 to 10 years after the end of initial contract term.

A portion of certain lease payments change on account of changes in consumer price indices (CPI). Such payment terms are common in lease agreements in the geography where the Company operates. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

ii. Other leases

The Company's other leases comprise of lease of shops, showrooms, guest houses, warehouses, data centers, vehicles and Indefeasible right of use (IRU)

3.17.2. Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 16 to allocate the consideration under the contract to each component.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

3.18. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on first-in first-out basis. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale.

3.19. Comparatives

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

A. Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. Factors taken into consideration in making such judgements include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 18.

B. Taxes

1. Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

2. Deferred tax

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

C. Determination of residual values and useful lives

Judgement and estimations are used when determining the residual values and useful lives of property, plant and equipment on annual basis.

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the classification of financial assets.
- revenue recognition allocation to different components.
- determining whether assets are impaired, or not.

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

	31 December 2022 Rwf'000	31 December 2021 Rwf'000
5. Revenue		
Voice revenue	18,395,420	13,709,010
Data revenue	8,055,816	7,354,669
Messaging and VAS revenue	2,582,633	3,822,099
Lease line revenue	4,533,681	7,067,571
Roaming revenue	559,043	405,122
Interconnect revenue	4,547,843	3,497,305
Site share revenue	-	489,610
Airtel money services	-	336,880
Others	-	102,425
Inter-segment elimination	-	(180,350)
<i>Revenue from services</i>	<u>38,674,436</u>	<u>36,604,341</u>
Sale of goods	<u>882,954</u>	<u>1,747,878</u>
Total	<u>39,557,390</u>	<u>38,352,219</u>
Other income	<u>36,330</u>	<u>-</u>
	<u>39,593,720</u>	<u>38,352,219</u>

Performance obligations that are unsatisfied or partially satisfied amounts to Rwf 10,485,258 thousand as at 31 December 2022 and Rwf 2,030,320 thousands as at 31 December 2021 respectively. Contract assets (unbilled debtors) amounts to Rwf 1,398,612 thousand as at 31 December 2022 and Rwf 1,258,861 thousands as at 31 December 2021 respectively.

Other income includes scrap sale

6. Cost of sales		
Interconnection international costs	927,226	999,036
Interconnection Local costs	6,110,173	1,738,759
Fees on international interconnect traffic (IGTVS fees)	766,295	739,886
Cost of handsets and accessories	881,985	1,638,843
Others	2,990	-
Roaming charges net of discount	<u>(1,453,679)</u>	<u>(69,007)</u>
	<u>7,234,990</u>	<u>5,047,517</u>
7. Network operating expenses		
Site running expenses	8,892,664	7,223,461
Repairs & maintenance including managed service	3,828,391	5,294,240
Bandwidth/lease line charges	1,755,143	2,176,548
Other network expenditure	<u>168,975</u>	<u>170,504</u>
	<u>14,645,173</u>	<u>14,864,753</u>

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

	31 December 2022 Rwf'000	31 December 2021 Rwf'000
8. License fees		
License fees	2,266,959	2,598,664
	<u>2,264,959</u>	<u>2,598,664</u>
9. Employee benefit expenses		
Salaries and wages including bonus	6,081,534	5,970,894
Other cost	369,510	389,891
	<u>6,451,044</u>	<u>6,360,785</u>
10. Sales and marketing expenses		
Marketing Expenses	1,192,720	1,106,537
Sales and distribution expenses	4,832,203	3,310,175
	<u>6,024,923</u>	<u>4,416,712</u>
11. Other operating expenses		
Travel costs	182,926	194,087
Professional fees	66,643	180,254
Provision for bad debts	201,384	38,747
Warehouse expenses	235,200	265,760
Audit fees	46,000	61,660
Operating license	-	10,555
Other administrative costs	1,972,422	1,817,890
Customer care expenses	381,117	711,345
Motor vehicle expenses	112,929	41,257
IT expenses	523,400	770,961
Other sundry expenses	125,460	227,489
	<u>3,847,481</u>	<u>4,320,005</u>
12. Depreciation and Amortisation		
Depreciation on property, plant and equipment (Note 15)	9,985,093	12,871,503
Depreciation on right of use assets (Note 17)	4,220,688	4,723,397
Amortisation of intangible assets (Note 16)	1,642,014	2,281,702
	<u>15,847,795</u>	<u>19,876,602</u>



AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

	31 December 2022 Rwf'000	31 December 2021 Rwf'000
13. Foreign exchange loss (Net)		
Foreign exchange – realized	(91,587)	717,062
Foreign exchange – unrealized	<u>12,267,730</u>	<u>16,441,050</u>
	<u>12,176,143</u>	<u>17,158,112</u>
14. Finance costs		
Interest on borrowings	5,609,002	6,866,273
Interest on lease liabilities	5,531,260	5,680,431
Other finance costs	<u>204,554</u>	<u>189,765</u>
	<u>11,344,816</u>	<u>12,736,469</u>

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022
15. Property, plant and equipment

Year ended 31 December 2022	Building Improvements Rwf'000	Buildings Rwf'000	Network Equipment Rwf'000	Furniture and fixtures Rwf'000	Computer equipment Rwf'000	Motor Vehicles Rwf'000	Total Rwf'000	Capital work-in progress ¹ Rwf'000
<u>Cost</u>								
At 01 January 2022	366,554	4,613,321	176,689,568	1,688,064	25,064,423	905,390	209,327,320	847,180
Additions	-	-	892,907	379,241	996,024	-	2,268,172	6,310,921
Capitalized	-	-	-	-	-	-	-	(2,268,170)
Adjustment	-	-	-	-	-	-	-	-
Disposal	(1,504)	-	(2,851,895)	(155,016)	(715,403)	-	(3,723,818)	-
At 31 December 2022	366,050	4,613,321	174,730,580	1,912,289	25,345,044	905,390	207,871,674	4,889,931
<u>Accumulated Depreciation</u>								
At 01 January 2022	187,123	2,074,593	135,880,147	1,506,602	23,253,264	905,390	163,807,119	-
Charge for the year	15,852	266,498	8,312,332	133,506	1,257,105	-	9,985,093	-
Adjustment	(3,343)	-	9,177	-	(5,834)	-	-	-
Disposal	(1,504)	-	(2,851,895)	(155,016)	(715,403)	-	(3,723,818)	-
At 31 December 2022	198,128	2,341,091	141,349,761	1,484,892	23,789,132	905,390	170,068,394	-
<u>Net carrying amount</u>								
At 31 December 2022	166,922	2,272,230	33,380,819	427,397	1,555,912	-	37,803,280	4,889,931

¹ The carrying value of Capital work-in progress as at December 31, 2022 and December 31, 2021 mainly pertains to network equipment

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

15. Property, plant and equipment (Continued)

Year ended 31 December 2021	Building Improvements Rwf'000	Buildings Rwf'000	Network Equipment Rwf'000	Furniture and fixtures Rwf'000	Computer equipment Rwf'000	Motor Vehicles Rwf'000	Total Rwf'000	Capital work-in progress ¹ Rwf'000
<u>Cost</u>								
At 01 January 2021	377,755	4,613,321	200,944,851	2,713,455	24,528,635	905,390	234,083,407	1,140,992
Additions	(11,201)	-	4,737,649	(7,228)	1,410,529	-	6,129,749	6,347,840
Capitalized	-	-	-	-	-	-	-	(6,129,749)
Adjustment	-	-	(1,854,517)	-	(19,689)	-	(1,874,206)	-
Disposal	-	-	(27,138,415)	(1,018,163)	(855,052)	-	(29,011,630)	(511,903)
At 31 December 2021	366,554	4,613,321	176,689,568	1,688,064	25,064,423	905,390	209,327,320	847,180
<u>Accumulated Depreciation</u>								
At 01 January 2021	176,390	1,808,096	150,554,351	1,765,871	22,461,890	895,125	177,661,723	-
Charge for the year/Reclass	12,204	266,497	11,055,984	(53,700)	1,580,253	10,265	12,871,503	-
Disposal	(1,471)	-	(25,730,188)	(205,569)	(788,879)	-	(26,726,107)	-
At 31 December 2021	187,123	2,074,593	135,880,147	1,506,602	23,253,264	905,390	163,807,119	-
<u>Net carrying amount</u>								
At 31 December 2021	179,431	2,538,728	40,809,421	181,462	1,811,159	-	45,520,201	847,180

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

16. Intangible assets

	Licenses including spectrum Rwf 000'	Customer base Rwf 000'	Total Rwf 000'
<i>Year ended 31 December 2022</i>			
<u>Cost</u>			
At 01 January 2022	33,211,859	3,686,000	36,897,859
Additions	-	-	-
Reclass	-	-	-
<i>As at 31 December 2022</i>	<u>33,211,859</u>	<u>3,686,000</u>	<u>36,897,859</u>
<u>Accumulated Amortization</u>			
At 01 January 2022	24,082,865	2,886,190	26,969,055
Charge for the year	904,814	737,200	1,642,014
Reclass	-	-	-
<i>As at 31 December 2022</i>	<u>24,987,679</u>	<u>3,623,390</u>	<u>28,611,069</u>
<u>Net carrying amount</u>			
At 31 December 2022	<u>8,224,180</u>	<u>62,610</u>	<u>8,286,790</u>

	Licenses including spectrum Rwf 000'	Customer base Rwf 000'	Total Rwf 000'
<i>Year ended 31 December 2021</i>			
<u>Cost</u>			
At 01 January 2021	33,211,859	3,686,000	36,897,859
Additions	-	-	-
Reclass	-	-	-
<i>As at 31 December 2021</i>	<u>33,211,859</u>	<u>3,686,000</u>	<u>36,897,859</u>
<u>Accumulated Amortization</u>			
At 01 January 2021	22,538,364	2,148,190	24,687,353
Charge for the year	1,544,501	737,201	2,281,702
Reclass	-	-	-
<i>As at 31 December 2021</i>	<u>24,082,865</u>	<u>2,886,190</u>	<u>26,969,055</u>
<u>Net carrying amount</u>			
At 31 December 2021	<u>9,128,994</u>	<u>799,810</u>	<u>9,928,804</u>

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

	Plant and equipment Rwf 000'	Others* Rwf 000'	Total Rwf 000'
17. Right of use assets			
<i>Year ended 31 December 2022</i>			
<u>Cost</u>			
Balance at 1 January 2022	39,582,844	(5,051,463)	34,531,381
Additions	-	-	-
Reclass	-	-	-
Deletions	(88,967)	-	(88,967)
Balance at 31 December 2022	<u>39,493,877</u>	<u>(5,051,463)</u>	<u>34,442,414</u>
<u>Accumulated Depreciation</u>			
Balance at 1 January 2022	10,652,830	1,633,468	12,286,298
Depreciation charge for the year	3,617,145	603,543	4,220,688
Reclass	-	-	-
Deletions	-	-	-
Balance at 31 December 2022	<u>14,269,975</u>	<u>2,237,011</u>	<u>16,506,986</u>
<u>Net carrying amount</u>			
At 31 December 2022	<u>25,223,902</u>	<u>(7,288,474)</u>	<u>17,935,428</u>
<i>Year ended 31 December 2021</i>			
<u>Cost</u>			
Balance at 1 January 2021	25,334,794	2,132,836	27,467,630
Additions	16,787,962	(7,184,299)	9,603,663
Reclass	220,949	-	220,949
Deletions	(2,760,861)	-	(2,760,861)
Balance at 31 December 2021	<u>39,582,844</u>	<u>(5,051,463)</u>	<u>34,531,382</u>
<u>Accumulated Depreciation</u>			
Balance at 1 January 2021	7,193,983	1,561,993	8,755,976
Depreciation charge for the year	4,651,922	71,475	4,723,397
Reclass	345,963	-	345,963
Deletions	(1,539,038)	-	(1,539,038)
Balance at 31 December 2021	<u>10,652,830</u>	<u>1,633,468</u>	<u>12,286,298</u>
<u>Net carrying amount</u>			
At 31 December 2021	<u>28,930,014</u>	<u>(6,684,931)</u>	<u>22,245,083</u>

*Others includes gain on sale of tower assets pertaining to the rights retained by Airtel Rwanda Limited which is deferred and amortised over the period of the lease i.e., 10 years as per Para 100(a) of IFRS 16

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

18. Goodwill

	2022 Rwf'000	2021 Rwf'000
Goodwill	<u>10,242,636</u>	<u>10,242,636</u>

19. Other non-current assets

Payments under protest	1,726,324	303,438
Security deposits	1,300	1,300
Prepaid expense	<u>975,205</u>	<u>1,053,639</u>
	<u>2,702,829</u>	<u>1,358,377</u>

During the year the company filed an appeal to Rwanda Revenue Authority against demand received for the comprehensive audit for the year 2017 and 2018 for which the company paid the demand amount under protest.

20. Inventories

Handsets and Accessories	1,004,023	349,268
Provisions for Handsets and Accessories	<u>(728,736)</u>	<u>(283,274)</u>
	<u>275,287</u>	<u>65,994</u>
<i>Below is the reconciliation of Provision</i>		
As on 1 January	283,274	209,326
Aged based Provision/(Recovery)	<u>445,462</u>	<u>73,948</u>
	<u>728,736</u>	<u>283,274</u>

The Company's scratch cards, and sim cards net realizable value is zero, hence the balances at each period are provided for in full while provision for devices is aged based and lower of net realizable value or cost.

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

21. Trade and other receivables

Trade receivables	10,671,441	11,222,986
Expected Credit Loss	(7,122,339)	(6,699,669)
	3,549,102	4,523,317
Other receivables	1,973,369	3,602,367
Vat refundable	1,373,851	2,579,633
Prepayment and Deposits	6,652,183	1,556,826
	13,548,505	12,262,143

Movement of Expected Credit Loss

Opening Balance	(6,699,669)	(6,389,050)
Add: Additions	(201,385)	(46,865)
Add: Provision created against revenue	(221,285)	(263,754)
Closing Balance	(7,122,339)	(6,699,669)

22. 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 agreed pricing between related parties. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There has been no guarantee provided for any related party payables. Other related party though not 'related parties' as per the definition of IAS 24 'Related party Disclosures', have been included by way of a voluntary disclosure, following the best corporate governance practices.

(i) Trade receivable due from related parties

	Relationship	2022 Rwf'000	2021 Rwf'000
Airtel Tchad S.A.	Fellow subsidiary	64	4
Airtel Congo S.A.	Fellow subsidiary	133	755
Airtel Congo (RDC) S.A.	Fellow subsidiary	4,381,366	5,873,826
Airtel Gabon S.A.	Fellow subsidiary	4,647	4,822
Airtel Networks Kenya Limited	Fellow subsidiary	571,019	522,144
Airtel Madagascar S.A.	Fellow subsidiary	73,219	71,076
Airtel Malawi plc	Fellow subsidiary	196,139	176,351
Celtel Niger S.A.	Fellow subsidiary	553,923	797,332
Airtel Networks Limited	Fellow subsidiary	151,651	88,952
Airtel Tanzania Plc	Fellow subsidiary	21,351	20,256
Airtel Uganda Limited	Fellow subsidiary	882,757	831,430
Airtel Networks Zambia Plc	Fellow subsidiary	77,597	71,930
Airtel (Seychelles) Limited	Fellow subsidiary	23	23
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	3,987,021	3,494,858
Bharti Airtel (UK) Limited	Fellow subsidiary	1,354,302	1,199,701
Bharti Airtel Limited	Intermediate parent	106,596	9,711
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	-	106,338
Airtel Mobile Commerce (Tanzania) Limited	Fellow subsidiary	-	8,399
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	-	-
Airtel Africa Services (UK) Limited	Fellow subsidiary	166,237	-
Airtel Mobile Commerce Limited (Malawi)	Fellow subsidiary	-	192,782
		12,528,045	13,470,690



AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

22. Related party transactions and balances (Continued)

(ii) Trade payable due to related parties

Due to related Party		2022 Rwf'000	2021 Rwf'000
Airtel Tchad S.A.	Fellow subsidiary	121	153
Airtel Congo S.A.	Fellow subsidiary	488	467
Airtel Congo (RDC) S.A.	Fellow subsidiary	4,770,697	4,262,919
Airtel Gabon S.A.	Fellow subsidiary	30,156	28,655
Airtel Networks Kenya Limited	Fellow subsidiary	2,039,966	1,979,686
Airtel Madagascar S.A.	Fellow subsidiary	12,992	12,608
Airtel Malawi plc	Fellow subsidiary	29,382	6,149
Celtel Niger S.A.	Fellow subsidiary	26,243	25,455
Airtel Networks Limited	Fellow subsidiary	236,298	48,085
Airtel Tanzania Plc	Fellow subsidiary	28,063	20,035
Airtel Uganda Limited	Fellow subsidiary	7,894,021	2,822,011
Airtel Networks Zambia Plc	Fellow subsidiary	35,921	34,774
Airtel (Seychelles) Limited	Fellow subsidiary	9,617	9,335
Bharti Airtel Limited	Intermediate parent	53,996	25,866
Network I2I Limited	Intermediate parent	182,911	569,908
Nextra data Limited	Fellow subsidiary	73,135	12,231
Airtel Mobile Commerce BV	Fellow subsidiary	-	13,788
Bharti Airtel Rwanda holdings Limited	Parent	239,759	232,725
Bharti Airtel International (Netherlands) B.V.	Intermediate parent	130,336	124,737
Bharti Airtel (UK) Limited	Fellow Subsidiary	391,567	114,401
Airtel Africa Services (UK) Limited	Fellow Subsidiary	3,346	-
Airtel Mobile Commerce (Tanzania) Limited	Fellow subsidiary	-	911
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	-	2,602
Airtel Money Transfer Limited	Fellow subsidiary	-	295
		<u>16,189,017</u>	<u>10,347,796</u>



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AIRTEL RWANDA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year ended December 31, 2022

22. Related party transactions and balances (Continued)

(iii) 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) Emmanuel Hamez (Since September, 2021)
- (b) Juliet Gakwerere (Since August, 2021)
- (c) Pacifique Kabanda
- (d) Rahul Bedi
- (e) Baptiste Ruhumuriza
- (f) Pierre Kayitana
- (g) Chuma Vuningoma
- (h) Shema Baker
- (i) Indrajeet Singh (Since January, 2022)
- (j) Adrien Nganizi

Remuneration to Key management personnel are as below:

	2022 Rwf'000	2021 Rwf'000
(a) Salaries and other employment benefits	<u>1,706,464</u>	<u>2,051,193</u>
(b) Directors fees and sitting allowance	<u>43,859</u>	<u>43,586</u>

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

22. Related party transactions and balances (Continued)

(iv) Purchase of Goods and services

	Goods/Service	Relationship	2022 Rwf'000	2021 Rwf'000
Airtel Tchad S.A.	Interconnect and Roaming Cost	Fellow subsidiary	2	67
Airtel Congo S.A.	Interconnect and Roaming Cost	Fellow subsidiary	113	44
Airtel Congo (RDC) S.A.	Interconnect and Roaming Cost	Fellow subsidiary	380,064	468,687
Airtel Gabon S.A.	Interconnect and Roaming Cost	Fellow subsidiary	1,420	1,149
Airtel Networks Kenya Limited	Interconnect and Roaming Cost	Fellow subsidiary	12,960	10,973
Airtel Madagascar S.A.	Interconnect and Roaming Cost	Fellow subsidiary	75	6
Airtel Malawi plc	Interconnect and Roaming Cost	Fellow subsidiary	129	19
Airtel Niger S.A.	Interconnect and Roaming Cost	Fellow subsidiary	25	4
Airtel Networks Limited	Interconnect and Roaming Cost	Fellow subsidiary	2,863	1,377
Airtel Tanzania Plc	Interconnect, Roaming and Leaseline	Fellow subsidiary	10,697	6,010
Airtel Uganda Limited	Interconnect and Roaming Cost	Fellow subsidiary	231,978	201,294
Airtel Uganda Limited	Leaseline	Fellow subsidiary	761,631	1,210,219
Airtel Uganda Limited	Materials	Fellow subsidiary	-	119,804
Airtel Networks Zambia Plc	Interconnect and Roaming Cost	Fellow subsidiary	1,988	558
Bharti Airtel Limited	Interconnect and Roaming Cost	Intermediate parent	487	4,797
Bharti Airtel (UK) Limited	Interconnect, Roaming and others	Fellow Subsidiary	261,248	285,401
Nextra Data Limited	Data Centre	Fellow subsidiary	57,626	1,076
Network 121 Limited	Seacom cabling charges	Intermediate parent	-	178,144
Bharti Airtel International (Netherlands) B.V.	Cross Charge of expenses	Intermediate parent	-	20,630
Airtel Mobile Commerce Rwanda Limited	Cross charge of expenses	Fellow subsidiary	2,767,594	493,460
Airtel Ghana Limited (JV) (Till 12 October 2021)	Interconnect, Roaming and Leaseline	Other related party	-	35
			<u>4,490,900</u>	<u>3,003,754</u>

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

22. Related party transactions and balances (Continued)

(v) Sale of Goods and services	Service	Relationship	2022 Rwf'000	2021 Rwf'000
Airtel Tchad S.A.	Interconnect and Roaming	Fellow subsidiary	185	635
Airtel Congo S.A.	Interconnect and Roaming	Fellow subsidiary	1,595	1,415
Airtel Congo (RDC) S.A.	Interconnect, Roaming and Leaseline	Fellow subsidiary	1,645,645	3,696,715
Airtel Gabon S.A.	Interconnect and Roaming	Fellow subsidiary	7,144	8,006
Airtel Networks Kenya Limited	Interconnect and Roaming	Fellow subsidiary	68,968	46,214
Airtel Madagascar S.A.	Interconnect, Roaming and Cross charge	Fellow subsidiary	78	67,752
Airtel Malawi plc	Interconnect and Roaming	Fellow subsidiary	17,830	22,359
Celtel Niger S.A.	Interconnect, Roaming and Materials	Fellow subsidiary	147	465
Airtel Networks Limited	Interconnect, Roaming and Leaseline	Fellow subsidiary	75,426	57,357
Airtel (Seychelles) Limited	Interconnect and Roaming	Fellow subsidiary	11	3
Airtel Tanzania Plc	Interconnect and Roaming	Fellow subsidiary	4,295	3,909
Airtel Uganda Limited	Interconnect and Roaming	Fellow subsidiary	328,048	266,959
Airtel Networks Zambia Plc	Interconnect and Roaming	Fellow subsidiary	7,157	4,994
Bharti Airtel Limited	Interconnect, Roaming and Leaseline	Intermediate parent	21,190	19,735
Bharti Airtel (UK) Limited	Interconnect and Roaming	Fellow subsidiary	1,282,898	1,666,381
Airtel Mobile Commerce Rwanda Limited	Cross charge of expenses	Fellow subsidiary	100,074	157,076
Airtel Mobile Commerce Rwanda Limited	Sale of materials	Fellow subsidiary	-	2,004,914
Airtel Mobile Commerce Rwanda Limited	Sale of other assets	Fellow subsidiary	-	570,998
Airtel Mobile Commerce Rwanda Limited	Interest on loan	Fellow subsidiary	300,737	151,604
Airtel Ghana Limited (JV) (Till 12 October 2021)	Interconnect and Roaming	Other related party	-	156
			3,861,428	8,747,647

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

	2022 Rwf'000	2021 Rwf'000
23. Loan		
HSBC Bank Loan (i)	64,116,600	62,235,600
Bank of Kigali Loan (ii)	6,000,000	3,511,018
Eco Bank Loan (iii)	3,290,000	5,170,000
Loan from Bharti Airtel Rwanda Holdings Limited (iv)	269,962,898	245,446,788
Loan from Bharti Airtel Africa B.V. (v)	61,445,075	59,411,029
	<u>404,814,573</u>	<u>375,774,435</u>
Maturity Analysis		
Current	2,722,004	3,294,385
Non-Current	<u>402,092,569</u>	<u>372,480,050</u>
	<u>404,814,573</u>	<u>375,774,435</u>
Movement		
Opening	375,774,435	347,654,976
Proceeds	22,793,880	11,549,710
Repayment	(5,391,018)	(1,685,412)
Fair Value on Loan Amortization	224,568	2,461,011
Exchange Losses	<u>11,412,708</u>	<u>15,794,150</u>
	<u>404,814,573</u>	<u>375,774,435</u>

(i) HSBC Bank - In August 2019, the company entered into credit facility with The Hong Kong & Shanghai Banking Corporation Limited, Singapore Branch (as the lender). The credit facility amounted to USD 50 million attracting an interest rate of LIBOR (applicable for Interest period) plus margin 3.45% was refinanced on 29th March 2021 and is repayable in full upon maturity in June 2023 and we are in discussion with Bank to refinance it further. Further additional credit facility was entered with The Hong Kong & Shanghai Banking Corporation Limited, Singapore Branch (as the lender) amounted to USD 10 million attracting an interest rate of LIBOR (applicable for Interest period) plus margin 3.75% and is repayable in full upon maturity in September 2024. Both the loans are secured by Bharti Airtel International (Netherland) B.V.

(ii) Bank of Kigali - In March 2019, the company entered into long term credit facility with Bank of Kigali (as the lender). The credit facility amounted to Rwf 6 billion attracting fixed interest rate of 15% and was repayable monthly until maturity in March 2024. However, during the year, the existing loan was paid, and additional loan was taken for Rwf 6 Bn attracting fixed interest rate of 15% and repayable monthly until maturity in December 2027. This loan is secured by corporate guarantee from -Bharti Airtel International (Netherland) B.V.

(iii) Eco Bank - In September 2020, the company entered into long term credit facility with Eco Bank (as the lender). The credit facility amounted to Rwf 5.6 billion attracting fixed interest rate of 15% and is repayable monthly until maturity in September 2024. This loan is secured by corporate guarantee from -Bharti Airtel International (Netherland) B.V.

(iv) Loan from Bharti Airtel Rwanda Holdings limited - The loan is unsecured and does not bear any interest and is repayable in December 2026. During the year, the Company obtained an additional loan of US\$ 16 million (Rwf 16.793 billion).

(v) Loan from Bharti Airtel Africa B.V. - The loan is unsecured and does not bear any interest and is repayable in January 2027.



AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

24. Share Capital

	2022 Rwf'000	2021 Rwf'000
Issued and Paid-up share capital (1,000 shares issued at par value of Rwf 100,000 each)	<u>100,000</u>	<u>100,000</u>
Authorized share capital (60,000 shares at par value of Rwf 100,000 each)	<u>6,000,000</u>	<u>6,000,000</u>

The parent Company is Bharti Airtel Rwanda Holdings Limited, which owns 100% shareholding of the issued share capital of the Company. During the year there has been no change in the shareholding structure.

25. Cash and Cash Equivalent

Cash in hand	546,473	125,253
Cash at bank	<u>2,760,275</u>	<u>1,784,206</u>
	<u>3,306,748</u>	<u>1,909,459</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 hand	3,306,748	1,909,459
Bank overdraft	<u>(3,175,404)</u>	<u>(3,125,405)</u>
	<u>131,344</u>	<u>(1,215,946)</u>

26. Trade and Other Payables

Trade payables	14,411,565	16,110,418
Accrued expenses	5,528,063	9,152,831
Other payables	<u>5,451,582</u>	<u>5,229,741</u>
	<u>25,391,210</u>	<u>30,492,990</u>

27. Deferred Revenue

Current		
Deferred Revenue-Current	<u>2,440,636</u>	<u>2,030,320</u>
	<u>2,440,636</u>	<u>2,030,320</u>
Non-Current		
Deferred Revenue-Non-Current	<u>8,044,623</u>	<u>-</u>
	<u>8,044,623</u>	<u>-</u>

28. Bank Overdraft

Bank overdraft	<u>3,175,404</u>	<u>3,125,405</u>
	<u>3,175,404</u>	<u>3,125,405</u>

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

29. Taxation

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 23,400,771,241 (2021: Rwf 32,146,209,795) 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, earlier losses being deducted before later losses.

	for the year ending Dec 2022	for the year ending Dec 2021
(i) Current year income tax	-	-
(ii) <u>Reconciliation of income tax</u>		
Loss before tax	(40,245,604)	(44,852,152)
Rwanda's statutory income tax rate of 30%	(12,073,681)	(13,455,646)
Tax effect of expenses non-deductible	1,149,473	3,446,954
Deferred tax asset not recognized	10,924,208	10,008,692
	-	-
	As at 31 Dec 2022	As at 31 Dec 2021
(iii) <u>Deferred tax asset not recognized on</u>		
Accelerated depreciation on property and equipment	(9,351,556)	(13,688,503)
Provisions	20,756,342	12,080,031
Tax losses	118,553,572	95,152,801
	129,958,358	93,544,329
(iv) <u>Unused tax losses and deductible temporary difference on</u>		
<u>which deferred tax asset is not recognized</u>		
Expiring within 5 years	129,958,358	93,544,329
Expiring beyond 5 Years	-	-
Unlimited	-	-
	129,958,358	93,544,329

30. Asset Retirement Obligation

Opening	-	299,470
Provision/(Reversal)	-	(299,470)
	-	-

The provision for asset retirement obligations relates to future costs of dismantling the network equipment, their removal and restoration of base station premises to their original state. The amount recognised as a provision and as an asset is determined at present value of estimating future removal costs.

31. Contingencies and Capital Commitments

(a) *Legal claims*

There are certain lawsuits and claims pending against the Company in various courts of law, which are being handled by the external legal counsel. The contingent liabilities in respect of pending litigation and claims was Rwf 1,224,151,000 as at 31 December 2022 (2021: Nil). In the opinion of the directors and based on independent legal advice, the Company's liabilities are not likely to be material thus no provision has been made in these financial statements.



AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

(b) *Letters of credit and guarantees*

In the ordinary course of business, the Company conducts business involving guarantees and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties. As at 31 December 2022, the company had issued performance Guarantees amounting to Rwf 46,209,549 (2021: Rwf 31,539,690) issued to corporate customers' contracts on airtime. The company has no letters of credit issued.

(c) *Lease liabilities*

The Company has taken towers on lease. Liabilities arising from a lease are initially measured on a present value basis of contractual payments associated with lease contract. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Future minimum lease payments under finance leases are as follows:

Maturity Analysis	2022 Rwf '000'	2021 Rwf '000'
Not later than 1 year	10,526,104	10,653,719
Between 1 and 5 years	27,529,372	37,270,230
More than 5 years	<u>7,935,831</u>	<u>8,734,228</u>
Total minimum lease payments	45,991,307	56,658,177
Less: Discount (Unearned Interest)	<u>(12,720,338)</u>	<u>(19,012,610)</u>
Present Value of Lease Liability	<u>33,270,969</u>	<u>37,645,567</u>

Presented as follows:

Non-current	26,674,516	32,726,417
Current	<u>6,596,453</u>	<u>4,919,150</u>
	<u>33,270,969</u>	<u>37,645,567</u>

Lease liabilities movement:

<i>Opening balance</i>	37,645,567	28,173,132
Liability created during the year/(Deletions)	(88,967)	16,787,962
Interest on lease liability	5,531,260	5,680,431
Unrealized forex	499,428	419,026
Liability derecognized on sale of towers	-	(1,549,893)
Payments	<u>(10,316,319)</u>	<u>(11,865,091)</u>
<i>Closing balance</i>	<u>33,270,969</u>	<u>37,645,567</u>

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

(d) *Capital Commitments*

The capital commitments for the year are as follows:

	2022 Rwf '000'	2021 Rwf '000'
Capital commitments	3,420,286	1,761,590
	<u>3,420,286</u>	<u>1,761,590</u>

Capital commitments are authorised and contracted for.

32. Retirement benefit Obligations

The Company contributes to a statutory defined contribution pension scheme, to the Rwanda Social Security Board. The contributions are charged to profit or loss in the year in which they relate.

Contributions to Rwanda Social Security Board	<u>178,105</u>	<u>196,320</u>
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33. Financial risk management

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 principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company's senior management at Group level 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 of 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, commodity price 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 of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the HSBC bank loan. The Company manages its interest rate risks by negotiating and entering into short-term fixed interest rates agreements.

	Rwf '000 2022	Rwf '000 2021
HSBC Bank Loan	64,116,600	62,235,600

Sensitivity analysis:

Effect on profit (-/+) 2%	1,282,332	1,244,712
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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

33. Financial risk management (continued)

Interest rate risk (continued)

The sensitivity above is the effect of the assumed change in interest rates on interest bearing assets and liabilities to profit or loss and equity. The above sensitivity analysis is unrepresentative of the interest rate risk exposure for the Company as interest bearing liabilities are fixed within the next one year.

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.

	2022 Rwf '000	2021 Rwf '000
<i><u>Foreign Currency denominated Assets</u></i>		
Cash and cash equivalents	2,038,689	744,531
Trade and other receivables	1,983,816	3,926,576
Due from related parties	12,528,045	13,470,690
Total Assets	<u>16,550,550</u>	<u>18,141,797</u>
<i><u>Foreign Currency denominated Liabilities</u></i>		
Trade and other payables	2,630,418	8,904,074
Borrowings	395,524,573	367,093,417
Due to related parties	16,189,017	10,347,796
Lease Liability	19,474,217	20,990,090
Total Liabilities	<u>433,818,225</u>	<u>407,335,377</u>
Net financial position	(417,267,675)	(389,193,580)
Sensitivity Analysis	Effect on profit before tax Rwf '000	Effect on equity Rwf '000
31st Dec 2022		
Changes in USD +/- 6%	25,036,060	25,036,060
31st Dec 2021		
Changes in USD +/- 6%	23,351,615	23,351,615

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

33. Financial risk management (Continued)

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts and group borrowings.

At 31 December 2022:

Assets	0-6 Months Rwf'000	6-12 Months Rwf'000	Above 12 Months Rwf'000	Total
Cash and bank balances	3,306,748	-	-	3,306,748
Due from related parties	12,528,045	-	-	12,528,045
Trade and other receivables	13,548,505	-	-	13,548,505
	<u>29,383,298</u>	<u>-</u>	<u>-</u>	<u>29,383,298</u>
Liabilities				
Finance lease	5,271,415	5,254,689	35,465,203	45,991,307
Loan	1,336,693	1,385,311	402,092,569	404,814,573
Bank overdraft	3,175,404	-	-	3,175,404
Due to related parties	16,189,017	-	-	16,189,017
Trade and other payables	25,391,210	-	-	25,391,210
Total financial liabilities (contractual maturity dates)	<u>51,363,739</u>	<u>6,640,000</u>	<u>437,557,772</u>	<u>495,561,511</u>
Liquidity gap	<u>(21,980,441)</u>	<u>(6,640,000)</u>	<u>(437,557,772)</u>	<u>(466,178,213)</u>

At 31 December 2021:

Assets	0-6 Months Rwf'000	6-12 Months Rwf'000	Above 12 Months Rwf'000	Total
Cash and bank balances	1,909,459	-	-	1,909,459
Due from related parties	13,470,690	-	-	13,470,690
Trade and other receivables	12,262,143	-	-	12,262,143
	<u>27,642,292</u>	<u>-</u>	<u>-</u>	<u>27,642,292</u>
Liabilities				
Finance lease	5,493,064	5,160,655	46,004,457	56,658,176
Borrowings	1,621,168	1,673,217	372,480,050	375,774,435
Bank overdraft	3,125,405	-	-	3,125,405
Due to related parties	10,347,796	-	-	10,347,796
Trade and other payables	30,492,990	-	-	30,492,990
Total financial liabilities (contractual maturity dates)	<u>51,080,423</u>	<u>6,833,872</u>	<u>418,484,507</u>	<u>476,398,802</u>
Liquidity gap	<u>(23,438,131)</u>	<u>(6,833,872)</u>	<u>(418,484,507)</u>	<u>(448,756,510)</u>

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

33. Financial risk management (Continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has managed its exposure to credit risk by ensuring that all distributors have a bank guarantees to cover amount of credit given to them. Apart from bank guarantee, no other collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits. No receivables have had their terms renegotiated.

All past due trade receivables have been reviewed by management and appropriate impairment losses recognized in the financial statements. The Company has policies in place to ensure that contracts are entered into with customers with appropriate credit history and that its financial interests are contractually safeguarded at the time of engagement.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury policies. Investments of surplus funds are made only with approved financial institutions, whose credit assessment is assessed on a regular basis.

The amount that best represents Company's maximum exposure to credit risk without taking account of the value of collateral obtained is made up as follows:

At 31 December 2022:	12 Month or Internal Credit lifetime ECL rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL Performing	20,670,844	(7,122,339)	13,548,505
Due from related parties	Lifetime ECL Performing	12,528,045	-	12,528,045
Cash at bank balances	Lifetime ECL Performing	3,306,748	-	3,306,748
Total		<u>36,505,637</u>	<u>(7,122,339)</u>	<u>29,383,298</u>

At 31 December 2021:	12 Month or Internal Credit lifetime ECL rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL Performing	18,961,812	(6,699,669)	12,262,143
Due from related parties	Lifetime ECL Performing	13,470,690	-	13,470,690
Cash at bank balances	Lifetime ECL Performing	1,909,459	-	1,909,459
Total		<u>34,341,961</u>	<u>(6,699,669)</u>	<u>27,642,292</u>

The Company considers a financial asset in default when contractual payments for trade receivables are 90 days past due and for Interconnect receivables are 270 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

34. Capital Management

The Company receives shareholder's loan from the parent Company as the main source of financing. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return on capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2022. The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

	2022 Rwf'000	2021 Rwf'000
Shareholders loan	331,407,973	304,857,817
External Loan	73,406,600	70,916,618
Bank overdraft	3,175,404	3,125,405
Lease liabilities	33,270,969	37,645,567
Less: Cash and cash equivalents	(3,306,748)	(1,909,459)
Net Debt (A)	<u>437,954,198</u>	<u>414,635,948</u>
Equity (B)	(381,806,953)	(341,565,946)
Capital and net debt (C= A + B)	56,147,244	73,070,002
Gearing ratio (A/C)	780%	567%

35. Fair value of financial assets and liabilities

The category wise details as to the carrying value, fair value and the level of fair value measurement hierarchy of the group's financial instruments are as follows.

As of 31 December 2022:

	Carrying Value Rwf'000	Fair Value Rwf'000
<i><u>Financial assets (Amortized cost)</u></i>		
Trade and other receivables	13,548,505	13,548,505
Due from related parties	12,528,045	12,528,045
Cash and cash equivalents	3,306,748	3,306,748
Total	<u>29,383,298</u>	<u>29,383,298</u>
<i><u>Financial liabilities (Amortized cost)</u></i>		
Lease liability	33,270,969	33,270,969
Loan	404,814,573	404,814,573
Bank overdraft	3,175,404	3,175,404
Due to related parties	16,189,017	16,189,017
Trade and other payables	25,391,210	25,391,210
Total	<u>482,841,173</u>	<u>482,841,173</u>

As of 31 December 2021:

<i><u>Financial assets (Amortized cost)</u></i>		
Trade and other receivables	12,262,143	12,262,143
Due from related parties	13,470,690	13,470,690
Cash and cash equivalents	1,909,459	1,909,459
Total	<u>27,642,292</u>	<u>27,642,292</u>
<i><u>Financial liabilities (Amortized cost)</u></i>		
Lease liability	37,645,567	37,645,567
Loan	375,774,435	375,774,435
Bank overdraft	3,125,405	3,125,405
Due to related parties	10,347,796	10,347,796
Trade and other payables	30,492,990	30,492,990
Total	<u>457,386,193</u>	<u>457,386,193</u>

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

35. Fair value of financial assets and liabilities (continued)

The following methods/assumptions were used to estimate the fair values;

- i. The carrying value of bank deposits, trade receivables, trade payables, short-term borrowings, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments.
- ii. Fair value of quoted financial instruments is based on quoted market price at the reporting date.
- iii. The fair value of non-current financial assets, long-term borrowings and other financial liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.

During the year ended 31 December 2022 and year ended 31 December 2021 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into or out of Level 3 fair value measurements.

36. Comparatives

Where necessary, comparative figures have been re-classified or/and adjusted or excluded to conform to changes in presentation in the current year. The table below illustrates the reclassification made to prior year balances for presentation purposes in the current year.

Effective 01 April 2021, in accordance with Central Bank of Rwanda regulation, the shareholders and the Board of Directors of Airtel Rwanda Limited and Airtel Mobile Commerce Rwanda Limited resolved that provision of mobile commerce services shall be operated and provided through Airtel Mobile Commerce Rwanda Limited. Till 31 Mar 2021, mobile commerce services were being provided by Airtel Rwanda Limited. Had the company operated mobile commerce services from 1 January 2020, the revenue, operating expenses, operating loss and loss after tax would be as mentioned below

For the year ended 31 December 2022

Particulars	Business held under Airtel Rwanda Limited	Business held under Airtel Mobile Commerce Rwanda Limited	Total
Revenue	-	3,645,292	3,645,292
Operating expenses	-	4,405,752	4,405,752
Operating loss	-	(760,460)	(760,460)
Loss after tax	-	(760,460)	(760,460)

For the year ended 31 December 2021

Particulars	Business held under Airtel Rwanda Limited	Business held under Airtel Mobile Commerce Rwanda Limited	Total
Revenue	336,880	954,429	1,291,309
Operating expenses	468,135	1,742,077	2,210,212
Operating loss	(131,255)	(787,648)	(918,903)
Loss after tax	(131,255)	(787,648)	(918,903)

37. Events after Reporting Period

The Company has evaluated all events that occur after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. The management of the company determined that below were non-adjusting event and thus are not required to be adjusted as at reporting date.

AIRTEL RWANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year ended December 31, 2022

38. Going concern assessment

During the year ended 31 December 2022, the Company incurred a net loss of Rwf'000 40,245,604 (2021: Rwf'000 44,852,152). As at that date, accumulated losses were Rwf'000 381,906,953 (2021: Rwf'000 341,665,946) and the Company was in a net current liability position of Rwf'000 26,856,139 (2021: Rwf'000 26,501,760), it may be noted that company has Shareholder's loan of Rwf'000 331,407,973 (2021: Rwf'000 304,857,817). After considering shareholder's loan and external source of financing, there is sufficient liquidity to manage the operations.

The Company is of the opinion that it will operate on going concern basis on the assumption that the Company:

- i. Will generate cash inflows from operations;
- ii. Will obtain funding from the third parties; and
- iii. The Company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

The company is 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.

39. Asset Sale

In line with the agreement to sell 162 towers held in Rwanda, signed by the Company on 22 February 2021 with IHS Rwanda Ltd, during the year ended 31 December 2021, the Company completed first close of sale of telecommunication tower assets and received the consideration of \$10m. Since the Company has leased back a portion of such tower assets, a corresponding portion of the total gain on the sale has been recognized as a deduction in the cost of the Right of Use asset for the assets leased back with the remaining gain (amounting to \$4m) recorded as Exceptional item The Company has recognised Right of Use assets and Lease Liabilities for the portion of towers leased back by the Company. The following is carrying value of assets and liabilities sold:

	Rwf'000
Sale value	12,087,849
Property, plant and equipment (Gross block)	(22,080,079)
Property, plant and equipment (Accumulated depreciation)	21,483,022
Right of use assets (Gross block)	(2,760,861)
Right of use assets (Accumulated depreciation)	1,539,038
Lease liability	1,549,893
Asset retirement obligation	243,120
Gain on sale of asset	12,061,982
Deferred gain	(7,184,299)
Gross gain	4,877,683
Site refurbishment cost	(493,863)
Provision for sites to be completed	(208,572)
Non-operating income in profit & loss	4,175,248

