AIRTEL RWANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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FOR THE YEAR ENDED 31 DECEMBER 2019

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AIRTEL RWANDA LIMITED

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

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
Mr. Alok Bafna	Non-Executive Director	Appointed on 04 July 2017
Mr. Olivier Pognon	Non-Executive Director	Appointed on 12 February 2018
Mr. Ian Ferrao	Non-Executive Director	Appointed on [illegible] September 2019
Mr. Ramakrishna Lella	Non-Executive Director	Appointed on 28 February 2019 Resigned on 17 October 2019

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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

AUDITORS

Deloitte Rwanda Limited
1st Floor, Umoja House
KN 3 Road
P.O. Box 3903
Kigali
Rwanda

BANKERS

I&M Bank Rwanda Limited
P.O. Box 354
Kigali
Rwanda

KCB Bank Rwanda PLC
P.O. Box 5620
Kigali
Rwanda

Banque Populaire du Rwanda (BPR) PLC
P.O Box 1348
Kigali
Rwanda

Zigama CSS
P.O. Box 4772
Kigali
Rwanda

Urwego Opportunity Bank Rwanda PLC
P.O Box 748
Kigali
Rwanda

Equity Bank Rwanda PLC
P.O. Box 494
Kigali
Rwanda

Bank of Kigali PLC
P.O. Box 175
Kigali
Rwanda

Access Bank Rwanda Limited PLC
P.O Box 2059
Kigali
Rwanda

Ecobank Rwanda PLC
P.O. Box 3268
Kigali
Rwanda

GT Bank PLC
P.O. Box 331
Kigali
Rwanda

CORPORATE INFORMATION (CONTINUED)

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 Avocates P.O Box 4067 Kigali, Rwanda

AIRTEL RWANDA LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, which disclose the state of affairs of the Company.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of a public mobile telecommunication network and mobile money services in Rwanda. There has been no significant changes in Company's business during the year.

2. RESULTS

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

3. DIVIDEND

The directors do not recommend payment of dividend with respect to the year ended 31 December 2019 and 2018.

4. RESERVES

The reserves of the Company are set out on page 9.

5. DIRECTORS

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

6. AUDITORS

Deloitte Rwanda Limited will retire as the company's auditor at the conclusion of the company's Annual General Meeting (AGM). The directors will propose another audit firm for appointment at the AGM.

Approval of financial statements

The financial statements were approved at a meeting of the Directors held on 24th June 2020 and signed on its behalf by:

Shema Baker

Company Secretary

.........2020
24th/06/2020

AIRTEL RWANDA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Law No. 17/2018 of 13/04/2018 governing companies. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of 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 2019 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. 17/2018 of 13/04/2018 governing companies.

The directors confirm that the parent Company has committed to continue supporting the Company to meet its obligations as and when they fall due within next 12 months from the date of signing of financial statement.

Director

26th June 2020

Director

Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRTEL RWANDA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Rwanda Limited, set out on pages 8 to 51, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Law No. 17/2018 of 13/04/2018 governing companies.

Basis for Opinion

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

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 2 of the financial statements which states that for the year ended 31 December 2019 the Company incurred a net loss of Rwf 54,079,921,000 (2018: Rwf 33,515,097,000). As at that date, accumulated losses were Rwf 258,062,578,000 (2018: Rwf 202,607,359,000) and the Company was in a net current liability position of Rwf 78,476,505,000 (2018: Rwf 51,169,839,000). These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern without the support of its parent Company.

Other Information

The directors are responsible for the other information, which comprises of directors' report. The 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 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and in the manner required by the Law No. 17/2018 of 13/04/2018 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.

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

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 directors.

- Conclude on the appropriateness of 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.

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.

INDEPENDENT AUDITORS' REPORT

Report on other legal and regulatory requirements

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

i) We have obtained all information and explanations which, to the best of our knowledge, was required for our audit;

ii) Based on our audit, we have not identified any reason to believe that proper accounting records have not been kept;

iii) We have no relationship, inter. ets and debt in the Company;

We have reported to the directors and management in the form of a separate management letter, internal control and other weaknesses identified during the audit and our recommendations for improvement;

In our opinion, according to the best of the information and the explanations given to us as shown by the accounting and other documents of the Company, the annual accounts comply with Article 123 of this Law regarding the requirement for individual annual accounts.

For: Deloitte Rwanda Limited

David Waweru
Director

Signed at Kigali on..........24 June.......... 2020

AIRTEL RWANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts are in thousands of Rwf)

	Note	For the year ended 31 December 2019	2018
Revenue	5	42,163,617	30,977,630
Cost of sales	6	(5,196,236)	(5,863,595)
Gross profit		36,967,381	25,114,035
Other operating income	7	280,613	1,339,431
Selling and distribution costs	8	(5,832,930)	(4,857,723)
Administrative expenses	9	(7,964,098)	(6,135,977)
Other operating expenses	10	(50,545,250)	(32,478,309)
Operating loss		(27,094,284)	(17,018,543)
Foreign exchange loss	11	(17,058,448)	(13,912,656)
Finance costs(Net)	12	(10,447,385)	(3,060,744)
Loss before taxation		(54,600,117)	(33,991,943)
Deferred tax gain	16	520,196	476,846
Income tax expense	27	-	-
Loss for the period		(54,079,921)	(33,515,097)
Other comprehensive income		-	-
Total comprehensive loss		(54,079,921)	(33,515,097)

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AIRTEL RWANDA LIMITED

STATEMENT OF FINANCIAL POSITION
(All amounts are in thousands of Rwf)

	Notes	As at 31st December 2019	2018
Non-current assets			
Property, plant and equipment	13	64,000,413	89,365,750
Right of use asset	15	22,712,222	-
Intangible assets	14	12,910,313	16,472,145
Goodwill	16	10,242,636	10,242,636
Other non-financial assets	17	5,334,345	3,842,522
		115,199,929	119,923,053
Current assets			
Inventories	18	-	-
Trade and other receivables	19	9,486,329	10,124,848
Due from related parties	20	6,890,549	4,042,225
Cash and cash equivalents	23	4,893,180	2,816,718
		21,270,058	16,983,791
Total assets		136,469,987	136,906,844
Equity			
Share capital	22	100,000	100,000
Accumulated losses		(258,062,578)	(202,607,359)
		(257,962,578)	(202,507,359)
Non-current liabilities			
Deferred tax liability	16	8,410,430	8,930,626
Loans	21	259,822,156	247,381,058
Obligation under finance lease	29	26,005,327	14,544,095
Asset retirement obligation	28	448,089	404,794
		294,686,002	271,260,573
Current liabilities			
Obligations under finance lease	29	3,815,383	2,327,441
Loans	21	48,440,405	-
Trade and other payables	24	35,450,120	54,235,513
Due to related parties	20	7,499,931	6,087,044
Deferred revenue	25	2,321,719	2,670,253
Bank overdraft	26	2,219,005	2,833,379
		99,746,563	68,153,630
Total equity & liabilities		136,469,987	136,906,844

The financial statements on pages 8 to 51 were approved by the board of directors on 24th June 2020 and were signed on its behalf by:

Director

Director

AIRTEL RWANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
All amounts are in thousands of Rwf

	Share capital Rwf '000	Accumulated losses Rwf '000	Total Rwf '000
At 1 January 2018	100,000	(161,498,331)	(161,398,331)
Loss of subsidiary merged	-	(7,593,931)	(7,593,931)
Total comprehensive loss	-	(33,515,097)	(33,515,097)
At 31 December 2018	100,000	(202,607,359)	(202,507,359)
At 1 January 2019 - As reported	100,000	(202,607,359)	(202,507,359)
Opening adjustment - (IFRS 16) (Note 3.2)	-	(1,480,499)	(1,480,499)
Opening adjustment - (IFRS 15) (Note 33)	-	105,201	105,201
At 1 January 2019 - Restated	100,000	(203,982,657)	(203,882,657)
Total comprehensive loss	-	(54,079,921)	(54,079,921)
At 31 December 2019	100,000	(258,062,578)	(257,962,578)

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AIRTEL RWANDA LIMITED

STATEMENT OF CASH FLOWS
All amounts are in thousands of Rwf

	Note	For the year ended 31 December 2019	2018
OPERATING ACTIVITIES:			
Loss before tax		(54,600,117)	(33,991,943)
Adjustments for:			
Depreciation	13	26,331,316	17,386,258
Amortizations	14	2,205,396	1,302,170
Depreciation –Right of use asset	15	4,515,560	-
Provision for bad debt	9	561,603	200,187
Unrealized foreign exchange	11	8,075,360	12,974,337
Interest expenses/(net of reversal)	12	10,447,385	(5,051,968)
Fair Value of loan amortization	21	2,230,712	1,756,647
Loss on disposal of property, plant and equipment		46,314	-
Liabilities written off		(218,630)	(1,339,223)
Operating loss before working capital changes		(405,101)	(6,763,535)
Working Capital Changes			
Inventories		-	-
Trade and other receivables		(189,592)	4,041,941
Due from related parties		(2,848,323)	766,391
Trade and other payables		(21,749,659)	(7,469,788)
Due to related parties		1,412,886	(923,563)
Deferred revenue		(243,333)	(451,517)
Net cash used in operating activities		(24,023,122)	(10,800,071)
Income tax paid		-	-
Net cash used in operating activities		(24,023,122)	(10,800,071)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(12,072,779)	(3,326,634)
Net cash used in investing activities		(12,072,779)	(3,326,634)
FINANCING ACTIVITIES:			
Proceeds from borrowings		70,851,933	12,556,016
Repayment of borrowings		(20,863,397)	
Repayment of lease liabilities - Principal		(3,421,568)	(677,869)
Repayment of lease liabilities - Interest		(6,994,015)	-
other finance charges paid		(786,216)	-
Net cash generated from financing activities		38,786,737	11,878,147
Increase/(decrease) in cash and cash equivalents		2,690,836	(2,248,558)
Cash and cash equivalents at the beginning of the year		(16,661)	990,177
Cash from merged subsidiary		-	1,241,720
Cash and cash equivalents at the end of the year		2,674,175	(16,661)
Represented by:			
Cash at bank and on hand	23	4,893,180	2,816,718
Bank overdraft	23	(2,219,005)	(2,833,379)
		2,674,175	(16,661)

1. Corporate information

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

The parent Company is Bharti Airtel Rwanda Holdings Limited, which owns 100% shareholding of the Company. The step up parent of the company is Airtel Africa plc (formerly known as Airtel Africa Limited) which is listed in London Stock Exchange. The step up 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. Going concern

During the year ended 31 December 2019, the Company incurred a net loss of Rwf 54,079,921,000 (2018: Rwf 33,515,097,000). As at that date, accumulated losses were Rwf 258,062,578,000 (2018: Rwf 202,607,359,000) and the Company was in a net current liability position of Rwf 78,476,505,000 (2018: Rwf 51,169,839,000). The operations of the Company continue to depend heavily on sources of financing from its direct and indirect parent companies.

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 of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;

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.

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

3.1 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Standard	**Detail of Amendment**	**Annual Periods beginning on or after**
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards	1 January 2020

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

3.1 New and revised IFRSs in issue but not yet effective (Continued)

Standard	Detail of Amendment	Annual Periods beginning on or after
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge ac··unting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	1 January 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	1 January 2022
Definition of a Business (Amendments to IFRS 3)	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: 1) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; 2) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; 3) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; 4) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and 5) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	1 January 2020

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

3.1 New and revised IFRSs in issue but not yet effective (Continued)

Standard	Detail of Amendment	Annual Periods beginning on or after
IFRS 17 Insurance contracts)	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. • IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. • The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. • Insurance contracts are required to be measured based only on the obligations created by the contracts. • An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. • This standard replaces IFRS 4 – Insurance contracts.	1 January 2021

The directors have assessed above standards and interpretation and have concluded that application of the above applicable standards will not have material impact to the financial statements of the company when adopted.

3.2 New and revised IFRSs that are effective for current year

(i) Impact of initial application of IFRS 16 Leases

In the current year, the Company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 4.4 (f). The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach as per para C8(b)(ii) of IFRS 16 which:

- Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact on the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

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

3.2 New and revised IFRSs that are effective for current year (Continued)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8 (b) (ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of- use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

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

3.2 New and revised IFRSs that are effective for current year (Continued)

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease and short term lease recognition exemptions.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of initial application of IFRS 16

The opening adjustment for IFRS 16 has been derived as follows.

Right of Use asset recorded at 1 January 2019 (note 15)	14,148,845
Lease liability recorded at 1 Jan 2019	(15,655,965)
Lease equalisation reserve reversed because of adoption of IFRS 16	26,622
Net IFRS 16 Impact as at 1 January 2019	(1,480,499)

(ii) In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(a) Amendments to IFRS 9 - Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

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

3.2 New and revised IFRSs that are effective for current year (Continued)

(b) Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

IAS 12 Income Taxes
The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(c) Amendments to IAS 19 Employee Benefits Plan, Amendment, Curtailment or Settlement

The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19:99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

(d) IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

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

3.3 Early adoption of standards and interpretations

The company has not early adopted any standard or interpretation in the year ending December 31, 2019.

4. Accounting policies

4.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Rwandan Franc (Rwf), which is the Company's functional currency, and all values are rounded to the nearest franc (Rwf '000), except when otherwise indicated.

4.2 Statement of compliance

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

4.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. The most significant use of judgment and estimates are as follows:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy 4.4 (d) below. The carrying amounts of property, plant and equipment have been disclosed in note 13.

Impairment of non-financial assei

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic environment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Fair value 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.

Impairment losses, if any, are recognised in profit or loss as a component of depreciation and amortisation expense.

4. Accounting policies (Continued)

4.3 Significant accounting judgements, estimates and assumptions (continued)

For all assets, an assessment is made at each reporting date to determine whether there is an indication that assets are required to be impaired or previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Income taxes

The Company is subject to income taxes under the Rwanda Income Tax Act. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and the deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has tax losses carried forward as stated in Note-27. The deferred tax assets arising from tax losses will expire after five years with earlier losses being deducted before later losses. However the tax administration may authorise the company upon application to carry forward tax losses for more than 5 years.

The Company neither has any taxable temporary difference nor tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Judgments

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

a) Allowance for bad and doubtful debts

The Company reviews its trade receivables at each reporting date to assess whether an allowance for bad and doubtful debt should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Critical estimates are made by the directors in determining the recoverable amount of impaired receivables.

4. Accounting policies (Continued)

4.3 Significant accounting judgements, estimates and assumptions (continued)

b) Income taxes

Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Multiple element contracts with vendors

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the Company has economic ownership in these assets and represents the substance of the arrangement.

4.4 Summary of significant accounting policies

a) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company, on initial recognition in the functional currency (Rwf), by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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.

b) 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.

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.

4. Accounting policies (Continued)

4.4 Summary of significant accounting policies (continued)

b) Revenue recognition (continued)

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

- *Sales revenue*

Sales of goods (handsets) are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products an : 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.

In prior years, based on the then available information, the company considered that the average life of customers across its network was less than 12 months and had taken the practical expedient available under IFRS15 not to defer customer acquisition costs on recognition and amortize over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data the company now 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 has updated its policy on cost deferral recognition in these financial statements.

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

4. Accounting policies (Continued)

c) Taxes (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added tax

Expenses and assets are recognised net of the amount of VAT tax, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT tax included

The net amount of VAT tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows: -

4. Accounting policies (Continued)

d) Property, plant and equipment

• 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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

e) Intangible assets and amortisation

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The carrying amount of 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 when the asset is derecognised.

<u>Licenses</u>

Acquired licenses are initially recognised at cost. Subsequently, License and spectrum entry fees 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 the unexpired period of the license commencing from the date when the related network is available for intended use in the respective jurisdiction and is disclosed under 'depreciation and amortization. The revenue-share fee on license and spectrum is computed as per the licensing agreement and is expensed as incurred.

4. Accounting policies (Continued)

e) Intangible assets and amortisation (continued)

Goodwill

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).

Impairment review-

The Company tests goodwill for impairment annually on December 31. During the year ended December 31, 2019, the testing did not result in any impairment in the carrying amount of goodwill. The carrying amount of goodwill is attributable to the mobile services cash generating unit (CGU) Rwanda. The recoverable amount of the above CGUs are based on value-in-use, which is determined based on business plans that have been approved by management for internal purposes. The said planning horizon reflects the assumptions for short-to-mid-term market developments.

f) Leases

In the current year, the Company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3.2. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

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.

4. Accounting policies (Continued)

f) Leases (continued)

a. 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.

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.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. Accounting policies (Continued)

b. 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 15 to allocate the consideration under the contract to each component.

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.

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 countries 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)

b) *Financial instruments*

(i) <u>Financial assets</u>

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

4. Accounting policies (Continued)

ii. Other leases (continued)

b) Financial instruments (continued)

(ii) Financial assets (continued)

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade and other receivables, due from related parties, and loan to a related party.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as above in line with IFRS 9.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and other operating expenses for receivables. There are no loans and advances carried at fair value through the profit or loss during the year.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. 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, twelve 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.

4. Accounting policies (Continued)

(iv) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdraft, shareholders' loan, and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.
Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

c) Fair Value Measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements. The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

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

4. Accounting policies (Continued)

d) Employee benefits

Retirement benefit costs

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.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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.

f) Provisions

(i) General

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

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are recognised at their fair value only if they were assumed as part of a business combination. Contingent assets are not recognised. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, and is recognised as an asset.

Information on contingent liabilities is disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable particular asset.

g) Capital work in progress

Costs related to construction/installation of capital projects are recorded at the costs to date or valuation and are only transferred into the relevant property, plant and equipment categories once completed and commissioned.

4. Accounting policies (Continued)

h) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

i) Share capital

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

j) 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.

k) Statement of cash flows

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.

4. Accounting policies (Continued)

l) Common Control Transaction

Business Combinations arising from transfers of interest in entities that are under the common control, are accounted at historical cost. The difference between any consideration paid /received and the aggregate historical carrying amounts of assets and liabilities of the interest acquired / disposed is recorded in retained earnings.

m) Exceptional items

Exceptional items refer to items of income or expense within the statement of profit and loss from ordinary activities, which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company

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		31 December 2019 Rwf'000	31 December 2018 Rwf'000
5.	**Revenue**		
	Revenue from services*	40,925,912	29,760,997
	Sale of goods	1,237,705	1,216,633
		42,163,617	30,977,630
6.	**Cost of sales**		
	Interconnection international costs	1,772,234	2,463,833
	Interconnection Local costs	931,122	955,647
	Fees on international interconnect traffic	1,215,012	1,059,036
	Cost of handsets and accessories	1,145,131	1,103,270
	Cost of scratch and sim cards	34,175	116,915
	Roaming charges	98,562	164,894
		5,196,236	5,863,595
7.	**Other operating income**		
	Other income	280,437	1,331,714
	Rent of administration office	176	7,717
		280,613	1,339,431
8.	**Selling and distribution costs**		
	Marketing Expenses	2,273,516	1,966,969
	Sales and distribution expenses*	3,559,414	2,890,754
		5,832,930	4,857,723
9.	**Administrative expenses**		
	Employee costs	5,356,188	3,553,501
	Voluntary Retirement Scheme - Expense	-	35,994
	Travel costs	193,465	109,008
	Professional fees	164,319	396,446
	Provision for bad debts	561,603	200,187
	Warehouse expenses	324,620	163,252
	Audit fees	96,200	50,189
	Operating license	69,716	47,440
	Other administrative costs	1,197,987	1,579,960
		7,964,098	6,135,977

*Previous Year Numbers has been reclassified in requirement with IFRS 15 as follows:

	2018 Reclassified	Reclass	2018 As previously stated
Revenue from services	29,760,997	(2,523,514)	32,284,511
Sales and distribution expenses	(2,890,754)	2,523,514	(5,414,268)
	26,870,243	-	26,870,243

The above reclassification has been made on comparative information in line with requirements of IFRS 15 to treat discount as reduction of revenue rather than expense

	31 December 2019 Rwf'000	31 December 2018 Rwf'000
10. Other operating expenses		
Network operation and maintenance costs	13,624,396	10,866,648
Depreciation	17,494,390	12,965,373
Depreciation- Finance Lease	4,515,560	1,398,339
Network Modernization expenses	8,836,926	3,022,546
Amortization	2,205,396	1,302,170
Customer care expenses	1,416,8[illegible]	807,976
Motor vehicle expenses	(3,988)	91,012
Bank charges and commissions	54,116	26,718
Regulatory costs	1,905,089	1,294,016
IT expenses	255,755	516,035
Other sundry expenses	240,722	187,476
	50,545,250	32,478,309
11. Foreign exchange loss (Net)		
Foreign exchange - realized	8,983,088	938,319
Foreign exchange - unrealized	8,075,360	12,974,337
	17,058,448	13,912,656
12. Finance costs (Net)		
Interest on borrowings	3,913,349	-
Finance lease interest	6,488,481	3,455,011
Other finance costs	45,555	(394,267)
	10,447,385	3,060,744

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13. Property, plant and equipment

Year ended 31 December 2019	Building Improvements Rwf'000	Finance lease Asset Rwf'000	Buildings Rwf'000	Network Equipment Rwf'000	Furniture and fixtures Rwf'000	Computer equipment Rwf'000	Motor Vehicles Rwf'000	Capital Work-In-Progress Rwf'000	Total Rwf'000
Cost									
At 01 January 2019	287,125	17,737,515	4,549,240	175,702,015	1,819,326	20,315,320	1,632,782	20,350,299	242,393,622
Additions	92,093	-	59,855	26,862,743	549,323	2,274,792	-	(17,766,027)	12,072,779
Reclassification between Gross Block & Accumulated Depreciation	(1,463)	-	(274)	(8,549,890)	159	198,177	(384)	-	(8,353,675)
Reclassification to Right of Use (ROU) asset	-	(17,737,515)	-	-	-	-	-	-	(17,737,515)
Disposal	-	-	-		-	-	(727,008)	-	(727,008)
At 31 December 2019	377,755	-	4,608,821	194,014,868	2,368,808	22,788,289	905,390	2,584,272	227,648,203
Accumulated Depreciation									
At 01 January 2019	154,847	6,677,031	1,276,822	123,959,695	573,270	18,897,337	1,488,870	-	153,027,872
Charge for the year	9,474	-	264,830	23,859,107	172,472	1,959,658	65,775	-	26,331,316
Reclassification between Gross Block & Accumulated Depreciation	-	-	-	(9,132,295)	726,605	52,015	-	-	(8,353,675)
Reclassification	-	-		(34,765)	-	34,765	-	-	-
Reclassification to ROU	-	(6,677,031)	-	-	-	-	-	-	(6,677,031)
Disposal	-	-	-		-	-	(680,692)	-	(680,692)
At 31 December 2019	164,321	-	1,541,652	138,651,742	1,472,347	20,943,775	873,953	-	163,647,790
Net carrying amount									
At 31 December 2019	213,434	-	3,067,169	55,363,126	896,461	1,844,514	31,437	2,584,272	64,000,413

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13. Property, plant and equipment (continued)

Year ended 31 December 2018	Building Improvements Rwf'000	Finance lease Asset Rwf'000	Buildings Rwf'000	Network Equipment Rwf'000	Furniture and fixtures Rwf'000	Computer equipment Rwf'000	Motor Vehicles Rwf'000	Capital Work-In-Progress Rwf'000	Total Rwf'000
Cost									
At 01 January 2018	95,212	9,994,851	2,031,600	33,944,125	409,785	4,802,662	48,470	252,159	51,578,864
Additions		406,231		(1,171,281)	431,953	(1,114,071)		19,560,589	18,113,421
Merger of subsidiary	191,913	7,512,879	2,517,640	129,514,563	977,588	16,626,729	1,584,312	537,551	159,463,175
Fair value allocation on acquisition	-	-	-	13,414,608	-	-	-	-	13,414,608
Lease retirement	-	(176,446)	-	-	-	-	-	-	(176,446)
At 31 December 2018	287,125	17,737,515	4,549,240	175,702,015	1,819,326	20,315,320	1,632,782	20,350,299	242,393,622
Accumulated Depreciation									
At 01 January 2018	9,847	3,011,773	567,414	16,041,343	331,762	4,802,662	35,557	-	24,800,358
Charge for the year	137,255	1,334,638	198,613	13,363,867	14,761	2,288,120	49,004	-	17,386,258
Merger of subsidiary	7,745	2,429,974	510,795	94,554,485	226,747	11,806,555	1,404,309	-	110,940,610
Lease retirement	-	(99,354)	-		-	-	-	-	(99,354)
At 31 December 2018	154,847	6,677,031	1,276,822	123,959,695	573,270	18,897,337	1,488,870	-	153,027,872
Net carrying amount									
At 31 December 2018	132,278	11,060,484	3,272,418	51,742,320	1,246,056	1,417,983	143,912	20,350,299	89,365,750

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14. Intangible assets

	Licenses Rwf 000'	Customer base Rwf 000'	Bandwidth Rwf 000'	Total Rwf 000'
Cost				
At 01 January 2019	31,615,472	3,686,000	2,126,504	37,427,976
Reclassification	(13,379)		13,379	-
Reclassification*	-	-	(2,139,883)	(2,139,883)
As at 31 December 2019	31,602,093	3,686,000	-	35,288,093
At 01 January 2018	18,000,601	-	-	18,000,601
Merger of subsidiary	18,667,755	-	3,621,848	22,289,603
Fair value	(5,052,884)	3,686,000	(1,495,344)	(2,862,228)
As at 31 December 2018	31,615,472	3,686,000	2,126,504	37,427,976
Accumulated Amortization				
At 01 January 2019	19,497,795	674,589	783,447	20,955,831
Charge for the year	1,468,196	737,200	-	2,205,396
Reclassification*	-	-	(783,447)	(783,447)
As at 31 December 2019	20,965,991	1,411,789	-	22,377,780
At 01 January 2018	6,909,518	-	-	6,909,518
Charge for the year	631,996	674,589	(4,415)	1,302,170
Merger of subsidiary	11,956,281	-	787,862	12,744,143
As at 31 December 2018	19,497,795	674,589	783,447	20,955,831
Net carrying amount				
At 31 December 2019	10,636,102	2,274,211	-	12,910,313
At 31 December 2018	12,117,677	3,011,411	1,343,057	16,472,145

Intangible assets relate to operating licence, customer base fair valuation on acquisition of Tigo Rwanda Limited and bandwidth. The Company obtained a telecommunications-operating license from Rwanda Utilities Regulatory Agency (RURA) on 8 September 2011. The license fees are amortized starting from the date of beginning of the network using the straight-line method over the remaining period of license term (15 years). Included in licence is RWF 1.66 Billion being the fair value of Tigo Rwanda Limited's spectrum merged into Airtel Rwanda Ltd. License value shown as " merger of subsidiary" pertains to spectrum availed on Tigo Rwanda Limited acquisition from RURA which is also valid till the period of Airtel original license and hence amortised accordingly.

*Bandwidth reclassed in current year to other non-financial assets.

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15. Right of use assets

	Plant and equipment Rwf 000'	Others Rwf 000'	Total Rwf 000'
Year ended 31 December 2019			
Cost			
Balance at 1 January 2019-Restated	12,016,009	2,132,836	14,148,845
Additions	2,657,619	-	2,657,619
Reclassification from Property, Plant & equipment (Net)	11,060,484	-	11,060,484
Deletions	(1,257,145)	-	(1,257,145)
Balance at 31 December 2019	24,476,967	2,132,836	26,609,803
Year ended 31 December 2019			
Accumulated Depreciation			
Balance at 1 January 2019-Restated	-	-	-
Depreciation charge for the year	3,713,057	802,503	4,515,560
Deletions	(617,979)	-	(617,979)
Balance at 31 December 2019	3,095,078	802,503	3,897,581
Net carrying amount			
At 31 December 2019	21,381,889	1,330,333	22,712,222
At 31 December 2018	-	-	-

Right of use assets includes technical sites taken on lease with an average lease term of 10 years for which there is no option to purchase the asset at the end of the lease term. The maturity analysis of lease liabilities is presented in note 29 (c).

16(i) Goodwill

	2019 Rwf'000	2018 Rwf'000
Goodwill	10,242,636	10,242,636

16(ii) Deferred tax

	2019 Rwf'000	2018 Rwf'000
Deferred tax on fair value of assets acquired	8,930,626	9,407,472
Deferred tax gain	(520,196)	(476,846)
	8,410,430	8,930,626

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	2019 Rwf'000	2018 Rwf'000
17. Other non-financial assets		
Payments under protest	3,936,849	3,568,073
Security deposits	27,896	32,423
Advanced to vendors	-	3,858
Prepaid expense*	1,369,600	238,168
	[illegible],334,345	3,842,522

*Includes Bandwidth reclassed in current year from Intangible assets.

	2019 Rwf'000	2018 Rwf'000
18. Inventories		
Handsets and Accessories	417,996	523,697
Provisions for Handsets and Accessories	(417,996)	(523,697)
	-	-
Below is the reconciliation Provision		
As on 1 January	523,697	351,157
NRV Provision/(Recovery)	-	284,280
Aged based Provision/(Recovery)	(105,701)	(111,740)
	417,996	523,697

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 net realizable value is not lesser than cost.

	2019 Rwf'000	2018 Rwf'000
19. Trade and other receivables		
Trade receivables	10,253,883	11,049,737
Expected Credit Loss	(5,847,753)	(5,380,909)
	4,406,130	5,668,828
Other receivables	1,481,280	2,051,194
Vat refundable	2,618,088	1,666,983
Deposits	980,831	737,843
	9,486,329	10,124,848

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20. Related party transactions and balances

The company transacts with other companies within the group of which they have a common parent company or step up parent company. The following provides the total amount of transaction that has been entered into with related parties and outstanding balances for the relevant reporting period. The purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There has been no guarantee provided for any related party payables.

(i) *Due from related parties*

	Relationship	2019 Rwf'000	2018 Rwf'000
Airtel Tchad S.A.	Fellow subsidiary	11	69
Airtel Congo S.A.	Fellow subsidiary	232	139
Airtel Congo (RDC) S.A.	Fellow subsidiary	3,427,357	1,896,258
Airtel Gabon S.A.	Fellow subsidiary	496	815
Airtel Networks Kenya Ltd	Fellow subsidiary	143,268	28,942
Airtel Madagascar S.A.	Fellow subsidiary	540	61
Airtel Malawi Limited	Fellow subsidiary	142,959	394
Airtel Niger S.A.	Fellow subsidiary	1,167,835	128,036
Airtel Networks Nigeria Ltd	Fellow subsidiary	46,747	27,454
Airtel Tanzania Public Company Limited	Fellow subsidiary	1,024,260	953,431
Airtel Uganda Limited	Fellow subsidiary	327,188	119,083
Airtel Networks Zambia Plc	Fellow subsidiary	55,297	46,751
Airtel (Seychelles) Limited	Fellow subsidiary	297	60
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	67,355	180,843
Bharti Airtel (UK) Limited	Fellow subsidiary	350,933	-
Bharti Airtel Ltd	Step up parent	68,351	596,672
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	38,473	10,318
Airtel Mobile Commerce (Tanzania) Limited	Fellow subsidiary	12,016	52,899
Airtel Mobile Commerce Uganda Limited	Fellow subsidia	4,017	-
Airtel Mobile Commerce Kenya Limited	Fellow subsidia y	2,667	-
Airtel Mobile Commerce Limited (Malawi)	Fellow subsidiary	10,248	-
		6,890,549	4,042,225

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20. Related party transactions and balances (Continued)

(ii) *Due to related parties*

Due to related Party		2019 Rwf'000	2018 Rwf'000
Airtel Tchad S.A.	Fellow subsidiary	98	121
Airtel Congo S.A.	Fellow subsidiary	441	418
Airtel Congo (RDC) S.A.	Fellow subsidiary	3,201,218	1,654,299
Airtel Gabon S.A.	Fellow subsidiary	25,979	25,519
Airtel Networks Kenya Ltd	Fellow subsidiary	1,818,1[illegible]	1,760,515
Airtel Madagascar S.A.	Fellow subsidiary	11,546	10,866
Airtel Malawi Limited	Fellow subsidiary	3,749	3,536
Airtel Niger S.A.	Fellow subsidiary	800	783
Airtel Networks Nigeria Ltd	Fellow subsidiary	121,748	123,613
Airtel Tanzania Public Company Limited	Fellow subsidiary	632,817	592,633
Airtel Uganda Limited	Fellow subsidiary	532,863	807,698
Airtel Networks Zambia Plc	Fellow subsidiary	31,592	1,342
Airtel (Seychelles) Limited	Fellow subsidiary	-	25
Bharti Airtel Ltd	Step up parent	19,031	363,671
Network I2I Limited	Step up parent	714,602	549,994
Nxtra data Limited	Fellow subsidiary	26,117	44,379
Airtel Mobile Commerce BV	Fellow subsidiary	13,144	12,389
Airtel Mobile commerce Rwanda Limited	Fellow subsidiary	-	10,000
Airtel Towers N.V.	Fellow subsidiary	13,796	13,796
Bharti Airtel Rwanda holdings Ltd	Parent	212,686	111,447
Bharti Airtel International (Netherlands) B.V.	Step up parent	74,704	-
Bharti Airtel (UK) Limited	Fellow Subsidiary	44,806	-
		7,499,931	6,087,044

(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.

	2019 Rwf'000	2018 Rwf'000
(a) Salaries and other employment benefits	1,470,950	1,689,598
(b) Directors fees and sitting allowance	38,194	37,900

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20. Related party transactions and balances (Continued)

(iv) *Purchase of Goods and services*

	Service	Relationship	2019 Rwf'000	2018 Rwf'000
Airtel Tchad S.A.	Interconnect and Roaming Cost	Fellow subsidiary	68	131
Airtel Congo S.A.	Interconnect and Roaming Cost	Fellow subsidiary	125	77
Airtel Congo (RDC) S.A.	Interconnect and Roaming Cost	Fellow subsidiary	931,679	1,220,768
Airtel Gabon S.A.	Interconnect and Roaming Cost	Fellow subsidiary	410	1,337
Airtel Networks Kenya Ltd	Interconnect and Roaming Cost	Fellow subsidiary	55,208	55,049
Airtel Madagascar S.A.	Interconnect and Roaming Cost	Fellow subsidiary	110	66
Airtel Malawi Limited	Interconnect and Roaming Cost	Fellow subsidiary	62	150
Airtel Niger S.A.	Interconnect and Roaming Cost	Fellow subsidiary	39	107
Airtel Networks Nigeria Ltd	Interconnect and Roaming Cost	Fellow subsidiary	1,781	94,861
Airtel (Seychelles) Limited	Interconnect and Roaming Cost	Fellow subsidiary	25	3
Airtel Tanzania Public Company Limited	Interconnect and Roaming Cost	Fellow subsidiary	27,078	15,933
Airtel Uganda Limited	Interconnect and Roaming Cost	Fellow subsidiary	233,093	421,897
Airtel Networks Zambia Plc	Interconnect and Roaming Cost	Fellow subsidiary	311	965
Bharti Airtel Ltd	Interconnect and Roaming Cost	Step up parent	30,416	326
Bharti Airtel (UK) Limited	Interconnect and Roaming Cost	Fellow Subsidiary	499,960	847,469
Nxtra Data Limited	Interconnect and Roaming Cost	Fellow subsidiary	8,159	5,828
Network I2I Limited	Interconnect and Roaming Cost	Fellow subsidiary	127,164	-
Airtel Mobile Commerce Rwanda Limited	Dealer Commissions	Fellow subsidiary	-	397,264
Tigo Rwanda Limited*	Interconnect Cost	Subsidiary	-	86,933
Tigo Rwanda Limited*	Site Sharing	Subsidiary	-	898,783
Tigo Rwanda Limited*	Tigo Cash Transactions	Subsidiary	-	18,870
Airtel Congo (RDC) S.A.	Technical Materials	Fellow subsidiary	481,716	-
Bharti Airtel International (Netherlands) B.V.	Cross Charges	Step up parent	72,753	-
			2,470,157	4,066,817

*Tigo Rwanda Limited merged into Airtel Rwanda limited on 30 June 2018 hence transactions up to 30 June 2018 are only reported.

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20. Related party transactions and balances (Continued)

(v) Sale of Goods and services

	Service	Relationship	2019 Rwf'000	2018 Rwf'000
Airtel Tchad S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	143	864
Airtel Congo S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	784	1,534
Airtel Congo (RDC) S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	1,644,693	1,018,749
Airtel Gabon S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	1,317	1,525
Airtel Networks Kenya Ltd	Interconnect and Roaming Revenue	Fellow subsidiary	222,511	169,362
Airtel Madagascar S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	589	345
Airtel Malawi Limited	Interconnect and Roaming Revenue	Fellow subsidiary	353	2,256
Airtel Niger S.A.	Interconnect and Roaming Revenue	Fellow subsidiary	160	937
Airtel Networks Nigeria Ltd	Interconnect and Roaming Revenue	Fellow subsidiary	27,388	51,407
Airtel (Seychelles) Limited	Interconnect and Roaming Revenue	Fellow subsidiary	291	111
Airtel Tanzania Public Company Limited	Interconnect and Roaming Revenue	Fellow subsidiary	36,501	36,565
Airtel Uganda Limited	Interconnect and Roaming Revenue	Fellow subsidiary	750,519	766,999
Airtel Networks Zambia Plc	Interconnect and Roaming Revenue	Fellow subsidiary	6,319	3,791
Bharti Airtel Ltd	Interconnect and Roaming Revenue	Step up parent	1,738	17,825
Bharti Airtel (UK) Limited	Interconnect and Roaming Revenue	Fellow subsidiary	2,141,792	2,128,151
Bharti Airtel Rwanda Holdings Limited	Interest Written Back	Parent	-	627,037
Tigo Rwanda Limited*	Primary Sales	Subsidiary	-	21,792
Tigo Rwanda Limited*	Interconnect Charges	Subsidiary	-	83,290
Tigo Rwanda Limited*	Intercompany Loans	Subsidiary	-	961,371
Tigo Rwanda Limited*	Technical Materials	Subsidiary	-	10,624
Airtel Niger S.A.	Technical Materials	Fellow subsidiary	936,648	-
			5,771,746	5,904,535

*Tigo Rwanda Limited merged into Airtel Rwanda Ltd on 30 June 2018 hence transactions up to 30 June 2018 are only reported.

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21. Loan

	2019 Rwf'000	2018 Rwf'000
HSBC Bank Loan (i)	47,397,275	-
Bank of Kigali Loan (ii)	5,758,506	-
Shareholder Loan (iii)	255,106,780	247,381,058
	308,262,561	247,381,058
Maturity Analysis		
Current	48,440,405	-
Non-Current	259,822,156	247,381,058
	308,262,561	247,381,058
Movement		
Opening	247,381,058	178,245,985
Proceeds (Net)	49,988,536	12,556,016
Fair Value on Loan Amortization	2,230,712	1,756,647
Merger of Subsidiary	-	50,253,474
Exchange Losses	8,662,255	12,384,582
Impairment	-	(7,815,646)
	308,262,561	247,381,058

(i) *HSBC Bank Loan* - 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 2.7% and is repayable in full upon maturity on December 31, 2020. This loan is 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 is repayable monthly until maturity on March 2024. This loan is secured by guarantee from Bharti Airtel International (Netherland) B.V.

(iii) *Shareholder Loan* – The Company has obtained a loan from its immediate parent Company, Bharti Airtel Rwanda Holdings Limited, amounting to US$ 20 million (Rwf 18.96 billion) and have repaid US$ 30 million (Rwf 20.86 billion) during the year. The loan is unsecured and bears 0% interest from 1st October 2013. Any outstanding principal loan amount will be payable in full upon maturity on December 31, 2021.

22. Share Capital

	2019 Rwf'000	2018 Rwf'000
Paid share capital	100,000	100,000
Authorised share capital	6,000,000	6,000,000

23. Cash and Cash Equivalent

	2019	2018
	Rwf'000	Rwf'000
Cash in hand	284,839	293,536
Cash at bank	4,608,341	2,523,182
	4,893,180	2,816,718

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

	2019	2018
	Rwf'000	Rwf'000
Cash at bank and on hand	4,893,180	2,816,718
Bank overdraft	(2,219,005)	(2,833,379)
	2,674,175	(16,661)

24. Trade and Other Payables

Trade payables	13,629,369	17,319,851
Accrued expenses	17,090,423	31,185,850
Other payables	4,730,328	5,729,812
	35,450,120	54,235,513

25. Deferred Revenue

Prepaid Revenue	2,321,719	2,670,253
	2,321,719	2,670,253

26. Bank Overdraft

Bank overdraft	2,219,005	2,833,379
	2,219,005	2,833,379

27. 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 of Rwf 33,987,557,101 (2018: Rwf 119,039,676,435) 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 tax profit in the next five (5) tax periods, earlier losses being deducted before later losses. Unrecognised deferred tax asset is attributable to the following items.

27. Taxation (Continued)

		2019 Rwf'000	2018 Rwf'000
(i)	Current year income tax	-	-
(ii)	Reconciliation of income tax		
	Accounting loss	(54,600,117)	(33,991,943)
	Rwanda's statutory income tax rate of 30%	(16,380,035)	(10,197,583)
	Tax effect of expenses non-deductible	6,183,768	75,516
	Deferred tax asset not recognized	10,196,267	10,122,067
		-	-
(iii)	Deferred tax		
	Accelerated depreciation on property and equipment	(11,223,317)	(7,911,378)
	Provisions	10,172,947	13,857,308
	Tax losses	33,987,557	35,711,903
		32,937,187	41,657,833

28. Asset Retirement Obligation

	2019 Rwf'000	2018 Rwf'000
Opening	404,794	20,838
Provision	43,295	160,817
Merger of Subsidiary	-	1,635,768
Reversal of excess provision	-	(1,412,629)
	448,089	404,794

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.

29. 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 amounted to Rwf 573,648,109 as at 31 December 2019 (2018: 1,749,738,115). 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.

(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 2019, the company had issued performance Guarantees amounting to RWF 35,382,770 and RWF 71,361,354 as at 31 December 2018 issued to corporate customers' contracts on airtime. The company has no letters of credit issued.

29. Contingencies and Capital Commitments (Continued)

(c) Finance Lease

The Company has finance leases for its towers. 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	2019 Rwf '000'	2018 Rwf '000'
Not later than 1 year	9,849,538	7,185,124
Between 1 and 5 years	37,601,867	32,277,507
More than 5 years	1,840,168	3,851,727
Total minimum lease payments	49,291,573	43,314,358
Less: Discount (Unearned Interest)	(19,470,863)	(26,442,822)
Present Value of Lease Liability	29,820,710	16,871,536
Presented as follows:		
Non-current	26,005,327	14,544,095
Current	3,815,383	2,327,441
	29,820,710	16,871,536

The company has arrived at Incremental borrowing rate of 10.5% (for leases denominated in Rwf) and 7.65% (for leases denominated in USD) at the date of transition. To determine the incremental borrowing rate, the Company:

- Considered risk free rate of US treasury bills yield and adjusted it for the inflation forecast differential of the local currency over the USD inflation forecast,
- Made specific adjustments to the above risk free rate in relation to the macroeconomic factors such as political instability, volatile exchange rates and interest rates.

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.

(d) Capital Commitments

The capital commitments for the year are as follows:

	2019 Rwf '000'	2018 Rwf '000'
Capital commitments	10,833,954	53,893,063
	10,833,954	53,893,063

Capital commitments are authorised and contracted for.

30. 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.

	2019 Rwf'000	2018 Rwf'000
Contributions to Rwanda Social Security Board	166,061	145,694

31. 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 Company's bank overdraft, which attracts an average fixed rate of 15.5% and HSBC bank loan which attracts floating rate of LIBOR (applicable for Interest period) plus margin 2.7%. The Company manages its interest rate risks by negotiating and entering into short-term fixed interest rates agreements.

	Rwf '000 Less than 3 Months	Rwf '000 3 - 12 Months	Rwf '000 Total
2019			
HSBC Bank Loan	-	47,397,275	47,397,275
Bank overdraft	2,219,005	-	2,219,005
	2,219,005	47,397,275	49,616,280
2018			
Bank overdraft	2,833,379	-	2,833,379

Sensitivity analysis:	Rwf '000'	Rwf '000'	Rwf '000'
31 December 2019 (-/+) 2%	44,380	947,946	992,326
31 December 2018 (-/+) 2%	56,668	-	56,668

31. 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.

	2019 Rwf '000	2018 Rwf '000
Assets		
Cash and cash equivalents	3,515,078	565,354
Trade and other receivables	3,301,593	3,317,617
Due from related parties	6,890,549	6,087,044
Total Assets	13,707,220	9,970,015
Liabilities		
Trade and other payables	15,017,580	4,600,429
Loans	302,504,055	247,381,058
Due to related parties	7,499,931	4,042,225
Lease Liability	7,898,344	9,608,305
Total Liabilities	332,919,910	265,632,017
Net financial position	(319,212,690)	(255,662,002)

Sensitivity Analysis	Effect on profit before tax Rwf '000	Effect on equity Rwf '000
31st Dec 2019		
Changes in USD -+ 6%	19,152,761	19,152,761
31st Dec 2018		
Changes in USD -+ 6%	15,339,720	15,339,720

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31. 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.

	0-6 Months Rwf'000	6-12 Months Rwf'000	Above 12 Months Rwf'000	Total
At 31 December 2019:				
Assets				
Cash and bank balances	4,893,180	-	-	4,893,180
Due from related parties	6,890,549	-	-	6,890,549
Trade and other receivables	5,428,549	4,057,780	-	9,486,329
	17,212,278	4,057,780	-	21,270,058
Liabilities				
Finance lease	4,972,416	4,877,122	39,442,035	49,291,573
Loan	-	48,440,405	259,822,156	308,262,561
Bank overdraft	2,219,005	-	-	2,219,005
Due to related parties	7,499,931	-	-	7,499,931
Trade payables	10,775,158	24,674,962	-	35,450,120
Total financial liabilities (contractual maturity dates)	25,466,510	77,992,489	299,264,191	402,723,190
Liquidity gap	(8,254,232)	(73,934,709)	(299,264,191)	(381,453,132)
At 31 December 2018:				
Assets				
Cash and bank balances	2,816,718	-	-	2,816,718
Due from related parties	808,445	2,425,335	808,445	4,042,225
Trade and other receivables	10,124,848	-	-	10,124,848
	13,750,011	2,425,335	808,445	16,983,791
Liabilities				
Finance lease	1,629,208	698,233	14,544,095	16,871,536
Shareholder's loans	-		247,381,058	247,381,058
Bank overdraft	2,833,379	-	-	2,833,379
Due to related parties	1,826,113	1,826,113	2,434,818	6,087,044
Trade and other payables	16,270,654	21,694,205	16,270,654	54,235,513
Total financial liabilities(contractual maturity dates)	22,559,354	24,218,551	280,630,625	327,408,530
Liquidity gap	(8,809,343)	(21,793,216)	(279,822,180)	(310,424,739)

31. 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 2019:	12 Month or lifetime ECL	Internal Credit rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL	Performing	15,334,082	(5,847,753)	9,486,329
Due from related parties	Lifetime ECL	Performing	6,890,549	-	6,890,549
Cash at bank balances	Lifetime ECL	Performing	4,893,180	-	4,893,180
Total			27,117,811	(5,847,753)	21,270,058

At 31 December 2018:	12 Month or lifetime ECL	Internal Credit rating	Gross Carrying Amount Rwf'000	Less: Allowances Rwf'000	Net Carrying Amount Rwf'000
Trade Receivable	Lifetime ECL	Performing	15,505,757	(5,380,909)	10,124,848
Due from related parties	Lifetime ECL	Performing	4,042,225	-	4,042,225
Cash at bank balances	Lifetime ECL	Performing	2,816,718	-	2,816,718
Total			22,364,700	(5,380,909)	16,983,791

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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32. 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 2019.

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 Rwf'000	2018 Rwf'000
Shareholders loan	255,106,780	247,381,058
External Loan	53,155,781	-
Bank overdraft	2,219,005	2,833,379
Lease liabilities	29,820,710	16,871,536
Less: Cash and cash equivalents	(4,893,180)	(2,816,718)
Net Debt (A)	335,409,096	264,269,255
Equity (B)	(257,962,578)	(202,507,359)
Capital and net debt (C= A + B)	77,446,518	61,761,896
Gearing ratio (A/C)	433%	428%

33. 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 opening adjustment for IFRS 15 relates to the impact of reclassification done in 2019 of primary commission from Selling and Distribution (S&D) cost to revenue for the period relating to 2018.

34. Events after Reporting Period

Subsequent to year-end, there has been a coronavirus disease (COVID -19) outbreak across the globe. The Company operates in a telecommunication sector that is considered to be providing essential services during the outbreak. The Company has experienced increase in voice and data usage since declaration of the pandemic. Management continues to maintain close contacts with governmental agencies and constantly reviews existing business plan in light of newly available information on COVID-19. The Management concluded that there is no significant impact to these Financial Statements as a result of this outbreak.

Other than above, 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 there were no reportable subsequent events to be disclosed.

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