AIRTEL RWANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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CONTENTS

AIRTEL RWANDA LIMITED

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

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 16 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

Nambiar Associates
Certified Public Accountants
2nd Floor, Rwanda Foam Building
Muhima, BP 4715
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

Cogebanque Bank PLC
P.O. Box 5230
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 2020

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 2020, which disclose the state of affairs of the Company.

1. PRINCIPAL ACTIVITIES

   The principal activities of the Company are 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. The payment services license was issued to Airtel Mobile Commerce Rwanda Limited while the operations were run under Airtel Rwanda limited due to the pending separation for which clarification and approval was sought from central Bank. The approval has been received subsequently in March, 2021 and the Airtel Money operation has been segregated with effect from April 1, 2021.

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 2020 and 2019.

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

   Nambiar Associates were appointed during the year in accordance with Law No. 17/2018 of 13/04/2018 governing companies in Rwanda.

Approval of financial statements

The financial statements on pages 8 to 54 were approved at a meeting of the Directors held on ...25/05/.......2021 and signed on its behalf by:

Shema Baker

Company Secretary

...May..25.....2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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

25/5/2021

Director

NAMBIAR ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Registered Office
2nd Floor
Rwanda Foam Building
KN 1 Road, Muhima
B.P. 4715, Kigali, Rwanda
T: +250 (0) 788381245
Tin: 101780461
W: www.nambiarassociates.com

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 54, which comprise the statement of financial position as at 31 December 2020, 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 2020 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 2020 the Company incurred a net loss of Rwf 38.751 Bn (2019: Rwf 54.079 Bn). As at that date, accumulated losses were Rwf 296.813 Bn (2019: Rwf 258.062 Bn) and the Company was in a net current liability position of Rwf 78.468 Bn (2019: Rwf 78.476 Bn). 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.

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.

NAMBIAR ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, interests and debt in the Company;

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

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

For: Nambiar Associates

N.R. Raghavan Nambiar
Partner

Signed at Kigali on.......26/5...... 2021

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 2020	2019
Revenue	5	39,006,110	42,163,617
Cost of sales	6	(6,099,258)	(5,196,236)
Gross profit		32,906,852	36,967,381
Other operating income	7	426,731	280,613
Selling and distribution costs	8	(5,396,373)	(5,832,930)
Administrative expenses	9	(8,466,335)	(7,964,098)
Other operating expenses	10	(39,269,828)	(50,545,250)
Operating loss		(19,798,953)	(27,094,284)
Foreign exchange loss	11	(15,016,723)	(17,058,448)
Finance costs(Net)	12	(12,345,970)	(10,447,385)
Loss before taxation		(47,161,646)	(54,600,117)
Deferred tax gain	16	8,410,430	520,196
Income tax expense	27	-	-
Loss for the period		(38,751,216)	(54,079,921)
Other comprehensive income		-	-
Total comprehensive loss		(38,751,216)	(54,079,921)

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AIRTEL RWANDA LIMITED

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

	Notes	As at 31st December 2020	2019
Non-current assets			
Property, plant and equipment	13	57,562,676	64,000,413
Right of use asset	15	18,711,654	22,712,222
Intangible assets	14	12,210,506	12,910,313
Goodwill	16	10,242,636	10,242,636
Other non-financial assets	17	1,317,347	5,334,345
		100,044,819	115,199,929
Current assets			
Inventories	18	50,308	-
Trade and other receivables	19	10,971,279	9,486,329
Due from related parties	20	9,353,846	6,823,194
Cash and cash equivalents	23	4,015,888	4,960,535
		24,391,321	21,270,058
Total assets		124,436,140	136,469,987
Equity			
Share capital	22	100,000	100,000
Accumulated losses		(296,813,794)	(258,062,578)
		(296,713,794)	(257,962,578)
Non-current liabilities			
Deferred tax liability	16	-	8,410,430
Borrowings	21	296,401,991	259,822,156
Obligation under finance lease	29	21,589,031	26,005,327
Asset retirement obligation	28	299,470	448,089
		318,290,492	294,686,002
Current liabilities			
Obligations under finance lease	29	6,584,101	3,815,383
Borrowings	21	51,252,985	48,440,405
Trade and other payables	24	30,002,895	35,450,120
Due to related parties	20	8,965,061	7,499,931
Deferred revenue	25	2,269,693	2,321,719
Bank overdraft	26	3,784,707	2,219,005
		102,859,442	99,746,563
Total equity & liabilities		124,436,140	136,469,987

The financial statements on pages 8 to 54 were approved by the board of directors on ......25/5........ 2021 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 2019 - As reported	100,000	(202,607,359)	(202,507,359)
Opening adjustment - (IFRS 16)	-	(1,480,499)	(1,480,499)
Opening adjustment - (IFRS 15)	-	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)
At 1 January 2020	100,000	(258,062,578)	(257,962,578)
Total comprehensive loss	-	(38,751,216)	(38,751,216)
At 31 December 2020	100,000	(296,813,794)	(296,713,794)

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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 2020	2019
OPERATING ACTIVITIES:			
Loss before tax		(47,161,646)	(54,600,117)
Adjustments for:			
Depreciation	13	14,013,933	26,331,316
Amortizations	14	2,309,573	2,205,396
Depreciation -Right of use asset	15	4,760,842	4,515,560
Provision for bad debt	9	529,773	561,603
Unrealized foreign exchange	11	14,603,689	8,075,360
Interest expenses/(net of reversal)	12	10,018,792	10,447,385
Fair Value of loan amortization	21	2,256,925	2,230,712
Loss on disposal of Property, plant and equipment		-	46,314
Liabilities written off		-	(218,630)
Operating loss before working capital changes		1,331,881	(405,101)
Working Capital Changes			
Inventories		(50,307)	-
Trade and other receivables and due from related party		(668,523)	(2,970,560)
Trade and other payables and due to Related party		(5,574,013)	(20,336,773)
Deferred revenue		(52,028)	(243,333)
Net cash used in operating activities		(5,012,990)	(23,955,767)
Income tax paid		-	-
Net cash used in operating activities		(5,012,990)	(23,955,767)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(7,576,196)	(12,072,779)
Net cash used in investing activities		(7,576,196)	(12,072,779)
FINANCING ACTIVITIES:			
Proceeds from borrowings	21	23,620,323	70,851,933
Repayment of borrowings	21	(1,043,130)	(20,863,397)
Repayment of lease - Principal and Interest		(8,366,952)	(10,415,583)
Interest and other finance charges paid		(4,131,404)	(786,216)
Net cash generated from financing activities		10,078,837	38,786,737
Increase/(decrease) in cash and cash equivalents		(2,510,349)	2,758,191
Cash and cash equivalents at the beginning of the year		2,741,530	(16,661)
Cash and cash equivalents at the end of the year		231,181	2,741,530
Represented by:			
Cash at bank and on hand	23	4,015,888	4,960,535
Bank overdraft	23	(3,784,707)	(2,219,005)
		231,181	2,741,530

1. Corporate information

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

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 2020, the Company incurred a net loss of Rwf 38.751 Bn (2019: Rwf 54.079 Bn). As at that date, accumulated losses were Rwf 296.813 Bn (2019: Rwf 258.062 Bn) and the Company was in a net current liability position of Rwf 78.468 Bn (2019: Rwf 78.476 Bn), it may be noted that company has Shareholder's loan of Rwf 287.724 Bn (2019: Rwf 255.107 Bn). After considering shareholder's loan and external source of financing, there is sufficient liquidity to manage the operations.

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
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	1 January 2023

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
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)...Continued	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an Company will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	1 January 2022
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an Company recognises such sales proceeds and related costs in profit or loss. The Company measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.	1 January 2022

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
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)...Continued	If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the Company's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. • The Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	
Annual Improvements to IFRS Standards 2018-2020 Cycle	The Annual Improvements include amendments to below Standards. IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a). IFRS 16 Leases: The amendment removes the illustration of the reimbursement of leasehold improvements.	1 January 2022 No effective date Stated
IAS 37 – Onerous contract-cost of fulfilling a contract	The amendment specify that the 'cost of fulfilling; a contract comprises the 'cost that relate directly to the contract'	1 January 2022

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

3.2 New and revised IFRSs that are effective for current year

(i) *Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16*

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

(ii) *Impact of the initial application of other new and amended IFRS Standards that are effective for the current year*

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. 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.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

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 assets

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.

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.

4. Accounting policies (Continued)

4.3 Significant accounting judgements, estimates and assumptions (continued)

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.

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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.