ENERGY DEVELOPMENT CORPORATION LIMITED

ANNUAL REPORT AND UNUNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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COMPANY INFORMATION

i. Company information

The Energy Development Corporation Ltd (EDCL) is a company domiciled in the Republic of Rwanda and wholly owned by Government. It was established in August 2014 as a subsidiary of Rwanda Energy Group (REG) that was formed after dissolution of the Energy, Water and Sanitation Authority (EWSA) through Prime Minister's Order N°87/03 of 16/08/2014.

The company is mandated to Increase investment in development of new energy generation projects in a timely and cost-efficient manner to expand supply in line with EDPRS and other national targets; Develop appropriate transmission infrastructure to evacuate new plants and deliver energy to relevant distribution nodes; Plan and execute energy access projects to meet the national access targets.

Development and implementation of the least cost energy development plan in line with the Government Policy and strategic objectives; Direct the Electricity Access Roll-Out Program by establishing and implementation plan and strategy in line with the overall sector strategy; Undertake economic and technical studies needed for the development of the infrastructure required new electric power plants, transmission and distribution network, oil and gas infrastructure, primary and social energy resources development projects; Establish appropriate project and contract management policies and procedures; Advise on the development of social energy projects.

ii. Registered office:

KN82 ST 3, Nyarugenge District
P.O Box 537
Kigali, Rwanda

iii. Bankers:

National Bank of Rwanda
P. O. Box 6219
Kigali

Ecobank Rwanda Plc
P. O. Box 3268
Kigali

Bank of Kigali
P. O. Box 259
Kigali

Equity Bank Rwanda Plc
P. O. Box 494
Kigali

Banque Populaire du Rwanda Plc
P. O. Box 1348 Kigali

DIRECTORS' REPORT

The Directors present their report together with the unaudited financial statements of the Energy Utility Development Limited (the "Company") for the year ended 30 June 2023 which show the state of the Company's affairs.

PRINCIPAL ACTIVITIES

The core business of the Company is development of energy projects funded by the Government and other partners.

RESULTS

The results for the year ended 30 June 2023 are set out on page 6.

DIRECTORS

The directors who held office during the year and at the date of this report were:

MEMBERS OF THE BOARD OF DIRECTORS (BOARD):

Dr Didacienne MUKANYILIGIRA	Chairperson	From 14 December 2020
Pacifique TUYISHIME	Member	From 14 December 2020
Ms. Carine UMUTONI	Member	From 14 December 2020
Mr. Viateur MUGENZI	Member	From 14 December 2020
Mr. Jean Claude ILIBONEYE	Member	From 29 July 2014 to date
Mr. Charles KALINDA	Member	From 14 December 2020
Ms. Clemence Rita MUTABAZI	Member	From 14 December 2020
Mr. Ron WEISS	Board Secretary	From 15 May2017 to date
Rehema NAMUTEBI	Former Ag. Chairperson	To 14 December 2020
Mr. Robert NYAMVUMBA	Former Vice Chairperson	To 14 December 2020
Ms. Christelle KAYIHURA	Former Member	To 14 December 2020
Ms. Rose BAGUMA	Former Member	To 14 December 2020

Signed by directors

Digitally signed by EDCL(Managing Director) Date: 2023.08.16 17:28:21 +02'00'	Ron Weiss Digitally signed by Ron WEISS (CEO) Date: 2023.08.16 21:40:09 +02'00'	16/08/2023
....	....	....
Felix GAKUBA	**Ron Weiss**	**Dr. Didacienne MUKANYILIGIRA**
Managing Director	**Chief Executive Officer**	**Chairperson**
EDCL	**REG**	**BoD**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Law No. 007/2021 of 05/02/2021 governing Companies requires to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the unaudited annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No. 007/2021 of 05/02/2021 governing companies.

The directors are of the opinion that the unaudited financial statements give a true and fair view of the state of the financial affairs of the company and of its profit in accordance with International Financial Reporting Standards.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of unaudited financial statements, as well as designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of unaudited financial statements that are free from material misstatement.

Financial performance

The Company's directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the board of directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the unaudited financial statements continue to be prepared on the going concern basis.

Endorsement of the unaudited financial statements

The unaudited financial statements on pages 6 to 32 were endorsed to be shared to shareholder by the board of directors on __________ and signed on its behalf by

Signed by Directors

Digitally signed by EDCL(Managing Director) Date: 2023.08.16 17:28:57 +02'00'	Ron Weiss Digitally signed by Ron WEISS (CEO) Date: 2023.08.16 21:41:03 +02'00'	
....	....	....
Felix GAKUBA	**Ron Weiss**	**Dr. Didacienne MUKANYILIGIRA**
Managing Director	**Chief Executive Officer**	**Chairperson**
EDCL	**REG**	**BoD**
Date	**Date ....**	**Date** ..16/08/2023.....

STATEMENT OF COMPREHENSIVE INCOME

Description	Notes	30 June 2023 Rwf	30 June 2022 Rwf
Grant income	2	57,880,684,303	67,856,538,764
Other operating income	3	733,180,251	439,426,160
		58,613,864,554	**68,295,964,924**
Contribution to private power projects and subsidies	4	(42,425,612,063)	(52,176,096,308)
Administrative expenses	5	(15,455,072,240)	(15,680,442,456)
Operating profit before depreciation and amortisation		**733,180,251**	**439,426,160**
Depreciation of assets	5	(692,434,992)	(389,548,153)
Amortisation of intangibles		(40,745,259)	(49,878,007)
Profit/ Loss before income tax		-	-
Taxation		-	-
Operating profit/ loss for the year		-	-
Other comprehensive income		-	-
Total comprehensive loss for the year		-	-

The notes on pages 10 to 35 are an integral part of these unaudited financial statements.

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	30 June 2023 Rwf	30 June 2022 Rwf
Non-current assets			
Property, Plant and equipment	7	238,412,704,532	184,513,793,985
Intangible assets	8	153,674,005	194,419,264
Amounts due from related parties	9	2,625,164,556	1,353,781,871
Total NCA		**241,191,543,093**	**186,061,995,120**
Current assets			
EUCL Receivable	9	1,650,918,545	1,615,020,545
REG Receivable	9	308,820,055	-
Inventory	10	26,596,874,050	20,264,520,407
Trade and other receivables	11	88,720,556,825	63,203,396,105
Cash and cash equivalents	12	15,115,756,735	27,682,960,906
Total CA		**132,392,926,210**	**112,765,897,963**
Total Assets		**373,584,469,303**	**298,827,893,083**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	1,500,000	1,500,000
Revenue reserves		-	-
Profit/Loss for the year		-	-
Shareholders' interests		**1,500,000**	**1,500,000**
Non-current liabilities			
Grants	15	200,397,260,584	185,919,808,787
Borrowings	14	101,558,951,953	78,635,821,320
Total NCL		**301,956,212,537**	**264,555,630,107**
Current liabilities			
Trade and other payables	16	71,590,052,251	34,234,058,461
EUCL Payables	17	36,704,515	36,704,515
Total CL		**71,626,756,766**	**34,270,762,976**
TOTAL EQUITY AND LIABILITIES		**373,584,469,303**	**298,827,893,083**

The notes on pages 9 to 35 are an integral part of these unaudited financial statements. The unaudited financial statements on pages 5 to 35 were endorsed to be shared to shareholder by the board of directors on__________ and signed on its behalf by:

Ron Weiss

Digitally signed by Ron WEISS (CEO) Date: 2023.08.16 21:42:06 +02'00'

....	....	....
Felix GAKUBA	**Ron Weiss**	**Dr. Didacienne MUKANYILIGIRA**
Managing Director	**Chief Executive Officer**	**Chairperson**
EDCL	**REG**	**BoD**
Date	**Date ....**	**Date** 16/08/2023

Digitally signed by EDCL(Managing Director) Date: 2023.08.16 17:29:27 +02'00'

STATEMENT OF CHANGES IN EQUITY

Description	Share capital	Retained earnings	Total
	Rwf	Rwf	Rwf
For Year ended 30 June 2023			
At 1 July 2021	1,500,000	-	1,500,000
As at 30 June 2023	**1,500,000**		**1,500,000**

The notes on pages 9 to 35 are an integral part of these unaudited financial statements.

STATEMENT OF CASH FLOWS

	Notes	30 June 2023 Rwf	30 June 2022 Rwf
Profit before income tax		-	-
Adjustments for:			
Depreciation		692,434,992	389,548,153
Transfer of assets to EUCL		44,092,392,878	52,212,160,321
Scrapped Asset & Writen off		-	6,877,951
Acc. Depreciation of Asset Transferred to REMA & MINICOM & Writen Off		-	(5,213,384)
Revenue reserves written back to P&L		-	-
Share capital written back		-	-
Reorganization reserve written back		-	-
Adjustment in property and equipment		(1,596,488,743)	(441,544,940)
Adjustment in property and equipment Acc.Deprec		1,897,885,250	442,095,886
Amortisation of intangible assets		40,745,259	49,878,007
Realised grants and adjustments			
Changes in:			
- Inventory		(6,332,353,643)	(1,953,039,372)
- Trade and other receivables		(25,517,160,720)	(44,580,556,171)
- Trade and other payables		37,355,993,790	5,695,645,450
- REG Receivable		(308,820,055)	-
- EUCL Receivable		(35,898,000)	(80,895,387)
Cash generated from operations		**50,288,731,008**	**11,734,956,514**
Interest received		-	-
Interest paid		-	-
Net cash generated from operating activities		**50,288,731,008**	**11,734,956,514**
Cash flows from investing activities			
Amounts due from related parties		(1,271,382,687)	2,825,230,523
Purchase of property and equipment		(98,985,134,924)	(98,389,753,521)
Purchase of intangible assets			
Net cash used investing activities		**(100,256,517,611)**	**(95,564,522,998)**
Cash flows from financing activities			
Proceeds from loan facilities		22,923,130,633	45,803,297,578
Grants received		14,477,451,799	51,381,273,577
Net cash generated from financing activities		**37,400,582,432**	**97,184,571,155**
Net increase in cash and cash equivalents		(12,567,204,171)	13,355,004,672
Cash and cash equivalents at beginning of the period		27,682,960,906	14,327,956,234
Cash and cash equivalents at end of the period		**15,115,756,735**	**27,682,960,906**

The notes on pages 9 to 35 are an integral part of these unaudited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Energy Development Corporation Ltd (EDCL) is a private company domiciled in the Republic of Rwanda and wholly owned by Government of Rwanda. It was established in August 2014 as a subsidiary of Rwanda Energy Group (REG) that was formed after dissolution of the Energy, Water and Sanitation Authority (EWSA) through Prime Minister's Order N°87/03 of 16/08/2014.

The core business of the Company is development of energy projects funded by Government and other partners. The address of the Company's registered office is as follows:

Energy Development Corporation Ltd (EDCL)

Kigali City Tower

P.O.Box. 3855Kigali, Rwanda.

2 Grants Income

Description	30 June 2023 Rwf	30 June 2022 Rwf
Cash transfers from Government of Rwanda	38,299,076,120	48,507,375,167
Grants from Donors	19,581,608,183	19,349,163,597
	57,880,684,303	**67,856,538,764**

3 Other Income

Description	30 June 2023 Rwf	30 June 2022 Rwf
Realisation of asset grant	733,180,251	439,426,160
Penalties	-	-
Other Income	-	-
	733,180,251	**439,426,160**

4 Contribution to private power projects and subsidies

Description	30 June 2023 Rwf	30 June 2022 Rwf
Contribution to Independent development projects	42,425,612,063	52,175,851,308
General services	-	245,000
	42,425,612,063	**52,176,096,308**

5 Administrative expenses

Description	30 June 2023 Rwf	30 June 2022 Rwf
Salary and related costs	6,515,564,012	5,141,356,034
Professional services	1,765,749,275	3,547,483,937
Solar Home Systems	280,975,800	-
Transport & Travel	1,017,571,107	783,193,553
Stock loss due to fire	-	-
Losses on FCY Transactions	1,649,325,917	2,266,143,551
Fuel & Lubricants	911,628,175	435,071,565
Postage & Courier	541,700	529,210
Office Supplies, Printing & Consumables	364,153,677	167,054,773
Maintenance and Repairs	664,947,413	327,241,991
International Airfares	25,758,887	12,677,505
Telephone and internet	152,409,676	125,590,852
Other use of goods & services	263,542,181	1,209,205,841
Public Relations & Awareness	26,134,864	65,807,813
International per Diems	158,359,451	64,066,966
Bank charges	27,878,665	4,110,591
Security	90,283,123	85,266,403
Utilities - Water & Electricity	62,558,787	45,152,668
Insurance	302,561,571	230,080,507
Staff welfare	48,711,124	6,901,038
Cleaning expenses	23,736,230	18,577,680
Beverages,Tea, Coffee, etc	113,843,016	55,575,433
Domestic Per Diems	236,993,871	360,878,488
Rent and rates	696,759,607	694,570,196
Training and related costs	55,084,111	33,905,861
	15,455,072,240	**15,680,442,456**

6 Depreciation

Description	30 June 2023 Rwf	30 June 2022 Rwf
Depreciation of assets	692,434,992	389,548,153
Amortisation of intangible assets	40,745,259	49,878,007
	733,180,251	**439,426,160**

7 Property plant and equipment as at 30 June 2023

Description	Motor vehicles	Furniture and fittings	Computer equipment	Laboratory Equipments	Assets under construction (WIP)	Total
Rates	**25.00%**	**12.50%**	**33.30%**	**25.00%**		
	Frw	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**
Net Book Value as at 30 June 2022	**864,717,554**	**193,498,791**	**327,972,696**	**203,275,106**	**182,924,329,837**	**184,513,793,985**
Cost/ Valuation						
As at 1 July 2022	1,907,385,828	240,840,623	953,865,350	568,700,435	182,924,329,837	**186,595,122,072**
Net Additions	1,639,563,705	7,705,400	335,910,032	0	97,001,955,787	**98,985,134,924**
Adjustment	1,463,888,538	24,716,517	107,883,688	-		**1,596,488,743**
Transfer of assets to EUCL 22/23	**-**	**-**	**-**	**-**	**(44,092,392,878)**	**(44,092,392,878)**
As at 30 June 2023	**5,010,838,071**	**273,262,540**	**1,397,659,070**	**568,700,435**	**235,833,892,746**	**243,084,352,861**
Accumulated depreciation						
As at 1 July 2022	**(1,042,668,273)**	**(47,341,832)**	**(625,892,653)**	**(365,425,329)**	**-**	**(2,081,328,087)**
Depreciation charge	(471,274,956)	(24,638,191)	(146,538,407)	(49,983,438)	-	**(692,434,992)**
Adjustment	(1,774,245,547)	(27,512,992)	(92,785,389)	(3,341,322)	**-**	**(1,897,885,250)**
As at 30 June 2023	**(3,288,188,776)**	**(99,493,015)**	**(865,216,449)**	**(418,750,089)**	**-**	**(4,671,648,329)**
Net Book Value as at 30 June 2023	**1,722,649,294**	**173,769,525**	**532,442,621**	**149,950,346**	**235,833,892,746**	**238,412,704,532**

8 Intangible assets

	30 June 2023	30 June 2022
Cost:	**Rwf**	**Rwf**
At start of the period	521,636,772	521,636,772
Additions	-	-
At 30 June 2023	**521,636,772**	**521,636,772**
Amortization:		
At start of year	327,217,508	277,339,501
Charge for the year	40,745,259	49,878,007
At 30 June 2023	**367,962,767**	**327,217,508**
Net book value		
At 30 June 2023	**153,674,005**	**194,419,264**

The intangible asset (GIS software) was acquired by EARP program in 2011 and improved in 2012 at a total cost of Frw 14,184,023 and was being amortized over a period of 10 years. As at 01st July 2016 the net carrying amount was approximately Frw 66.2 million. During the year ended 30 June 2017 the company bought other software amounting to Frw 357,591,955.

9 Amounts due from related parties

The balances due from and to related parties at year end are:

(a) Amounts due from related parties EUCL	**30 June 2023**	**30 June 2022**
Description	**Rwf**	**Rwf**
Energy Utility Corporation Ltd (EUCL)	**4,276,083,101**	**2,968,802,416**
Non current component	2,625,164,556	1,353,781,871
Current component	1,650,918,545	1,615,020,545

(b) Amounts due from related parties REG	**30 June 2023**	**30 June 2022**
Description	**Rwf**	**Rwf**
Rwanda Energy Group (REG)	**308,820,055**	**0**
Current component	308,820,055	0

Due from EUCL is electricity connection deposits collected by EUCL on behalf of EDCL and Electrical Materials and amount due by REG to EDCL due to the collected payment by REG onbehalf of EDCL from implement projects by EDCL

10 Inventory

	30 June 2023	30 June 2022
Description	**Rwf**	**Rwf**
Inventories comprise the following items:		
Electrical materials	25,864,172,052	19,732,338,763
Tools	27,347,398	28,085,886
Stationery(Other stock items)	513,354,581	340,146,711
Fuel cards balances	192,000,019	163,949,047
	26,596,874,050	**20,264,520,407**

11 Trade and other receivables

Description	30 June 2023	30 June 2022
Other receivables	Rwf	Rwf
Trade receivables	111,353,204,689	85,083,904,938
Intra Government debtors	216,222,527	549,017,977
Letters of credit	2,489,343,083	-
Stock advances to EUCL	-	-
Provision for doubtful debts	(25,338,213,474)	(22,429,526,810)
	88,720,556,825	**63,203,396,105**

Trade receivables

Included in trade receivables there is amount equivalent to **Frw 26,308,052,081** due from connected customers. In line with the National Strategy for Transformation (NST1) the Government of Rwanda plans to have Universal access to electricity to all Rwandan Households by 2024. To arrive at the desired levels of access to electricity, significant investments into the energy sector should be made. To implement this government policy, every citizen is being connected whether they can buy electricity or not. EDCL is not in control of this possible asset as it does neither manage the connected people nor sell electricity to them. The total amount that are receivable from connected customers as per the new connection policy is equivalent to **Frw 25,338,213,474** which will be collected progressively as customers purchase power.

12 Cash and cash equivalents

Description	30 June 2023 Rwf	30 June 2022 Rwf
Cash at bank	15,115,747,041	27,682,605,089
Cash in hand	9,694	355,817
Total	**15,115,756,735**	**27,682,960,906**

13 Share capital

Description	30 June 2023	30 June 2022
Number of shares		
Ordinary shares	1,500,000	1,500,000

14 Borrowings

Description	30 June 2023 Rwf	30 June 2022 Rwf
Bank of Kigali - Peat to Power Project	-	-
Borrowings from development partners	101,558,951,953	78,635,821,320
	101,558,951,953	**78,635,821,320**

15 Grants

Description	30 June 2023 (Rwf)	30 June 2022 (Rwf)
EDCL Internal Projects	(58,934,694,926)	(63,739,621,946)
Interconnection Project	(57,220,532,043)	(51,072,004,323)
Electricity Access scale-up and sector wide approach development project (EASSDP)	(496,650,829)	(1,469,366,830)
National Domestic Biogas Program (NDBP)	(94,577,762)	(94,614,585)
Scaling-Up Energy Access Project(SEAP)	(10,693,396,085)	(10,332,162,635)
Sustainable Energy Development Project (SEDP)	(1,261,188,280)	(1,263,094,919)
Dutch Fund (DF)	-	899,694
Belgian Contribution to EARP 1 (BE1-EARP)	(2,357,672,500)	(2,332,701,041)
Belgian Contribution to EARP 2 (BE2-EARP)	(7,730,499,117)	(7,725,642,194)
Belgian Contribution to EARP 3 (BE3-EARP)	(6,925,248,216)	(5,710,619,676)
Agence Francaise de Development (AFD)	-	(122,732,299)
Regional Rusumo Falls Hydropower Project-Rwanda Component	-	-
Other Grants & Grants Connection fees	(34,179,920,334)	(28,697,766,417)
Grants-RBF 3- Grid Densification	-	(1,121,399,363)
Grants-EAQIP	(20,357,125,833)	(12,037,780,321)
Grants-AFDB-TSRLMCP	(145,754,659)	(201,201,932)
Total	**(200,397,260,584)**	**(185,919,808,787)**

16 Trade and other payables

Description	30 June 2023 (Rwf)	30 June 2022 (Rwf)
Trade payables	59,298,790,277	27,016,085,979
Other payables	12,291,261,974	7,217,972,482
	71,590,052,251	**34,234,058,461**

17 Amounts due to related parties

(a) Amounts due to related parties	30 June 2023 Rwf	30 June 2022 Rwf
Energy Utility Corporation Ltd	(36,704,515)	(36,704,515)
	(36,704,515)	**(36,704,515)**

18 Disclosure Note

18.1 Concession Agreement

On 11 May 2017, the Government of Rwanda represented by EDCL signed a concession agreement with Societe Petroliere Ltd (SP) for design, build, finance, operate and maintain the storage facility for storage of the petroleum products for a concession period of twenty (20) years starting from the first availability date of 13 July 2017. The storege facility capacity was 60 million litres subsequently amended to 66 million litres. The amended total rental fee was **USD 268,560,345** that would be paid in different annual instalments (rental payments) within the concession period. As at 30 June 2023, EDCL had paid instalments amounting to **USD 78,381,132** and the remaining unpaid balance was **USD 190,179,213**. At the end of the concession period, the storage facility will be handed over to EDCL at a valuation cost**.**

18.2 Contingent liability

The review of the Interconnection of Electric Grids of Nile Equatorial Lakes countries Project financial statements (note 17.3 – summary of a contingent liability of the disclosure note) is a contingent liability arising from a claim of price adjustment and interest totaling **USD 27,715,751.65** and Frw 40,466,717.

On 19th November 2013, former Energy, Water & Sanitation Authority (EWSA), REG-EDCL's predecessor, signed a contract with KALPATARU Power Transmission Ltd India (KPTL) for the construction of transmission line of 220 KV, Karongi – Rubavu – Kigali - Goma. The project's cost was **USD 26,386,234.89** and **Frw 5,292,307,425** VAT inclusive. The operational acceptance certificate of works was issued to the contractor on 4 May 2017.

On 3rd April 2017, referring to price adjustment contract clause, KPTL claimed a price adjustment amounting to USD 24,019,967 and Frw 35,070,642 due to additional costs related to the change in price of supplied construction material, installation works and labour.

Both REG-EDCL and KALPATARU having failed on amicable settlement, the case was taken to the Dispute Adjudication Board (DAB). On 31 December 2019, the Board resolved that KALPATARU was entitled to price adjustment and interest totaling **USD 27,715,751.65** and **Frw 40,466,717**.

Unsatisfied with the decision of the DAB, on 4 November 2019 through its lawyers REG/EDCL submitted the case in Arbitration. As per the procedural timetable, the award was expected by the end of April 2021. On 20 September 2021, the Arbitral Tribunal declares, orders and directs that:

• REG must pay KPTL the Price Adjustment in the principal sums of USD 24,019,967 and FRW 35,070,642 within 28 days

• REG must pay KPTL pre-award interest on the Price Adjustment sums at the rate of 6% per annum, compounded annually, calculated on the basis set out in Exhibit R-175, from 18 May 2017 until the date of this Award.

Unsatisfied with the decision of the arbitration, on 15 October 2021 through its lawyers REG petitioned the Commercial High Court of Rwanda to set aside the arbitral award. The case is pending trial.

19 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Company has exposure to the following risks as a result of its financial instruments:

a) Credit risk

b) Market risk

c)Liquidity risk

a) Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is managed by the finance department under policies set out by the Board of Directors. The Company does not have any significant concentrations of credit risk.

The amount that best represents the Company's maximum exposure to credit risk at 30 June 2023 is as follows:

	Neither past due nor impaired Rwf	Past due Rwf	Impaired Rwf	Total Rwf
At 30 June 2022				
Trade receivables	549,017,977	-	-	549,017,977
Other receivables	85,083,904,938	-	(22,429,526,810)	62,654,378,128
Bank balances	27,682,605,089	-	-	27,682,605,089
Amounts due from related parties	2,968,802,416	-	-	2,968,802,416
	116,284,330,420	**-**	**(22,429,526,810)**	**93,854,803,610**
At 30 June 2023				
Trade receivables	216,222,527	-	-	216,222,527
Other receivables	111,353,204,689	-	(25,338,213,474)	86,014,991,215
Bank balances	15,115,747,041	-	-	15,115,747,041
Amounts due from related parties	4,276,083,101	-	-	4,276,083,101
	130,961,257,358	**-**	**(25,338,213,474)**	**105,623,043,884**

20 Summary of significant accounting policies

a) Basis of accounting

IFRS Update of standards and interpretation

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2023.

Background

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* on or before the date it first applies IFRS 17. The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- *Modified retrospective approach* - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application

- *Fair value approach* - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

- ***Minimum requirements to be a business***

The amendments clarify that to be considered a business, an integrated 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 output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs.

- ***Market participants' ability to replace missing elements***

Prior to the amendments, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from IFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

- ***Assessing whether an acquired process is substantive***

The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if: (a) it is critical to the ability to continue producing outputs and the acquired inputs include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributes to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

- ***Narrowed definition of outputs***

The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities. The definition of a business in Appendix A of IFRS 3 was amended accordingly.

- ***Optional concentration test***

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

Transition

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Impact

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by

IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship. To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.

- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

Impact

In finalising the amendments, the IASB has provided reliefs that are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new benchmark rates.

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Unaudited financial* *statements* and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose unaudited financial statements make on the basis of those unaudited financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the unaudited financial statements.

Obscuring information

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the unaudited financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

New threshold

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Primary users of the unaudited financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the unaudited financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: *Making Materiality Judgements* were amended to align with the revised definition of material in IAS 1 and IAS 8.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

Although the amendments to the definition of material is not expected to have a significant impact on an entity's unaudited financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the unaudited financial statements.

Covid-19-Related Rent Concessions –Amendment to IFRS 16

Effective for annual periods beginning on or after 1 June 2020.

Key requirements

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic 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 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

Transition

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the

amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. The information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in unaudited financial statements not yet authorised for issue at 28 May 2020.

Impact

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

Reference to the Conceptual Framework – Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In May 2020, the IASB issued *Amendments to IFRS 3 Business Combinations - Reference to t*he *Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (the 1989 *Framework*) with a reference to the current version issued in March 2018 (the *Conceptual Framework*) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Transition

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the *Amendments to References to the Conceptual Framework in IFRS Standards* (March 2018).

Impact

The amendments are intended to update a reference to the *Conceptual Framework* without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Transition

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Impact

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 *Construction Contracts*, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 *Revenue from Contracts with Customers* will be relevant.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements

The amendments address the conflict between IFRS 10 *Consolidated Unaudited financial statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Purpose

The revised *Conceptual Framework for Financial Reporting* (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Unaudited financial statements and the reporting entity
- Chapter 4 – The elements of unaudited financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards,* which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Unaudited financial statements* to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the unaudited financial statements are authorised for issuance.

Meaning of the term settlement

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity. Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore, not considered to represent 'settlement'.

Transition

Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively.

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2018-2020 cycle (issued in May 2020)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First Time adoption of International Financial Reporting Standards

Subsidiary as a first-time adopter

- The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities

- The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
- An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
- An entity applies the amendment for annual reporting periods beginning on or after1 January 2022. Earlier application is permitted.

Illustrative Examples accompanying IFRS 16 Leases

Lease incentives

- The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 41 Agriculture

Taxation in fair value measurements

- The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
- An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

20 **Summary of significant accounting policies (Continued)**

Changes in accounting policy and disclosures (Continued)

Other disclosures notes.

1. **Amount due from related parties**

Related parties	**Amount**
	Frw
(a)Energy Utility Corporation Ltd.	**4,276,083,101**

The amount due from EUCL are Connection fees collected by EUCL on behalf of EARP amounting to **Frw 2,625,164,556** The related balances also include other advances given to EUCL: **Frw 1,650,918,545**. The management of REG, EUCL and EDCL agreed that these meters transferred to EUCL branches will not be paid to EDCL/EARP, which resulted to reporting these costs as contribution to independent projects except the meters transferred for replacement if any.

(b) Rwanda Energy Group	**308,820,055**

The amount due by REG to EDCL are the collected payment by REG on-behalf of EDCL from the projects implemented by EDCL

2. **Amount due to related parties**

(a)Energy Utility Corporation Ltd	**36,704,515**

The amount due to EUCL are the received into Inventory Direct connected smart meter 3-phase with meter boxEARPBCSTRQty200 equivalent to **Frw 16,682,830** and the Received into Inventory Smart Multifuctional CTEARPBCSTRQty100 equivalent to **Frw 20,021,685**

20 Summary of significant accounting policies (Continued)

d) Accounting policies (continued)

ii) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The unaudited financial statements are presented in Rwandan Francs (Frw) which is the Company's presentation currency as required by the laws of Rwanda. The Company's functional currency is the US Dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses.

20 Summary of significant accounting policies (Continued)

d) accounting policies (continued)

iv) Property, plant, and equipment

All categories of property, plant and equipment are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit and loss.

Depreciation is calculated on reducing basis to write down the cost of each asset, to its residual value over its estimated useful life is as follows:

Description	**Percentage**
Motor vehicle	25%
Furniture	12.5%
Boat and Other Naval Equivalents	25%
Computer equipment	33.3%
Laboratory Equipment	25%

v) Intangible assets

This relates to GIS (Geographical Information System) software.

They are initially capitalized at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of the software beyond its specifications, and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the software are recognized as an expense when incurred.

The software licenses are subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortized to profit or loss using the straight-line method over their estimated useful lives of 10 years.

The amortization period and amortization method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognized in profit or loss when the changes arise

20 Summary of significant accounting policies (Continued)

d) Accounting policies (continued)

vi) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

vii) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on weighted average basis. Net realizable value is the price at which the inventory can be realized in the normal course of business after allowing for the costs of realization. Obsolete and defective inventories are fully written off.

List of projects transferred to EUCL FY 2022/2023

SN	Project names	Amount
1	Electrification of excellency ESNdengo school in Ndego sector, kayonza disrict	25,941,850
2	Gatebe water pumping station in Nyagatare	33,524,390
3	Electrification of Murama sector office in Kayonza district in eastern province	62,982,434
4	Electrification of Kabonobono and Nyakanazi water pumping stations	54,132,393
5	Electrification of Gisunzu site in Gisunzu village, kageyo cell, Mwiri sector in kayonza district	99,599,180
6	Power supply to Mugombwa Tvet school	47,395,498
7	MV&LV lines for power supply to RAB post harvesting site in Mugera cell,Gatsibo Sector, Gatsibo district	40,258,242
8	MV&LV lines for power supply to RAB posr harvesting site in Nyabagaza village, Rurenge sector, Ngoma district	32,928,955
9	30 kV line from Camp Belge substation to Musanze industrial park	315,355,550
10	Electrification of cross border villages -BURERA II	231,095,162
11	Electrification of Mimuri maize factory inNyagatare district	29,619,586
12	Electrification of cross border village in Nyagatare district	2,955,778,390
13	Electrification Bukomane, Kabingo and Ngarama sites in Kabarore sector, Gatsibo district	368,889,327
14	Electrification of Nyagisozi and Kavumu cells, Busogo sector in Musanze district	944,063,196
15	Kirwa village,Remera cell,Ruheru sector in Nyaruguru district	180,953,570
16	Electrification of Cyanika Tvet school in Burera district	22,624,554
17	Kivuye Tvet school in Burera district t	56,979,438
18	Electrification of Cyumba Tvet school in Gicumbi district	23,009,897
19	Electrification of households surrounding Nyirantararuko MHP	250,858,611
20	Electrification of surrounding Gishoma pit	210,491,233
21	Electrification of Nzahaha and Gitambi in Rusizi	1,754,925,535
22	Electricity connection line in Kigarama and Musaza sector in Kirehe district	724,964,397
23	Electrification of Sunzu village Kinoni in Burera	180,933,244
24	Electrification of Burera cross border villages phase one	250,498,404

25	Power supply to the construction of kabeza climate resilient settlement, located in Nyamiyaga cell ,Rubaya sector, Gicumbi district	36,319,115
26	Electrification of Kivugiza IDP model village	458,327,886
27	Electrification of Munini IDP model village	449,945,407
28	Electrification of Rusatira site Gafumba and surrounding households	377,366,460
29	MV&LV lines for power supply to Gatenderi, Muduha and Karambi RAB cold rooms in Buyoga and Burega sectors, Rulindo district	278,629,620
30	MV&LV lines for power supply to Kabazi storage facility in Kabazi village,, Gitwe cell,Rubengera sector,Karongi district	119,270,249
31	MV&LV lines for power supply to Bugonde storage facility in Kabeza village, Rambura sector, nyabihu district	68,369,246
32	MV&LV lines for power supply to Rwimbogo post harvesting site in Mugera cell, Gatsibo sector, Gatsibo district	71,270,696
33	MV&LV lines for power supply to RAB post harvesting site in Bigaga,Rubona sector,Rwamagana district	85,477,558
34	Improvement of substations and distribution network(phase 3)	24,767,445,026
35	Electrification of Muguruka,Kazo,Nyamasare,Gisenyi,Mpembwe and Bukokozi villages in Ngoma District	812,068,525
36	Shonga Tvet school in Nyagatare District	29,021,768
37	Electrification of Ntoma Tvet school in Nyagatare district	52,391,291
38	Electrification of Mukarange Tvet school in Gicumbi district	33,058,035
39	Electrification of Murama cell office and households in the vicinity in Kayonza district in eastern province	28,550,201
40	110/30kV Gabiro and extension of Musha substation	7,527,078,759
	Total	**44,092,392,878**