Office of the Auditor General of Rwanda

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ENERGY UTILITY CORPORATION LIMITED (EUCL)

Audit Report on Financial Statements

For the year ended 30 June 2022

OAG Core Values

Integrity In public Interest Innovation

Objectivity Professionalism

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1. INTRODUCTION

1.1. ESTABLISHMENT OF ENERGY UTILITY CORPORATION LIMITED (EUCL)

Energy Utility Corporation Limited (EUCL) was created after winding up of EWSA operations to take on electricity transmission and distribution responsibilities previously undertaken by EWSA. Assets and liabilities transferred to Energy Utility Corporation Limited (EUCL) (through REG) were determined by Government through Prime Minister's order N° 87/03 of 16/8/2014 gazetted on 18/08/2014. This Prime Minister's order provides details of responsibilities and property transferred to the new companies. The winding up of EWSA operations was done through Law N° 97/2013 of 30/01/2014 that was published in the official Gazette on 12/02/2014.

Energy Utility Corporation Limited (EUCL) was registered as a private company limited by shares, wholly owned by Rwanda Energy Group Ltd on 4th August 2014. The Company's share capital at initial registration date was **Frw 3,000,000** made up of 3,000,000 shares of Frw 1 each. The registration was done pending the reform process through the Prime Minister Order which was to determine the share capital of the Company based on the valuation of assets. After valuation of assets, share capital was increased to **Frw 40,000,000,000** made of one share of 40,000,000,000 Frw.

1.2. REGISTERED OFFICES

KN82 ST 3, Nyarugenge District
P.O Box 5964
Kigali, Rwanda

1.3. PRINCIPAL ACTIVITIES

The core business of the Company is transmission, distribution and retail of electricity generated by Government owned power plants under concession arrangement to different players including the Company and also power purchased from independent power producers.

1.4. RESULTS AND DIVIDENDS

The Board of Directors do not recommend the payment of dividends in respect of the year ended 30 June 2022.

1.5. DIRECTORS AND MANAGEMENT TEAM

- **Board of Directors**

Members of the Board of Directors of REG Ltd who served during the year ended 30 June 2022 comprised of:

No	Name of Board member	Responsibility	Service period
1	Dr. Didacienne MUKANYILIGIRA	Chairperson	From 14/12/2020
2	Mr Pacifique TUYISHIME	Vice Chairperson	From 14/12/2020
3	Ms. Carine UMUTONI	Member	From 14/12/2020
4	Mr. Viateur MUGENZI	Member	From 14/12/2020
5	Mr. Jean Claude ILIBONEYE	Member	From 29/07/2014
6	Mr. Charles KALINDA	Member	From 14/12/2020
7	Ms. Clemence Rita MUTABAZI	Member	From 14/12/2020
8	Mr. Ron Weiss	CEO and Board Secretary	From 15/05/2017

- **Management of EUCL**

During the year ended 30 June 2022 and up to the time of the audit in December 2022, EUCL Management comprised of:

No	Names	Post	Period of responsibility
1.	RON Weiss	Chief Executive Officer REG	From 15 May 2017
2.	Armand Muyenzi ZINGIRO	Managing Director of EUCL	From 15 July 2020
3.	Geoffrey ZAWADI	REG Corporate Secretary	From 1 May 2021 to 14 July 2022
4.	Rene KAMAGAJU	REG Corporate Secretary	From 15 July 2022
5.	UWAMAHORO Jocelyne	Head of Human Resources – EUCL	From 16 November 2020
6.	MULINDABIGWI Francis	Director of Corporate Services	From 02 March 2015
7.	NSHUTI Jean Baptiste	Director of Finance	From August 2018
8.	RWAMUNONO Joseph	Chief Internal Auditor REG Ltd	From 01 June 2016
9.	KAREGYEYA Wilson	Director of Commercial Services	From 03 March 2015
10.	IYAKAREMYE Emmanuel	Director of Transmission Operations & Maintenance.	From 1 July 2021
11.	Mpinganzima Joelle	Ag. Director of Information Communication Technology	From 01 April 2022
12.	KAGABO Fred	Director of Distribution Operations	From 01 July 2021
13.	MUNYANDAMUTSA Jacques	Technical Advisor to MD	From 01 August 2015

1.6. Bankers

No	Names
01	National Bank of Rwanda P. O. Box 6219

No	Names
	Kigali
02	Bank of Kigali P. O. Box 259 Kigali
03	Guaranty Trust Bank (Rwanda) Limited P. O. Box 331 Kigali
04	Equity Bank Rwanda Limited P. O. Box 494 Kigali
05	Compagnie Générale de Banque Limited P. O. Box 3477 Kigali
06	Ecobank Rwanda Limited P. O. Box 3268 Kigali
07	I and M Bank (Rwanda) Limited P. O. Box 354 Kigali
08	Access Bank (Rwanda) Limited 3rd Floor, UTC Building Kigali
09	Banque Populaire du Rwanda Limited P. O. Box 1348 Kigali
10	NCBA Bank Rwanda Plc P. O. Box 6774 Kigali

1.7. DIRECTOR'S REPORT

The Directors present their report together with the audited financial statements of the Energy Utility Corporation Limited (the "Company") for the year ended 30 June 2022 which show the state of the Company's affairs.

1.8. RESULTS FOR THE YEAR

Description	Amounts
	Frw
Loss before income tax	(31,302,279,910)
Income tax credit/(Expense)	(21,202,421,041)
Loss for the year	**(52,504,700,951)**

1.9. AUDITORS

Office of the Auditor General of State Finances.

2. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements that give a true and fair view of **Energy Utility Corporation Limited (EUCL)** comprising the statement of financial position as at 30 June 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages **10** to **45**, in accordance with International Financial Reporting Standards and in the manner required by the provisions of the the Law n°007/2021 of 05/02/2021 relating to Companies in Rwanda.

The Directors' responsibility includes the maintenance of accounting records that may be relied upon in the preparation of financial statements, overseeing and endorsing the designing, implementing and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances and is also responsible for safeguarding the assets of the company.

The Directors have made an assessment of the ability of **Energy Utility Corporation Limited (EUCL)** to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead from the date of this statement.

In our opinion, the financial statements of **Energy Utility Corporation Limited (EUCL)** for the year ended 30 June 2022 give a true and fair view of the state of financial affairs of **Energy Utility Corporation Limited (EUCL)** We further accept responsibility for maintenance of accounting records that may be relied upon in the preparation of financial statements and ensuring adequate system of internal controls to safeguard assets of **Energy Utility Corporation Limited (EUCL)**.

Approval of the financial statements

The financial statements of **Energy Utility Corporation Limited (EUCL)** for the year ended 30 June 2022, on pages **10** to **45**, were approved by the Board of Directors on ....and signed on its behalf by:

Digitally signed by EUCL(MANAGING DIRECTOR) Date: 2022.12.31 11:32:51 +02'00'	Digitally signed by Ron WEISS (CEO) Date: 2022.12.31 15:19:10 +02'00'	
....	....	....
Armand ZINGIRO	**RON Weiss**	**Dr. Didacienne MUKANYILIGIRA**
Managing Director, EUCL	**Chief Executive Officer, REG Ltd**	**Chairperson REG Board of Directors**
Date:	**Date:**	**Date:** 31/12/2022

3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

ZINGIRO MUYENZI Armand
Managing Director of EUCL

3.1. Opinion

As required by Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law N° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I have audited the financial statements of **Energy Utility Corporation Limited (EUCL)** for the year ended 30 June 2022. These financial statements comprise of the statement of financial position as at 30 June 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages **10** to **45**.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of **Energy Utility Corporation Limited (EUCL)** as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance International Financial Reporting Standards (IFRSs) and the Law n°007/2021 of 05/02/2021 relating to Companies in Rwanda.

3.2. Basis for opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under ISSAIs are described in section 3.5 of this report. I am independent of EUCL and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of financial statements of public entities as determined by the Code of ethics for International Organisation of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3.3. Emphasis of matter

I draw attention to Note six (6) and seven (7) of the financial statements for the year ended 30 June 2022 which presents information on EUCL financial performance. My opinion is not modified in respect of this matter.

1. High costs incurred by EUCL for power purchase

EUCL's core business is transmission, distribution and retail of electricity generated by Government-owned power plants under concession arrangement to different players including the Company and power purchased from independent power producers.

(i) Purchase of power from high cost sources

During the year ended 30 June 2022, EUCL incurred **Frw 125,808,171,196** to purchase electricity produced from IPP's plants. The audit revealed that thermal power plants which contributed **14%** total energy produced and incurred **31%** of the total production costs was the most expensive source of energy compared to other power plants. ***See details in the table below***:

	Power plant category	Number of power plants	Costs incurred as per power plant category	Percentage of cost incurred per plant category	Annual energy generation " kWh"	%of energy produced per plant categories
1	Thermal power plant	3	38,828,445,489	31%	103,416,460	14%
2	Methane Gas	1	37,977,920,864	30%	218,596,398	30%
3	Solar energy	1	2,357,783,531	2%	12,765,790	2%
4	Peat	1	6,446,239,158	5%	50,635,086	7%
5	Hydro power plant	28	35,248,332,313	28%	257,488,567	35%
6	Import	3	4,949,449,841	4%	96,535,847	13%
	Total		**125,808,171,196**	**100%**	**739,438,148**	**100%**

Accordingly, this high costs incurred to power ultimately increases the price EUCL charges electricity consumers. Consequently, such a high price of electricity would be deterrent to industrial investments as well as other users' consumption.

(ii) Concern over settlement of IPPS contract obligations against energy delivered

Further, review of power purchase agreements (PPAs) signed between EUCL and Independent power producers (KIVUWATT Ltd and So Energy International Inco-SP Joint Venture) and other related documentation revealed that EUCL incurred plant capacity cost and other related costs, which significantly exceeded the cost of energy delivered for sale.

During the year ended 30 June 2022, EUCL incurred production costs amounting to **Frw 83,810,400,904** for the two plants above. This comprised of **Frw 80,897,644,675** (installed capacity cost payment, fuel and pass through costs) and **Frw 2,912,756,229** (variable costs) representing **97%** and **3%** of the total cost respectively. With the current financial performance, EUCL cannot fully settle the monthly bills of these Independent Power Producers' without subsidy from Shareholders. ***See details in the table below:***

Details	KIVUWATT (under Methane Gas Category)	SO ENERGY (under Thermal power plant category)	Total
Installed Capacity charges/costs in Frw **(A)**	38,363,550,579	5,384,679,526	**43,748,230,105**
Monthly pass through costs Frw **(B)**	3,226,624,601	-	3,226,624,601
Fuel cost in Frw **(C)**	-	33,922,789,969	33,922,789,969
Total production cost in Frw **(D=A+B+C)**	**41,590,175,180**	**39,307,469,495**	**80,897,644,675**
Energy produced cost (Variables costs) in Frw **(E)**	1,853,272,791	1,059,483,438	**2,912,756,229**
Total cost in Frw (F=D+E)	**43,443,447,971**	**40,366,952,933**	**83,810,400,904**

Consideraring such contracting arrangements with independent power producers, EUCL will continue to face high prices/costs. This reduces EUCL profitability which if unchecked may adversely affect its financial sustainability. ***Refer to section 5.1 for details.***

3.4. Responsibility of management and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Law n°007/2021 of 05/02/2021 relating to Companies in Rwanda.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing EUCL'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 Government either intends to discontinue operations of EUCL.

Those charged with Governance of this Company are the Board of Directors, and they are responsible for overseeing the Company's financial reporting process.

3.5. Auditor General's responsibilities for the audit of the financial statements

My objective when conducting an audit is 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 my opinion. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

An audit conducted in accordance with ISSAIs requires an auditor to exercise professional judgment and maintain professional skepticism throughout the audit and involves:

- The identification and assessment of the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform procedures responsive to those risks and to obtain sufficient and appropriate audit evidence to provide a basis for the auditor's 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 controls.

- Obtaining 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 purposes of expressing an opinion on the effectiveness of internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

- Concluding on the appropriateness of management's 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 as well as evaluating the presentation of the financial statements.

- Evaluation of the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

OFFICE OF THE AUDITOR GENERAL FOR STATE FINANCES

KAMUHIRE Alexis
AUDITOR GENERAL

KIGALI, 4th January **2023**

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4.1. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

Description	Notes	12 months to 30 June 2022	12 months to 30 June 2021
		Frw	Frw
Revenue	6	144,282,955,741	127,948,878,814
Cost of sales	7	(150,571,483,028)	(96,470,048,808)
Gross profit		**(6,288,527,287)**	**31,478,830,006**
Grants and subsidies	8	39,352,863,859	25,581,651,870
Other income	9	11,017,186,600	10,726,608,558
Distribution costs	10	(14,897,720,233)	(14,661,210,644)
Administrative expenses	11	(23,628,908,056)	(20,621,775,811)
Operating profit before interest, tax, depreciation and amortization		**5,554,894,883**	**32,504,103,979**
Depreciation and amortization	12	(28,638,006,488)	(21,697,595,529)
Operating (loss)/profit		**(23,083,111,605)**	**10,806,508,450**
Interest income	13(a)	26,728,728	14,946,588
Finance costs	13(b)	(8,245,897,033)	(10,039,853,276)
(Loss)/Profit before income tax		**(31,302,279,910)**	**781,601,762**
Income tax credit/Expense	14	(21,202,421,041)	1,241,668,057
(Loss)/Profit/for the year		**(52,504,700,951)**	**2,023,269,819**
Other comprehensive income (net of tax)			
Other comprehensive income			-
Total comprehensive (Loss)/ Profit/ for the year		**(52,504,700,951)**	**2,023,269,819**

The notes on pages **15** to **45** form an integral part of these financial statements.

4.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Description	Notes	Balance as at 30 June 2022	Balance as at 30 June 2021
		Frw	Frw
ASSETS			
Non-current assets			
Property, plant and equipment	15	558,080,477,182	446,171,095,951
Concession intangible asset	16	61,222,913,175	58,533,877,102
Intangible assets	17	4,159,896,288	5,975,961,136
Amounts due from related parties	27(a)	7,917,672,587	7,751,194,290
Total non-current assets		**631,380,959,232**	**518,432,128,479**
Current assets			
Inventory	18	12,592,894,977	11,006,894,707
Trade and other receivables	19	16,190,090,210	19,309,819,310
Bank and cash equivalents	20	11,987,368,504	17,049,832,783
Total current assets		**40,770,353,691**	**47,366,546,800**
Total Assets		**672,151,312,923**	**565,798,675,279**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	40,000,000,000	40,000,000,000
Revenue reserves		(78,489,335,701)	(28,132,818,962)
Re-organisation reserve	22	15,900,415,897	15,900,415,897
Total equity		**(22,588,919,804)**	**27,767,596,935**
Non-current liabilities			
Concession intangible obligation	23	61,222,913,175	58,533,877,102
Deferred income tax liability	24	41,075,218,320	19,872,797,279
Grants	25	392,532,929,326	298,132,181,650
Borrowings: Non- current portion	26	122,603,675,245	109,151,583,328
Amounts due to related parties	27(b) ii	3,038,490,586	1,922,021,191
Total non current liabilities		**620,473,226,652**	**487,612,460,550**
Current liabilities			
Amounts due to related parties	27(b)i	-	3,934,124,461
Borrowings: Current portion	26	2,872,262,719	2,302,571,990
Trade and other payables	28	71,394,743,356	44,181,921,343
Current liabilities		**74,267,006,075**	**50,418,617,794**
Total equity and liabilities		**672,151,312,923**	**565,798,675,279**

The notes on pages **15** to **45** form an integral part of these financial statements.

The financial statements of EUCL, as indicated on pages **15** to **45**, were approved by the Board of Directors on …………………. and signed on its behalf by:

Digitally signed by EUCL(MANAGING DIRECTOR) Date: 2022.12.31 11:33:23 +02'00'	Ron Weiss Digitally signed by Ron WEISS (CEO) Date: 2022.12.31 15:19:47 +02'00'	
…………………………	…………………………	…………………………
Armand ZINGIRO	**RON Weiss**	**Dr. Didacienne MUKANYILIGIRA**
Managing Director, EUCL	**Chief Executive Officer, REG Ltd**	**REG Board of Directors**
Date:	**Date:**	**Date:** 31/12/2022

4.3. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Description	Share capital	Retained earnings	Reorganisation reserves	Total
	Frw	Frw	Frw	Frw
At 1st July 2020	**40,000,000,000**	**(30,417,244,316)**	**15,900,415,897**	**25,483,171,581**
Adjustment	-	261,155,535	-	261,155,535
Profit for the year	-	2,023,269,819	-	2,023,269,819
At 30 June 2021	**40,000,000,000**	**(28,132,818,962)**	**15,900,415,897**	**27,767,596,935**
At 1st July 2021	**40,000,000,000**	**(28,132,818,962)**	**15,900,415,897**	**27,767,596,935**
Adjustment	-	2,148,184,212	-	2,148,184,212
Profit for the year	-	**(52,504,700,951)**	-	**(52,504,700,951)**
At 30 June 2022	**40,000,000,000**	**(78,489,335,701)**	**15,900,415,897**	**22,588,919,804**

The notes on pages **15** to **45** form an integral part of these financial statements.

4.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Profit/(Loss) before income tax	(31,302,279,910)	781,601,762
Adjustments for:		
Depreciation	33,373,838,866	21,623,394,673
Prior period adjustment	2,148,184,212	261,155,535
Realised grants	(25,332,982,678)	(15,962,578,257)
Amortisation of intangible assets	479,680,824	186,429,439
Interest income	(26,728,728)	(14,946,588)
Cash flows before working capital movements	**(20,660,287,414)**	**6,875,056,564**
Changes in:		
- Inventory	(1,586,000,271)	59,461,605
- Trade and other receivables	3,119,729,100	(539,934,644)
- Trade and other payables	27,212,822,014	(11,852,663,304)
- Related parties	(3,003,968,679)	(1,900,497,149)
Cash generated from operations	**5,082,294,751**	**(7,358,576,927)**
Interest received	26,728,728	14,946,588
Net cash generated from/(used in) operating activities	**5,109,023,479**	**(7,343,630,339)**
Cash flows from investing activities		
Receipt of grants	119,733,730,354	13,133,061,437
Purchase of software	1,336,384,029	(651,420,196)
Purchase of property and equipment	(145,283,220,097)	(23,495,965,007)
Net cash used investing activities	**(24,213,105,713)**	**(11,014,323,766)**
Cash flows from financing activities		
Repayment of Bank of Kigali - Gishoma Loan	(224,171,842)	21,176,281
Proceeds from borrowings from RESSP project	16,324,354,634	27,161,353,379
Repayment of Equity Bank Loan	(463,128,224)	(405,880,646)
Proceeds from borrowings from Bank of Kigali	(1,268,808,059)	(1,113,457,608)
Proceeds from borrowings from Cogebank	(326,628,488)	(286,499,568)
Net cash from investing activities	**14,041,618,021**	**25,376,691,838**
Increase/Decrease in cash and cash equivalents	(5,062,464,278)	7,018,737,733
At beginning of year	17,049,832,783	10,031,095,049
At end of the year	**11,987,368,504**	**17,049,832,783**

The notes on pages **15** to **45** form an integral part of these financial statements.

4.5. NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Energy Utility Corporation Limited (EUCL) is a private company domiciled in the Republic of Rwanda and is a wholly owned subsidiary of Rwanda Energy Group (REG) Limited. REG is wholly owned by the Government of Rwanda. REG and EUCL were established in August 2014 after the 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 transmission, distribution and retail of electricity generated by Government owned power plants under concession arrangement to different players including the Company and also power purchased from independent power producers.

2. Going Concern

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 Directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Summary of significant accounting policies

a. Basis of accounting and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

For the Rwandan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account is presented by the Statement of Comprehensive Income in these financial statements.

b. Summary of significant accounting policies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw) which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. 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 recognised in Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in Statement of Comprehensive Income within 'finance income or cost'. All other foreign exchange gains and losses are presented in Statement of Comprehensive Income within 'other income or expenses'.

c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services or goods supplied, stated net of value-added tax (VAT), returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

- *Sales of electricity - external*

Electricity sales revenue is recognised when customers on post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved consumer tariffs. Electricity sales revenue for customers on prepaid metering is recognised when customers purchase electricity units. Electricity sales revenue is recognised in the financial statements net of Value Added Tax ("VAT").

Sale of electricity - internal refers to revenue from consumption by Company offices and installations. These revenues are billed and recognised on the same basis described above.

- *Revenue from works*

Customers are required to fully or part-fund the cost of new installations to their facilities. This amount is paid in advance to the Company as a non-refundable capital contribution. The non-refundable capital contribution is treated as an advance payment until utilised for the construction of the installation paid for.

- *Dark fibre revenue*

This represents income from rental of Company fibre optic cable lines to third parties. The revenue from renting the lines is recognised on a monthly basis for the period the contract is effective.

- *Connections and other non-energy sales*

Other revenues include reconnection fees, meter replacement fees, fines, penalties, tender fees and other sundry incomes. They are recognised as they are earned at the rates prescribed by applicable rates or at the amounts agreed with the customers.

- *Interest income*

Finance revenue comprises interest receivable from bank deposits and other deposits. Finance revenue is recognised as it accrues in Statement of Comprehensive Income, using the effective interest method.

- *Subsidies*

Subsidies are recognised at the actual amounts received from Government. These amounts are paid directly to the fuel supplier and the tax authorities in order to compensate the cash shortfall arising from a capped regulated tariff.

- *Realised grants*

Grants are recognised in statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants used to purchase, construct or otherwise acquire non-current assets are recognised in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

d. Plant and equipment

Property, plant and equipment are stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to Statement of Comprehensive Income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Capital work in progress

Capital work-in-progress is included under property and equipment and comprises costs incurred on ongoing capital works relating to both customer and internal works. These costs include material, transport and labour cost incurred. Land is not depreciated.

Depreciation on other assets is calculated using the reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the annual depreciation rates as follows:

- Buildings - 5%
- Generation assets - 5%
- Transmission assets - 5%
- Distribution assets - 5%
- Motor vehicles - 25%
- Computer equipment - 33.3%
- Furniture and fittings - 12.5%

e. Service concession agreement

The concession arrangement is governed by the provisions in the Prime Ministers Order N°87/03 of 16/08/2014 Determining Modalities of Transfer of Responsibilities and Property of Energy, Water and Sanitation Authority (EWSA) ("PMO").

Article 5 of the PMO stated that power plants shall remain property of the Government but shall be managed by the companies through concession agreements with the Government. Under this article, Government concessioned eight (8) power plants to EUCL.

The significant terms of the agreement are the following:

- The concession agreement for the eight plants is for twenty (20 years) years;
- As a transitional arrangement for the first 5 years from 18/08/2014 (effective date), the annual concession fee will be restricted to zero (0) Frw to allow for progressive reduction in the weighted cost of generation (weighted average cost of the energy mix);
- After the grace period, monthly payments to Government will be effected by as guided by "Schedule B – Amortisation Schedule" over the useful-life of each generation plant concessioned.

The key obligations of EUCL in this arrangement are:

- Refurbish, operate the plants in accordance with this agreement, prudent utility practices, relevant permits and all laws/regulations;
- adhere to and observe at all times standards and practices concerning the protection of health, safety and the environmental regulations which are then in force and are legally binding in Rwanda;
- Employ staff or engage contractors of high repute and competence to guarantee the smooth operation and maintenance of these plants.

EUCL's rights under this concession agreement are summarized as follows:

- The right to operate, maintain and develop the Plants;

- The right to generate power from the Plants; and;
- The right to control and sell power generated by the Plants pursuant to the provisions in this agreement and other relevant laws and regulations governing the electricity supply industry.

- *Renewal of the concession agreement*

Either party may elect to have the concession renewed for another term whose length, terms and conditions thereof are agreed to by the other party. Once such renewal arrangements have been triggered, the existing terms and conditions remain in force beyond the expiring term albeit on transitional basis until the renewal or lack of it have been fully determined and the rights and obligations have been transferred to an appropriate party.

- *Expiration without prejudice*

The expiration or earlier termination of this Agreement shall be without prejudice to all rights and obligations of the Parties accrued under this Agreement prior to such expiration or earlier termination but otherwise the Parties shall have no further obligations hereunder following such expiration or earlier termination except for obligations which are expressed to survive such expiration or earlier termination pursuant to this Agreement.

EUCL's cash flows are not specified in this contract and vary according to the usage of the concessioned assets.
In accordance with IFRIC 12, Service Concession Arrangements, the concession asset was classified as an intangible concession asset and the obligation as an intangible concession obligation.

f. Intangible assets

This relates to acquired computer software licences.

They are initially capitalised 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 computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.
Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to Statement of Comprehensive Income using the straight-line method over their estimated useful lives of 10 years.
The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in Statement of Comprehensive Income when the changes arise.

Computer software is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from unforeseeable changes of such software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is derecognised.

g. 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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

h. Inventories

As per IAS 2, Inventories are valued at the lower of cost and net realizable value. However, EUCL inventory is valued at cost due to the fact that having net realizable value would involve hiring an independent valuer every quarter to determine the estimated selling price in the ordinary course of business after allowing for the cost of realisation which can also involve Billions of funds to execute the exercise to comply with the standard. Therefore, in respect of value for money EUCL inventory is valued and recorded on cost. Cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on weighted average basis.

i. Trade receivables

Trade receivables are amounts due from customers for services rendered or merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

j. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

k. Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.
Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

l. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

m. Income tax

- *Current income tax*

The tax expense for the period comprises current and deferred income tax. Tax is recognised in Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable Statement of Comprehensive Income.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

n. Retirement benefits obligations

The employees and the Company contribute to the Rwanda Social Security Board, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to the income statement.

o. Government and other grants

Government and other grants are recognised where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

p. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

q. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

r. Impairment of Assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future

cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

s. Application of new and revised International Financial Reporting Standards (IFRS)

i) The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements:

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.
IFRIC 21 Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

ii) New and amended standards and interpretations in issue.

New and Amendments to standards	Effective for annual periods beginning
IFRS 15 Revenue from contracts with customers	January-17
IFRS 9	January-19
IFRS 16 Leases	January-19

All Standards and Interpretations were adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity). Sale or Contribution of an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.
(b) Depreciation of lease assets and interest on lease liabilities in Statement of Comprehensive Income over the lease term; and
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) Short-term leases (i.e. leases of 12 months or less) and;
(b) Leases of low-value assets.

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard (IFRS 15 Revenue from Contracts with Customers is also applied).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised.

The definition of a business is key to determining the extent of the gain to be recognised. The amendments will be effective from annual periods commencing on or after 1 January 2016.

The company is assessing the potential impact on its financial statements resulting from the application of amendments to IFRS 10 and IAS 28.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41. The new requirements are effective from 1 January 2016, with earlier adoption permitted.

No impact is expected from amendments to IAS 41- The Company does not have any bearer plants.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The company is assessing the potential impact on its financial statements resulting from the application of amendments to IAS 27.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted. No impact is expected from this amendment.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The company is assessing the potential impact on its financial statements resulting from the application of the amendment.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The company is assessing the potential impact on its financial statements resulting from the application of amendments to IFRS 11.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through Statement of Comprehensive Income. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through Statement of Comprehensive Income in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through Statement of Comprehensive Income in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through Statement of Comprehensive Income measurement applied by the associate or joint venture to its subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted. No impact is expected from this amendment as the Company is not an investing entity.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in Statement of Comprehensive Income.

With regard to the measurement of financial liabilities designated as at fair value through Statement of Comprehensive Income, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in Statement of Comprehensive Income.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to Statement of Comprehensive Income. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through Statement of Comprehensive Income is presented in Statement of Comprehensive Income.
The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

iii) Relevant new and revised IFRSs in issue.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the reducing balance method for depreciation and amortisation for its property and equipment, and intangible assets respectively. The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
a) the property meets the definition of investment property in terms of IAS 40; and b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

Annual Improvements 2012-2014 Cycle

The amendments to IFRS 5 adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
The amendments to IFRS 7 adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

4. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

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

- ***Deferred tax asset and liability***

A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profits 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 level of future taxable profits together with future tax planning strategies. A deferred tax liability is recognised on timing differences between the carrying amount of assets and the tax written down values. The deferred tax asset is netted off with the deferred tax liability.

- ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as are follows:

- ***Property and equipment***

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- ***Impairment of assets***

Property and equipment are assessed for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

5. 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 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

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

Credit risk is managed by the Board. The credit risk for each new client is analysed before standard payment and service terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Company does not have any significant concentrations of credit risk.

For trade receivables, customers are assessed for credit quality, taking into account the financial position, nature of their business, past experience and other factors. The Company does not grade the credit quality of receivables.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Neither past due not impaired	Past due not impaired	Impaired	Total
		Over 60 days	Over 365 days	
	Frw	Frw	Frw	Frw
At 30 June 2021				
Trade receivables	4,285,902,274	7,267,412,686	20,626,446,263	32,179,761,223
Other receivables	7,530,683,497	-	-	7,530,683,497
Bank balances	17,049,832,783	-	-	17,049,832,783
	11,816,585,771	**7,267,412,686**	**20,626,446,263**	**39,710,444,720**
At 30 June 2022				
Trade receivables	4,285,902,274	7,428,474,024	20,685,764,006	32,400,140,305
Other receivables	3,987,542,977	-	-	3,987,542,977
Bank balances	11,987,368,504	-	-	11,987,368,504
	8,273,445,251	**7,428,474,024**	**20,685,764,006**	**36,387,683,282**

b) Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates.

The objective of market risk management policy is to protect and enhance the balance sheet and income statement by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion. The Company is exposed to the following risks:

(i) Currency risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the Company.

(ii) Commodity risk

The Company is exposed to price risk on the fuel that is used for the generation of electricity.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Frw	Frw	Frw	Frw
At 30 June 2021				
Trade payables	31,526,991,135	-	-	31,526,991,135
Other payables	12,654,930,203	-	-	12,654,930,203
Amount due to related parties	2,400,000,000	2,400,000,000	3,456,145,652	8,256,145,652
Total	**46,581,921,338**	**2,400,000,000**	**3,456,145,652**	**52,438,066,990**
At 30 June 2022				
Trade payables	59,259,972,772	-	-	59,259,972,772
Other payables	12,134,770,580	-	-	12,134,770,580
Amount due to related parties	2,400,000,000	2,400,000,000	638,490,586	5,438,490,586
Total	**73,794,743,352**	**2,400,000,000**	**638,490,586**	**76,833,233,938**

6. Revenue

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Sales of electricity - external	144,282,955,741	127,948,878,814
Total	144,282,955,741	**127,948,878,814**

7. Cost of sales

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Purchase of electricity	125,655,774,025	83,018,687,919
Fuel and lubricating oils	21,894,768,537	12,554,933,875
Repairs and maintenance - generation	3,020,940,466	896,427,014
Total	**150,571,483,028**	**96,470,048,808**

8. Grants and subsidies

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Subsidies	14,341,563,123	9,962,269,179
Realised grants	25,011,300,736	15,619,382,691
Total	**39,352,863,859**	**25,581,651,870**

Subsidies are received from Government as part of compensation for amounts not received under the tariff setting methodology. The Government, through the Rwanda Utilities Regulatory Authority, determines the tariffs to be charged to end users and a contribution to cover the shortfall between the Company's revenue requirement and the set tariff is given through subsidies.

Grants amounting to **Frw 25 billion** (2021: **Frw 15.6 billion**) were realized as income proportionate to the write down of value of asset acquired and/or constructed.

9. Other income

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Connections and other non-energy sales	2,809,378,806	2,283,361,648
Revenue from works	2,458,181,682	3,549,752,918
Dark fibre revenue	891,287,983	632,594,935
Grant income	4,858,338,128	4,260,899,057
Total	**11,017,186,600**	**10,726,608,558**

10. Distribution costs

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Repairs and maintenance	6,916,581,541	3,895,236,653
Electricity and connection works - internal	4,878,952,859	4,574,979,607
Commissions	1,955,969,933	1,723,808,797
Motor vehicle running expenses	1,086,898,157	936,476,863
Provision for bad and doubtful debts	59,317,743	3,530,708,724
Total	**14,897,720,233**	**14,661,210,644**

11. Administrative expenses

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Salaries and other related costs	11,880,196,752	10,292,400,331
Consultancy and professional fees	2,003,367,850	1,109,822,172
Support to EDCL	1,294,678,000	2,611,697,970
Licence and other taxes	97,856,220	549,857,842
Telephone charges	495,441,215	466,904,918
Insurance	1,321,205,991	581,794,649
Mission and travelling	907,298,321	957,521,528
Office supplies	139,649,002	399,589,515
Advertising and promotions	28,796,133	70,124,613
Refreshment and reception expenses	192,446,224	202,003,398
Repairs and maintenance of buildings	331,021,530	258,313,244
Security expenses	341,334,564	278,002,750
Rents and rates	340,408,103	320,980,864
Bank Charges and commissions	50,229,651	85,817,490
Participations and contributions	14,299,689	142,735,578
Gain on disposal of assets	251,651,967	(155,719,653)
Legal fees and damages	1,450,757,565	11,928,824
Cleaning expenses	65,613,065	62,821,387
Donations and charity	15,031,000	7,951,000
Recovery expenses	100,005,000	20,338,983
REG Facilitation	2,200,000,013	2,346,888,408
EAPP Contribution	106,039,691	-
Printing Consumables	1,580,508	-
Total	**23,628,908,056**	**20,621,775,811**

12. Depreciation and amortisation

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Depreciation of assets	28,158,325,813	21,511,166,089
Amortisation of intangible assets	479,680,675	186,429,440
Total	**28,638,006,488**	**21,697,595,529**

13. Finance income and costs

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
a) Finance income		
Bank interest income	26,728,728	14,946,588
Total finance income	**26,728,728**	**14,946,588**
b) Finance costs		

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Exchange losses	3,771,230,851	5,283,712,326
Interest on loan	4,474,666,182	4,756,140,950
Total finance costs	**8,245,897,033**	**10,039,853,276**

14. Income tax expense

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Deferred income tax		
Charge for the year	(21,202,421,041)	(1,241,668,057)
Total	**(21,202,421,041)**	**(1,241,668,057)**

15. Property, plant and equipment

Description	Generation assets	Transmission assets	Distribution assets	Motor vehicles	Furniture and fittings	Computer equipment	Assets under construction	Total
	Frw	Frw	Frw	Frw	Frw	Frw	Frw	Frw
Cost/Valuation								
At 1 July 2021	**41,829,836,599**	**285,498,672,406**	**182,506,313,110**	**5,911,817,600**	**1,777,212,785**	**2,193,362,514**	**36,518,259,660**	**556,235,474,673**
OB adjustments due to transfer		88,103,550,397	3,939,496,296		10,676,324	701,807,592	(2,645,563,235)	90,109,967,374
Additions		-	294,426,051	-	8,118,899	1,826,349,107	18,368,309,768	20,429,203,825
Assets transfers		22,120,227,409	13,281,026,268	-	-	-	-	35,401,253,677
WIP Capitalization		27,054,673,442	2,814,934,313	-	-	-	(29,869,607,755)	-
Disposals&Write off		-	(171,064,039)	(486,938,601)	(23,983,715)	(43,116,688)	-	(725,103,043)
At 30 June 2022	**41,829,836,599**	**422,777,123,653**	**202,665,131,999**	**5,424,878,999**	**1,772,024,293**	**4,678,402,525**	**22,371,398,439**	**701,518,694,270**
Depreciation								
At 1 July 2021	**7,759,178,984**	**54,034,168,486**	**42,070,850,924**	**3,766,589,459**	**819,086,148**	**1,614,504,720**	-	**110,064,378,722**
Charge for the year	1,703,534,244	17,113,440,102	7,880,395,111	521,966,181	119,968,360	821,912,391	-	28,161,216,389
Disposals	-	-	(166,994,408)	(420,069,504)	(14,942,253)	(39,016,223)	-	(641,022,388)
Adjustments OB	-	4,685,173,720	523,548,335	-	708,197	577,834,359	-	5,787,264,611
At 30 June 2022	**9,462,713,228**	**75,832,782,308**	**50,307,799,962**	**3,868,486,136**	**924,820,452**	**2,975,235,247**	**22,371,398,439**	**143,371,837,333**
Net book value at 30 June 2022	**32,367,123,371**	**346,944,341,345**	**152,357,332,037**	**1,556,392,863**	**847,203,841**	**1,703,167,278**	**22,371,398,439**	**558,080,477,182**

Revaluation of property plant and equipment

The Prime Ministers Order N°87/03 of 16/08/2014 Determining Modalities of Transfer of Responsibilities and Property of Energy, Water and Sanitation Authority (EWSA) ("PMO") required valuation of assets to determine the value of assets to be allocated to the new entities including EUCL. Accordingly, all assets in each category were valued except assets under construction (WIP) which was valued at cost. The valuation was conducted by PwC Kenya who subcontracted Integrated Property Consultants Limited, a registered valuer in Rwanda. The results of the valuation and adjustments were incorporated in the financial statement after approval by the Board.

The revalued amounts were recorded as opening balances of property plant and equipment of EUCL. Assets acquired after valuation were recorded at cost.

16. Concession intangible assets

Description	30 June 2022	30 June 2021
	Frw	Frw
Concession intangible assets		
At beginning of year	58,533,877,102	55,962,949,016
Movement	2,689,036,073	2,570,928,086
At end of year	**61,222,913,175**	**58,533,877,102**
Maturity analysis of the concession intangible asset		
Current		-
Non-current	61,222,913,175	58,533,877,102
Total	**61,222,913,175**	**58,533,877,102**
Non-current portion of financial asset		
The financial asset is recoverable as analysed below:		
Between one and two years	-	-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
After five years	61,222,913,175	58,533,877,102
Total	**61,222,913,175**	**58,533,877,102**

Article 5 of the Prime Minister Order on transfer from public domain to private domain stated power plants shall remain property of the Government of Rwanda, but shall be managed by the companies through concession agreements with the Government. In prior year the concessioned power plants had been treated as concessioned intangible assets from the beginning of the concession period until the concession agreements are concluded. On the 5th of December 2017 the Cabinet of Rwanda approved the concessioned assets, and on the 28th of September 2018, the Government of Rwanda and the Company agreed on the amounts to be paid for the concession (Which is in a signed concession agreement) with payments commencing in August 2019, shareholders meeting of 19th November 2020 resolved to defer the payment of concession fees until 2030 other terms remaining the same.

17. Intangible assets

Description	30 June 2022	30 June 2021
	Frw	Frw
Cost	3,583,429,038	3,583,429,038
Additions	4,142,168,636	651,420,196
Work-in-progress	5,311,097,518	4,659,677,321
Adjustments	(5,478,552,665)	
Total (A)	**9,310,768,552**	**8,894,526,555**
Amortisation		
At 1 July	2,918,565,416	2,732,135,976
Adjustment	-	-
Charge for year	479,680,824	186,429,440
Total (B)	**3,398,246,240**	**2,918,565,416**
At end of year = (A)-(B)	**4,159,896,347**	**5,975,961,136**

18. Inventory

Inventories comprise the following items:

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Generation and other network materials	10,412,647,050	10,115,279,142
Fuel and lubricating oils	1,995,725,476	605,867,129
Other stock items	404,823,722	481,344,643
	12,813,196,248	**11,202,490,914**
Less : Provision for obsolete stock	(220,301,270)	(195,596,207)
Total	**12,592,894,977**	**11,006,894,707**

19. Trade and other receivables

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Trade receivables	32,400,140,305	32,179,761,223
Less: Provision for bad and doubtful debts	(20,685,764,006)	(20,626,446,263)
Net trade receivables	**11,714,376,299**	**11,553,314,960**
Other receivables	3,987,542,977	7,530,683,497
Assets held for sale	8,639,467	
Prepayments	479,531,467	225,820,853
Total	**16,190,090,210**	**19,309,819,310**

In 2015, determination of the balances due from trade debtors was completed and this receivable was received as part of equity contribution from the shareholder. Recoverability of trade debtors of approximately **Frw 13.9 billion** was extremely doubtful based on the quality of evidence available. According a provision of the entire amount was made.

20. Cash and cash equivalents

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Cash at bank	11,972,370,178	17,033,444,779
Cash in hand	14,998,326	16,388,004
Total	**11,987,368,504**	**17,049,832,783**

The bank holds no collateral in respect of bank balances. Bank balances are short term deposits made for varying periods depending on cash requirements of the Company.

21. Share capital

Description	30 June 2022	30 June 2021
	Frw	Frw
Share capital in the Memorandum of association	40,000,000,000	40,000,000,000
At year end	**40,000,000,000**	**40,000,000,000**

The Company's share capital at registration date was **Frw 3,000,000** made up of 3,000,000 shares of **Frw 1** each. The registration was done pending the reform process through the PMO which was to determine the share capital of the Company based on the valuation of assets.

The net asset after valuation of **Frw 62.4 billion** was recorded under reorganisation reserves as at 1 July 2014 awaiting capitalisation. Subsequently, adjustments of **Frw 6.7 billion** were made to arrive at net reorganisation of **Frw 55.7 billion** at 30 June 2015. A transfer of **Frw 40 billion** from reorganisation reserve to share capital has been made to arrive at a share capital of **Frw 40 billion** and registered with the Rwanda Development Board. The balance of **Frw 15.7 billion** in the reorganisation reserve was maintained to allow for future adjustment of transactions affecting prior periods and the residual amount shall be capitalised by the Directors upon a reasonable assessment.

22. Reorganisation reserve

Description	30 June 2022	30 June 2021
	Frw	Frw
Balance at year end	**15,900,415,897**	**15,900,415,897**

23. Concession obligation

Description	30 June 2022	30 June 2021
	Frw	Frw
a) Concession intangible obligation		
At beginning of year	58,533,877,102	55,962,949,016
Movement	2,689,036,073	2,570,928,086
At 30 June 2021	**61,222,913,175**	**58,533,877,102**
Maturity analysis of the financial asset		

Description	30 June 2022	30 June 2021
	Frw	Frw
Outstanding financial asset	61,222,913,175	**58,533,877,102**
Concession financial asset: Current portion		-
	61,222,913,175	**58,533,877,102**
b) Non-current portion of the obligation		
Maturity of concession obligation:		
Between one and two years		-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
After five years	61,222,913,175	58,533,877,102
Total	**61,222,913,175**	**58,533,877,102**

Article 5 of the Prime Minister Order on transfer from public domain to private domain stated power plants shall remain property of the Government of Rwanda, but shall be managed by the companies through concession agreements with the Government. In prior year the concessioned power plants had been treated as concessioned intangible assets from the beginning of the concession period until the concession agreements are concluded. On the 5th of December 2017 the Cabinet of Rwanda approved the concessioned assets, and on the 28th of September 2018, the Government of Rwanda and the Company agreed on the amounts to be paid for the concession (Which is in a signed concession agreement) with payments commencing in August 2019, shareholders meeting of 19th November 2020 resolved to defer the payment of concession fees until 2030 other terms remaining the same.

24. Deferred income tax liability

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

Description	30 June 2022	30 June 2021
	Frw	Frw
At beginning of year	19,872,797,279	21,114,465,336
Credit to income statement	21,202,421,041	(1,241,668,057)
At end of the year	**41,075,218,320**	**19,872,797,279**

As per IAS 12 "Income taxes" the amount of tax expense(income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with IAS 8, should be part of current year tax expense and related liablity/ asset, because they cannot be accounted for retrospectively. Balances of financial year ended 30 June 2021 include correction of prior year errors in accordance with IAS 8.

Deferred income tax is calculated on all temporary differences using the liability method. The net deferred income tax liability is attributed to the following:

Description	At 1 July 2021	Charged/ (credited) to SOCI	At 30 June 2021
	Frw	Frw	Frw
Deferred income tax liabilities			
Accelerated tax depreciation	32,125,336,153	24,641,271,818	56,766,607,971
Deferred income tax assets			
Provisions	(2,490,502,059)	(102,037,387)	(2,592,593,446)
Tax losses carried forward	(9,762,036,815)	(3,366,813,390)	(13,098,850,205)
Net deferred income tax liability	**19,872,797,279**	**21,202,421,041**	**41,075,218,320**

25. Grants

Description	30 June 2022
	Frw
Opening balances at 1 July 2021	373,900,777,362
Additions	99,729,034,960
Adjustments	20,004,695,394
	493,634,507,716
Cumulative Grant realisation 1 July 2021	75,768,595,712
Adjustments	321,681,942
Realised grants	25,011,300,736
	101,101,578,390
At 30 June 2022	**392,532,929,326**

26. Borrowings

Description	30 June 2022	30 June 2021
	Frw	Frw
Term loans:		
Bank of Kigali - Gishoma Loan	15,815,447,796	16,039,619,638
Equity Bank	3,757,079,326	4,220,207,550
RESSP	95,579,414,302	79,255,059,667
Bank of kigali	6,135,463,335	7,424,106,770
Cogebanque	4,188,533,205	4,515,161,693
At end of year	**125,475,937,964**	**111,454,155,318**
Less: Current portion- amount due within one year		
Bank of Kigali - Gishoma Loan	(478,824,891)	(224,171,842)
Equity Bank	(529,667,597)	(463,128,225)
Bank of kigali	(1,491,392,113)	(1,288,643,435)
Cogebanque	(372,378,118)	(326,628,488)
(a) Amounts due within one year	**(2,872,262,719)**	**(2,302,571,990)**
(b) Amounts due in more than one year	**122,603,675,245**	**109,151,583,328**

Rwanda Energy Sector Strengthening Project (RESSP) is a project that was commissioned to increase the population's access to electricity and energy capacity strengthening. The project is funded through a loan from World Bank/ the International Development Agency of $95 million. At 30 June 2022, approximately $93,3 million (Frw 95.5 billion) had been withdrawn. The loan attracts an interest of 0.75% per annum and a commitment fee of 0.5% per annum of unwithdrawn loan balance. Repayment of this loan will commence in February 2022 with the last loan installment in August 2053.

27. Amounts due to related parties

The Company's related parties include Rwanda Energy Group (REG) and Energy Development Corporation Limited (EDCL) which are all managed by one Board of Directors. REG is the parent Company of both EUCL and EDCL. The balances due from and to related parties at year end are:

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
(a) Amounts due from related parties		
Amounts advanced to EDCL	36,704,516	-
Amounts advanced to REG	7,880,967,998	7,751,194,291
	7,917,672,514	**7,751,194,291**
(b) Amounts due to related parties		
Amounts due to REG	69,330,911	143,008,794
EARP amounts collected on behalf of EDCL	1,354,139,130	4,179,012,396
Short term borrowing from EDCL	1,615,020,545	1,534,124,461
Total	**3,038,490,586**	**5,856,145,651**

Included in amounts due from related parties is **Frw 510 million** was advanced to REG to purchase land on which the REG headquarters building will be constructed. The balance was advanced for purchase of vehicles, computers, payment of salaries and other administrative expenses. There is no repayment schedule for this amount.

Amounts due to EDCL relate to amounts collected from customers as repayments of electricity connection charges that were advanced by EARP project managed by EDCL. Short term borrowing of **Frw 2.0 billion** was received from EDCL to cope with a delay in receiving subsidies from Government. The subsidies were received and the borrowing retired. No interest was charged on this borrowing.

28. Trade and other payables

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Trade payables	59,259,972,772	31,526,991,135
Other payables	12,134,770,580	12,654,930,203
General provisions	4	4
Total	**71,394,743,356**	**44,181,921,342**

Trade and other payables are non-interest bearing and normally settled between 30 – 60 days terms.

29. Contingent Liabilities

a) Legal claims

The Company is a defendant in various legal actions arising in the normal course of business. The Company has been advised by its Legal unit that it is only possible but not probable that cases with claims amounting to **Frw 1.55** billion (2021: Rwf 0.791 Billion) could be decided against the Company. Accordingly, no provision for liabilities relating to these cases has been made in these financial statements. The Company continues to defend itself against these actions and therefore it is not practical to reasonably determine the timing of the contingent liabilities.

30. Contingent assets

a) Electricity theft cases

Every financial year, the company carries out various campaigns to prevent and fight against electricity theft, identified cases of offenders are sent to prosecution and other relevant authorities, the company has been advised by its revenue protection unit that it is only possible but not probable that cases amounting to **Frw 1.1 billion** could be decided in favour of the company. The company continues to follow-up these files, and it is not practical to reasonably determine the timing of the realisation of these cases.

b) Case against Kibuye power limited

Kibuye power (independent power producer) failed and was put under liquidation when it was still owing EUCL an amount totalling to **Frw. 1.7 Billion**. Initially EUCL's claim had not been included on the creditors list to be settled during the liquidation. In court pronouncement of 12 January 2017, the liquidator was ordered to add EUCL on the list of creditors. Government of Rwanda through the Ministry of Finance and Economic Planning committed to pay **Frw. 1.2 Billion** on behalf of the liquidated company, however the amount to be recovered from the claim is dependent on the proceeds from the purchaser (symbion) and it is probable that EUCL may not receive the amount and not practical to determine the timing of this cashflow, accordingly a provision of the full amount KP1 owed EUCL was done, and appropriate adjustments will done once there is a recovered amount and un recoverable amount.

31. Prior year adjustments on Retained Earning

The company adopted International Financial Reporting Standards (IFRS) to improve the quality of information shared with stakeholders. A detailed review of the financial statements necessitated effecting additional adjustments to fully comply with IFRS reporting. Some of these adjustments required effecting prior year. These adjustments are detailed below:

- **Other income**

An amount of **Frw 78 million** related to dark fiber lease were done in previous year. To reflect the true picture of financial statements adjustment has been done through retained earnings.

- **Sales of power**

An amount of **Frw 123.3 million** related to refund of Future Dynamic Inovation/FDI (Superdealers) (**Frw 59 million**) of tokens that did not reach end users (customers) and bill regularisation of electricity consumed by So Energy (**Frw 182.3 million**) were done in current year. But, to reflect the true picture of financial statements adjustments were done through retained earnings.

- **Cost of power**

In 2021-2022, an independent power producer (Kivuwatt) has submitted pass through invoices related to previous year amounting to **Frw1.1 billion**. Also an adjustment of **Frw 0.9 billion** related to power suppliered by SINELAC was done to reflect the true picture of financial statements.

- **Inventory**

In financial year 2021-2022 an amount of **Frw 1.3 billion** inventory items related to prior year were not appropriately recorded into inventory. Then, correcting entries have been done through retained earnings.

- **Trade and other payables**

In financial year 2021-2022 EUCL has received invoices from suppliers related to the services and supplies done in prior year. This has brought in an adjustment to retained earnings amounting to **Frw 764 million**.

- **Other sales**

An amount of **Frw 109 million** related to Pole lease and other sales related to prior year were invoices in Financial Year 2020-2021. And this has been captured through retained earnings to reflect the true picture of financial statement.

- **Admnistrative cost**

An amount of **Frw 25 million** related to previous year of administration expenditure were adjusted through retained earnings.

- **Staff bonus**

In Financial year 2021-2022 an amount of **Frw 241 million** related to 2020-2021 staff performance bonus was paid to EUCL staff and this has been adjusted through retained earnings to reflect the true picture of financial statement.

- **Assets**

An amount of **Frw 7 million** of assets related to prior year error was adjusted against retained earnings.

Assets transferred from EDCL

An amount of **Frw 0.72billion** of assets related to prior year error was adjusted against retained earnings, to capture assets received from EDCL in this financial year but related to previous period.

REG Management Fees

In Financial year 2021-2022 an amount of Frw 2.2 billion invoices from REG to reguralize management fees for previous years were received. Prior year adjustment has been done to reflect the true picture of financial statement.

Below is a summary of prior year adjustment on retained earnings:

Details	Amounts
	Frw
Retained Earnings as previously stated (A)	**28,132,818,962**
Power Sales	78,233,339
Cost of Power	234,687,325
Assets transferred from EDCL for prior period	(719,188,138)
Inventory	(1,349,713,799)
Administrative expenses	25,772,302
REG Management fees	2,181,133,992
Staff Bonus	241,861,402
Assets	760,672,082
Trade payables	763,996,538
Total Adjustment (B)	**2,217,455,043**
Net impact of prior year adjustments (A+B)	**25,915,363,919**

32. Capital Commitments

There are no capital commitments are expected to be realised in the next 12 months ending 30 June 2023.

33. Events after the reporting period

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements as required by IAS 10 "Events after reporting date.

DETAILED AUDIT FINDINGS

5. REVIEW OF POWER PURCHASED FROM INDEPENDENT POWER PRODUCERS

5.1 High cost incurred by EUCL for power generation

Observations

EUCL's core business is transmission, distribution and retail of electricity generated by Government-owned power plants under concession arrangement to different players including the Company and power purchased from independent power producers.

(i) Purchase of power from high cost sources

During the year ended 30 June 2022, EUCL incurred **Frw 125,808,171,196** in purchase of electricity produced from IPP's plants. The audit revealed that thermal power plants which contributed **14%** total energy produced and incurred **31%** of the total production costs was the most expensive source of energy compared to other power plants. ***See details in the table below***:

	Power plant category	**Number of power plants**	**Costs incurred as per power plant category**	**Percentage of cost incurred per plant category**	**Annual energy generation " kWh"**	**%of energy produced per plant categories**
1	Thermal power plant	3	38,828,445,489	31%	103,416,460	14%
2	Methane Gas	1	37,977,920,864	30%	218,596,398	30%
3	Solar energy	1	2,357,783,531	2%	12,765,790	2%
4	Peat	1	6,446,239,158	5%	50,635,086	7%
5	Hydro power plant	28	35,248,332,313	28%	257,488,567	35%
6	Import	3	4,949,449,841	4%	96,535,847	13%
	Total		**125,808,171,196**	**100%**	**739,438,148**	**100%**

(ii) Concern over settlement of IPPS contract obligations against energy delivered

Further, review of power purchase agreements (PPAs) signed between EUCL and Independent power producers (KIVUWATT Ltd and So Energy International Inco-SP Joint Venture) and other related documentation revealed that EUCL incurred plant capacity cost and other related costs, which significantly exceeded the cost of energy delivered for sale.

During the year ended 30 June 2022, EUCL incurred production costs amounting to **Frw 83,810,400,904** for KIVUWATT Ltd and So Energy International Inco-SP Joint Venture. This comprised of **Frw 80,897,644,675** (installed capacity cost payment, fuel and pass through costs) and **Frw 2,912,756,229** (variable costs) representing **97%** and **3%** of the total cost respectively. ***See details in the table below:***

Details	**KIVUWATT (under Methane Gas Category)**	**SO ENERGY (under Thermal power plant category)**	**Total**
Installed Capacity charges/costs in Frw **(A)**	38,363,550,579	5,384,679,526	**43,748,230,105**
*Monthly pass through costs Frw **(B)**	3,226,624,601	-	3,226,624,601
Fuel cost in Frw **(C)**	-	33,922,789,969	33,922,789,969
Total production cost in Frw **(D=A+B+C)**	**41,590,175,180**	**39,307,469,495**	**80,897,644,675**

Details	KIVUWATT (under Methane Gas Category)	SO ENERGY (under Thermal power plant category)	Total
Energy produced cost (Variables costs) in Frw **(E)**	1,853,272,791	1,059,483,438	**2,912,756,229**
Total cost in Frw (F=D+E)	**43,443,447,971**	**40,366,952,933**	**83,810,400,904**

Monthly pass through cost: the employee salary related cost are paid by EUCL.
For more details are provided in appendix 1(a) and (b).

This means that, with the current financial performance, EUCL cannot fully settle the above Independent Power Producers' monthly bills without intervention a long term subsidy from Shareholders.

Risks

- This significant costs incurred for power generated ultimately increase the price of energy charged by EUCL to electricity consumers. Consequently, such a high price of electricity would be deterrent to industrial investments as well as other users' consumption.
- Continuous incurring high cost from the above plants increases electricity production costs by EUCL. Hence, reduce the profit of the entity which may affect adversely its operation efficiency.
- In absence of an economic contracting arrangements of independent power producers, EUCL will continue to face high prices/costs and consequently not be able to achieve financial sustainability.

- Considering the costs incurred by EUCL on the above IPP's plants, there is also risk that EUCL may not be able to timely settle its obligations as they fall due and this may also affect the reputation of EUCL as well as damaging its relationships with Independent Power Producers.

Recommendations

EUCL Management should raise with its stakeholders to identify the economic alternative ways of reducing high energy production costs. Furthermore, the contracting arrangements with independent power producers should be streamlined to ensure that it is done in a sustainable manner on EUCL.

Management comment

Payment made to the above-mentioned Developers are aligned with the business model of their transactions and respective contracts. The capacity payment business model caters for assurance of all fixed costs being a substantial portion of tariff on condition of ensuring high availability of the plant to meet the demand of electricity at all times. On the other hand, the energy payment business model applies for those generation of electricity which are influenced by external factors (availability of water for hydropower plants, radiation for solar plant, etc) Obligations are being settled according to the contracted arrangements, and these are not only concluded by EUCL, but they involve other stakeholders (MININFRA, MINECOFIN, RURA, RDB)

At a national level there are ongoing activities intended to bring on board cheaper sources of energy generated but given that in the past periods with the technology by then results in the current situation with expensive cost of production.

Energy delivered from these plants is maximized already, there is a need to understand that the tariff structure is done depending on the employed technology, which is not in EUCL only but elsewhere in the world.

APPENDICES

Appendix 1 : High costs incurred by EUCL for power generation

Appendix 1 (a): KIVUWATT production costs

MONTHS	Unity Cost per KWh	Installed Plant capacity	Monthly Capacity cost	Average rate at the end of each month	capacity charge in FRW	monthly pass Through costs	Unit cost of delivered energy	Delivered energy per report	Cost of delivered energy	Average rate at the end of each month	energy charge in FRW	Total cost
	USD	KW/h per Hour	USD	USD@Frw	FRW	FRW	USD	KW/H per Month	USD	USD@Frw	FRW	FRW
	A	B	C=(A*B* 24*30 or 31 days)CPI	D	(E=C*D)	F	G	H	I=(G*H) *CPI	J	K =I*J	L=E+F+K
2021 Jul	0.1247	25,995	2,930,057	990.01	2,900,787,759	291,717,470	0.0064	19,407,364	150,901	990.01	149,394,037	3,341,899,267
2021 Aug	0.1247	25,995	3,102,884	993.22	3,081,846,209	345,520,390	0.0064	18,381,539	151,355	993.22	150,329,284	3,577,695,883
2021 Sep	0.1247	25,995	3,109,295	997.53	3,101,619,235	264671875	0.0064	18,313,301	151,105	997.53	150,732,147	3,517,023,258
2021 Oct	0.1247	25,995	3,117,739	1,002.51	3,125,574,645	422747912	0.0064	18,834,300	155,826	1,002.51	156,217,655	3,704,540,212
2021 Nov	0.1247	25,995	3,143,642	1,006.44	3,163,899,738	168459015	0.0064	18,321,663	152,844	1,006.44	153,829,051	3,486,187,804
2021 Dec	0.1247	25,995	3,159,088	1,009.62	3,189,471,327	219441672	0.0064	18,773,454	157,383	1,009.62	158,896,251	3,567,809,250
2022 Jan	0.1247	25,995	3,168,794	1,012.48	3,208,345,673	105803594	0.0064	17,281,700	145,322	1,012.48	147,135,807	3,461,285,074
2022 Feb	0.1247	25,995	3,195,458	1,015.49	3,244,963,715	331425841	0.0064	15,334,510	130,033	1,015.49	132,047,597	3,708,437,153
2022 Mar	0.1247	25,995	3,224,646	1,018.60	3,284,608,579	221399802	0.0064	19,115,306	163,574	1,018.60	166,615,591	3,672,623,973
2022 Apr	0.1247	25,995	3,267,699	1,009.93	3,300,155,434	409935891	0.0064	18,058,483	156,594	1,009.93	158,148,989	3,868,240,314
2022 May	0.1247	25,995	3,285,941	1,022.17	3,358,779,991	114026414	0.0064	18,687,220	162,950	1,022.17	166,562,423	3,639,368,828
2022 Jun	0.1247	25,995	3,322,164	1,024.48	3,403,498,272	331474725	0.0064	18,087,559	159,460	1,024.48	163,363,958	3,898,336,955
Total			38,027,406		38,363,550,579	3,226,624,601		218,596,398	1,837,348		1,853,272,791	43,443,447,971

CPI=Consumer Price Index.

Appendix 1(b) : SO ENERGY production costs

IPPS	Unity Cost per KWh	Installed Plant capacity	Capacity cost	annual fuel cost	Capacity cost in FRW	Annual fuel cost	Unit cost of delivered energy	Delivered energy per report	Cost of delivered energy	Cost of delivered energy	Total cost
	USD	KW/h	USD	USD	FRW	FRW	USD	KW/H	USD	FRW	FRW
	A	B	C=A*B*24*365	D	E=D*1,024.48	F	G	H	I=H*G	J=I*1,024.48	K=E+F+J
Mukungwa	0.02	10,000	1,752,000	16,069,679	1,794,893,17	16,463,102,925	0.01	50,349,390	503,494	515,820,642	18,773,816,742
Masoro	0.02	10,000	1,752,000	11,674,080	1,794,893,175	11,959,889,322	0.01	36,409,620	364,096	373,010,151	14,127,792,648
Birembo	0.02	10,000	1,752,000	5,368,367	1,794,893,175	5,499,797,722	0.01	16,657,450	166,575	170,652,645	7,465,343,542
Total		**30,000**	**5,256,000**	**33,112,125**	**5,384,679,527**	**33,922,789,969**		**103,416,460**	**1,034,165**	**1,059,483,438**	**40,366,952,933**

Exchange rate as at 30 June 2022; 1USD @ Frw 1,024.48