Rwanda Energy Group Ltd

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2017

KN82 ST3, Nyarugenge District, Kigali City, P.O. Box 537 Kigali, Rwanda
Tel.: +(250) (0) 78 818 1224, email: info@reg.rw, website: www.reg.rw

CONTENTS

COMPANY INFORMATION

MEMBERS OF THE BOARD OF DIRECTORS (BOARD):

Prof. Manasse MBONYE	Chairperson
Mr. Robert NYAMVUMBA	Vice Chairperson (appointed 19 January 2018)
Ms. Rose BAGUMA	Member
Mr. Jean Claude ILIBONEYE	Member
Mr. Francis KAREMERA	Member
Ms. Christelle KAYIHURA	Member (appointed 19 January 2018)
Mr. Samuel MPORANZI	Member (resigned 19 January 2018)
Mr. Jean Bosco MUGIRANEZA	Board Secretary (resigned 14 May 2017)
Ms. Rehema NAMUTEBI	Member
Ms. Alice RWEMA	Vice Chairperson (resigned 19 January 2018)
Mr. Ron WEISS	Board Secretary (appointed 15 May 2017)

REGISTERED OFFICE:

KN82 ST 3, Nyarugenge District

P.O Box 5964

Kigali, Rwanda

AUDITORS:

Ernst and Young Rwanda Limited

Certified Public Accountants

M-Peace Plaza, Executive Wing, 6th Floor

P.O Box 3638

Kigali

BANKERS:

National Bank of Rwanda

P. O. Box 6219

Kigali

Bank of Kigali

P. O. Box 259

Kigali

Guaranty Trust Bank (Rwanda) Limited

P. O. Box 331

Kigali

Equity Bank Rwanda Limited

P. O. Box 494

Kigali

Compagnie Générale de Banque Limited

P. O. Box 3477

Kigali

Ecobank Rwanda Limited

P. O. Box 3268

Kigali

I and M Bank (Rwanda) Limited

P. O. Box 354

Kigali

Access Bank (Rwanda) Limited

3rd Floor, UTC Building

Kigali

Banque Populaire du Rwanda Limited

P. O. Box 1348

Kigali

DIRECTORS REPORT

The Directors present their report together with the audited financial statements of the Rwanda Energy Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2017 which show the state of the Company's affairs.

Principal activities

The core business of the Company is managing the subsidiaries namely Energy Utility Corporation Ltd (EUCL) and Energy Development Corporation Limited (EDCL)

EUCL

The core business of the Company is generation, 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.

EDCL

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

Results

	Company			Consolidated
For year ended 30 June	2017 Rwf	2016 Rwf	2017 Rwf	2016 Rwf
(Loss)/Profit	(1,586,124,983)	(179,784,852)	(10,906,475,348)	1,690,508,349

Reserves

The reserves of the institution are stated on pages 10.

Directors

The directors who served during the year and to the date of this report are as shown on page 2.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Rwandan Companies Act requires the directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared on the Accruals basis of accounting as required for Government Business Enterprises under Article 31 of the Financial Regulations established by the Ministerial Order No.002/07 of 9 February 2007 and the requirements of the Rwandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results in accordance with the Accruals basis of accounting. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Ron Weiss
....
Ron WEISS
Chief Executive Officer

....
Robert NYAMVUMBA
Ag Chairperson Board of Directors

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Ernst & Young Rwanda Limited
Certified Public Accountants
M-Peace Plaza, Executive Wing 6th floor
KN 4 Avenue
P.O. Box 3638
Kigali, Rwanda

Tel: +250 788309977 / 250 788303322
Email: info@rw.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RWANDA ENERGY GROUP HOLDING LIMITED

OPINION

We have audited the accompanying consolidated financial statements of Rwanda Energy Group Holding Limited ("the Company") and its subsidiaries (together "the group") which comprise the consolidated statement of financial position as at 30 June 2017 and the consolidated statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, together with the statement of financial position of the company standing alone as at 30 June 2017 and the statements of profit or loss, cash flows and changes in equity of the company for the year ended and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 37.

In our opinion, the financial statements present fairly, in all material respects, the financial position Rwanda Energy Group Holding Limited as at 30 June 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31/05/2017 relating to Companies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical requirements applicable to performing the audit of Rwanda Energy Group Holding Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by Law No. 27/2017 of 31/05/2017 relating to Companies as amended which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by Law No. 27/2017 of 31/05/2017 relating to Companies as amended and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE MEMBERS OF
RWANDA ENERGY GROUP HOLDING LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Law No. 27/2017 of 31/05/2017 as amended relating to companies, we report to you based on our audit that: -

i) We have no relationship, interests and debts in the company;

ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

iii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books;

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Allan Gichuhi
For Ernst & Young Rwanda Limited

08/05/2019

STATEMENT OF PROFIT OR LOSS

For year ended 30 June	Notes	Company 2017 Rwf	Company 2016 Rwf	Consolidated 2017 Rwf	Consolidated 2016 Rwf
Revenue	6	-	-	**84,852,245,449**	**78,104,201,502**
Cost of Sales	7	-	-	(73,749,733,361)	(67,665,381,424)
Gross profit		-	-	**11,102,512,088**	**10,438,820,078**
Grants and subsidies	8	-	-	23,392,854,308	27,542,131,189
Other income	9	13,321,142	-	7,035,950,223	3,813,544,036
Distribution costs	10	-	-	(16,738,635,451)	(9,484,102,750)
Administrative expenses	11	(1,431,262,650)	-	(20,876,631,731)	(15,735,592,428)
Operating profit before interest, tax, depreciation and amortisation		(1,417,941,508)	-	3,916,049,437	16,574,800,125
Depreciation and amortisation	12	(168,183,475)	(179,784,852)	(11,195,362,180)	(11,084,835,997)
Operating (loss)/profit		(1,586,124,983)	(179,784,852)	(7,279,312,743)	5,489,964,128
Interest income	13(a)	-	-	186,268,430	97,729,663
Finance costs	13(b)	-	-	(1,246,960,708)	(2,008,661,225)
(Loss)/profit before income tax		**(1,586,124,983)**	**(179,784,852)**	**(8,340,005,021)**	**3,579,032,566**
Income tax credit/(expense)	14	-	-	(2,566,470,327)	(1,888,524,217)
(Loss)/profit for year		**(1,586,124,983)**	**(179,784,852)**	**(10,906,475,348)**	**1,690,508,349**

The notes on pages 12 to 37 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

		Company		Consolidated	
As at 30 June		**2017**	**2016**	**2017**	**2016**
ASSETS	**Notes**	**Rwf**	**Rwf**	**Rwf**	**Rwf**
Non-current assets					
Plant and equipment	15	7,488,867,677	7,657,051,152	447,934,418,356	374,520,092,867
Concession intangible asset	16	-	-	73,006,132,934	77,300,611,343
Intangible assets	17	-	-	1,274,661,953	1,181,514,038
Investment in EUCL		55,733,051,430	55,733,051,430	-	-
Investment in EDCL		1,500,000	1,500,000		-
		63,223,419,107	63,391,602,582	522,215,213,243	453,002,218,248
Current assets					
Concession intangible asset	16	-	-	4,294,478,409	4,294,478,409
Inventory	18	-	-	18,565,338,367	14,653,715,243
Trade and other receivables	19	-	-	15,173,656,497	14,088,487,107
Bank and cash balances	20	-	-	23,771,461,802	23,321,096,432
		-	-	61,804,935,075	56,357,777,191
Total assets		63,223,419,107	63,391,602,582	584,020,148,318	509,359,995,439
EQUITY AND LIABILITIES					
Equity					
Share capital	21	3,000,000	3,000,000	3,000,000	3,000,000
Retained earnings		(1,942,535,322)	(356,410,339)	(8,674,378,829)	2,232,096,519
Re-organisation reserve	28	62,937,358,702	62,937,358,702	62,937,358,702	62,937,358,702
		60,997,823,380	62,583,948,363	54,265,979,873	65,172,455,221
Non-current liabilities					
Concession intangible obligation	22(a)	-	-	73,006,132,935	77,300,611,343
Deferred income tax liability	23	-	-	30,561,668,350	27,995,198,023
Grants	24	-	-	311,999,298,328	266,859,258,661
Borrowings	25	-	-	59,173,642,362	29,328,911,615
Amounts due to related parties	26	1,842,125,042	807,654,219	-	400,000,000
Total non-current liabilities		1,842,125,042	807,654,219	474,740,741,975	401,883,979,642
Current liabilities					
Concession intangible obligatioı	22(b)	-	-	4,294,478,409	4,294,478,409
Trade and other payables	27	383,470,685	-	50,718,948,061	38,009,082,168
		383,470,685	-	55,013,426,470	42,303,560,577
Total Equity and Liabilities		63,223,419,107	63,391,602,582	584,020,148,318	509,359,995,439

The notes on pages 12 to 37 are an integral part of these financial statements

The separate and consolidated financial statements of Rwanda Energy Group limited as set out on pages 8 to 37 were approved by the Board of Directors on 2 May 2019 and signed on its behalf by:

Ron Weiss
....
Ron WEISS
Chief Executive Officer

....
Robert NYAMVUMBA
Ag Chairperson Board of Directors

STATEMENT OF CHANGES IN EQUITY

Company	Share capital	Retained earnings	Reorganization reserves	Total
	Rwf	Rwf	Rwf	Rwf
At 1 July 2015	7,252,807,272	39,813,124,513	-	-
Reorganization adjustments	(7,249,807,272)	(40,001,500,000)	62,937,358,702	62,984,358,702
Prior period adjustment	-	11,750,000	(47,000,000)	(47,000,000)
Loss for the year	-	(179,784,852)	-	-
At 30 June 2016	3,000,000	(356,410,339)	62,937,358,702	62,536,948,363
Year ended 30 June 2016				
At start of year	3,000,000	(356,410,339)	62,937,358,702	62,583,948,363
Loss for the year	-	(1,586,124,983)	-	(1,586,124,983)
At 30 June 2017	3,000,000	(1,942,535,322)	62,937,358,702	60,997,823,380
Consolidated				
At 1 July 2015	7,252,807,272	40,531,338,170	15,733,051,430	63,517,196,872
Reorganisation adjustments	(7,249,807,272)	(40,001,500,000)	47,251,307,272	-
Prior period adjustment	-	11,750,000	(47,000,000)	(35,250,000)
Profit/(loss) for the year	-	1,690,508,349	-	1,690,508,349
At 30 June 2016	3,000,000	2,232,096,519	62,937,358,702	65,172,455,221
At 1 July 2016	3,000,000	2,232,096,519	62,937,358,702	65,172,455,221
Profit/(loss) for the year	-	(10,906,475,348)	-	(10,906,475,348)
At 30 June 2017	3,000,000	(8,674,378,829)	62,937,358,702	54,265,979,873

The notes on pages 12 to 37 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

		Company		Consolidated	
For year ended 30 June		2017	2016	2017	2016
		Rwf	Rwf	Rwf	Rwf
Cash flows from operating activities					
(Loss)/profit before income tax		(1,586,124,983)	(179,784,852)	(8,340,005,020)	3,579,032,566
Adjustments for:				-	-
Depreciation	12	168,183,475	179,784,852	10,930,918,138	10,820,571,356
Loss on disposal		-	-	-	109,128,294
Impairment of plant and machinery	15	-	-	653,484,232	-
(Decrease)/increase in provision		383,470,685		(238,914,359)	568,874,982
Increase in allowance for bad and doubtful debts		-	-	839,476,398	217,183,008
Realised grants		-	-	(5,744,843,841)	(6,044,198,980)
Amortisation of intangible assets	12	-	-	264,444,041	264,264,641
Interest income		-	-	(186,268,430)	(85,022,108)
Cash flows before working capital movements		(1,034,470,823)	-	(1,821,708,840)	9,429,833,759
Changes in:					
- Inventories	18	-	-	(1,976,964,737)	1,174,928,755
- Trade and other receivables	19	-	-	(1,924,645,083)	(3,142,036,264)
- Trade and other payables	26	-	-	15,306,151,836	(5,859,901,743)
- Related parties	25(b)i	1,034,470,823	-	(3,550,510,709)	(649,960,939)
- Grants		-	-	-	824,315,575
Cash generated from operations		-	-	6,032,322,467	1,777,179,143
Interest received		-	-	186,268,430	85,022,108
Net cash generated from operating activities		-	-	**6,218,590,897**	**1,862,201,251**
Cash flows from investing activities					
Amounts due from related parties	25(b)i	-	-	(1,174,655,765)	779,388,318
Proceeds on disposals		-	-	-	20,459,425,340
Purchase of software	17	-	-	-	(62,931,666)
Purchase of property and equipment		-	-	(85,356,319,813)	(93,386,844,054)
Net cash used investing activities		-	-	**(86,530,975,578)**	**(72,210,962,062)**
Cash flows from financing activities					
Proceeds/(repayment) loan facilities		-	-	29,844,730,747	(402,073,282)
Grants received	24	-	-	49,572,610,164	80,507,748,010
Proceeds from related party borrowings		-	-	1,345,409,142	-

		Company		Consolidated	
For year ended 30 June		2017	2016	2017	2016
		Rwf	Rwf	Rwf	Rwf
Net cash used Financing activities		-	-	80,762,750,053	80,105,674,728
Net cash used Financing activities		-	-	**(86,530,975,578)**	**(72,210,962,062)**
Net cash in/(out) flow for the period		-	-	**450,365,371**	**9,756,913,917**
Cash and cash equivalents					
At beginning of year		-	-	23,321,096,431	13,564,182,514
At end of the year	20			**23,771,461,802**	**23,321,096,431**

The notes on pages 12 to 37 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 General information

"The Rwanda Energy Group Ltd (REG) is a private company domiciled in the Republic of Rwanda and wholly owned by Government. It was established in August 2014 and has two subsidiary companies Energy Utility Corporation Ltd (EUCL) and Energy Development Corporation Limited (EDCL) It was formed after desolution 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 managing the subsidiaries namely Energy Utility Corporation Ltd (EUCL) and Energy Development Corporation Limited (EDCL)
EUCL
The core business of the Company is generation, 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.
EDCL
The core business of the Company is development of energy projects funded by the Government and other partners.

The address of the Company's registered office is as follows:

Rwanda Energy Group Ltd (REG)
KN82 ST 3, Nyarugenge District, Kigali City,
P.O.Box. 537 Kigali, Rwanda."

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

3 Summary of significant accounting policies (Continued)

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) Foreign currency transactions and balances

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 (Rwf) 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.

3 Summary of significant accounting policies (Continued)

c) Revenue recognition (Continued)

- 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.

- Penalties
  Relates to penalties charged to customers and is recognised upon billing of customer or default of the contract.

- Other sundry income
  This relates to connection fees charged by EUCL on behalf of EARP project. Revenue is recognised once EUCL acknowledges the amount charged on behalf of EARP.

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.

3 Summary of significant accounting policies (Continued)

d). Plant and equipment

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%
Laboratory Equipment - 25%

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;

3 Summary of significant accounting policies (Continued)

e) Service concession agreement (Continued)

- 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 cashflows 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.

3 Summary of significant accounting policies (Continued)

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

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

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 a 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."

3 Summary of significant accounting policies (Continued)

m) Income tax

i) 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.

ii) 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 recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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.

3 Summary of significant accounting policies (Continued)

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.

3 Summary of significant accounting policies (Continued)

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

(i) Changes in accounting policy and disclosures

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

The following amendments did not have an impact on the company

1. IFRS 7 Financial Instruments: Disclosures - Servicing contracts
2. IAS 19 Employee Benefits: Discount rate - regional market issue
3. IFRS 14 Regulatory Deferral Accounts
4. IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
5. IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
6. IAS 27: Equity Method in Separate Financial Statements
7. IAS 34 Interim Financial Reporting
8. IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
9. IAS 1 Disclosure Initiative
10. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Assets (or disposal groups)
11. Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
12. IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

(ii) Standards issued but not yet effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

3 Summary of significant accounting policies (Continued)

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

IFRS 9 Financial Instruments (Continued)

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in listed companies are intended to be held for the foreseeable future. The Company expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Company were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss. Premiums outstanding and other receivable balances are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9. The Company will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year.

Early adoption is permitted. The Company plans to adopt the new standard on the required effective date. The Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments. The Company does not expect a significant impact on its balance sheet on the adoption of IFRS 15.

3 Summary of significant accounting policies (Continued)

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

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a Company's debt. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact.

IFRS 16 Leases

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.
- The lease expense recognition pattern for lessees will generally be accelerated as compared to today.

3 Summary of significant accounting policies (Continued)

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

IFRS 16 Leases

Key statement of financial position metrics such as leverage and finance ratios, debt covenants and statement of comprehensive income metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the statement of cash flow for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Company is in the process assessing the potential effect of IFRS 16 and will report on 2017 financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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.

4 Critical accounting estimates and judgements

Key sources of estimation uncertainty
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 analyzed 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.

5 Financial risk management objectives and policies (Continued)

a) Credit risk (Continued)

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:

Consolidated	Neither past due nor impaired	Past due not impaired	Impaired	
		Over 60 days	Over 365 days	Total
	Rwf	Rwf	Rwf	Rwf
At 30 June 2017				
Trade receivables	5,148,815,934	5,948,047,507	17,543,634,824	28,640,498,265
Other receivables	3,817,309,930	-	-	3,817,309,930
Bank balances	23,758,750,289	-	-	23,758,750,289
Amounts due from related parties	13,275,342,797	807,654,219	-	14,082,997,016
	46,000,218,950	6,755,701,726	17,543,634,824	70,299,555,500

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.

5 Financial risk management objectives and policies (Continued)

c) Liquidity risk (Continued)

The Board performs cash flow forecasting and monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

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:

Company	Less than 1 year Rwf	Between 1 and 2 years Rwf	Between 2 and 5 years Rwf	Over 5 years Rwf	Total Rwf
At 30 June 2017					
Trade payables					
Other payables and provisions	383,470,685				383,470,685
Amount due to related parties	1,034,470,823	807,654,219			1,842,125,042
	1,417,941,508	807,654,219	-	-	2,225,595,727
At 30 June 2016					
Trade payables	-	-	-	-	-
Other payables and provisions	-	-	-	-	-
Amount due to related parties	807,654,219	-	-	-	807,654,219
	807,654,219	-	-	-	807,654,219

Consolidated	Less than 1 year Rwf	Between 1 and 2 years Rwf	Between 2 and 5 years Rwf	Over 5 years Rwf	Total Rwf
At 30 June 2017					
Trade payables	43,071,855,418	-	-	-	43,071,855,418
Other payables and provisions	8,226,548,244	-	-	-	8,226,548,244
Amount due to related parties	5,554,535,730	3,207,654,219	5,334,127,505	-	14,096,317,454
	56,852,939,392	3,207,654,219	5,334,127,505	-	65,394,721,116
At 30 June 2016					
Trade payables	34,065,361,882	-	-	-	34,065,361,882
Other payables and provisions	2,697,477,201	-	-	-	2,697,477,201
Amount due to related parties	3,207,654,219	2,400,000,000	7,200,000,000	34,127,505	13,341,781,724
	39,970,493,302	2,400,000,000	7,200,000,000	534,127,505	50,104,620,807

	For year ended 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
6	**Revenue**				
	Sales of electricity - external			84,584,893,572	77,758,421,700
	Sale of electricity - internal			267,351,877	345,779,802
		-	-	84,852,245,449	78,104,201,502
7	**Cost of sales**				
	Purchase of electricity			49,602,682,067	32,221,731,386
	Fuel and lubricating oils			21,515,894,783	30,182,764,654
	Repairs and maintenance - generation			2,631,156,511	5,260,885,384
		-	-	73,749,733,361	67,665,381,424
8	**Grants and subsidies**				
	Subsidies received GoR & EUCL			16,961,077,293	22,711,049,737
	Subsidies received Donors			2,128,223,623	2,104,688,114
	Inter-entity transfer (Budget agencies)			-	302,446,455
	Contribution to private power projects			(1,747,587,499)	(4,078,412,458)
	Realised grants			6,051,140,890	6,502,359,341
		-	-	23,392,854,308	27,542,131,189
9	**Other income**				
	Revenue from works			3,127,208,538	1,254,218,862
	Rental income	13,321,142		13,321,142	-
	Other income			-	107,370,297
	Dark fibre revenue			559,511,669	384,034,188
	Connections and other non-energy sales			3,335,908,874	2,067,920,689
		13,321,142	-	7,035,950,223	3,813,544,036
10	**Distribution costs**				
	Electricity and connection works - internal			4,361,642,721	2,973,791,723
	Commissions			1,595,413,708	2,634,286,725
	Repairs and maintenance			8,353,404,552	3,531,316,501
	Impairment of property plant and equipment			653,484,232	-
	Motor vehicle running expenses			538,778,494	344,707,801
	Consumables - distribution			-	-
	Temporal manpower			-	-
	Provision for bad and doubtful debts			1,235,911,744	-
		-	-	16,738,635,451	9,484,102,750

	For year ended 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
11	**Administrative expenses**				
	Salaries and other related costs	858,561,172	-	10,331,330,172	8,500,854,390
	Consultancy and professional fees	117,224,341	-	3,936,229,212	3,762,266,120
	Insurance	-	-	577,641,269	375,709,017
	Office Supplies	2,325,000	-	1,262,665,227	128,392,668
	Telephone charges	-	-	439,250,623	336,695,657
	Mission and travelling	-	-	791,526,016	520,345,029
	Licence and other taxes	-	-	232,402,962	363,886,655
	Security expenses	-	-	231,196,423	192,577,437
	Support to EDCL	-	-	-	-
	Advertising and promotions	22,551,390	-	324,096,557	174,917,947
	Refreshment and reception expenses	1,315,678	-	171,674,322	185,285,991
	Audit fees	-	-	-	-
	Legal fees and damages	383,470,685	-	451,414,674	68,330,195
	Rents and rates	-	-	592,513,785	302,411,834
	Repairs and maintenance	-	-	305,749,474	130,392,174
	Participations and contributions	-	-	108,867,362	49,424,325
	Loss on disposal of assets	-	-	-	109,128,305
	Cleaning expenses	-	-	59,252,612	47,752,886
	Board and ITC meeting fees	45,814,384	-	54,414,376	13,223,270
	Bank Charges and commissions	-	-	125,841,753	163,723,029
	Donations and charity	-	-	64,824,418	7,421,500
	Postage & Courier	-	-	1,860,754	1,797,448
	Public Relations & Awareness	-	-	96,962,771	81,637,660
	Fuel & Lubricants	-	-	34,357,461	40,110,134
	Utilities - Water & Electricity	-	-	594,477,728	10,765,268
	Training and related costs	-	-	46,907,110	167,511,561
	Other use of goods & services	-	-	21,649,504	1,031,929
	Clothing & Uniforms	-	-	19,525,166	-
		1,431,262,650	-	**20,876,631,731**	**15,735,592,428**
12	**Depreciation and amortisation**				
	Depreciation of assets	168,183,475	179,784,852	10,930,918,139	10,820,571,356
	Amortisation of intangible assets			264,444,041	264,264,641
		168,183,475	**179,784,852**	**11,195,362,180**	**11,084,835,997**
13	**Interest income and finance costs**				
(a)	Interest income				
	Bank interest income			186,268,430	97,729,663
(b)	Finance costs				
	Interest on loans			-	-
	Exchange losses			1,246,960,708	2,008,661,225
		-	-	1,246,960,708	2,008,661,225

For year ended 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
14 Income tax expense				
Current income tax			-	-
Deferred income tax			-	-
Deferred tax Credit/(Charge) for the year			1,944,473,732	-
adjustment on reclassification of assets			(4,510,944,059)	1,888,524,217
	-	-	(2,566,470,327)	1,888,524,217

15. PROPERTY PLANT AND EQUIPMENT MOVEMENT SCHEDULE

For year ended 30 June 2017 (Company)	Land	Buildings	Motor vehicles	Furniture and fittings	Computer equipment	Assets under construction	Total
	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf
Cost/Valuation							
At 1 July 2016	4,399,555,082	3,512,265,908	23,800,000	20,829,821	23,668,679	33,342,001	8,013,461,491
Additions	-	-	-	-	-	-	-
Capitalisation of WIP							-
At 30 June 2017	**4,399,555,082**	**3,512,265,908**	**23,800,000**	**20,829,821**	**23,668,679**	**33,342,001**	**8,013,461,491**
Depreciation							
At 1 July 2016	-	328,408,952	10,412,500	4,881,989	12,706,898	-	356,410,339
Charge for the year		159,192,848	3,346,875	1,993,479	3,650,273		168,183,475
At 30 June 2017	-	**487,601,800**	**13,759,375**	**6,875,468**	**16,357,171**	-	**524,593,814**
Net Book Value							
At 30 June 2017	**4,399,555,082**	**3,024,664,108**	**10,040,625**	**13,954,353**	**7,311,508**	**33,342,001**	**7,488,867,677**

For year ended 30 June 2016 (Company)	Land	Buildings	Motor vehicles	Furniture and fittings	Computer equipment	Assets under construction	Total
	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf
Cost/Valuation							
At 1 July 2015	3,889,382,082	3,216,750,689	70,800,000	20,829,821	21,702,679	33,342,001	7,252,807,272
Additions	510,173,000	295,515,219			1,966,000		807,654,219
Transfer/Disposal			-47,000,000				-47,000,000
At 30 June 2016	**4,399,555,082**	**3,512,265,908**	**23,800,000**	**20,829,821**	**23,668,679**	**33,342,001**	**8,013,461,491**
Depreciation							
At 1 July 2015		160,837,534	17,700,000	2,603,727	7,234,226		188,375,487
Transfer/Disposal			-11,750,000				-11,750,000
Charge for the year		167,571,418	4,462,500	2,278,262	5,472,672		179,784,852
Impairment Loss							-
At 30 June 2016	-	328,408,952	10,412,500	4,881,989	12,706,898	-	356,410,339
Net Book Value							
At 30 June 2016	**4,399,555,082**	**3,183,856,956**	**13,387,500**	**15,947,832**	**10,961,781**	**33,342,001**	**7,657,051,152**

15. PROPERTY PLANT AND EQUIPMENT MOVEMENT SCHEDULE (CONTINUED)

For year ended 30 June 2017 (Consolidated)	Land	Buildings	Transmission assets	Distribution assets	Motor vehicles	Furniture and fittings	Computer equipment	Laboratory equipment	Assets under construction	Total
	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf
Cost/Valuation										
At 1 July 2016	4,399,555,082	3,512,265,908	83,461,872,228	124,435,060,581	5,350,249,366	922,829,033	885,805,789	127,212,870	172,564,120,019	395,658,970,876
Adjustments	-	-	-	-	(374,559,636)	(848,856)	4,525,407	-	-	(370,883,085)
Additions	-	-	-	732,711,588	1,335,228,955	374,548,397	1,337,560,589	-	81,589,561,414	85,369,610,943
Capitalisation of WIP	-	-	-	204,277,819	-	-	-	-	(204,277,819)	-
At 30 June 2017	4,399,555,082	3,512,265,908	83,461,872,228	125,372,049,988	6,310,918,685	1,296,528,574	2,227,891,785	127,212,870	253,949,403,614	480,657,698,734
Depreciation										
At 1 July 2016	-	328,408,952	7,153,551,876	10,776,322,068	2,122,566,721	200,353,504	462,585,824	95,089,063	-	21,138,878,008
Charge for the year	-	159,192,848	3,815,419,352	5,703,698,641	831,382,125	113,706,852	299,487,369	8,030,953	-	10,930,918,139
Impairment Loss	-	-	462,166,526	138,420,278	-	34,858,019	18,039,409	-	-	653,484,232
At 30 June 2017	-	487,601,800	11,431,137,754	16,618,440,987	2,953,948,846	348,918,374	780,112,602	103,120,016	-	32,723,280,379
Net Book Value										
At 30 June 2017	4,399,555,082	3,024,664,108	72,030,734,474	108,753,609,001	3,356,969,839	947,610,200	1,447,779,183	24,092,854	253,949,403,614	447,934,418,356

15. PROPERTY PLANT AND EQUIPMENT MOVEMENT SCHEDULE (CONTINUED)

For year ended 30 June 2016 (Consolidated)	Land	Buildings	Transmission assets	Distribution assets	Motor vehicles	Furniture and fittings	Computer equipment	Laboratory equipment	Assets under construction	Total
	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf
Cost/Valuation										
At 1 July 2015	3,889,382,082	3,216,750,689	75,491,170,506	111,128,177,298	5,117,543,138	886,166,111	840,524,304	127,212,870	101,282,142,829	301,979,069,827
Additions	510,173,000	295,515,219	8,264,599	310,909,236	547,206,228	36,662,922	45,281,485	-	92,377,469,958	94,131,482,647
Transfer/Disposal	-	-	7,483,152,092	12,884,776,553	(314,500,000)	-	-	-	(20,505,010,243)	(451,581,598)
At 30 June 2016	4,399,555,082	3,512,265,908	82,982,587,197	124,323,863,087	5,350,249,366	922,829,033	885,805,789	127,212,870	173,154,602,544	395,658,970,876
Depreciation										
At 1 July 2015	-	160,837,534	3,359,490,126	5,154,854,805	1,277,299,235	100,353,801	259,715,039	84,381,124	-	10,396,931,664
Transfer/Disposal	-	-	-	-	-78,625,012	-	-	-	-	-78,625,012
Charge for the year	-	167,571,418	3,794,061,750	5,621,467,263	923,892,498	99,999,703	202,870,786	10,707,939	-	10,820,571,357
Impairment Loss	-	-	-	-	-	-	-	-	-	-
At 30 June 2016	-	328,408,952	7,153,551,876	10,776,322,068	2,122,566,721	200,353,504	462,585,825	95,089,063	-	21,138,878,009
Net Book Value										
At 30 June 2016	4,399,555,082	3,183,856,956	75,829,035,321	113,547,541,019	3,227,682,645	722,475,530	423,219,964	32,123,807	173,154,602,544	374,520,092,867

As at 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
16 Concession intangible assets				
At beginning of year			81,595,089,752	85,889,568,161
Amortisation			(4,294,478,409)	(4,294,478,409)
At end of year	-	-	77,300,611,343	81,595,089,752
Maturity analysis of the concession intangible asset				
Current			4,294,478,409	4,294,478,409
Non-current	-	-	73,006,132,934	77,300,611,343
Non-current portion of financial asset				
The financial asset is recoverable as analysed below:				
Between one and two years			4,294,478,409	4,294,478,409
Between two and three years			4,294,478,409	4,294,478,409
Between three and four years			4,294,478,409	4,294,478,409
Between four and five years			4,294,478,409	4,294,478,409
After five years			55,828,219,298	60,122,697,707
	-	-	73,006,132,934	77,300,611,343

The PMO article 5 on transfer from public domain to private domain stated power plants shall remain property of the Government but shall be managed by the companies through concession agreements with the Government. Several power plants were concessioned to other parties and the residual ones are under the management of the Company. The concessioned power plants have been treated as concessioned intangible assets from the beginning of the period until the concession agrements are concluded. An intangible asset equal to the carrying amount of the power plants is recognized. The power plants recorded as concession intangible asset are as follows

	As at 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
	Nyabarongo Hydro Power Plant			58,011,648,107	61,234,517,447
	Jabana II Thermal Power Plant			5,842,470,875	6,167,052,590
	Mukungwa I Hydro Power Plant			4,196,719,986	4,429,871,097
	Ntaruka Hydro Power Plant			4,014,684,288	4,237,722,304
	Jabana I Thermal Power Plant			3,676,384,701	3,880,628,296
	Nshili Micro Hydro Power Plant			567,610,124	599,144,019
	Nyabahanga Micro Hydro Power Plant			512,492,344	540,964,141
	Gatsata Thermal Power Plant			478,600,918	505,189,858
	Total	-	-	**77,300,611,343**	**81,595,089,752**
17	**Intangible assets**				
	At beginning of year			1,181,514,039	1,382,847,013
	Additions			357,591,955	62,931,666
	Amortisation			(264,444,041)	(264,264,641)
	At end of year	-	-	**1,274,661,953**	**1,181,514,038**
18	**Inventory**				
	Inventories comprise the following items:				
	Generation and other network materials			17,604,212,494	13,425,221,976
	Fuel and lubricating oils			487,706,953	1,034,207,362
	Other stock items			548,881,926	892,133,955
		-	-	18,640,801,374	15,351,563,293
	Less : Provision for obsolete stock			(75,463,006)	(697,848,050)
		-	-	**18,565,338,367**	**14,653,715,243**
19	**Trade and other receivables**				
	Trade receivables			28,640,498,267	27,190,654,505
	Less: Provision for bad and doubtful debts			(17,543,634,824)	(15,040,486,218)
	Net trade receivables			11,096,863,442	12,150,168,287
	Other receivables			1,267,627,035	1,149,977,729
	Prepayments/Letter of credit			2,809,166,019	788,341,091
		-	-	**15,173,656,497**	**14,088,487,107**
20	**Bank and cash balances**				
	Cash at bank			23,758,434,002	23,313,636,005
	Cash in hand			13,027,800	7,460,427
		-	-	**23,771,461,802**	**23,321,096,432**
21	**Share capital**				
	Share capital	3,000,000	3,000,000	3,000,000	3,000,000

	As at 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
22	**Concession obligation**				
	At beginning of year			81,595,089,752	85,889,568,161
	Amortisation			(4,294,478,409)	(4,294,478,409)
	At the end of year	-	-	77,300,611,343	81,595,089,752
	Maturity analysis of the financial asset				
	Outstanding financial asset			77,300,611,343	81,595,089,752
(a)	**Concession financial asset: Current portion**			(4,294,478,409)	(4,294,478,409)
		-	-	73,006,132,934	77,300,611,343
(b)	**Non-current portion of the obligation**				
	Maturity of concession obligation:				
	Between one and two years			4,294,478,409	4,294,478,409
	Between two and three years			4,294,478,409	4,294,478,409
	Between three and four years			4,294,478,409	4,294,478,409
	Between four and five years			4,294,478,409	4,294,478,409
	After five years			55,828,219,298	60,122,697,707
		-	-	73,006,132,934	77,300,611,343
23	**Deferred income tax liability**				
	At beginning of year			27,995,198,023	26,106,673,807
	Credit /charge to income statement			2,566,470,327	1,888,524,216
	At end of year	-	-	30,561,668,350	27,995,198,023

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

23. Deferred income tax liability

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

	Note	2017 Rwf	2016 Rwf
At beginning of year	14	27,995,198,023	26,106,673,807
Charge/(credit) to statement of comprehensive income		2,566,470,327	1,888,524,216
At end of year		30,561,668,350	27,995,198,023

The net deferred income tax credit in the statement of comprehensive income (SOCI), are attributable to the following items:

As at 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
24 Grants				
Source of funds				
EDCL Internal Projects			78,815,747,320	49,881,025,488
Interconnection Project			59,083,116,298	49,886,469,608
Electricity Access scale-up and sector wide approach development project (EASSDP)			42,854,639,070	37,301,452,006
Lake Kivu Monitoring Project (LKMP)			1,553,888,523	1,340,852,679
Three Hydroelectric Power Plants Rehabilitation Project Mukungwa, Gihira and Gisenyi (R3CHE)			4,402,664,329	4,202,849,529
Increase Rural Energy Access through Public Private Partnership (IREAPPP)			461,462,323	461,395,323
National Domestic Biogas Program (NDBP)			95,994,742	124,828,642
Scaling-Up Energy Access Project(SEAP)			5,795,483,315	4,505,408,818
Sustainable Energy Development Project (SEDP)			1,512,890,955	1,056,963,058
Dutch Fund (DF)			5,313,514,551	5,312,868,822
BE1-EARP Project			3,522,011,043	454,484,868
BE2-EARP Project			866,932,276	179,080,073
Agence Francaise de Development (AFD)			1,036,489,554	1,034,545,220
Regional Rusumo Falls Hydropower Project-Rwanda Component			-	-
Grants awarded to former EWSA			42,274,128,619	42,274,128,619
Electricity Access Rollout Program (EARP)			64,410,335,410	68,842,905,907
	-	-	311,999,298,328	266,859,258,661
25 Borrowings				
Bank of Kigali - Peat to Power Project			19,795,245,604	18,722,811,681
Borrowings from development partners			39,378,396,758	10,606,099,934
	-	-	**59,173,642,362**	**29,328,911,615**

As at 30 June	Company 2017 Rwf	2016 Rwf	Consolidated 2017 Rwf	2016 Rwf
26 Amounts due to related parties				
(a) Amounts advanced from EUCL	1,842,125,042	807,654,219	-	-
Amounts collected on behalf of EDCL			-	400,000,000
	1,842,125,042	807,654,219	-	400,000,000
i Current portion			-	-
ii Long term portion	1,842,125,042	807,654,219	-	400,000,000
27 Trade and other payables				
Trade payables			43,071,855,418	34,065,361,882
Other payables			4,863,320,931	3,323,393,351
General provisions	383,470,685		2,783,771,712	620,326,936
Accruals			-	-
	383,470,685	-	50,718,948,061	38,009,082,168
28 Re-organisation reserve				
Balance at year end	62,937,358,702	62,937,358,702	62,937,358,702	62,937,358,702