Office of the Auditor General of Rwanda

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Energy Development Corporation Limited (EDCL)

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 Background of the institution

Energy Development Corporation Limited (EDCL) is a private company domiciled in the Republic of Rwanda and wholly owned by the Government of Rwanda. It was established in August 2014 as a subsidiary of Rwanda Energy Group (REG) that was formed after dissolution of the Energy, Water and Sanitation Authority (EWSA) through Prime Minister's Order N° 87/03 of 16 August 2014 determining modalities of transfer of responsibilities and property of Energy, Water and Sanitation Authority (EWSA). The core business of the company is development of energy projects funded by Government and other partners.

1.2 Mandate of the EDCL (Principal activities)

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

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

EDCL core activities comprise of generation, transmission and distribution of electricity across Rwanda through construction of various power plants and electrical lines. Once each project is completed, it is transferred to Energy Utility Corporation Limited (EUCL) a sister company which is also a subsidiary of REG.

EDCL through the Managing Director is responsible for executing the following activities;

1. Interpret Government Policy and Strategic Guidance from REG Holding to develop appropriate Business Plan, Budgets and requisite implementation work plans;
2. Contribute to the development and maintenance of the Least Cost Energy Development plan in line with Government Policy and strategic objectives;
3. Propose commercial strategies for the involvement of the private sector in the exploitation of indigenous resources, and development of other energy projects;
4. Direct the Electricity Access Roll-out Program, establishing an implementation plan and strategy in line with the overall sector strategy;
5. Develop procedures and adequate capacity in the planning and investment unit to deal with project financial models, tariffs and related costs associated with new project development;
6. Liaise with EUCL to establish network development procedures aimed at achieving systematic and coordinated Electricity Access and roll-out program through an optimized grid;
7. Undertake economic and technical studies needed for the development of the infrastructure required for new electric power plants, transmission network, Oil and Gas infrastructure,

primary energy resources development and social energy projects in compliance with the relevant legal and regulatory framework and the overall Government policy.

8. Establish appropriate project and contract management policies and procedures to ensure timeliness and cost efficiency in implementation and commissioning of new Power Plants and associated transmission infrastructure and delivery of energy to appropriate distribution nodes efficiently
9. Ensure the timely development of Oil and Gas infrastructures to guarantee strategic reserves and a coordinated conversion of associated resources to viable energy solutions
10. Advise on the development of social energy projects. (i.e. National Bio Digester Development Program, off-grid energy solutions, solar water heating, efficient stoves)
11. Initiate and implement appropriate policies and procedures that attract, develop, motivate and retain competent staff and effective succession planning.
12. Establish policies and procedures for appropriate reporting for internal and external purposes with respect to project plans, implementation and financial implications thereof

- **Vision of the entity**

To be the leading regional provider of innovative and sustainable energy solutions for national development

- **Mission of the entity**

Developing and providing reliable and affordable energy while creating value for its stakeholders

1.3 Key achievements of the entity for the year ended 30 June 2022

S/N	Targets for the year	Achievements for the year
1	**Outcome 1.** Increased electricity generation: installed capacity from 238.368 MW to 292.368 MW by June 2022	Total installed capacity is 276.068 MW from 238.368 MW of last year (2020-2021)
2	**Outcome 2.** Improved power transmission and distribution network for reliability of power supply	The length of Kms of high voltage lines (220 and/ or 110kV) is currently 973.14Km after commissioning of 28.75Km of 110kV Mukungwa-Nyabihu transmission line and the related substations
3	**Outcome 3.** Increased access to electricity from 65% to 70% by end June 2022	Access Rate Increased from 65% to 72% by June 2022
4	**Outcome 4.** Enhanced Energy use Efficiency : Reduction of Biomass use from 79% to 73%	Biomass use reduced from 79% to 77.7%
5	**Outcome 5.** Rental fees paid for fuel strategic stock storage facility and buffer zone created by June 2022	The petroleum strategic reserves stand at 112 million litres of oil storage capacity against 198 million litres targeted in 2024.

1.4 Organizational Structure

Board of Directors

The Board of Directors served during the year ended 30 June 2022 and to the date of this report were as follows:

N°	Name of Board member	Responsibility	Service period
1	Dr. Didacienne MUKANYIRIGIRA	Chairperson	From 14/12/2020
2	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

The management who held the office during the year ended 30 June 2022 and to the date of this report were as follows:

No.	Name	Position
1	Felix GAKUBA	Managing Director
2	Steven GAHAMANYI	Director of Finance
3	UWERA RUTAGARAMA	Director of Primary and Social Energies Development
4	Frederick KAZUNGU	Director of Engineering Procurement Construction
5	Theoneste HIGANIRO	Director of Generation and Transmission
6	Esdras RUGIRA	Ag Director of Planning
8	Benon TALEMWA	Director of Project Coordination Unit
9	Rachel UMUTONI	Head of Finance
11	Joseph MUTANGANA	Head of Company financial reporting
12	RUHIGURA Jackson	Head of Human Resources
13	Vincent BAHINGANA	Head of Human Resources
14	Vincent BAHINGANA	Head of Logistics
15	Renatus MUGISHA	Financial Controller
16	Ernest NDAYISABA	Manager Budgeting and Project Reporting

2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements that give a true and fair view of EDCL 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 **11 to 43**, in accordance with International Financial Reporting Standards and in the manner required by the provisions of the Law N°17/2018 of 13/04/2018 Governing 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 EDCL 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 EDCL for the year ended 30 June 2022 give a true and fair view of the state of financial affairs of EDCL. 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 EDCL.

Approval of the financial statements

The financial statements of EDCL for the year ended 30 June 2022, on pages **11 to 15** were approved by the Board of Directors and signed on its behalf by:

Digitally signed by EDCL(Managing Director) Date: 2023.01.04 14:49:17 +02'00'	Digitally signed by Ron WEISS (CEO) Date: 2023.01.05 15:09:06 +02'00'	
Felix GAKUBA **Managing Director** **EDCL**	**Ron Weiss** **Chief Executive Officer** **REG**	**Dr. Didacienne** **MUKANYILIGIRA** **Chairperson** **Board of Directors**
Date………………	Date……………………………	Date 07/01/2023

3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

Mr. Felix GAKUBA,
Managing Director

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 EDCL for the year ended 30 June 2022. These financial statements comprise 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. These financial statements are set out on pages **11 to 43.**

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Energy Development Corporation Limited (EDCL) as at **30 June 2022**, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Law N° 17/2018 of 13/04/2018 governing Companies in Rwanda. In addition, proper books of account have been maintained and are in agreement with the financial statements prepared.

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 3.4 of this report. I am independent of EDCL 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 Organization 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.

3.2.1. Emphasis of matter

I draw attention to the following matters in relation to **note 17** and **note 19.2** of the financial statements, regarding tax liabilities and contingent liabilities respectively. My opinion is not modified in respect of these matters.

1. Tax liabilities

EDCL delayed to pay tax liabilities to Rwanda Revenue Authority due to budget constraints. The tax liabilities amounted to **Frw 23,502,526,718**. Accordingly, I recommended EDCL management to liaise with the Ministry of Finance and other relevant stakeholders to find a lasting solution to budget constraint and pay taxes when they fall due. **Refer to section 6.1.**

2. Contingent liability arising from the contractor's claim of price adjustment

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

Both REG-EDCL and KALPATARU having failed on amicable settlement, the case was escalated to the high court which is currently handling the case.

In case REG-EDCL loses the court case, the Government of Rwanda will incur unbudgeted additional costs as a result of price adjustment claim. Consequently, this would negatively affect other national development activities. ***Refer to section 5.2***

3.3. Responsibility of Management and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Law N°17/2018 of 13/04/2018 governing 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, Directors are responsible for assessing the EDCL'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 the operations of EDCL. Those charged with Governance are the Board of Directors and they are responsible for overseeing the Company's financial reporting process.

3.4. 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, 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.

- Obtaining sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the group to express an opinion on the group financial statements.

- The auditor is responsible for the direction, supervision and performance of a group audit.

- The auditor remains solely responsible for the auditor's opinion.

KAMUHIRE Alexis
AUDITOR GENERAL

KIGALI, 16th 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	Year ended 30 June 2022	Year ended 30 June 2021
		Frw	**Frw**
Grant income	3	67,856,538,764	63,453,007,632
Other operating income	4	439,426,160	544,222,740
Total operating income		**68,295,964,924**	**63,997,230,372**
Contribution to private power projects and subsidies	5	(52,176,096,308)	(48,340,918,420)
Administrative expenses	6	(15,680,442,456)	(15,112,089,211)
Operating profit before depreciation and amortization		**439,426,160**	**544,222,741**
Depreciation of assets	7A	(389,548,153)	(492,059,063)
Amortisation of intangibles	7B	(49,878,007)	(52,163,678)
Profit/ Loss before income tax		-	-
Taxation		-	-
Operating profit/ loss for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The notes on pages **16** to **43** 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	8	184,513,793,985	138,727,964,450
Intangible assets	9	194,419,264	244,297,271
Amounts due from related parties	10	1,353,781,871	4,179,012,396
Total non-current assets		**186,061,995,120**	**143,151,274,117**
Current assets			
EUCL receivable	10	1,615,020,545	1,534,125,158
Inventory	11	20,264,520,407	18,311,481,035
Trade and other receivables	12	63,203,396,105	18,622,839,934
Cash and cash equivalents	13	27,682,960,906	14,327,956,234
Total current assets		**112,765,897,963**	**52,796,402,361**
Total assets		**298,827,893,083**	**195,947,676,478**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	1,500,000	1,500,000
Revenue reserves		-	-
Profit/Loss for the year		-	-
Shareholders' interests		**1,500,000**	**1,500,000**
Non-current liabilities			
Grants	15	185,919,808,787	134,538,535,211
Borrowings	16	78,635,821,320	32,832,523,742
Total non-current liabilities		**264,555,630,107**	**167,371,058,953**
Current liabilities			
Trade and other payables	17	34,234,058,461	28,575,117,526
EUCL Payables	18	36,704,515	-
Total current liabilities		**34,270,762,976**	**28,575,117,526**
Total equity and liabilities		**298,827,893,083**	**195,947,676,479**

The notes on pages **16** to **43** form an integral part of these financial statements.

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

Description	Notes	Share capital	Retained earnings	Reorganization reserves	Total
		Frw	Frw	Frw	Frw
Year ended 30 June 2022					
At 1 July 2021	14	1,500,000	-	-	1,500,000
Profit for the year		-	-	-	-
Reallocation to share capital		-	-	-	-
At 30 June 2022		**1,500,000**	**-**	**-**	**1,500,000**

The notes on pages **16** to **43** form an integral part of these financial statements.

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

Description	**Year ended 30 June 2022**	**Year ended 30 June 2021**
	Frw	**Frw**
Profit before income tax	-	-
Adjustments for:		
Depreciation and amortization	389,548,153	492,059,063
Transfer of assets to EUCL	52,212,160,321	71,121,503,503
Transfer of assets to REMA	-	1,614,124,162
Scrapped asset	6,877,951	24,180,547
Accumulated depreciation of asset transferred to REMA	(5,213,384)	(1,155,299,404)
Adjustment in property and equipment	(441,544,940)	-
Adjustment in property and equipment Accumulated Depreciation	442,095,886	-
Amortisation of intangible assets	49,878,007	52,163,678
Changes in:		
-Inventory	(1,953,039,372)	(2,243,912,643)
-Trade and other receivables	(44,580,556,171)	(1,242,944,498)
-Trade and other payables	5,695,645,450	7,222,193,460
-EUCL receivable	(80,895,387)	(119,339,215)
Cash generated from operations	**11,734,956,514**	**75,764,728,653**
Interest received	-	-
Interest paid	-	-
Net cash generated from operating activities (A)	**11,734,956,514**	**75,764,728,653**
Cash flows from investing activities		
Amounts due from related parties	2,825,230,525	2,549,029,786
Purchase of property and equipment	(98,389,753,521)	(90,887,082,976)
Net cash used in investing activities (B)	**(95,564,522,996)**	**(88,338,053,190)**
Cash flows from financing activities		
Proceeds from loan facilities	45,803,297,578	12,977,013,134
Grants received	51,381,273,576	2,472,888,414
Net cash generated from financing activities (C)	**97,184,571,154**	**15,449,901,548**
Net increase in cash and cash equivalents (D=A+B+C)	13,355,004,672	2,876,577,011
Cash and cash equivalents at beginning of the period **(E)**	14,327,956,234	11,451,379,223
Cash and cash equivalents at end of the period (F=D=E)	**27,682,960,906**	**14,327,956,234**

CONSOLIDATED ENTITIES

The following are thirteen (13) consolidated Projects in EDCL financial statements during the year under review:

1. "Banque Arabe pour le Development Economique en Afrique" (BADEA)
2. Electricity Access scale-up and sector wide approach development project (EASSDP)
3. Belgian Contribution to EARP (BE1-EARP)
4. Belgian Contribution to EARP (BE2-EARP)
5. Belgian Contribution to EARP (BE3-EARP)
6. Interconnection of Electrical Grids of Nile Equatorial Lakes Countries Project
7. Regional Rusumo Falls Hydropower Power project Transmission Line component-RUSUMO
8. Scaling Up Energy Access Project (SEAP)
9. Sustainable Energy Development Project (SEDP)
10. Energy Access and Quality Improvement Project (EAQIP)
11. Transmission System Reinforcement and Last Mile Connectivity Project (TSRLMCP)
12. Rwanda Universal Energy Access Project (RUEAP)
13. EDCL Internal projects

The financial statements on pages 11 to 15 were approved by management of EDCL and were signed on its behalf by:

Checked by:	**Joseph MUTANGANA** Head of Company Financial Reporting	Signature	Date
Reviewed by:	**Steven GAHAMANYI** Director of Administration and Finance	Signature	31/12/2022 Date
Approved by:	**Felix GAKUBA** Managing Director	Signature	31/12/2022 Date

ENERGY DEVELOPMENT CORPORATION LTD
EDCL

4.5. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

EDCL is a private company domiciled in the Republic of Rwanda and wholly owned by Government of Rwanda. It was established in August 2014 as a subsidiary of REG that was formed after dissolution of the EWSA through Prime Minister's Order N°87/03 of 16/08/2014.

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

Energy Development Corporation Ltd (EDCL)
Kigali City Tower
P.O. Box. 3855 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. Grant income

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Direct payments from Government of Rwanda	48,507,375,167	51,821,995,734
Grants from Donors	19,349,163,597	11,631,011,898
Total	**67,856,538,764**	**63,453,007,632**

The income above represents the utilised grants from the total amounts received by the company from the Government and Donors.

4. Other operating income

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Realisation of asset grant	439,426,160	544,222,740
Total	**439,426,160**	**544,222,740**

5. Contribution to private power projects and subsidies

Description	12 months to 30 June 2022	12 months to 30 June 2021
	Frw	Frw
Contribution to independent development projects	52,175,851,308	48,335,253,420

Description	12 months to 30 June 2022	12 months to 30 June 2021
General services	245,000	5,665,000
Total	**52,176,096,308**	**48,340,918,420**

6. Administrative expenses

Description	Year ended 30 June 2022	Year ended 30 June 2021
	Frw	Frw
Salary and related costs	5,141,356,034	4,321,401,766
Professional services	3,547,483,937	5,490,804,361
Solar Home Systems	-	245,664,648
Transport & Travel	783,193,553	1,054,369,966
Losses on FCY Transactions	2,266,143,551	246,575,146
Fuel & lubricants	435,071,565	348,089,588
Postage & Courier	529,210	501,330
Office Supplies, Printing & Consumables	167,054,773	715,578,483
Maintenance and Repairs	327,241,991	316,637,785
International Airfares	12,677,505	6,115,000
Telephone and internet	125,590,852	132,978,819
Other use of goods & services	1,209,205,841	1,369,769,449
Public Relations & Awareness	65,807,813	70,643,404
International per Diems	64,066,966	193,185
Bank charges	4,110,591	2,999,493
Security	85,266,403	81,432,822
Utilities - Water & Electricity	45,152,668	56,329,594
Insurance	230,080,507	61,172,498
Staff welfare	6,901,038	9,991,000
Cleaning expenses	18,577,680	19,596,671
Beverages, tea, coffee, etc	55,575,433	49,644,953
Domestic per diems	360,878,488	4,377,857
Rent and rates	694,570,196	502,638,273
Training and related costs	33,905,861	4,583,120
Total	**15,680,442,456**	**15,112,089,211**

7. Depreciation and amortisation

Description	Notes	12 months to 30 June 2022	12 months to 30 June 2021
		Frw	Frw
Depreciation of assets	A	389,548,153	492,059,063
Amortisation of intangible assets	B	49,878,007	52,163,678
Total		**439,426,160**	**544,222,741**

8. Property Plant & Equipment (PPE)

Description	Motor vehicles	Furniture and fittings	Computer equipment	Laboratory Equipment	Assets under construction (WIP)	Total
Rates	**25.00%**	**12.50%**	**33.30%**	**25.00%**	**N/A**	
	Frw	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**
Net Book Value as at 30 June 2021	**968,879,532**	**103,500,811**	**325,817,513**	**43,613,138**	**137,286,153,456**	**138,727,964,450**
Cost/ Valuation						
As of 1 July 2021,	1,604,716,928	132,027,443	832,808,560	127,155,495	137,286,153,456	**139,982,861,882**
Net Additions	302,668,900	108,813,180	127,934,740		97,850,336,702	**98,389,753,522**
Writen off	-	-	(6,877,951)	-	-	**(6,877,951)**
Adjustment				441,544,940		**441,544,940**
Transfer of assets to EUCL 21/22	-	-	-	-	(52,212,160,321)	**(52,212,160,321)**
As of 30 June 2022,	**1,907,385,828**	**240,840,623**	**953,865,349**	**568,700,435**	**182,924,329,837**	**186,595,122,072**
Accumulated depreciation						
As at 1 July 2021	**(635,837,396)**	**(28,526,633)**	**(506,991,047)**	**(83,542,357)**	-	**(1,254,897,432)**
Acc. Dep. for asset written off	-	-	5,213,384	-	-	**5,213,384**
Depreciation charge	(187,349,558)	(18,894,462)	(115,545,764)	(67,758,369)	-	**(389,548,153)**
Adjustment	(219,481,320)	79,262	(8,569,226)	(214,124,602)	-	**(442,095,886)**
As of 30 June 2022,	**(1,042,668,274)**	**(47,341,833)**	**(625,892,653)**	**(365,425,328)**	-	**(2,081,328,088)**
Net Book Value as at 30 June 2022	**864,717,554**	**193,498,790**	**327,972,696**	**203,275,107**	**182,924,329,837**	**184,513,793,984**

9. Intangible assets

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Cost:		
At start of the period	521,636,772	521,636,772
Additions		
At 30 June 2022	**521,636,772**	**521,636,772**
Amortization:		
At start of year	277,339,501	(225,175,900)
Charge for the year	49,878,007	(52,163,678)
At 30 June 2022	**(327,217,508)**	**(277,339,578)**
Net book value		
At 30 June 2022	**194,419,264**	**244,297,271**

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

10. Amount due from related party

The company's related parties include REG and EUCL which are all managed by one Board of Directors. REG is the parent company of both EUCL and EDCL.

The balances due from related parties at year end were:

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Non-current component	1,353,781,871	4,179,012,396
Current component	1,615,020,545	1,534,125,158
Total	**2,968,802,416**	**5,713,137,554**

11. Inventory

Description	Balance as at 30 June 202	Balance as at 30 June 2021
	Frw	Frw
Electrical materials	19,732,338,763	17,896,357,763
Tools	28,085,886	32,449,111
Stationery (Other stock items)	340,146,711	229,553,549
Fuel cards balances	163,949,047	153,120,612
Total	**20,264,520,407**	**18,311,481,035**

12. Trade and other receivables

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Trade receivables	85,083,904,938	41,620,199,098
Intra Government debtors	549,017,977	72,818,190
Provision for doubtful debts	(22,429,526,810)	(23,070,177,354)
Total	**63,203,396,105**	**18,622,839,934**

Included in trade receivables there is amount equivalent to **Frw 27,906,815,649** due from connected customers. In line with the National Strategy for Transformation (NST1) the Government of Rwanda plans to have Universal access to electricity to all Rwandan Households by 2024. To arrive at the desired levels of access to electricity, significant investments into the energy sector should be made. To implement this government policy, every citizen is being connected whether they can buy electricity or not. EDCL is not in control of this possible asset as it does neither manage the connected people nor sell electricity to them. The total amount that are receivable from connected customers as per the new connection policy is equivalent to **Frw 22,422,747,930** which will be collected progressively as customers purchase power.

13. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Cash at bank	27,682,605,089	14,327,914,492
Cash in hand	355,817	41,742
Total	**27,682,960,906**	**14,327,956,234**

14. Share capital

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Share capital	1,500,000	1,500,000
Total	**1,500,000**	**1,500,000**

The total authorized and issued number of ordinary shares is 1,500,000 with a par value of Frw 1 per share. All issued shares are fully paid.

15. Grants

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	(Frw)	(Frw)
EDCL Internal Projects	(63,739,621,946)	(31,476,565,934)
Interconnection Project	(51,072,004,323)	(43,541,170,223)
Electricity Access scale-up and sector wide approach development project (EASSDP)	(1,469,366,830)	(5,763,607,115)
National Domestic Biogas Program (NDBP)	(94,614,585)	(97,866,700)
Scaling-Up Energy Access Project (SEAP)	(10,332,162,635)	(15,851,226,096)
Sustainable Energy Development Project (SEDP)	(1,263,094,919)	(1,273,648,497)
Dutch Fund (DF)	899,694	-
Belgian Contribution to EARP 1 (BE1-EARP)	(2,332,701,041)	(2,332,800,914)
Belgian Contribution to EARP 2 (BE2-EARP)	(7,725,642,194)	(6,334,063,027)
Belgian Contribution to EARP 3 (BE3-EARP)	(5,710,619,676)	(5,009,196,037)
Agence Francaise de Development (AFD)	(122,732,299)	(122,732,299)
Other Grants & Grants Connection fees	(28,697,766,417)	(21,614,259,006)
Grants-RBF 3- Grid Densification	(1,121,399,363)	(1,121,399,363)
Grants-EAQIP	(12,037,780,321)	-
Grants-AFDB-TSRLMCP	(201,201,932)	-
Total	**(185,919,808,787)**	**(134,538,535,211)**

16. Borrowing

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Borrowings from development partners	78,635,821,320	32,832,523,742
Total	**78,635,821,320**	**32,832,523,742**

17. Trade and other payables

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Trade payables	27,016,085,979	23,093,837,739
Other payables	7,217,972,482	5,481,279,787
Total	**34,234,058,461**	**28,575,117,525**

18. Amount due to related parties

Description	Balance as at 30 June 2022	Balance as at 30 June 2021
	Frw	Frw
Energy Utility Corporation Ltd	36,704,515	-
Total	**36,704,515**	**-**

19. Disclosure notes

19.1 Assets and liabilities arising from the concession agreement to acquire the strategic storage facility and storage area

On 11 May 2017, the Government of Rwanda represented by EDCL signed a concession agreement with Societe Petroliere Ltd (SP) for design, build, finance, operate and maintain the storage facility for storage of the petroleum products for a concession period of twenty (20) years starting from the first availability date of 13 July 2017. The storage facility capacity was 60 million liters subsequently amended to 66 million litres. The amended total rental fee was **USD 268,560,345** that would be paid in different annual instalments (rental payments) within the concession period. As at 30 June 2022, EDCL had paid instalments amounting to **USD 63,857,117** and the remaining unpaid balance was **USD 204,703,228**. At the end of the concession period, the storage facility will be handed over to EDCL at a valuation cost.

19.2 Contingent liability

On 19 November 2013, former Energy, Water & Sanitation Authority, REG-EDCL's predecessor, signed a contract with KALPATARU Power Transmission Ltd India (KPTL) for the construction of transmission line of 220 KV, Karongi-Rubavu-Kigali-Goma.

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

Both REG-EDCL and KALPATARU having failed on amicable settlement, the case was escalated thus, the high court is currently handling the case.

19.3 Other disclosures notes:

Amount due from related parties

Related parties	Amount Frw
Energy Utility Corporation Ltd	**2,968,802,416**

The amount due from EUCL are Connection fees collected by EUCL on behalf of EARP amounting to **Frw 1,353,781,871.** The related party balances also include other advances given to EUCL in form of electrical materials amounting to **Frw 1,615,020,545.**

20. Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.
Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.
The Company has exposure to the following risks as a result of its financial instruments:
a) Credit risk
b) Market risk
c) Liquidity risk

a) Credit risk

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

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

Description	Neither past due nor impaired	Impaired	Total
At 30 June 2021	**Frw**	**Frw**	**Frw**
Trade receivables	72,818,190	(72,818,190)	-
Other receivables	41,620,199,098	(22,997,359,164)	18,622,839,934
Bank balances	14,327,914,492	-	14,327,914,492
Amounts due from related parties	5,713,137,554	-	5,713,137,554
	61,734,069,334	**(23,070,177,354)**	**38,663,891,980**
	Neither past due nor impaired	**Impaired**	**Total**

	Frw	Frw	Frw
At 30 June 2022			
Trade receivables	549,017,977	-	549,017,977
Other receivables	85,083,904,938	(22,429,526,810)	62,654,378,128
Bank balances	27,682,605,089	-	27,682,605,089
Amounts due from related parties	2,968,802,416	-	2,968,802,416
	116,284,330,420	**(22,429,526,810)**	**93,854,803,610**

The amount that best represents the Company's maximum exposure to credit risk at 30 June 2022 is as follows:

21. Summary of significant accounting policies

a) Basis of accounting

The financial statements are presented in the functional currency, Rwandan francs (Frw) and prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

b) Statement of compliance

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

c) IFRS Update of standards and interpretation

IFRS 17: Insurance contracts

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

Background

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.
In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

Scope

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

Key requirements

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

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

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policy holder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

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

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

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

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

IFRS 3: Definition of a Business - Amendments to IFRS 3

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

Key requirements

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

➢ **Minimum requirements to be a business**

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs.

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

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

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

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

➢ **Narrowed definition of outputs**

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

➢ **Optional concentration test**

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

Transition

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

Impact

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.
The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7

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

Key requirements

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

The amendments to IFRS 9

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

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

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

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

When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

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

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately

identifiable need be met only at the inception of the hedge.

Transition

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

Impact

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

Definition of Material - Amendments to IAS 1 and IAS 8

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

Key requirements

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

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

New threshold

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

Primary users of the financial statements

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

Other amendments

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

Transition

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

Impact

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

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

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

Key requirements

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.
As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

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

Transition

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

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

Impact

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

Key requirements

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

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

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

Transition

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

Impact

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

Onerous contracts – Costs of fulfilling a contract – Amendments to IAS 37

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

Key requirements

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

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

Transition

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

Impact

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

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

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

Key requirements

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

Transition

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

Impact

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

The conceptual framework for financial reporting

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

Purpose

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

Key provisions

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

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement

- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

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

Impact

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

Classification of liabilities as current or Non-current - Amendments to IAS 1

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

Key requirements

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

The amendments clarify:

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

Right to defer settlement

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

Existence at the end of the reporting period

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

Management expectations

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

Meaning of the term settlement

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

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

Transition

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

Key requirements

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

2018-2020 cycle (issued in May 2020)

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

IFRS 1 First time adoption of International Financial Reporting Standards

Subsidiary as a first-time adopter

- The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

- An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for de-recognition of financial liabilities

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

Illustrative examples accompanying IFRS 16 Leases

Lease incentives

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

IAS 41 Agriculture

Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

22. Accounting policies

(i) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(ii) 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 recognizes 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 recognized as follows:

- Realized grants from Government: Revenue is recognized upon utilization of grants received from Government;
- Other income: This is composed of revenue received from sources other than the core business of the Company as follows:
- Realized of asset grant: Revenue recognized upon utilization of the asset grant at the end of the year.
- Penalties: Relates to penalties charged to customers and is recognized upon billing of customer or default of the contract.
- Other sundry income: This relates to connection fees charged by EUCL on behalf of EDCL (EARP Project). Revenue is recognized once EUCL acknowledges the amount charged on behalf of EARP.

(iii) Property, plant and equipment

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

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

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

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

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

Description	Rate
Motor vehicle	25%
Furniture	12.50%
Boat and Other Naval Equivalents	25%
Computer equipment	33.30%
Laboratory Equipment	25%

(iv) Intangible assets

This relates to GIS (Geographical Information System) software.

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

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

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

(v) Leases

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

(vi) Inventories

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

(vii) 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 asset. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

(viii) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with Companies, other short term highly liquid investments with original maturities of three months or less, and Company overdrafts. Company overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(ix) 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.

(x) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any differences between proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognized 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 capitalized as a pre-payment for liquidity services and amortized 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.

(xi) Retirement benefits obligations

The employees and the Company contribute to the Social Security Fund of Rwanda, 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.

(xii) Government and other grants

Government and other grants are recognized 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 recognized 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.

(xiii) 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(xiv) Provisions

Provisions are recognized 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 recognized 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 recognized as interest expense.

23. Critical accounting estimates and judgments

i) Key sources of estimation uncertainty

The following are 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:

ii) 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.

iii)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.

In addition to the above, the following also present critical accounting estimates and judgments :

iv) Inventories,
v) Trade receivables,
vi) Cash and cash equivalents,
vii) Share capital,
viii) Borrowings,
ix) Retirement benefits obligations,
x) Government and other grants,
xi) Trade payables and
xii) Provisions

24. Assets transferred to EUCL

The following are the assets completed and transferred to EUCL as at 30 June 2022

ASSETS TRANSFERRED 2021/2022		
N°	**Projects**	**Amount (Frw)**
1	110KV/30KV Nyabihu Substation with Mukungwa Line Bay Extension of Musha Substation and Rubavu Temporary Substation	9,100,732,601
2	Mukungwa Nyabihu 110KV Transmission Line.	5,541,524,865
3	Electrification of Makera - Gatenzi in Muhanga District.	470,428,891
4	Electrification of Gahanga Booster WPS (Gahanga site).	4,086,393
5	Electrification of Kanzenze (Former incomplete line)- Ntarama sector	14,498,108
6	Electrification of Rwesero site in Kigali sector	32,043,580
7	Electrification of Rwakivumu site in Kanyinya Sector.	2,234,196
8	Electrification of Buye Primary school	145,829,475
9	Electrification of Nyamweru site in Kanyinya Sector.	49,448,940
10	Upgrade Single Phase MV Line to Three Phase for Electrification of Nyabikenke Site, Nyarurama Cell, Gatenga.	20,628,950
11	Electrification of different sites including Nyampinga Coffee Washing Station, Musumbayaramba-Ngera-Viro-Gakoma- Kibeho, Rwamiko-Mata and Taba-Rwamiko-Mata areas.	293,284,924
12	Electrification of Gasarenda-Nkumbure-Shaba (Kitabi Sector), Nyamagabe District	790,927,978
13	Power supply to Mbuye WPS in Ruhango District.	87,314,090
14	Electrification of Ntendezi livestock Market in Ntendezi Cell, Ruharambuga Sector, Nyamasheke District.	74,530,797
15	Electrification of Kabyaza green village in Mukamira S	100,257,960
16	Electrification of Kagano IDP Model village in RUHUNDE Sector and Shyamba - Mutara sites in Gitovu Sector, Burera District	193,869,180
17	Electrification of new proposed Burera District Head office in Rutuku village, Rubona Cell, Rusarabuye Sector, Burera District	26,102,107

ASSETS TRANSFERRED 2021/2022		
N°	**Projects**	**Amount (Frw)**
18	Electrification of Kabagabo and Kabeza Villages in MUSANZE District	284,869,440
19	Electrification of Kinigi IDP Model village and Kinigi - INES streetlights in Musanze District	511,807,287
20	Electrification of Murangi affordable housing site in Kamembe Sector, Rusizi District	15,483,028
21	Electrification of Murambi IDP Model Village in Nyakarenzo Sector, Rusizi District	47,895,108
22	Electrification of Bugina – Ruhingo Cell in Gihango Sector of Rutsiro District	534,314,654
23	Electrification of SEAP-Karongi and Rutsiro (AfDB funded Project) in Mubuga, Gitesi, Bwishyura, Rubengera, Rugabano and Mukura Sectors	1,327,317,865
24	Electrification of SEAP-Ngororero (AFDB FUNDED PROJECT) in Kavumu, Muhanda, Kabaya, Kageyo and Ngororero Sectors	4,664,073,079
25	Implementation of MV/LV Lines extension to supply Karongi hotels in Karongi District	155,984,875
26	Electrification of Nyamugari Cell, Shangi Sector in Nyamasheke District	474,546,395
27	Rural Electrification in Nyagatare District	11,488,924,470
28	Rural Electrification in Burera District	4,671,899,377
29	Power Supply to Pfunda Water Pumping Station in Rukukumbo village,Kibirizi Cell,Rugerero Sector,Rubavu District	34,695,912
30	Electrification of Boat Manufacturing in Gatare Village, Gasura Cell, Bwishyura Sector, Karongi District	93,297,526
31	Electrification of -Burera (AfDB funded project) in Kinyababa, kagogo sectors of Burera district	1,273,690,247
32	Electrification of Busozi village, Cyeza sector, Muhanga district	70,240,648
33	Upgrade Rubavu LV network	633,770,614
34	Construction of MV&LV lines in Kirehe district and grid strengthening in Rwamagana, Kayonza and Ngoma Districts.	1,005,410,570
35	line construction-Kirehe district in eastern province lot 1	1,296,668,919
36	EPC Rubavu upgrade from 6.6kv to 30kv -in Rubavu districts, Western province	5,409,720,454
37	Line construction Kirehe district in Eastern province	1,269,806,818
Total		**52,212,160,321**
ASSETS TRANSFERRED 2020/2021		
1	110kv TL Gahanga-Rilima, 220kv TL Mamba-Rwabusoro-Rilima and their associated substations.	60,785,046,748
2	Upgrading of Rwanza site to reduce voltage drop	52,353,190
3	Upgrading of Karumuna site to reduce voltage drop	177,144,174
4	Upgrading of Ninda site to reduce voltage drop	80,486,032
5	Rwamagana Industrial Park single circuit	73,428,912

ASSETS TRANSFERRED 2021/2022		
N°	**Projects**	**Amount (Frw)**
6	Rwamagana Industrial Park double circuit	255,505,470
7	Electrification of Ecole Primaire Nyagisagara, Sanza, and Kanyana Centers in Ngororero District	340,416,557
8	Electrification of Bihinga IDP Model village in Jenda Sector, Nyabihu District (Phase II)	16,980,388
9	Electrification of Mugari Cell, Shingiro Sector, Musanze District	471,169,689
10	Electrification of Gihira water treatment plant in Gihira village, Gisa cell, Rugerero sector, Rubavu district	38,119,365
Total		**62,290,650,525**
ASSETS TRANSFERRED 2019/2020		
1	Plant design, supply and installation of MV&LV Lines including cross arms for street lighting and Kitabi - Ntendezi & Pindura Bweyeye Roads 97 Kms	5,297,008,400
2	Electrification of Kanzenze WPS (Karumuna site)	162,680,786
3	Electrification of Ntare school-Ntamata sector	38,880,995
Total		**5,498,570,181**
ASSETS TRANSFERRED 2018/2019		
1	Plant design, supply, and installation of Low Voltage and Medium Voltage Lines and service connections in Nyamasheke, Karongi and Rusizi District	9,288,147,160
Total		**9,288,147,160**
G/Total		**129,289,528,187**

25. Capital commitments

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

26. Event 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 FINANCIAL STATEMENTS

5.1. Contingent liability arising from the contractor's claim of price adjustment

Observation

EDCL financial statements for the year ended 30 June 2022 under **note 19.2** includes contingent liability. That contingent liability arose from a claim of price adjustment resulting from the contract dated 19 November 2013 signed between former Energy, Water & Sanitation Authority (EWSA), REG-EDCL's predecessor and KALPATARU Power Transmission Ltd India (KPTL) for the construction of transmission line of 220 KV, Karongi – Rubavu – Kigali - Goma.

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

Both REG-EDCL and KALPATARU having failed on amicable settlement, the case was escalated thus, the high court is currently handling the case.

Risk

In case REG loses the court case, the Government of Rwanda will incur unbudgeted additional costs as a result of price adjustment claim. Consequently, this would negatively affect other national development activities.

Recommendation.

REG should engage all stakeholders to expedite the process and have the dispute resolved for good to avoid extra charges related to late payment.

Management comment

The Commercial High Court is handling the case: Pre-trial meeting on the set aside application was conducted, and the most recent hearing took place on July 7, 2022. However, the court hearing was adjourned as a result of the requested constitution of three (3) judges panel. REG and other government institutions involved in this case, management is making necessary consultations to have a well-informed and fair position on the case.

6. REVIEW OF ACCOUNTS PAYABLE

6.1. Concerns over tax liabilities

The financial position of EDCL as at 30 June 2022 includes trade and other payable balance of **Frw 34,234,058,461.** This balance includes tax liabilities amounting to **Frw 23,502,526,718.** Review of that balance revealed the following issues:

1. Failure to pay tax arrears

The letter number 917/RRA/CCS/CED/-DMU/22 from RRA for confirmation of customs and VAT debt owned by EDCL as at 30/06/2022 replying letter number 11.07.23/817/22/MD-EDCL/FRG/SG of 5 July 2022 requesting the balance of customs duties owed to RRA, showed that EDCL owned RRA customs services fees amounting to Frw **23,502,526,718,** which had not been paid from 2012 up to 30 June 2022. The audit noted that there was no payment plan to pay the above tax arrears. See **details in table below:**

Fiscal year	Customs duties	IDL,SPRL,FER,RURA and Computer	VAT	Total
	Frw	Frw	Frw	Frw
2012	4,046	0	367,982	372,028
2014	6,661,867	3000	10,054,762	16,719,629
2015	33,760,572	2,864,240	72,626,622	109,251,434
2016	18,510,069	1,831,561	24,094,002	44,435,632
2017	20,738,478	3,881,317	44,519,556	69,139,351
2018	73,219,111	7,665,212	94,776,716	175,661,039
2019	128,001,211	12,175,304	150,155,428	290,331,943
2020	3,201,540,141	473,498,489	5,560,921,176	9,235,959,806
2021	3,028,941,563	506,720,740	4,874,405,267	8,410,067,570
2022	1,548,645,407	300,413,922	3,301,528,957	5,150,588,286
Total	**8,060,022,465**	**1,309,053,785**	**14,133,450,468**	**23,502,526,718**

By the time of audit in December 2022, EDCL has not yet paid any amount from above customs tax and VAT arears.

In addition, the audit was not provided with the reconciliation done between RRA and EDCL to come up with reconciled report of all arrears of customs duties and taxes to ensure the accuracy of the reported amounts. It is worth to note that the same issue was highlighted in previous audit report.

Risks

- Failure to pay customs services fees on time, EDCL importations may be delayed at the import stations which may lead to delays of receiving materials on the sites. Therefore, the intended projects objective may not be achieved on time.
- In absence of the reconciliation with RRA, it is difficult to ascertain the accuracy of the reported amounts of tax arrears.

- Failure and delays in payment of VAT customs duties may result into penalties and fines being levied by RRA which would qualify to be wasteful expenditure.

Recommendations

- EDCL management should ensure that all tax legislations are complied with to avoid any penalties or fines that may be levied by RRA. In addition, EDCL should reconcile with RRA for common agreement, and determine payment plan.

- EDCL management should continue to liaise with the Ministry of Finance and other relevant stakeholders to find a lasting solution to budget deficit and pay taxes when they fall due.

Management comments

Nonpayment of customs duties is due to the lack of budget and Cashflow from MINECOFIN. Management shall continue to engage stakeholders to ensure sufficient budget is allocated and on time to avoid any delay in payment of taxes.