Rwanda Energy Group Ltd

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2023

KN82 ST3, Nyarugenge District, Kigali City, P.O. Box 537 Kigali, Rwanda
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1 INTRODUCTION

1.1 ESTABLISHMENT OF RWANDA ENERGY GROUP LTD (REG)

Rwanda Energy Group Ltd was created after winding up of EWSA operations, to take on electricity transmission and distribution responsibilities previously undertaken by EWSA. The Company was established as a limited liability company fully owned by the Government of Rwanda. Share capital was paid through transfer of assets and liabilities previously owned by EWSA at the time of winding up of EWSA operations. Assets and liabilities transferred to REG were determined by Government through Prime Minister's Order N° 87/03 of 16/8/2014 gazetted on 18/08/2014, verified, and revalued by an Independent Consultant in accordance with the provisions of the Prime Minister's Order. The winding up of EWSA operations was done through Law N° 97/2013 of 30/01/2014 repealing Law n°43/2010 of 07/12/2010 establishing Rwanda Energy, Water and Sanitation Authority (EWSA) and determining its responsibilities, organization and functioning that was published in the official Gazette on 12/02/2014.

1.2 PRINCIPAL ACTIVITIES

REG is a group companies comprising of Energy Utility Corporation Limited (EUCL) which took over the responsibilities of electricity transmission and distribution in Rwanda from former EWSA and Energy Development Corporation Limited (EDCL), which took over the responsibilities of electricity generation from former EWSA. Power plants constructed by EDCL are handed over to Government, which in turn is expected to sign a concession agreement with EUCL to manage some power generation assets (power plants).

The core business of Rwanda Energy Group Ltd is managing the subsidiaries namely EDCL and EUCL.

1.3 RESULTS AND DIVIDEND

The results for the year ended 30 June 2023 and 2022 are as follows:

Description	**Year**	
For year ended 30 June	**2023 (Frw)**	**2022 (Frw)**
Loss	**(196,706,965)**	**745,680,771**

The directors do not recommend payment of dividends for the year ended 30 June 2023 (2021: Nil).

1.4 DIRECTORS

Members of the Board of Directors of REG Ltd who served during the year ended 30 June 2023 and the current members of the Board of Directors are the following:

Current board of directors' from 14 December 2020 up to date

S/N	Name	Position
1	Dr. Didacienne MUKANYILIGIRA	Chairperson
2	Pacifique TUYISHIME	Vice Chairperson
3	Carine UMUTONI	Member
4	Viateur MUGENZI	Member
5	Jean Claude ILIBONEYE	Member
6	Charles KALINDA	Member
7	Clémence Rita MUTABAZI	Member

1.5 REG LTD MANAGEMENT

Members of administrative management during the year ended 30 June 2023 and at the time of audit are as follows:

S/N	Name	Position
1	Ron Weiss	Chief Executive Officer
2	Reine Kamangaju	Company Secretary
3	Obegi Vincent Nyauma	Chief Finance Officer
4	Rwamunono Joseph	Chief Internal Auditor
5	Zawadi Geoffrey	Director of Human Resources
6	Janvier Kabananiye	Director of Research Planning and Development

2 STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements that give a true and fair view of Rwanda Energy Group Ltd comprising the statement of financial position as at 30 June 2023, 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 **8** to **30**, in accordance with International Financial Reporting Standards and in the manner required by the provisions of the Law N° 007/2021 of 05/02/2021relating to Companies in Rwanda.

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

The Directors have assessed the ability of Rwanda Energy Group Ltd 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 Rwanda Energy Group Ltd for the year ended 30 June 2023 give a true and fair view of the state of financial affairs of Rwanda Energy Group Ltd. 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 Rwanda Energy Group Ltd.

Approval of the financial statements

The financial statements of Rwanda Energy Group Ltd for the year ended 30 June 2023, on pages **7** to **27**, were approved by the Board of Directors on ……………………… and signed on its behalf by:

Ron Weiss

RWANDA ENERGY GROUP LIMITED
REG
CHIEF EXECUTIVE OFFICER

Digitally signed by
Ron WEISS (CEO)
Date: 2023.08.16
21:49:19 +02'00'

……………………… ………………………

RON Weiss
Chief Executive Officer, REG Ltd

Dr. Didacienne MUKANYILIGIRA
Chairperson, BOD

Date:

……………………………

Date:

16/08/2023 ………………………

3 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

For year ended 30 June		**2023**	**2022**
	Notes	**Rwf**	**Rwf**
Management fee	**2**	3,277,055,013	4,102,046,640
Other income	**2**	1,195,055,509	862,632,119
Operating profit before depreciation and amortization		**4,472,110,522**	**4,964,678,759**
Depreciation and amortization	**3**	(1,043,396,380)	(629,955,701)
Administrative expenses	**4**	(3,625,421,106)	(3,589,042,288)
(Loss)/profit before income tax		**(196,706,965)**	**745,680,771**
Income tax expense		-	-
(Loss)/profit for the year		(196,706,965)	745,680,771
Other comprehensive income			
Total comprehensive (loss)/profit for the year		**(196,706,965)**	**745,680,771**

The notes on pages **9** to **27** form an integral part of the financial statements.

3.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

As at 30 June	Notes	2023	2022
		Rwf	Rwf
Assets			
Non-current assets			
Property and equipment	5	28,310,222,165	25,791,221,571
Investment in subsidiaries	6	55,956,806,369	55,956,806,369
Total assets		**84,267,028,534**	**81,748,027,940**
Current assets			
Trade and other receivables	7	38,613,966	4,455,000
Cash and cash equivalent	8	987,886,326	2,647,603,309
Total current assets		**1,026,500,292**	**2,652,058,309**
Total assets		**85,293,528,826**	**84,400,086,249**
Equity and Liabilities			
Equity	9		
Share capital		3,000,000	3,000,000
Retained earnings		(7,481,798,507)	(7,285,085,958)
Reorganisation reserves		67,380,539,597	67,380,539,597
Total Equity		**59,901,741,090**	**60,098,453,639**
Non-Current liabilities			
Grants	10	15,952,610,766	13,147,167,407
Amounts due to related parties	11	7,829,665,055	7,813,648,423
Current liabilities			
Other payable	12	1,609,511,907	3,340,816,780
Total equity and liabilities		**85,293,528,817**	**84,400,086,249**

The notes on pages **9** to **27** form an integral part of the financial statements.

Approval of the financial statements

The financial statements of **Rwanda Energy Group Ltd** for the year ended 30 June 2023, on pages **7** to **27**, were approved by the Board of Directors on ……………….. and signed on its behalf by:

Ron Weiss

Digitally signed by Ron WEISS (CEO)
Date: 2023.08.16 21:50:28 +02'00'

………………………… ……………………………………

Ron Weiss
Chief Executive Officer

Date: ……………………………………

Dr. Didacienne MUKANYILIGIRA
Chairperson of the Board of Directors

Date: 16/08/2023

3.3 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital	Retained earnings	Reorganisation reserves	Total
For year ended 30 June 2023	**Rwf**	**Rwf**	**Rwf**	**Rwf**
At 1 July 2022	3,000,000	(7,285,085,958)	67,380,539,597	60,098,453,639
Reorganisation adjustments			-	-
Prior period adjustment		(5,585)		(5,585)
Profit/(loss) for the year		(196,706,965)		(196,706,965)
At 30 June 2023	**3,000,000**	**(7,481,798,507)**	**67,380,539,597**	**59,901,741,090**
For year ended 30 June 2022	**Rwf**	**Rwf**	**Rwf**	**Rwf**
At 1 July 2021	3,000,000	(8,030,766,729)	66,478,386,417	58,450,619,688
Reorganisation adjustments			906,800,000	906,800,000
Prior period adjustment			(4,646,820)	(4,646,820)
Profit/(loss) for the year		745,680,771		745,680,771
At 30 June 2022	**3,000,000**	**(7,285,085,958)**	**67,380,539,597**	**60,098,453,639**

The notes on pages **9** to **27** form an integral part of the financial statements.

3.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

For year ended 30 June		2023	2022
	Notes	Rwf	Rwf
Profit/(loss) before income tax		(196,706,965)	745,680,771
Adjustments for:			
Prior period adjustment			
Realised grants		(756,959,191)	(392,008,553)
Impairment of property, plant and machinery		-	133,109,468
Depreciation and amortization	3	1,043,396,380	629,955,701
Profit/(loss) before working capital movements		89,730,224	1,116,737,387
Working capital movements:			
Trade and other receivables		(34,158,966)	58,712,557
Trade and other payables	4	(125,227,419)	429,077,079
Related Party Balance		16,016,630	205,462,927
Agent Liability	4	(1,606,077,454)	2,704,162,440
Net cash generated from operating activities		(1,659,716,985)	4,514,152,390
Cash flows from investing activities			
Receipt of grants		3,700,729,033	3,502,855,924
Disposal/Transfer			
Purchase of property and equipment/other related parties	5	(3,700,729,033)	(5,372,483,035)
Net cash used investing activities		(0)	(1,869,627,111)
Cash flows from financing activities			
Investment in subsidiaries	6	-	-
Net cash generated from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(1,659,716,986)	2,644,525,279
Cash and cash equivalents at beginning of the year		2,647,603,309	3,078,030
Cash and cash equivalents at end of the year		987,886,327	2,647,603,309

The notes on pages **9** to **27** form an integral part of the financial statements.

3.5 NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

The core business of the Company is managing the subsidiaries namely Energy Utility Corporation Limited (EUCL) and Energy Development Corporation Limited (EDCL). The address of the Company's registered office is as follows:

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

	2023 Rwf	2022 Rwf
2. Other income		
Management fee	3,277,055,013	4,102,046,640
Realized grants	756,959,191	392,008,553
Rental income	6,595,000	6,540,000
Foreign exchange gain	0	
Other income		47,390,000
Donations income	431,501,318	416,693,566
	4,390,236,989	**4,964,678,759**

3. Depreciation and amortisation

	2023 Rwf	2022 Rwf
Depreciation of property and equipment (note 5)	1,043,396,380	629,955,701

4. Administrative expenses

	2023 Rwf	2022 Rwf
Salaries and other related costs	1,633,756,291	1,470,024,908
Consultancy and professional fees	48,636,790	66,317,689
Office Supplies	19,297,725	31,943,109
Telephone charges	58,648,235	77,548,185
Mission and travelling	60,135,661	43,721,024
Fuel and maintenance-Motor Vehicles	1,049,152	1,482,000
Advertising and announcements	36,047,554	36,186,904

Meetings and Special Assembly Costs	34,091,913	132,383,357
Refreshment and reception expenses	12,483,400	10,215,797
Board and ITC meeting fees	5,955,721	6,379,978
Support for sporting activities	1,066,768,984	1,169,982,899
Donations and charity	1,000,000	5,190,500
Legal fees and General provisions	2,712,900	6,726,085
Internet costs, web and mail hosting	2,000,000	
Software licences	510,194,316	242,558,226
Repairs and maintenance of buildings	14,787,359	85,415,014
Rents and rates	89,942,099	43,017,044
Subscriptions to bodies	14,420,324	16,574,573
Penalties		
Postage and Courier services	63,559	68,900
Bank charges	5,535,020	9,732,883
Exchange loss	6,579,458	
Cleaning & security	1,314,645	463,746
Loss on disposal/Impairment of assets		133,109,468
	3,625,421,106	**3,589,042,288**

2. Property Plant and Equipment (PPE)

	Land	Buildings	Motor vehicles	Furniture and fittings	Computer equipment	Total
	Rwf	Rwf	Rwf	Rwf	Rwf	Rwf
COST/VALUATION						
At 1 July 2022	8,276,411,796	20,493,245,076	123,600,000	49,574,438	4,546,250	28,947,377,560
Additions	175,371,887	3,525,357,146				3,700,729,033
Adjustment						-
Impairment/disposal						-
At 30 June 2023	**8,451,783,683**	**24,018,602,222**	**123,600,000**	**49,574,438**	**4,546,250**	**32,648,106,593**
DEPRECIATION						
At 1 July 2022		3,050,201,428	93,587,143	8,306,148	4,061,270	3,156,155,989
Charge for the year	-	1,030,573,117	2,322,555	4,268,613	82,803	1,043,396,380
Adjustment/impairment/disposal		138,332,068				138,332,068
At 30 June 2023	-	4,219,106,613	95,909,698	12,574,761	4,144,073	4,337,884,428
NET BOOK VALUE						
At 30 June 2023	**8,451,783,683**	**19,799,495,609**	**27,690,302**	**36,999,677**	**402,177**	**28,310,222,165**

Property Plant and Equipment (Continued)

	Land	Buildings	Motor vehicles	Furniture and fittings	Computer equipment	Total
	Rwf	**Rwf**	**Rwf**	**Rwf**	**Rwf**	**Rwf**
COST/VALUATION						
At 1 July 2021	8,375,147,196	14,301,261,537	123,600,000	12,459,438	4,296,250	22,816,764,421
Additions		5,335,118,036		37,115,000	250,000	5,372,483,036
Adjustment		906,800,000				906,800,000
Impairment/disposal	(98,735,400)	(49,934,496)				(148,669,896)
At 30 June 2022	**8,276,411,796**	**20,493,245,076**	**123,600,000**	**49,574,438**	**4,546,250**	**28,947,377,560**
DEPRECIATION						
At 1 July 2021		2,443,242,847	83,582,851	6,438,188	3,850,010	2,537,113,895
Charge for the year	-	617,872,189	10,004,292	1,867,960	211,260	629,955,701
Adjustment/impairment/disposal		(10,913,608)				(10,913,608)
At 30 June 2022	**-**	**3,050,201,428**	**93,587,143**	**8,306,148**	**4,061,270**	**3,156,155,989**
NET BOOK VALUE						
At 30 June 2022	**8,276,411,796**	**17,443,043,648**	**30,012,857**	**41,268,291**	**484,980**	**25,791,221,571**

6. Investment in subsidiaries

	% Interest Held	2023 Rwf	2022 Rwf
EUCL	100	55,955,306,369	55,955,306,369
EDCL	100	1,500,000	1,500,000
Total		**55,956,806,369**	**55,956,806,369**

During separation of EWSA into REG and WASAC, the PMO (Official Gazette No 33 bis of 18/09/2014) in article 8 and 9, indicated the assets and liabilities allocated to each company. After the separation and valuation of assets and liabilities, there was assignment of assets and liabilities to REG Ltd, EUCL and EDCL.
The Investment in EUCL and EDCL represent the amount of net assets transferred/assigned to each of the subsidiaries at time of separation and subsequently adjusted.

7. Trade and other receivables

	2023 Rwf	2022 Rwf
Prepayment/Receivables	38,613,966	4,455,000
	38,613,966	**4,455,000**

8. Cash and cash equivalent

	2023 Rwf	2022 Rwf
Cash at bank	987,886,326	2,647,085,709
Cash in hand		517,600
	987,886,326	**2,647,603,309**

9. Equity and Share capital

	2023 Rwf	2022 Rwf
Share capital	3,000,000	3,000,000
Retained earnings	(7,481,798,507)	(7,285,085,958)
Reorganization reserve	67,380,539,597	67,380,539,597
	59,901,741,090	**60,098,453,639**

During separation of EWSA into REG and WASAC, the PMO (Official Gazette No 33 bis of 18/09/2014) in article 8 and 9, indicated the assets and liabilities allocated to each company. It further indicated that any liabilities not listed in the PMO to be taken by the new companies, then the relevant ministries of Finance, Energy and Water were to take the liabilities to make sure the new companies are in sound financial base. On separation, the net assets of Frw 63 billion excluded the liabilities thereby making the initial capital be more by the amount determined and agreed by shareholder GoR in shareholder resolution of July 2018 as FRW 185 billion.
There was reallocation from reorganization reserve into share capital on registration of the company of RWF 3 million. The reorganization reserve has subsequently been changed to reflect adjustments on other assets that existed at separation but had not been recognised.
The total authorized and issued number of ordinary shares is 3,000,000 with a par value of Rwf 1

per share. All issued shares are fully paid.

10. Grants

	2023 Rwf	2022 Rwf
At the start	13,147,167,407	10,036,320,036
Prior year Adjustment	(138,326,483)	
Addition on assets transfer from EUCL/EDCL	3,700,729,033	3,502,855,924
Realized grants as income	(756,959,191)	(392,008,553)
Amount at the end	**15,952,610,766**	**13,147,167,407**

11. Amounts due to related parties

	2023 Rwf	2022 Rwf
At the start	7,813,648,423	7,608,185,496
Repayments	17,976,632	284,462,927
Expenses and assets paid /transferred by EUCL		
Rental income and sports collected by EUCL	(1,960,000)	(79,000,000)
Amount at the end	**7,829,665,055**	**7,813,648,423**

12. Other payable

	2023 Rwf	2022 Rwf
Other payables	508,051,577	633,278,996
Agent Liability	1,101,460,330	2,707,537,784
	1,609,511,907	**3,340,816,780**

Other information:

Budget performance report for the year ended 30 June 2023

	Estimated	Budget	Revised Budget	Actual	Balance
		A1	A	B	C=A-B
	Frw	Frw	Frw	Frw	Frw
Expenditures					
Group Strategic Planning Department	25,600,000	0		0	-
Research and Development	48,000,000	0	27,060,000	0	27,060,000
External Link Department	720,000,000	150,000,000	1,366,089,685	1,225,989,567	206,913,069
Company Secretary Department	50,000,000	20,000,000	20,000,000	8,668,621	8,847,149
ICT Software subscriptions	317,000,000	300,000,000	300,000,000	510,194,316	(17,745,185)
Corporate services	292,600,000	142,600,000	142,600,000	106,044,103	38,481,086
Human Resources Department	0	0			-
Staff cost (Salary and Lumpsum)	2,076,090,533	949,183,000	1,798,532,845	1,682,393,082	163,671,842
Other Staff benefits (Communication, electricity and refreshments)	76,434,000	38,217,000	76,434,000	71,131,635	8,170,365
Other HR related costs	50,220,712	0	63,462,884	14,420,324	49,042,560
Total expenditure	**3,655,945,245**	**1,600,000,000**	**3,794,179,414**	**3,618,841,648**	**484,440,886**
Incomes					
Other income (Management fee)	3,655,945,245	1,600,000,000	3,256,723,675	3,277,055,013	(20,331,338)
Other income (Grants, rental income)			32,290,739	8,555,000	23,735,739
Donations income (Sports winning and sponsorship)			505,165,000	431,501,318	117,349,682
Total incomes		**1,600,000,000**	**3,794,179,414**	**3,717,111,331**	120,754,083
Surplus/(Deficit)		**0**	**0**	**98,269,682**	**(363,686,803)**

3. Financial risk management objectives and policies

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

The finance department under policies approved by the Board of Directors carries out financial risk management. 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 arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the Chief finance officer except for credit risk relating to accounts receivable balances. The finance director is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Company does not have any significant concentrations of credit risk.

For trade receivables, the commercial director assesses the credit quality of the customer, taking into account its financial position, nature of their business, past experience and other factors. The Company does not grade the credit quality of receivables.

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

REG	Neither past due nor impaired	Past due not impaired	Impaired	
		Over 60 days	Over 365 days	Total
	Rwf	Rwf	Rwf	Rwf
At 30 June 2023				
Other receivables	38,613,966			53,554,318
Bank balances	987,886,326			700,895,759
	1,026,500,292	**-**	**-**	**754,450,077**
At 30 June 2022				
Other receivables	91,924,092			91,924,092
Bank balances	2,647,603,309			2,647,603,309
	2,739,527,401	**-**	**-**	**2,739,527,401**

b) Market risk

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

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

i. Currency risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities that are denominated in a currency other than the functional currency of the Company.
At 30 June 2021, the company was not exposed to any currency risk (2020: nil).

ii. Price risk

The Company does not hold any financial instruments subject to price risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.
Management performs cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	**Less than 1 year in Frw**	**Over 1 year in Frw**	**Total in Frw**
	A	**B**	**C=A+B**
At 30 June 2023			
Amounts due to related parties		7,829,665,055	7,829,665,055
At 30 June 2022			
Amounts due to related parties		7,813,648,423	7,813,648,423

4. Summary of significant accounting policies

a) Basis of accounting and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Rwandan Francs (Frw).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

(i) Changes in accounting policy and disclosures

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in on 30 September 2021, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

The following amendments did not have an impact on the company;

1. IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts
2. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
3. Amendments to IAS 1 Classification of Liabilities as Current or Non-current
4. Amendments to IFRS 3 Reference to the Conceptual Framework
5. Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
6. Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
7. Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
8. Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
9. Amendments to IAS 8 Definition of Accounting Estimates
10. Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(ii) Standards issued but some not yet effective

IFRS 17 Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.
IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.
IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.
The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21

Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.
The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts, Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the
contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020, Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).
The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.
The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

• A change in accounting estimate that results from new information or new developments is not the correction of an error.

• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.
The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

c) Accounting policies

i) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

iii) Property, plant and equipment

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

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

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

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

Land is not depreciated. Depreciation on other assets is calculated using the reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the annual depreciation rates as follows:

Buildings	5%
Motor vehicles	25%
Computer equipment	33.3%
Furniture and fittings	12.5%

iv) 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.

v) 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.

vi) Government and other grants

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

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

vii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(c) Critical accounting estimates and judgements

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:

Property and equipment

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

Impairment of assets

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

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

5. Events after reporting

a) Concession and implementation agreement concession fee

In the Concession and implementation agreement between the Government of Rwanda (GoR) represented by the Ministry of Infrastructure and Rwanda Energy Group Ltd (REG) signed on 28 September 2018, it was agreed that the Company would make monthly payments of Frw 678 million per month. The Company was further granted a grace period of 5 years under which payments would commence in August 2019. Considering the financial situation of the company and strategic expansion to provide electricity to 100% of the population, there are negotiations that have been started as from September 2019 with the GoR for further grace period. From the shareholders meeting held in November 2020, the concession fee was deferred to 2030. The concession agreement is in the process of being revised to show these effects.

b) Gatsata Thermal Power plant impaired

Gatsata Thermal Power plant which is part of the Concession and implementation agreement between the Government of Rwanda represented by the Ministry of Infrastructure and Rwanda Energy Group Ltd (REG) signed on 28 September 2018 and implemented by assignee EUCL the subsidiary company. This power plant was impaired after assessment of obsolescence was done by EUCL the assignee to the agreement, in July 2019. The above power plant included in the agreement at a value of **Frw 531,778,800** has been inoperative since 2008. The matter has been presented to the shareholders in November 2020 together with detailed plan on how to retire most of the thermal power plants. There is a process of revision of the Concession and implementation agreement as well as counting and assessing the status of materials at Gatsata power Plant to determine whether they are scrap, obsolete or be auctioned. Once completed the Gatsata plant will be excluded from the concession agreement.

c) Guarantee with assets for REG Ltd as collateral

The company is has entered into agreement with ZESA for projects to be done over five years from 2022. The pilot project was entered into in June 2023 for a value of US$ 5,304,328 after providing performance and advance guarantees totalling US$ 71,608.44. The collateral of REG Ltd 8 buildings (market value RWF 4.058 billion) and 3 pieces of land market value (RWF1.975 billion) were provided for the guarantees based on 120% of forced total value of RWF4,153 billion.