

ENERGICOTEL PLC

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2021**

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CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Rwanda

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The Company is engaged in building, financing, operating and management of renewable energy generation projects.

DIRECTORS

Mr Ferdy Turasenga
Mr Nicolas KALISA MWISENEZA
Mrs Muhongerwa MILITISI
Mr Faustin MBUNDU
Mr NSHAMAMBA Alliance Munyerekana
Mr Josias MUNDA LANGE

REGISTERED OFFICE

Kinyinya
KG 436 ST
Plot No 6
P.O Box 855
Kigali, Rwanda

BANKERS

Bank of Kigali Limited
Avenue de la Paix
P. O. Box 175
Kigali, Rwanda

LAWYERS

RR ASSOCIATES & CO ADVOCATES
P.O. Box 1104
Kigali, Rwanda

AUDITORS

GPO Partners Rwanda Ltd
Boulevard de l'Umuganda
Immeuble Aurore – Kacyiru
B.P. 1902
Kigali, Rwanda

REPORT OF THE DIRECTORS

The Directors present their report together with the reviewed financial statements of ENERGICOTEL PLC for the year ended 31 December 2021.

ACTIVITIES

The Company specializes in building, financing, operating and management of renewable energy generation projects.

The company is licensed under the Laws and regulations of Rwanda governing companies.

RESULTS

The financial results of the company for the year ended 31 December 2021 are set out on page 10.

DIRECTORS

The membership of the board of directors during the year ended 31 December 2021 is set out on page 3.

AUDITORS

GPO Partners Rwanda Ltd, having been appointed during the year 2020, has expressed their willingness to continue in office in accordance with Laws and regulations of Rwanda.

For the Board of Directors

Names: Ferdinand TURASENGA

Signature: [Signature]

Date: 29/03/2022

Director



Names: Patrick SEMAAMINGA

Signature: [Signature]

Date: 29/03/2022

Director CCFO

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The Directors are responsible for the preparation and presentation of the financial statements of ENERGICOTEL PLC set out on pages 9 to 34 which comprise the statement of financial position as at 31st December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibility includes: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Rwanda Companies Act, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the Directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Rwanda Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 29./3./2022 and were signed on its behalf by:

Names: Ferdinand TURASENGA

Signature: [Signature]

Date: 29/03/2022

Director

Names: Patrick SHAMWINA

Signature: [Signature]

Date: 29/03/2022

Director: CCFO



**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ENERGICOTEL PLC****Opinion**

We have audited the financial statements of **ENERGICOTEL PLC** as set out on pages 9 to 34. These financial statements comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the financial position of ENERGICOTEL PLC as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of Rwanda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the Audit of the Financial statements section of our report. We are independent of the company in accordance with the International

Ethics Standards Board for Accountant's Code of Ethics for Professional Accountant (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Management is responsible for the other information. The other information comprises the information included in this report but does not include the financial statements and our auditor's report there on. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion there on.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

GPO Partners Rwanda Ltd
KG 7 Ave. - Aurora Building - Kacyiru
P.O. Box 1902 - Kigali - Rwanda
Company Code / V.A.T. : 100161492

Audit - Accounting - Tax - Consulting

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Companies Act of Rwanda, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate to those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Law Relating to Companies No. 007/2021 of 05/02/2021 we report to you, based on our audit, that:

- i. There are no circumstances that may create threat to our independence as auditor of ENERGICOTEL PLC;
- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit
- iii. In our opinion proper books of account have been kept by ENERGICOTEL PLC, so far as
- iv. appears from our examination of those books; and
- v. We have no relationship, interests and debts with ENERGICOTEL PLC.
- vi. We have communicated ENERGICOTEL PLC's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

For GPO Partners Rwanda Ltd

Patrick GASHAGAZA
Partner

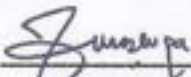


28.03/2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

| | Notes | Dec-21 Frw'000 | 2020 Frw'000 |
|--|-------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and Equipment | 10 | 1,252,221 | 608,035 |
| Financial assets arising from concession | 7 | 2,174,984 | 2,255,145 |
| Deferred income tax | 12 | 48,781 | 70,578 |
| Total non-current assets | | 3,475,986 | 2,933,758 |
| Current assets | | | |
| Trade and other receivables | 15 | 1,885,555 | 667,868 |
| Current income tax | | 53,635 | 53,635 |
| Cash and cash equivalents | 13 | 419,873 | 344 |
| Total current assets | | 2,359,064 | 721,847 |
| TOTAL ASSETS | | 5,835,049 | 3,655,605 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners | | | |
| Share capital | 16 | 1,000,000 | 1,001,945 |
| Accumulated losses | | (206,192) | (331,732) |
| Total equity | | 793,808 | 670,213 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 17 | 3,502,080 | 2,526,033 |
| Total non-current liabilities | | 3,502,080 | 2,526,033 |
| Current liabilities | | | |
| Trade and other payables | 14 | 1,016,763 | 174,752 |
| Short term borrowings | 17 | 490,105 | 284,606 |
| Current tax payable | | 32,293 | - |
| Total current liabilities | | 1,539,161 | 459,359 |
| Total liabilities | | 5,041,241 | 2,985,392 |
| TOTAL EQUITY AND LIABILITIES | | 5,835,049 | 3,655,605 |

The financial statements on pages 9 to 12 and Notes to financial statements on pages 13 to 34 were approved by the Board of Directors on..... 2022 and were signed on its behalf by:

 DIRECTOR

 DIRECTOR CCFD



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | Dec-21 Frw'000 | 2020 Frw'000 |
|--|-------|-------------------|-----------------|
| Construction revenue | 6 | - | 14,674 |
| Construction costs | | - | (14,674) |
| Gross profit | | - | - |
| Deemed interest income | 7 | 798,041 | 914,775 |
| Operations and maintenance revenue | 8 | 746,368 | 414,319 |
| Operations and maintenance expense | | (746,368) | (414,319) |
| Credit impairment losses – financial asset | | (46,104) | 8,427 |
| Depreciation expense | 10 | (15,814) | (42,753) |
| Operating profit | | 736,123 | 880,449 |
| Finance costs | 9 | (551,265) | (500,333) |
| Profit/ (loss) before taxation | | 184,858 | 380,116 |
| Income tax expense | 11 | (54,090) | (76,673) |
| Profit/ (loss) for the year | | 130,768 | 303,444 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 130,768 | 303,444 |
| Basic earing per share in Frw | 2 | 131 | 303 |
| Diluted earing per share in Frw | 2 | 131 | 303 |

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

| | Share capital | Accumulated loss | Total Equity |
|--|------------------|------------------|----------------|
| | Frw'000 | Frw'000 | Frw'000 |
| YEAR ENDED 31 DECEMBER 2021 | | | |
| Balance at January | 985,945 | (619,218) | 366,727 |
| Increase of share capital | 16,000 | - | 16,000 |
| Profit for the year | - | 303,444 | 303,444 |
| Prior periods adjustments on Retained earnings | | (15,958) | (15,958) |
| Other comprehensive income | - | - | - |
| Total comprehensive Loss for the year | 1,001,945 | (331,732) | 670,213 |
| YEAR ENDED 31 DECEMBER 2021 | | | |
| Balance at January | 1,001,945 | (331,732) | 670,213 |
| Share capital value adjustment | (1,945) | | (1,945) |
| Profit for the year | - | 130,768 | 130,768 |
| Prior periods adjustments on Retained earnings | | (5,227) | (5,227) |
| Other comprehensive income | - | - | - |
| Total comprehensive Loss for the year | 1,000,000 | (206,192) | 793,808 |

STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021

| Description | Notes | Dec-21 Frw'000 | 2020 Frw'000 |
|---|-----------|-------------------|------------------|
| Profit/(loss) before taxation | | 184,858 | 380,116 |
| Adjustments for: | | | |
| Depreciation and amortisation expense | 10 | 15,814 | 42,753 |
| Finance cost | | 551,265 | 500,333 |
| Retained earnings adjustments | | (5,227) | - |
| Credit impairment losses – financial asset | | 46,104 | (8,427) |
| Deemed Interest | 7 | (798,041) | (914,775) |
| Share capital value adjustment | | (1,945) | - |
| Changes in working capital: | | | |
| Trade and other receivables | 15 | (1,264,162) | 294,603 |
| Trade and other payables | 14 | 842,011 | (178,221) |
| Income tax paid (CIT Quarterly Prepayments & current tax payable) | | - | (53,635) |
| Net cash generated from operations | | (429,323) | 62,746 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (660,000) | (554,746) |
| Investment in financial asset | 4 | - | - |
| Proceeds from concession financial assets | 7 | 1,624,940 | 1,675,166 |
| Operations and maintenance revenue | 8 | (746,368) | (414,319) |
| Net cash from investing activities | | 218,572 | 706,101 |
| Cash flow from financing activities | | | |
| Proceeds/(repayments) on borrowings | 17 | (2,246,824) | (295,516) |
| Finance cost paid | 9 | (622,895) | (493,852) |
| Proceeds from issue of shares | | - | 16,000 |
| Proceeds from issues of bonds | | 3,500,000 | - |
| Net cash from financing activities | | 630,281 | (773,369) |
| Increase in cash and cash equivalent: | | 419,530 | (4,521) |
| Cash and cash equivalent at the start of the year | | 344 | 4,865 |
| Cash and cash equivalent at the end of the year | 13 | 419,873 | 344 |

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

ENERGICOTEL "ECTL" PLC (the Company) is a public limited company incorporated in Rwanda under Law No. 007/2021 of 05/02/2021. It was incorporated in 2014. The company is owned 98% by EPCA HOLDING Limited and 2% by Raymond BIZWINAYO.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of accounting

The financial statements are prepared in compliance 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) rounded off to thousand.

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 in Note 5.

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their reporting period commencing 1 January 2021:

- Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures – **Interest rate benchmark reform phase 2** (effective on or after 1 June 2021)
- Amendments to IFRS 16, Leases - **COVID-19-Related Rent Concessions** (effective on or after 1 January 2020)
- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9** (effective on or after 1 January 2021): These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023

The adoption of the new standards and/or amendments did not have a significant effect on the performance of the company.

(b) Accounting policies

i) Service concession arrangement

The Company has a service concession agreement with the Government of Rwanda (GoR) to rehabilitate, operate and transfer an integrated four Hydro power plants: Keya, Nkora, Cyimbilli, Nyamyotsi I and II. Under the concession agreement, the Company will operate the power station for 25 years after which the Company shall convey its rights, title and interest in the power station to GoR. The Company has also signed a Power Purchase Agreement (PPA) for Keya, Nkora and Cyimbilli Power Plants with Rwanda Energy Group (REG) Limited's subsidiary, the Energy Utility Corporation Limited (EUCL), under which it will sell the power generated at the power plants to EUCL. The terms of the concession and power purchase agreements satisfy the criteria for a service concession agreement under IFRIC12: Service Concession Arrangements and are therefore accounted for under the interpretation.

The Rehabilitation of the Nyamyotsi I and II did not materialise due to challenges of access to the power plants thus the investment was fully impaired as at the year that ended 31 December 2018 thus no Power Purchase Agreement in place for Nyamyotsi I and II plant.

The Company accounts for the concession arrangement under the financial asset model given that under the power purchase agreement, the Company has a right to receive payments from EUCL based on a "take-or-pay" arrangement whereby EUCL is contractually obliged to purchase all of the net energy output generated by the plants or, if it is unable to accept delivery of that output, to pay the agreed price for that output regardless. Accordingly, the Company bears no demand risk.

The financial asset is initially recognised at fair value and classified as a receivable under IFRS 9. Subsequently, the financial asset is measured at amortised cost using the effective interest rate (EIR). This results in the recognition of interest income (deemed interest income) in lieu of the difference between the expected future cash flows and the initial amount. Borrowing costs incurred during construction are not capitalised. Under the accounting model adopted by the Company, revenue from operation services in the form of capacity and other payments shall be recognised when the Company becomes entitled to it in accordance with the PPA.

Financial asset

The company recognises a financial asset arising from a service concession arrangement to the extent that it has an unconditional right to receive cash or another financial asset from or at the direction of the grantor, for the construction, upgrade or operation services of concession assets. Financial assets recognised as a result of the service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is accounted for in accordance with IFRS 9 Financial Instruments.

ii) Revenue from construction contracts

Revenue from construction contracts is recognized in accordance with IFRS 15 Revenue from Contracts with Customers with the use of the percentage-of-completion method – provided that the conditions for application are fulfilled. The percentage of completion is mainly calculated on the basis of the ratio on the balance sheet date of the output volume already delivered to the total output volume to be delivered. The percentage of completion is also calculated from the ratio of the actual costs already incurred on the balance sheet date to the planned total costs (cost-to-cost method). If the results of construction contracts cannot be reliably estimated, revenue is calculated using the zero-profit method in the amount of the costs incurred and probably recoverable.

Revenue from the provision of services is recognized in accordance with IFRS 15 Revenue from Contracts with Customers with the use of the percentage of completion method – provided that the conditions for application are fulfilled. In the area of services, percentage of completion is mainly calculated using the cost-to-cost method.

iii) 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 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 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'.

iv) Property, plant and equipment

All property, plant and equipment are stated at historical cost less 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 recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| Item | Useful life |
|-------------------------|-------------|
| Furniture and fittings | 4 years |
| Office equipment | 2 years |
| Motor vehicles | 4 years |
| Machinery and equipment | 20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 recognised 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 or loss.

v) Accounting for leases

As at 31 December 2021, the company's head office is located at its parent company EPCA Holding Limited head office. EPCA Holding Limited bears the total cost of the lease and this cost is not directly recoverable from Energicotel and thus there is no IFRS 16 impact.

vi) Financial instruments

Financial instruments comprise trade and other receivables (excluding prepayments), financial asset arising from concession agreement, deposits with financial institutions, cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, and trade and other payables.

Accounting for financial instruments

IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Other receivable

Other receivables generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Trade payables

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

Offsetting financial instruments

Offsetting of financial assets and liabilities arises when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis or realize the assets and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Financial instrument classification

The Company classifies its financial instruments into the following categories:

- Financial assets at amortised cost; and
- Financial liabilities at amortised cost.

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below:

Financial assets

Financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term

receivables when the recognition of interest would be immaterial.

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts. The fair value for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets

The company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company's financial asset arising from concession agreement, trade and other receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. See note 4 for further details.

vii) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

viii) Taxation

The tax expense for the year comprises current, deferred tax and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company operates and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements for financial reporting purposes. Deferred income tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(x) Share capital

Ordinary shares are classified as 'share capital' in equity.

xi) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. Basic earnings per share is calculated on the profit or loss attributable to ordinary shareholders for each of the presented years. The weighted average number of ordinary shares outstanding is shown in the table below.

The Company did not have dilutive shares equal in any of the presented years.

| | Dec-21 | Dec-20 |
|---|---------------|---------------|
| Profit for the year attributable to equity shareholders - Frw'000 | 129,757 | 303,443,825 |
| Weighted average number of shares | 1,000 | 1,002 |
| Earnings per share: | | |
| Basic earning per share in Frw | 129.757 | 302.855 |
| Diluted earning per share in Frw | 129.757 | 302.855 |

(Xii) Borrowings

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

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Financial instruments and risk management

Market risk

(i) Foreign exchange risk

The company is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from recognised assets and liabilities.

(ii) Price risk

The corporation has no financial instruments subject to price risks.

(iii) Cash flow and fair value interest rate risk

The company has no financial instruments subject to cash flow or fair value interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents, financial asset arising from concession agreement as well as trade and other receivables.

The company has a significant concentrations of credit risk as the Government of Rwanda through EUCL is the sole customer of the power generated under the PPA agreement.

For the other receivable, the company's finance manager assesses the credit quality, taking into account its financial position, past experience and other factors.

No collateral is held by the company for its exposure.

The company's maximum exposure to credit risk is as follows:

The amount that best represents the Company's maximum exposure to credit risk at 31 December is made up as follows:

| | Dec-21 | Dec-20 |
|-----------------------------|------------------|------------------|
| | Frw'000 | Frw'000 |
| Trade receivables | 211,685 | 254,635 |
| Related party receivables | 1,648,762 | 395,361 |
| Other receivables | 25,109 | 7,599 |
| Concession financial assets | 2,174,984 | 2,255,145 |
| Cash equivalents | 419,873 | 344 |
| | 4,480,413 | 2,913,084 |

Impairment of financial assets at amortised cost

The loss allowances for trade receivables and financial asset arising from concession agreement as at period end reconcile to the opening loss allowances as follows:

| | Dec-21 | Dec-20 |
|--|------------------|------------------|
| | Frw'000 | Frw'000 |
| Trade receivables | 212,663 | 255,812 |
| Financial assets arising from concession | 2,178,031 | 2,265,567 |
| Total gross carrying amount | 2,390,694 | 2,521,378 |
| Default rate | 0.46% | 0.46% |
| Loss allowance: | 10,997 | 11,598 |

Trade receivable and financial asset arising from concession agreement

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, Trade receivable and financial assets arising concession are both amounts due from the Government of Rwanda through Energy Utility Company Limited (EUCL). The trade receivable is the amount invoiced as at 31 December 2021 while financial asset arising from concession is the projected amount to be received under the concession as per IFRIC 12.

Management consider 'low credit risk for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss rate assigned to these has been determined to be 0.46% which is the probability of default assigned to a B+ sovereign rating and investment grade by Standard & Poors rating agency.

On that basis, the loss allowance as at 31 December 2021 were determined as follows for both trade receivables and financial assets arising from concession agreement:

| | Trade receivables Frw'000 | Concession financial assets Frw'000 | Total |
|--|---------------------------------|--|---------------|
| Dec-21 | | | |
| Opening balance at 01 January 2021 | 1,177 | 10,422 | 11,598 |
| Decrease/ (increase) in the allowance recognised in profit or loss during the period | (198) | (370) | (569) |
| Closing balance at 31 December 2021 | 978 | 10,051 | 11,029 |
| | | | |
| | Trade receivables Frw'000 | Concession financial assets Frw'000 | Total |
| 2020 | | | |
| Opening balance at 01 January 2020 | 1,745 | 11,946 | 13,691 |
| Decrease/ (increase) in the allowance recognised in profit or loss during the period | (568) | (1,524) | (2,093) |
| Closing balance at 31 December 2020 | 1,177 | 10,422 | 11,598 |

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from related parties and key management personnel, and other receivables. The loss rate assigned to these has been determined to be 3.59% which is the probability of default assigned to a B Corporate rating grade by Standard & Poors rating agency.

The loss allowance for other financial assets at amortised cost as at 31 December 2021 reconciles to the opening loss allowance as follows:

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|--|---------------------------|---------------------------|
| Amounts due from related parties - gross carrying amount | 1,710,212 | 410,083 |
| Default rate | 3.59% | 3.59% |
| Loss allowance | 61,397 | 14,722 |

The impairment of cash and cash equivalents under IFRS 9 was found not material.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.
The table below analyses the corporation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due as at 31 December 2021 equal their carrying balances, as the impact of discounting is not significant:

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|------------------|-----------------------|-----------------------|------------------|------------------|
| At 31 December 2021 | | | | | |
| - Trade payables | 275,499 | | | | 275,499 |
| - Accruals | 96,238 | | | | 96,238 |
| - Amounts due from related parties | 548,840 | | | | 548,840 |
| - Borrowings | 490,105 | 335,978 | 1,231,930 | 1,934,172 | 3,992,185 |
| - Bank overdraft | - | | | | - |
| - Provision for minimum capacity output penalty | 96,187 | | | | 96,187 |
| - Income tax | 32,293 | | | | 32,293 |
| | <u>1,539,161</u> | <u>335,978</u> | <u>1,231,930</u> | <u>1,934,172</u> | <u>5,041,241</u> |
| At 31 December 2020 | | | | | |
| - Trade payables | 44,619 | | | | 44,619 |
| - Accruals | 27,801 | | | | 27,801 |
| - Amounts due from related parties | 6,146 | | | | 6,146 |
| - Borrowings | 284,606 | 336,044 | 2,189,989 | | 2,810,639 |
| - Bank overdraft | 0 | 0 | 0 | | 0 |
| - Provision for minimum capacity output penalty | 96,187 | | | | 96,187 |
| | <u>459,359</u> | <u>336,044</u> | <u>2,189,989</u> | <u>0</u> | <u>2,985,392</u> |

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital

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structure to reduce the cost of capital. Total capital is calculated as equity plus net debt. Net debt is calculated as total borrowings less cash and cash equivalent. Total capital is calculated as equity, as shown in the statement of financial position, plus debt.

As at 31 December 2021 this was Frw 3,876,014,832 (December 2020: Frw 3,195,902,374)

Fair value hierarchy

The table below provides the fair values of the assets and liabilities carried at amortised cost.

| | Carrying amount | Quoted prices in active markets | Significant observable inputs | Significant unobservable inputs |
|---|-----------------|---------------------------------|-------------------------------|---------------------------------|
| At 31 December 2021: | | | | |
| Financial assets | | | | |
| - Cash at bank | 419,531 | 419,531 | | - |
| - Concession financial assets | 2,174,984 | | 2,174,984 | - |
| - Trade receivables | 211,685 | | 211,685 | - |
| - Amounts due from related parties | 1,648,762 | | 1,648,762 | - |
| - Other receivables | 25,109 | | 25,109 | - |
| Total | 4,480,071 | 419,531 | 4,060,540 | - |
| Financial liabilities | | | | |
| - Trade payables | 275,499 | | 275,499 | - |
| - Accruals | 96,238 | | 96,238 | - |
| - Amounts due to related parties | 548,840 | | 548,840 | - |
| - Borrowings | 3,992,185 | 3,500,000 | 492,185 | - |
| - Provision for minimum capacity output penalty | 96,187 | | 96,187 | - |
| Income tax | 32,293 | | | |
| Total | 5,041,241 | 3,500,000 | 1,508,948 | 0 |
| At 31 December 2020: | | | | |
| Financial assets | | | | |
| - Cash at bank | 281 | 281 | - | - |
| - Concession financial assets | 2,255,145 | - | 2,255,145 | - |
| - Trade receivables | 254,635 | - | 254,635 | - |
| - Amounts due from related parties | 395,361 | - | 395,361 | - |
| - Other receivables | 7,599 | - | 7,599 | - |
| Total | 2,913,021 | 281 | 2,912,740 | - |

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| | | | | |
|---|-----------|---|-----------|---|
| Financial liabilities | | | | |
| - Trade payables | 44,619 | - | 44,619 | - |
| - Accruals | 6,146 | - | 6,146 | - |
| - Amounts due from related parties | 27,801 | - | 27,801 | - |
| - Borrowings | 811,269 | - | 811,269 | - |
| - Provision for minimum capacity output penalty | 96,187 | | 96,187 | |
| Total | 1,405,261 | - | 1,405,261 | - |

5. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- recognition of deferred tax asset for carried-forward tax losses-note 12
- estimation fair value of certain financial assets- note 7

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

6. Construction revenue and construction cost

Construction revenue relates to income earned from the construction of operating financial asset. Construction costs relates to cost incurred on the rehabilitation of the 4 power plants disclosed under note 3(b) (i) The plant started commercial operations on 30 September 2018.

7. Financial asset arising from concession

Financial asset results from the application of IFRIC 12 on accounting for concession arrangements relating to the concession agreement with the government of Rwanda. This is measured initially at fair value of consideration paid and subsequently at amortised cost. The movement in the carrying value of the asset is as follows:

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|--|-------------------|-------------------|
| At 1 January | 2,265,567 | 2,596,965 |
| Additions during the period | | 14,674 |
| Deemed interest income | 798,041 | 914,775 |
| Receipts (Electricity sales to Government of Rwanda -EUCL) | (1,624,940) | (1,675,166) |
| Operations and maintenance | 746,368 | 414,319 |
| Gross carrying amount of financial asset arising from concession agreement | 2,185,035 | 2,265,567 |
| Expected credit loss (see note 4) | (10,051) | (10,422) |
| Net carrying amount of financial asset arising from concession agreement | 2,174,984 | 2,255,145 |

8. Revenue from operations

Revenue from operations relates to amount incurred for operational and maintenance works for the hydro power plants. The amounts are accounted for at cost.

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|-------------------------------------|-------------------|-------------------|
| Revenue from operations | 746,368 | 414,319 |
| Operations and maintenance expenses | (746,368) | (414,319) |

The operating and maintenance expenses are analyzed by nature as follows:

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|---------------------------------|-------------------|-------------------|
| Employee benefits expense | 206,711 | 184,778 |
| Management fees | - | 50,424 |
| Direct expenses | - | - |
| Minimum capacity output penalty | - | - |
| Other expenses | 539,657 | 179,116 |
| | 746,368 | 414,319 |

Employee costs

| | | |
|------------------------|----------------|----------------|
| Salaries and wages | 206,711 | 184,778 |
| Other payroll expenses | - | - |
| | 206,711 | 184,778 |

9. Finance cost

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|--------------------------------|-------------------|-------------------|
| Interest expense on borrowings | 551,265 | 500,333 |
| Interest expense on overdrafts | 0 | - |
| Total finance costs | 551,265 | 500,333 |

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10. Property, Plant and Equipment

Year ended 31 December 21

| DESCRIPTION | Land Frw | 25% Furniture and fixtures Frw | 25% Motor vehicles Frw | 50% IT equipment Frw | 0% Capital- work in progress Frw | 0% Construction in progress Frw | TOTAL Frw |
|---|----------------------|---|---------------------------------|-------------------------------|--|--|----------------------|
| Period to 31 December 2021 | | | | | | | |
| Cost or revaluation | | | | | | | |
| Balance as at 1 January 2021 | 575,350,000 | 10,436,687 | 123,675,761 | 7,490,000 | - | 1,396,375 | 718,348,823 |
| Additions | 660,000,000 | | | | - | | 660,000,000 |
| Sale of property | | | | | - | | - |
| Balance as at 31 December 2021 | 1,235,350,000 | 10,436,687 | 123,675,761 | 7,490,000 | - | 1,396,375 | 1,378,348,823 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2021 | - | 9,148,323 | 93,675,761 | 7,490,000 | - | - | 110,314,084 |
| Current depreciation charge | | 813,926 | 15,000,000 | | | | 15,813,926 |
| Accumulated depreciation on sold property | - | - | | | | | - |
| Balance as at 31 December 2021 | - | 9,962,249 | 108,675,761 | 7,490,000 | - | - | 126,128,010 |
| Carrying value | | | | | | | |
| 31-Dec-21 | 1,235,350,000 | 474,438 | 15,000,000 | - | - | 1,396,375 | 1,252,220,813 |

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Year ended 31 December 20

| DESCRIPTION | Land | Furniture and fixtures | Motor vehicles | IT equipment | Capital- work in progress | Construction in progress | TOTAL |
|---------------------------------------|--------------------|---------------------------|--------------------|------------------|---------------------------------|-----------------------------|--------------------|
| | Frw | Frw | Frw | Frw | Frw | Frw | Frw |
| Cost or revaluation | | | | | | | |
| Balance as at 1 January 2020 | 22,000,000 | 10,436,687 | 123,675,761 | 7,490,000 | 14,673,539 | - | 178,275,987 |
| Additions | 553,350,000 | | | | | 1,396,375 | 554,746,375 |
| Reclassification | | | | | (14,673,539) | | (14,673,539) |
| Balance as at 31 December 2020 | 575,350,000 | 10,436,687 | 123,675,761 | 7,490,000 | - | 1,396,375 | 718,348,823 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2020 | - | 6,349,352 | 54,945,292 | 6,266,875 | - | - | 67,561,519 |
| Current depreciation charge | | 2,798,971 | 38,730,469 | 1,223,125 | - | - | 42,752,565 |
| Adjustment | - | - | | | | | |
| Balance as at 31 December 2020 | - | 9,148,323 | 93,675,761 | 7,490,000 | - | - | 110,314,084 |
| Carrying value | | | | | | | |
| 31-Dec-20 | 575,350,000 | 1,288,364 | 30,000,000 | - | - | 1,396,375 | 608,034,739 |

11. Income tax expense

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|-----------------------------|-------------------|-------------------|
| Current income tax expense | 32,293 | - |
| Deferred income tax expense | 21,798 | 76,673 |
| | 54,090 | 76,673 |

Reconciliation of the tax expense

| | Dec-21 Frw'000 | 2020 Rwf'000 |
|---|-------------------|-----------------|
| Profit/(loss) from continuing operations before income tax expense | 184,858 | 380,116 |
| Tax at the Rwanda tax rate of 15% (2020-15%, 2019 – 15%, 2018 – 15%) | 27,729 | 57,017 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Deemed interest income | (119,706) | (137,216) |
| Electricity sales to EUCL | 243,741 | 251,275 |
| Operation and maintenance | (111,955) | (60,415) |
| Expenses not deductible for tax purpose | (7,516) | (50,189) |
| Overstatement of prior year Deferred Tax | | 15,959 |
| Other deferred tax adjustments | 21,798 | 241 |
| Income tax expense | 54,090 | 76,673 |

12. Deferred income tax

Deferred tax assets relate to carried forward tax losses and timing differences in property, plant and equipment. Management has concluded that the deferred income assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the company. The losses can be carried forward for a maximum of 5 years.

Deferred income tax is calculated using the enacted income tax rate of 15% (2020: 15%).
The movement on the deferred income tax account is as follows:

| | Dec-21 Frw | 2020 Frw |
|---|-------------------|-------------------|
| At start of year | 70,578,367 | 163,210,000 |
| Debit/(credit) to statement of comprehensive income | (21,797,831) | (92,631,633) |
| At end of year | 48,780,536 | 70,578,367 |

The deferred income tax asset, deferred income tax charge/(credit) to profit and loss (PL) and deferred income tax charge to other comprehensive income (OCI) are attributable to the following items:

| Period ended 31 December 2021 | 1.1.2021 | Charged/ Credited to P/L Frw | Charged/ Credited to OCI Frw | 31.12.2021 Frw |
|---------------------------------------|-------------------|---------------------------------------|---------------------------------------|-------------------|
| Deferred income tax assets | | | | |
| Property, plant and equipment | 68,912,166 | (20,131,630) | - | 48,780,536 |
| Unused tax losses | 1,666,201 | (1,666,201) | - | - |
| | 70,578,367 | (21,797,831) | - | 48,780,536 |
| Net deferred income tax assets | 70,578,367 | (21,797,831) | - | 48,780,536 |

13. Cash and cash equivalents

| | Dec-21 Frw'000 | 2020 Frw'000 |
|---------------------------------------|-------------------|-----------------|
| Cash and cash equivalents consist of: | | |
| Cash in hand | 342 | 63 |
| Bank balances | 419,531 | 281 |
| | 419,873 | 344 |
| Reconciliation to cash flow statement | | |
| | Dec-21 Frw'000 | 2020 Frw'000 |
| Balances as above | 419,873 | 344 |
| | 419,873 | 344 |

14. Trade and other payables

| | Dec-21 Frw'000 | 2020 Frw'000 |
|---|-------------------|-----------------|
| Trade payables | 275,499 | 44,619 |
| Amounts due to related parties | 548,840 | 6,146 |
| Accruals and other payables | 96,238 | 27,801 |
| Provision for minimum capacity output penalty | 96,187 | 96,187 |
| | 1,016,763 | 174,752 |

15. Trade and other receivables

| | Dec-21 Frw'000 | 2020 Frw'000 |
|---|-------------------|-----------------|
| Trade receivables | 212,663 | 255,812 |
| Expected credit losses | (978) | (1,177) |
| Trade receivables - net | 211,685 | 254,635 |
| Amounts due from related parties | 1,710,157 | 410,083 |
| Expected credit losses | (61,395) | (14,722) |
| Amounts due from related parties-net | 1,648,762 | 395,361 |
| Prepayments | 5,523 | 9,584 |
| VAT receivable | - | 690 |
| Other receivables | 19,585 | 7,599 |
| | 1,885,555 | 667,868 |

16. Share capital

| | Note | Number of shares | Par value Frw | Total value Frw |
|---|------|------------------|------------------|--------------------|
| Authorized - 1000 Ordinary shares of Rwf. 1,000,000 each | | 1,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid | (i) | 984 | 1,000,000 | 984,000,000 |
| Issued but not paid | | 16 | 1,000,000 | 16,000,000 |

(i) Movements in ordinary shares

| Details | | | | |
|---|--|-------|-----------|---------------|
| Opening balance 2017 | | 462 | 1,000,000 | 461,600,000 |
| Issues in 2017 | | 524 | 1,000,000 | 524,345,000 |
| Balance at 31 December 2017, 31 December 2018, 31 December 2019 | | 986 | 1,000,000 | 985,945,000 |
| Issues in 2020 | | 16 | 1,000,000 | 16,000,000 |
| Balance at 31 December 2020 | | 1,002 | 1,000,000 | 1,001,945,000 |
| Adjustment in 2021 | | | | 1,945,000 |
| Balance at 31 December 2020 | | 1,000 | 1,000,000 | 1,000,000,000 |

17. Borrowings

The following are the balances of the borrowings as at 31st December 2021:

| | | Non - current Frw'000 | Current Frw'000 | Total Frw'000 |
|-------------------|-----------|--------------------------|--------------------|------------------|
| Bank loan (i) | 31-Dec-21 | 429,751 | 62,434 | 492,185 |
| Issued bonds (ii) | 31-Dec-21 | 3,072,329 | 427,671 | 3,500,000 |
| | | 3,502,080 | 490,105 | 3,992,185 |

| | Non - current Frw'000 | Current Frw'000 | Total Frw'000 |
|----------------------|--------------------------|--------------------|------------------|
| i. Bank loan: | | | |
| 31-Dec-16 | 1,089,193 | - | 1,089,193 |
| 31-Dec-17 | 2,172,484 | - | 2,172,484 |
| 31-Dec-18 | 2,920,937 | 194,955 | 3,115,892 |
| 31-Dec-19 | 2,316,818 | 782,857 | 3,099,674 |
| 31-Dec-20 | 2,526,033 | 284,606 | 2,810,639 |
| 31-Dec-21 | 429,751 | 62,434 | 492,185 |

Bank loan

The company had obtained an investment Loan for rehabilitation of power plants at 16.5% annual interest rate for 8 years period starting 2016. The loan was fully repaid in current period and a new investment loan was got in 2021 at an annual interest rate of 16.5% for a period of 6 years. The loan is secured by the property with UPI no: 1/03/03/03/153.

The movement in borrowing is as follows:

| | Dec-21 Frw'000 | 2020 Frw'000 |
|--|-------------------|------------------|
| At start of the year | 2,810,639 | 3,099,675 |
| Proceeds from borrowings | 528,000 | (55,800) |
| Interest expense and other charges on borrowing | 551,265 | 500,333 |
| Principal repayments | (2,774,824) | (239,716) |
| Repayment of interest and other charges on borrowing | (622,895) | (493,852) |
| At end of year | 492,185 | 2,810,639 |

ii. Issued Corporate bond

In August 2021, ENERGICOTEL (ECTL) PLC officially listed its First Tranche of the FRW 6,500,000,000 10 years Fixed Rate (13.5%) Corporate Bond amounting to FRW 3,500,000,000 on the Rwanda Stock Exchange Bond Market. The movement in issued bond is as follows:

| | Dec-21 Frw'000 |
|---|-------------------|
| At start of the year | - |
| Proceeds from borrowings | 3,500,000 |
| Interest expense and other charges on borrowing | 214,183 |
| Principal repayments | - |
| Interest repayments | - |
| At end of year | 3,714,183 |

18. Related parties

The Company's parent which is also the ultimate controlling party is EPCA Holding Limited, a private company also incorporated in Rwanda.

| | |
|--------------------------|-------------------------------------|
| Common shareholding | Afrilott |
| Holding company | EPCA Holding Ltd |
| Common shareholding | Century Engineering Contractors Ltd |
| Common shareholding | EPCA Housing Ltd |
| Member of key management | Ferdy TURASENGA |
| Shareholder | Raymond BIZWINAYO |
| Associate | MAGMA |
| Group's Shareholder | IPP HOLDINGS Limited |
| Group's Shareholder | SENKOMANN Limited |

| | Dec-21 Frw'000 | Dec-20 Frw'000 |
|------------------------------------|-------------------|-------------------|
| Due from related parties | | |
| Afrilott Ltd | 17,257 | 14,875 |
| Century Engineering Contractor Ltd | - | 352,181 |
| EPCA Group Ltd | 1,676,155 | 26,827 |
| EPCA Housing Ltd | 200 | 200 |
| Raymond BIZWINAYO | 16,000 | 16,000 |
| MAGMA | 600 | - |
| | 1,710,157 | 410,083 |
| | | |
| | Dec-21 Frw'000 | Dec-20 Frw'000 |
| Due to related parties | | |
| Due to CEC Ltd | 512,840 | 3,600 |
| Due to EPCA Group Ltd | - | 2,546 |
| IPP HOLDINGS Limited | 36,000 | |
| | 548,840 | 6,146 |

Other related party transactions

The following transactions were carried out with related parties:

| | 2021 | 2020 |
|---|---------|---------|
| | Frw'000 | Frw'000 |
| Management fees paid to the parent company EPCA Group Ltd | - | 50,424 |

19. Financial statement ratios

The following are key financial ratios as at 31 December 2021:

| Ratio | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| (a) Earnings before interest and taxes cover | 1.34 | 1.76 |
| (b) Percentage of free cash flow to total debt | (0.11) | 0.02 |
| (c) Total free cash flow to short term debt obligation | (0.12) | 0.02 |
| (d) Net profit margin | 0.08 | 0.23 |
| (e) Long term debt to capital employed | 4.41 | 3.77 |
| (f) Total debt to equity | 5.03 | 4.19 |

20. Events after the reporting period

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

21. Adjustments in retained earnings

Prior adjustments include the adjustments on Retained Earnings that should have affected the profit and loss of previous year but took place at the beginning of the current year; these are summarized in the table below:

| Description | Amount |
|--------------|--------------|
| Expenses | 5,227 |
| Total | 5,227 |

