ANNUAL REPORT

And

Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

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The directors submit their report together with the audited financial statements for the period ended 31 December 2016, which disclose the state of affairs of Crystal Telecom Limited (the "Company").

INCORPORATION

The Company was incorporated on 19 September 2013 and is domiciled in Rwanda. Its registered office is:

P O Box 1287
Kigali, Rwanda

PRINCIPAL ACTIVITIES

The Company is an investment holding company with a 20% shareholding in MTN Rwandacell Limited. The Company's shares are listed on the Rwanda Stock Exchange.

RESULTS AND DIVIDEND

Profit for the year of Rwf 1,032 million (2015: 1,150 million) has been added to retained earnings. During the year, a dividend of Rwf 3,020 million (2015: Rwf 1,013 million) was paid.

DIRECTORS

The directors who held office during the period and to the date of this report were:

James Gatera	-	Chairman (Appointed 29 April 2016)
Iza Irame	-	Chief Executive Officer (Appointed 18 November 2016)
Cherno Gaye	-	
John Bosco Sebabi	-	
David Dalhuisen	-	
Jack Kayonga	-	Resigned 29 April 2016
Vincent Gatete	-	Resigned 18 November 2016

AUDITOR

The Company's auditor, PricewaterhouseCoopers Rwanda Limited, continues in office in accordance with Law No.7/2009 relating to companies as modified and complemented to date.

By order of the Board,

SECRETARY

27 March 2017

Law No. 7/2009 relating to companies as modified and complemented to date require the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the presentation and preparation of financial statements of the Company in accordance with International Financial Reporting Standards and in the manner required by Law No. 7/2009 relating to companies as modified and complemented to date. They also accept responsibility for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

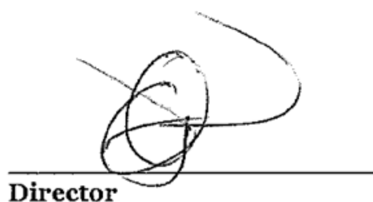
The directors are also responsible in preparing the financial statements, for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The audit of the financial statements does not relieve the directors of this responsibility.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company at 31 December 2016, the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 7/2009 relating to companies as modified and complemented to date.

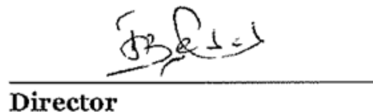
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements on pages 8 to 27 were approved for issue by the board of directors and signed on its behalf by:



Director



Director

28th March 2017

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CRYSTAL TELECOM LIMITED (continued)

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

If, based on the work we have performed on the other information, 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.

Responsibilities of Directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of Law No. 7/2009 relating to companies as modified and complemented to date, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have 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 the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Law No. 7/2009 relating to companies as modified and complemented to date requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. There are no circumstances that may create threat to our independence as auditor of the Company;

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 the Company, so far as appears from our examination of those books; and

iv. We have communicated to the Company'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 PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda
Director

30 March 2017

Statement of comprehensive income

	Notes	Year ended 31 December 2016 Rwf'000	Period ended 31 December 2015 Rwf'000
Share of profit of associate	1	1,101,472	1,186,291
Administrative expenses	2	(95,379)	(38,285)
Operating profit		**1,006,093**	**1,148,006**
Finance costs	3	(2,673)	(1,798)
Finance income	3	29,043	3,758
Profit before income tax		**1,032,463**	**1,149,966**
Income tax expense	4	-	-
Profit for the year/period		**1,032,463**	**1,149,966**
Other comprehensive income		-	-
Total comprehensive income for the year/period		**1,032,463**	**1,149,966**
Basic and diluted earnings per share (Expressed in Rwf per share)	10	**3.82**	**4.26**

The notes on pages 12 to 27 are an integral part of these financial statements.

Statement of financial position

	Notes	2016 Rwf'000	2015 Rwf'000
ASSETS			
Non-current assets			
Investment in associate	1	26,750,763	28,669,291
Current assets			
Other receivables	11	6,957	-
Cash and bank balances	6	102,567	179,589
Restricted cash	7	82,389	-
		191,913	**179,589**
TOTAL ASSETS		**26,942,676**	**28,848,880**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	8	13,508,866	13,508,866
Share premium	8	13,319,149	15,169,885
Retained earnings		-	136,801
Total equity		**26,828,015**	**28,815,552**
Current liabilities			
Other payables	12	32,272	33,328
Dividend payable	13	82,389	-
		114,661	**33,328**
TOTAL EQUITY AND LIABILITIES		**26,942,676**	**28,848,880**

The notes on pages 12 to 27 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital Rwf'000	Share premium Rwf'000	Retained earnings Rwf'000	Total equity Rwf'000
Period from incorporation to 31 December 2015					
01 May 2015		-	-	-	-
Profit and total comprehensive income for the year		-	-	1,149,966	1,149,966
		-	-	1,149,966	1,149,966
Transactions with owners:					
Issue of shares		13,508,866	15,169,885	-	28,678,751
Dividends paid		-	-	(1,013,165)	(1,013,165)
At 31 December 2015		**13,508,866**	**15,169,885**	**136,801**	**28,815,552**
Year ended 31 December 2016					
At start of year		13,508,866	15,169,885	136,801	28,815,552
Profit and total comprehensive income for the year		-	-	1,032,463	1,032,463
		-	-	1,032,463	1,032,463
Transactions with owners:					
Dividends paid	9	-	-	(1,169,264)	(1,169,264)
Reduction of stated capital	9	-	(1,850,736)	-	(1,850,736)
At 31 December 2016		**13,508,866**	**13,319,149**	**-**	**26,828,015**

The notes on pages 12 to 27 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		Rwf'000	Rwf'000
		2016	2015
Cash flows from operating activities			
Profit before income tax		1,032,463	1,149,966
Adjustments for:			
Share of profit of associate		(1,101,472)	(1,186,291)
Finance income - net		(27,534)	-
Increase in other receivables		(6,957)	-
Decrease in other payables		(1,056)	33,328
Dividends received	1	3,020,000	1,017,000
Net cash from operating activities		**2,915,444**	**1,014,003**
Cash flows from investing activities			
Maturity/(Payment) for fixed deposit	6	120,000	(120,000)
Interest income		28,468	(3,758)
Net cash from/(used) in investing activities		**148,468**	**(123,758)**
Cash flows from financing activities			
Proceeds from issue of shares		-	178,750
Dividends paid to company shareholders	9	(3,020,000)	(1,013,165)
Net cash used in financing activities		**(3,020,000)**	**(834,415)**
Net increase in cash		43,912	55,830
Cash and bank balances at start of period		58,080	-
Effects of exchange rate changes on cash and cash equivalents		575	2,250
Cash and bank balances at end of year	6	**102,567**	**58,080**

The notes on pages 12 to 27 are an integral part of these financial statements.

Notes

1 Investment in associate

The Company has 20% (2015: 20%) equity interest in MTN Rwandacell Limited ("MTN") that is accounted for using equity method.

MTN is incorporated and domiciled in Rwanda. MTN's principal activity is provision of mobile and fixed telecommunication services. MTN is a private company and there is no quoted market price available for its shares. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The directors confirm that there are no impairment indicators for the investment in associate.

In managing the 20% stake in MTN Rwanda, Crystal Telecom will seek to transfer value in the form of dividends, passed on directly to its shareholders, arising from dividends or any other distributions received from MTN Rwanda, less cash required to maintain Crystal Telecom's normal operations.

i) Reconciliation of the carrying amount of the investment in associate is shown below:

	2016 Rwf'000	2015 Rwf'000
At start of period	28,669,291	-
Addition through acquisition of interest previously held by Crystal Ventures Limited	-	28,500,000
Share of profit of associate	1,101,472	1,186,291
Dividends received	(3,020,000)	(1,017,000)
At the end of period	**26,750,763**	**28,669,291**

ii) Summarized financial information for associates

The table below shows summarized financial information for MTN Rwanda. The information disclosed reflects the amounts presented in the financial statements of MTN Rwanda.

	Rwf'000 2016	Rwf'000 2015
Statement of financial position		
Current assets	35,802,893	42,668,132
Non – current assets	53,361,815	56,828,541
Current liabilities	25,450,506	25,214,363
Non – current liabilities	11,913,449	12,888,916
Net assets	**51,800,753**	**61,393,394**
Statement of comprehensive income		
Revenue	77,580,951	83,005,852
Profit for the period	5,507,359	8,897,183
Total comprehensive income	5,507,359	8,897,183

Notes

1 Investment in associate (continued)

ii) Summarized financial information for associates (continued)

	Rwf'000 2016	Rwf'000 2015
Reconciliation to carrying amounts:		
Opening net assets 1 January	61,393,394	68,081,211
Profit for the period	5,507,359	8,897,183
Other comprehensive income	-	-
Dividends paid	(15,100,000)	(15,585,000)
Closing net assets	**51,800,753**	**61,393,394**
Company's share in %	20%	20%
Company's share in Rwf ('000)	10,360,151	12,278,679
Good will	16,390,612	16,390,612
Carrying amount	**26,750,763**	**28,669,291**

iii) Contingent liabilities in respect of associates

Following a tax audit conducted by Rwanda Revenue Authority for the year of income 2011 an assessment was raised for MTN. MTN management lodged an appeal to challenge this assessment on 29 January 2017 for which no response has yet been received. Management estimates that the probability of material resources outflow for this assessment is unlikely. (2015: There were no contingent liabilities relating to the Company's interest in MTN)

Notes (continued)

2 Administrative expenses

	2016 Rwf'000	2015 Rwf'000
Auditor's remuneration	14,510	14,948
Registrar fees	11,800	11,800
Directors' remuneration	13,510	11,537
Listing fees	20,000	-
AGM expenses	6,661	-
Travel and accommodation	19,682	
Other expenses	9,216	-
	95,379	**38,285**

3 Finance income and costs

	2016 Rwf'000	2015 Rwf'000
Finance costs:		
Bank charges	2,673	1,798
Finance income:		
Exchange gains on cash and cash equivalents	(575)	(2,250)
Interest income on fixed deposit	(28,468)	(1,508)
Net finance income	**(26,370)**	**(1,960)**

4 Income tax expense

	2016 Rwf'000	2015 Rwf'000
Current and deferred income tax	-	-
Income tax expense	-	-

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2016 Rwf'000	2015 Rwf'000
Profit before income tax	1,032,463	1,149,966
Tax calculated at the statutory income tax rate of 30%	309,739	344,990
Tax effects of:		
- Income not subject to tax	(339,155)	(357,015)
- Unrecognized deferred income tax asset	29,416	12,025
	-	-

Notes (continued)

5 Deferred income tax

The company has not recognized deferred income tax assets arising from tax losses whose recoverability is in doubt within the permitted five years period from the year of loss. The unrecognized deferred income tax asset, calculated using the enacted income tax rate of 30%, is shown below:

	2016 Rwf'000	2015 Rwf'000
At start of year/period	12,025	-
Unrecognised credit to profit and loss	29,416	12,025
At end of year / period	**41,441**	**12,025**

Unrecognised deferred income tax assets and deferred income tax credit in the statement of comprehensive income are attributable to the following items:

Year ended 31 December 2016	**At start of year Rwf'000**	**Credited to P/L Rwf'000**	**At 31 December 2016 Rwf'000**
Deferred income tax assets			
Tax losses carried forward	12,025	29,416	41,441
Unrecognised	(12,025)	(29,416)	(41,441)
	-	-	-

Period ended 31 December 2015	**At start of period Rwf'000**	**Credited to P/L Rwf'000**	**At 31 December 2015 Rwf'000**
Deferred income tax assets			
Tax losses carried forward	-	12,025	12,025
Unrecognised	-	(12,025)	(12,025)
	-	-	-

Notes (continued)

6 Cash and bank balances

	2016 Rwf'000	2015 Rwf'000
Cash at bank	102,567	58,080
Bank deposits	-	121,509
At end of year	**102,567**	**179,589**

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

Cash at bank (as above)	102,567	58,080
	102,567	**58,080**

7 Restricted cash

	2016 Rwf'000	2015 Rwf'000
Cash at bank	82,389	-
	82,389	**-**

Restricted cash relates to dividends due to shareholders and therefore not available for general use by the entity.

8 Share capital

	Number of shares	Ordinary shares Rwf'000	Share premium Rwf'000
Balance at 1 January 2016 and 31 December 2015 and December 2016	270,177,320	13,508,866	15,169,885

The authorized share capital comprises 275,000,000 ordinary shares of par value Rwf 50 each, of which 270,177,320 have been issued and paid up.

9 Dividends per share

During the year a dividend of Rwf 11.178 (2015: 3.75) per share, amounting to a total of Rwf 3,020 million (2015: 1,013 million) was paid. Of this amount Rwf 1,169 million was accounted for as distribution of retained earnings and Rwf 1,851 million being in excess of cumulated retained earnings was accounted for as a reduction of stated capital in line with article 101 of the Companies Act, having obtained necessary regulatory

Notes (continued)

10 Earnings per share

	2016	2015
Basic and diluted earnings per share:		
Profit attributable to the ordinary equity holders used in calculating earnings per share (Rwf '000)	1,032,463	1,149,966
Number of ordinary shares in issue from date of listing (Number in thousands)	270,177	270,177
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	**3.82**	**4.26**

11 Other receivables

	2016 Rwf'000	2015 Rwf'000
Withholding tax recoverable	4,497	-
Other receivables	2,460	-
	6,957	-

The fair value of other receivables is equal to their carrying amount at the reporting date.

12 Other payables

Accrued expenses	32,272	33,328

The carrying amounts of the above other payables approximate their fair values.

13 Dividends payable

Dividends payable	82,389	-

14 Related party transactions

The company is listed at the Rwanda Stock Exchange and the shares are widely held.

The following transactions were also carried out with related parties:

i) Directors' remuneration	2016 Rwf'000	2015 Rwf'000
Fees for services as a director	13,510	11,537

ii) Dividends received

The Company received dividends in the period from MTN Rwandacell Limited amounting to Rwf 3,020 million (2015: 1,017 million).

Notes (continued)

15 Operating segment information

The Board of Directors, acting as a body, is the Company's chief operating decision-maker. As the Company exists solely as an investment holding Company for the investment in MTN Rwandacell Limited, there are no other reportable segments of the Company's business. The Board of Directors considers the business in its nature as an investment holding Company.

The board uses a measure of dividend received from MTN to assess the performance of the company and review this information semi-annually.

Dividend received in the year is disclosed in note 1.

There were no external revenues to customers. (2015: nil)

With no distinct segment, the segment assets and liabilities equal those shown in the statement of financial position.

There were no non-current assets other than Investment in associate whose movement is shown in Note 1.

16 Financial risk management objectives and policies

The Company's financial risk management is the responsibility of the Directors.

Market risk

During the period to 31 December 2016, the Company did not enter into any transactions that exposed it to significant market risks (foreign exchange, price and interest rate risks).

Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk is managed through policies approved by the Board of Directors.

At 31 December 2016, credit risk exposure arose from cash held in current accounts with local banks and other receivables. The Directors consider the regulated nature of the Rwandan banking industry, including periodic publishing of their financial information, as sufficient in mitigating credit risk exposure to those banks.

Maximum exposure to credit risk	2016 Rwf'000	2015 Rwf'000
Other receivables	6,957	-
Cash and bank balances with Bank of Kigali (AA- rating)	102,567	179,589
	109,524	**179,589**

Notes (continued)

16 Financial risk management objectives and policies (continued)

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. Owing to the investment holding nature of the company, the Directors are able to estimate recurrent administrative expenditure, on which basis sufficient cash is held in the company's bank accounts.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year	
	Rwf'000	**Rwf'000**
	2016	**2015**
Dividends payable	82,389	-
Other payables	32,272	33,328
	114,661	**33,328**

Capital risk management

Being an investment holding company with no material borrowing. Capital is defined as paid up capital in form of ordinary shares.

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Fair value of financial assets and liabilities

The fair value of cash at bank balances, other receivables and accrued expenses approximate their carrying amount.

17 Critical accounting estimates, judgments and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes (continued)

18 Contingent liabilities

The company did not have any contingent liabilities as at 31 December 2016.

19 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 12.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2016:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Notes (continued)

19 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Company (continued)

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de recognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

Notes (continued)

19 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases

Notes (continued)

19 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition of Deferred Tax Asset for Unrealised Losses-Amendment to IAS 12;Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a,net debt, reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

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

Notes (continued)

19 Summary of significant accounting policies (continued)

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the Company correspond with those of the associates where necessary. Dilution gains and losses arising in investments in associates are recognised in the proft or loss.

Notes (continued)

19 Summary of significant accounting policies (continued)

(c) 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 Rwanda Francs ("Rwf") which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company 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'.

(d) Trade receivables

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

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The company considers that there is evidence of impairment if any of the following indicators are present;

- Significant financial difficulties
- Probability that the debtor will enter bankruptcy
- Defunct or delinquencies n payments

(e) 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.

Notes (continued)

19 Summary of significant accounting policies (continued)

(f) Provisions

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

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

(g) 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.

(h) Cash and cash equivalents

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

Notes (continued)

19 Summary of significant accounting policies (continued)

(i) Income tax

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

a) Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with Rwanda tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

a) Deferred income tax

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.