Crystal Telecom Limited

Annual report and economic interest financial statements

For the year ended 31 December 2018

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PwC Rwanda Limited

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The Directors submit their report together with the audited economic interest financial statements for the period ended 31 December 2018, 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

The results of the Company for the year are set out in the table below;

	Company	
	31-Dec-18	31-Dec-17
	Rwf'000	Rwf'000
Share of profit / (loss) of associate	1,549,896	(818,204)
Profit / (loss) for the year	1,489,433	(859,803)

Profit for the year of Rwf 1,489 million (2017: loss Rwf 859 million) has been added to retained earnings. Directors have proposed a final dividend of Rwf 281 million and a 2019 interim dividend of Rwf 940 million.

DIRECTORS

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

Evelyn Kamagaju Rutagwenda	-	Chairperson
Iza Irame	-	Chief Executive Officer
Cherno Gaye		
David Dalhuisen		
Richard Tusabe	-	Appointed 13 November 2018
John Bosco Sebabi	-	Resigned 13 November 2018

AUDITOR

The Company's auditor, PricewaterhouseCoopers Rwanda Limited, continues in office in accordance with Law No. 17/2018 of 13/04/2018 Governing Companies.

By order of the Board,

SECRETARY

29/04/2019

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Law No. 17/2018 of 13/04/2018 Governing Companies 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. 17/2018 of 13/04/2018 Governing Companies. 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 2018, 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. 17/2018 of 13/04/2018 Governing Companies.

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 accompanying financial statements on pages 7 to 29 were approved for issue by the board of directors and signed on its behalf by:

Director

Director

29/04 2019

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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF CRYSTAL TELECOM LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, Crystal Telecom Limited's (the "Company") financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of Law No. 17/2018 of 13/04/2018 Governing Companies.

What we have audited

Crystal Telecom Limited's financial statements set out on pages 7 to 29 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

We have determined that there are no Key Audit Matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and Statement of directors' responsibilities but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other information that will be included in the Annual report which is expected to be made available to us after that date.
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

PricewaterhouseCoopers Rwanda Limited , 5th Floor, Blue Star House, Blvd de l'Umuganda, Kacyiru
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Tel: +250 (252) 588203/4/5/6 , www.pwc.com/rw

Directors: F Gatome M Nyabanda B Kimacia P Ngahu

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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that will be included in the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of Directors 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. 17/2018 of 13/04/2018 Governing Companies 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.

Directors 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 skepticism 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.

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

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

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

- 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.

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

Report on other legal and regulatory requirements

Law No. 17/2018 of 13/04/2018 Governing Companies 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 April 2019

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Statement of comprehensive income

	Notes	2018 Rwf'000	2017 Rwf'000
Share of profit/(loss) of associate	1	1,549,896	(1,712,478)
Administrative expenses	2	(58,979)	(64,174)
Operating profit/(loss)		**1,490,917**	**(1,776,652)**
Finance costs	3	(1,484)	(1,988)
Finance income	3	-	6,951
Profit/(loss) before income tax		**1,489,433**	**(1,771,689)**
Income tax expense	4	-	-
Profit/(loss) for the year		**1,489,433**	**(1,771,689)**
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		**1,489,433**	**(1,771,689)**
Basic and diluted earnings/ (loss) per share (Expressed in Rwf per share)	10	**5.51**	**(6.56)**

The notes on pages 11 to 29 are an integral part of these financial statements.

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Statement of financial position

	Notes	2018 Rwf'000	2017 Rwf'000
ASSETS			
Non-current assets			
Investment in associate	1	24,659,181	23,538,285
Current assets			
Other receivables	11	5,606	5,606
Cash and bank balances	6	304,490	47,026
Restricted cash	7	15,074	15,074
		325,710	**67,706**
TOTAL ASSETS		**24,984,351**	**23,605,991**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	8	13,508,866	13,508,866
Share premium	8	11,819,149	11,819,149
Accumulated losses		(371,256)	(1,771,689)
Total equity		**24,956,759**	**23,556,326**
Current liabilities			
Other payables	12	12,518	34,591
Dividend payable	13	15,074	15,074
		27,592	**49,665**
TOTAL EQUITY AND LIABILITIES		**24,984,351**	**23,605,991**

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Statement of changes in equity

	Notes	Share capital Rwf'000	Share premium Rwf'000	Retained earnings/ (accumulated losses) Rwf'000	Total equity Rwf'000
Year ended 31 December 2017					
At start of year		13,508,866	13,319,149	-	26,828,015
Loss and total comprehensive loss for the year		-	-	(1,771,689)	(1,771,689)
		-	-	(1,771,689)	(1,771,689)
Transactions with owners:					
Dividends paid	9	-	(1,500,000)	-	(1,500,000)
At 31 December 2017		**13,508,866**	**11,819,149**	**(1,771,689)**	**23,556,326**
Year ended 31 December 2018					
At start of year		13,508,866	11,819,149	(1,771,689)	23,556,326
Share of impact on associate on IFRS 9 adoption		-	-	(89,000)	(89,000)
Profit and total comprehensive income for the year		-	-	1,489,433	1,489,433
		-	-	1,400,433	1,400,433
Transactions with owners:					
Dividends paid	9	-	-	-	-
At 31 December 2018		**13,508,866**	**11,819,149**	**(371,256)**	**24,956,759**

The notes on pages 11 to 29 are an integral part of these financial statements.

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Statement of cash flows

	Notes	2018 Rwf'000	2017 Rwf'000
Cash flows from operating activities			
Profit/(loss) before income tax		1,489,433	(1,771,689)
Adjustments for:			
Share of profit/(loss) of associate		(1,549,896)	1,712,478
Finance income - net		-	(6,951)
Increase in other receivables		-	1,351
(Decrease)/increase in other payables		(22,074)	2,319
Dividends received	1	340,000	1,500,000
Net cash from operating activities		**257,464**	**1,437,508**
Cash flows from investing activities			
Interest income		-	7,397
Net cash from investing activities		-	**7,397**
Cash flows from financing activities			
Dividends paid to company shareholders	9	-	(1,500,000)
Net cash used in financing activities		-	**(1,500,000)**
Net increase/(decrease) in cash		257,464	(55,094)
Cash and bank balances at start of year		47,026	102,567
Effects of exchange rate changes on cash and cash equivalents		-	(446)
Cash and bank balances at end of year	6	**304,490**	**47,026**

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Notes

1 Investment in associate

The Company has 20% (2017: 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, 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, less cash required to maintain Crystal Telecom's normal operations.

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

	2018 Rwf'000	2017 Rwf'000
At start of year	23,538,285	26,750,763
Share of profit/(loss) of associate	1,549,896	(1,712,478)
Share of impact on associate on IFRS 9 adoption	(89,000)	-
Dividends received	(340,000)	(1,500,000)
At the end of year	**24,659,181**	**23,538,285**

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 2018	Rwf'000 2017
Statement of financial position		
Current assets	73,090,678	32,557,848
Non – current assets	61,513,374	51,958,698
Current liabilities	46,588,381	37,498,703
Non – current liabilities	46,972,831	11,279,481
Net assets	**41,042,840**	**35,738,362**
Statement of comprehensive income		
Revenue	102,815,270	84,575,604
Profit/(loss) for the year	7,749,478	(8,562,391)
Total comprehensive income/(loss)	7,749,478	(8,562,391)

Revenues of MTN have grown by 22% year on year with all key product lines i.e. voice, SMS and data showing an increase.

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Notes

1 Investment in associate (continued)

ii) Summarized financial information for associates (continued)

	Rwf'000 2018	Rwf'000 2017
Reconciliation to carrying amounts:		
Opening net assets 1 January	35,738,362	51,800,753
Profit/(loss) for the year	7,749,478	(8,562,391)
Other comprehensive income	-	-
Impact of changes in accounting policy (IFRS 9)	(445,000)	-
Dividends paid	(2,000,000)	(7,500,000)
Closing net assets	**41,042,840**	**35,738,362**
Company's share in %	20%	20%
Company's share in Rwf ('000)	8,208,568	7,147,673
Good will in Rwf ('000)	16,390,612	16,390,612
Irrecoverable withholding tax on dividend	60,001	-
Carrying amount in Rwf ('000)	**24,659,181**	**23,538,285**

iii) Contingent liabilities in respect of associates

Following tax audits conducted by Rwanda Revenue Authority for the years 2011, 2012, and 2015 an assessment amounting to Rwf 12,208,844,602 was raised for MTN Rwandacell Limited in the year ended 2017. A provision of Rwf 9,032,623,352 has been processed in the financial statements relating to the assessments and the unassessed years of 2014, 2016 and 2017. Management is at the amicable settlement stage with Rwanda Revenue Authority and has applied for a waiver of penalties and interest amounting to Rwf 3,103,610,000 from the Minister of Finance. Management estimates that the probability of material resources outflow other than for amounts already provided is unlikely.

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Notes (continued)

2 Administrative expenses

	2018 Rwf'000	2017 Rwf'000
Auditor's remuneration	5,430	5,070
Registrar fees	11,800	11,800
Directors' remuneration	14,874	13,188
Listing fees	20,000	20,000
AGM expenses	2,531	2,577
Travel and accommodation	-	5,149
Other expenses	4,344	6,390
	58,979	**64,174**

3 Finance income and costs

	2018 Rwf'000	2017 Rwf'000
Finance costs:		
Bank charges	130	1,988
Finance income:		
Exchange loss on cash and cash equivalents	1,353	446
Interest income on fixed deposit	-	(7,397)
Net finance cost/ (income)	**1,484**	**(4,963)**

4 Income tax expense

	2018 Rwf'000	2017 Rwf'000
Current and deferred income tax	-	-
Income tax expense	-	-

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

	2018 Rwf'000	2017 Rwf'000
Profit/(loss) before income tax	1,489,433	(1,771,689)
Tax calculated at the statutory income tax rate of 30% (2017: 30%)	446,830	(531,507)
Tax effects of:		
- (Income)/loss not subject to tax	(464,969)	511,658
- Unrecognized deferred income tax asset	18,139	19,849
	-	-

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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:

	2018 Rwf'000	2017 Rwf'000
At start of year	61,290	41,441
Unrecognised credit to profit and loss	18,139	19,849
At end of year	79,429	61,290

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 2018	At start of year Rwf'000	Credited to P/L Rwf'000	At 31 December 2018 Rwf'000
Deferred income tax assets			
Tax losses carried forward	61,290	18,139	79,429
Unrecognised	(61,290)	(18,139)	(79,429)
	-	-	-

Year ended 31 December 2017	At start of year Rwf'000	Credited to P/L Rwf'000	At 31 December 2017 Rwf'000
Deferred income tax assets			
Tax losses carried forward	41,441	19,849	61,290
Unrecognised	(41,441)	(19,849)	(61,290)
	-	-	-

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Notes (continued)

6 Cash and bank balances

	2018 Rwf'000	2017 Rwf'000
Cash at bank	304,490	47,026
Bank deposits	-	-
At end of year	304,490	47,026

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

Cash at bank (as above)	304,490	47,026
	304,490	47,026

7 Restricted cash

	2018 Rwf'000	2017 Rwf'000
Cash at bank	15,074	15,074
	15,074	15,074

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 2017 and 31 December 2018	270,177,320	13,508,866	11,819,149
Balance at 1 January 2016 and 31 December 2017	270,177,320	13,508,866	11,819,149

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

The directors have proposed a final dividend of Rwf 1.040 per share. In 2017 dividend of Rwf 5.552 per share was made. In addition a first interim dividend of 2019 has been proposed at Rwf 3.480 per share. (2017: nil)

Payment of dividends is subject to withholding tax at a rate of either 5% or 15% depending on the residence of the respective shareholders.

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Notes (continued)

10 Earnings per share

	2018	2017
Basic and diluted earnings per share:		
Profit/(loss) attributable to the ordinary equity holders used in calculating earnings per share (Rwf '000)	1,489,433	(1,771,689)
Number of ordinary shares in issue from date of listing (Number in thousands)	270,177	270,177
Total basic and diluted earnings/(loss per share attributable to the ordinary equity holders of the company	**5.51**	**(6.56)**

11 Other receivables

	2018 Rwf'000	2017 Rwf'000
Withholding tax recoverable	5,606	5,606
	5,606	5,606

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

12 Other payables

Accrued expenses	12,517	34,591

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

13 Dividends payable

Dividends payable	15,074	15,074

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	2018 Rwf'000	2017 Rwf'000
Evelyn Kamagaju Rutagwenda	2,625	2,327
Iza Irame	4,375	3,879
Cherno Gaye	2,625	2,327
David Dalhuisen	2,625	2,327
Richard Tusabe	671	-
John Bosco Sebabi	1,953	2,327
Fees for services as a director	14,874	13,188

ii) Dividends received

The Company received dividends in the period from MTN Rwandacell Limited amounting to Rwf 340 million (2017: Rwf 1,500 million).

No other transactions were carried out with related parties during the period.

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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. (2017: 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

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in Rwf	Sensitivity analysis	Hold sufficient cash in denominated currency to cushion fluctuations
Market risk – interest rate	None	None	N/A
Market risk – security prices	None	None	N/A
Credit risk	Cash and cash equivalents, trade and other receivables, loans and advances	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for debt investments
Liquidity risk	Trade and other financial liabilities	Rolling cash flow forecasts	Hold sufficient cash to meet obligations as they fall due

The Company's risk management is predominantly controlled by the finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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Notes (continued)

16 Financial risk management objectives and policies (continued)

Market risk

(i) Foreign exchange risk
Exposure

The Company's exposure to foreign currency risk at the end of the year, expressed in Rwf, was as follows:

	31-Dec-18 USD Rwf'000	31-Dec-17 USD Rwf'000
Trade receivables	-	-
Cash and equivalents	-	-

The US Dollar denominated liabilities are expected to be repaid with receipts from US Dollar denominated sales. The foreign currency exposure of these payables have therefore not been hedged.

Sensitivity
As shown in the table on page above, the Company is not exposed to changes in US/Rwf exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the US-dollar denominated financial instruments above.

At 31 December 2018, if the currency had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been Rwf nil (2017: Rwf nil) higher/lower.

The company's exposure to other foreign exchange movements is not material.

(ii) Price risk
The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk
The company did not hold any financial instruments as at 31 December 2018 (2017: nil) that would expose it to either cash flow or fair value interest rate risk.

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Notes (continued)

16 Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, and advances to related parties.

(i) Risk management

Credit risk is managed by the finance department under policies set out by the Board of Directors. The Company does not have any significant concentrations of credit risk.

The Company is an investment holding company with a 20% shareholding in MTN Rwandacell Limited.

The Company's investments in debt instruments are considered to be low risk investments.

(ii) Impairment of financial assets

The Company has one type of financial assets that is subject to the impairment requirements of IFRS 9:

- cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities to meet obligations when due.

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

Maturities of financial liabilities

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

	Less than 1 year	
	2018	**2017**
	Rwf'000	**Rwf'000**
Dividends payable	15,074	15,074
Other payables	12,517	34,591
	27,592	**49,665**

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Notes (continued)

16 Financial risk management objectives and policies (continued)

Capital risk management

(i) 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.

As at 31 December 2018, the Company had no debt (2017: nil)

(ii) Dividends

See note 9 for dividends paid and note 13 for dividends payable during the year.

Financial assets and liabilities at fair value

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. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

18 Contingent liabilities

The company did not have any contingent liabilities as at 31 December 2018. (2017: nil)

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Notes (continued)

19 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

(i) Compliance with IFRS

The financial statements of Crystal Telecom Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2018:

- Annual Improvements 2014 – 2016 cycle
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*
- *IFRS 9 "Financial Instruments"*
- *IFRS 15 "Revenue from contracts with customers"*

Annual improvements 2014-2016

- IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

IFRIC 22 – Foreign currency transactions and advance consideration

This addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

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Notes (continued)

19 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial instruments: recognition and measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Company does not currently apply any hedge accounting so the new hedging rules do not presently affect the Company.

The Company adopted the new standard on 1 January 2018 and has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. Consequently, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the reporting period, with the difference recognized in opening equity. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The Company has performed an assessment of the requirements of IFRS 9 and how these differ from IAS 39 and has concluded there is no significant impact on the financial statements from the date of adoption. There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which requires the impairment of financial assets to be presented in a separate line item in the statement of income and other comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Consequently, the Company reclassified impairment losses, recognized under IAS 39, from 'other expenses' to 'allowance for bad and doubtful debts' in the statement of income and other comprehensive income for the year ended 31 December 2018.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures for 2018 but have not been generally applied to comparative information.

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Notes (continued)

19 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 9 "Financial Instruments" (continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**31 December 2017 original carrying amount under IAS 39**	**Remeasurement**	**01 January 2018 New carrying amount under IFRS 9**
			Rwf '000	**Rwf '000**	**Rwf '000**
Trade and other receivables	Loans and receivables	Amortized cost	5,506	-	5,606
Cash and cash equivalents	Loans and receivables	Amortized cost	47,026	-	47,026
Restricted cash	Loans and receivables	Amortized cost	15,074	-	15,074
Financial liabilities					
Other payables	Amortized cost	Amortized cost	34,591	-	34,591
Dividend payable	Amortized cost	Amortized cost	15,074	-	15,074

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Company as shown in the table above:

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Notes (continued)

19 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 9 "Financial Instruments" (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified as measured at FVOCI; and

(ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

There are no financial assets and liabilities that have been reclassified from the fair value through profit or loss category to the to the amortised cost category as part of the transition to IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL. The Company's impairment losses for financial assets are not significantly different under the IFRS 9 ECL model.

IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognize revenue and how much revenue to recognize. IFRS 15 replaced the former revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The core principle of IFRS 15 is that an entity recognizes revenue on transfer of control of the promised goods and/or services (performance obligations) in an amount that reflects the consideration to which that entity is entitled.

The company adopted the new standard on 1 January 2018, using the cumulative effect transition method, where an entity applies the new standard as of the date of initial application, with no restatement of comparative period amounts. Under this method, any cumulative effect of initially applying the new standard, which may affect revenue and costs, is recorded as an adjustment to the opening balance of equity at the date of initial application. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The revenue to which the Company must apply this standard is generally limited to share of earnings of its associate, MTN Rwandacell Limited. Revenue from leases is not included in the scope of IFRS 15.

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Notes (continued)

19 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 15 "Revenue from contracts with customers" (continued)

The Company has performed an assessment of requirements of IFRS 15 and how these differ from IAS 18 and has concluded there is no significant impact in the timing of revenue recognition on the financial statements from the date of adoption. There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings.

The Company's assessment considered the following key factors:

That revenue from services will typically be recognized evenly over the period the services are provided as the services are a series of distinct services performed over time. This is consistent with the previous accounting policy under IAS 18.

Where payments for services include variable consideration (such as service level credits and other similar variable pricing terms that depend on events in future service periods) the Company has concluded that they should be allocated to each future service period and recognized when the variability is resolved.

Where multiple goods and services are provided to customers, the allocation of the transaction price will not be significantly different to the current allocation to components based on fair value and will not significantly affect the timing of revenues as the components (performance obligations) are typically performed and recognized over the same service period.

IFRS 15 introduced a new class of assets and liabilities "contract assets" and "contract liabilities". A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time. This relates to unbilled revenue for the Company.

A contract liability represents the Company's obligation to transfer goods or services to a customer for which the customer has paid a consideration. This relates to deferred revenue for the Company. For any individual contract, either a contract asset or a contract liability is presented on a net basis.

(iv) New and amended standards not adopted by the Company

Certain new accounting standards and interpretations have been published that are not effective for December 31, 2018 reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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Notes (continued)

21 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New and amended standards not adopted by the Company (continued)

IFRS 16 "Leases" (continued)

The Company's activities as a lessor or as a lessee are not material and hence the Company does not expect any significant impact on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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.

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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.

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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.

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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.

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