RWANDA TOWERS LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2014

Table of contents

REGISTERED OFFICE PRINCIPAL PLACE OF BUSINESS

REGISTERED OFFICE	PRINCIPAL PLACE OF BUSINESS
Rwanda Towers Limited C/o K-Advocates & Partners Nyarutarama P.O. Box 7286 Kigali Rwanda	Rwanda Towers Limited Airtel Rwanda Premises Remera, Gasabo Kigali Rwanda

DIRECTORS

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

Mr. Akinfela Akoni	Executive	Left on 1 February 2015
Mr. Frederic Pichon	Non-executive	Left on 1 February 2015
Ms. Jantina Van De Vreede Catharina	Non-executive	Left on 1 February 2015
Mr. William Saad	Non-executive	Appointed on 1 February 2015
Mr. David Ordman	Non-executive	Appointed on 1 February 2015
Mr. Mustafa Tharoo	Non-executive	Appointed on 1 February 2015
Mr. Desire Kamanzi	Non-executive	Appointed on 1 February 2015
Mr. Ayokunle Iluyemi	Executive	Appointed on 1 February 2015

PRINCIPAL BANKERS

Access Bank (Rwanda) Limited UTC Building P.O. Box 2059 Kigali Rwanda	I&M Bank (Rwanda) Limited Boulevard de la Révolution P.O. Box 354 Kigali Rwanda

COMPANY SECRETARY

Mr. Oscar Kabatende
IHS Rwanda Limited
P.O Box 3616
Kigali, Rwanda

LEGAL ADVISORS

K-Advocates & Partners
Nyarutarama
P.O. Box 7286
Kigali
Rwanda

AUDITORS

Ernst & Young Rwanda Limited
Certified Public Accountants
Bank of Kigali Building
Avenue de la Paix
P.O. Box 3638
Kigali
Rwanda

Date: 2/6/2015
EY Ernst & Young

The directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

   The principal activity of the company is provision of passive infrastructure to wireless telecommunication operators in Rwanda.

2. RESULTS

   The results for the period are set out on page 7.

3. DIVIDEND

   The directors do not recommend payment of dividend in respect to the year ended 31 December 2014.

4. RESERVES

   The reserves of the company are set out on page 7 and note 9 on page 25.

5. DIRECTORS

   The directors who held office during the period and to the date of this report are included on page 1.

6. AUDITORS

   Ernst & Young Rwanda Limited have expressed their willingness to continue in office.

By Order of the Board

Company Secretary
Kigali

12th May 2015

Date

2/6/2015

The Law No. 07/2009 of 27/04/2009 relating to companies requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its operating results for that period. It also requires the directors to ensure the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstance. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Law No. 07/2009 of 27/04/2009 relating to companies.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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.

....
Director

....
Director

12th May 2015
Date

CERTIFIED TRUE COPY OF ORIGINAL
Date 2/6/2015
ERNST & YOUNG

Ernst & Young Rwanda Limited
Certified Public Accountants
Bank of Kigali Building
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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
RWANDA TOWERS LIMITED

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Rwanda Towers Limited, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 28.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Law No. 07/2009 of 27/04/2009 relating to 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the company's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rwanda Towers Limited as at 31 December 2014, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and Law No. 07/2009 of 27/04/2009 relating to companies.

Date 2/6/2015

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Law No. 07/2009 of 27/04/2009 relating to companies, we report to you based on our audit that: -

i) We have no relationship, interests and debts in the company;

ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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;

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Allan Gichuhi
For Ernst & Young Rwanda Limited
Kigali

2 June 2015

CERTIFIED TRUE COPY OF ORIGINAL
Date: 2/6/2015
Ernst & Young

RWANDA TOWERS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 Rwf'000	2013 Rwf'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	9,723,192	7,925,899
Intangible assets	4	49,294	53,327
		9,772,486	7,979,226
CURRENT ASSETS			
Trade and other receivables	5	570,301	1,201,313
Due from related parties	6(i)	5,275,328	153,128
Cash and bank balances	7	793,777	8,633,794
		6,639,406	9,988,235
TOTAL ASSETS		16,411,892	17,967,461
Equity			
Share capital	8	10,000	10,000
Accumulated losses	9	(488,782)	(2,409,997)
		(478,782)	(2,399,997)
NON-CURRENT LIABILITIES			
Shareholder's Loan	6(ii)	10,062,874	9,565,401
		10,062,874	9,565,401
CURRENT LIABILITIES			
Trade and other payables	10	2,331,266	10,105,963
Due to related parties	6 (iii)	4,488,989	693,047
Deferred revenue	11	7,545	3,047
		6,827,798	10,802,057
TOTAL EQUITY AND LIABILITIES		16,411,892	17,967,461

The financial statements were approved by the Board of directors on 12th MAY 2015 and signed on its behalf by:-

.... Director

.... Director

CERTIFIED TRUE COPY
Date 2/6/2015

RWANDA TOWERS LIMITED
STATEMENT OF PROFIT OR LOSS
AS AT 31 DECEMBER 2014

	Note	2014 Rwf '000	2013 Rwf '000
Revenue	12	4,943,775	4,636,355
Cost of sales	13	(1,581,478)	(1,734,387)
Gross profit		3,362,297	2,901,967
Administrative expenses	14	(859,690)	(458,284)
Other expenses	15	(622,003)	(1,839,053)
Foreign exchange loss	16	(98,454)	(490,134)
Operating profit		1,782,150	114,497
Finance costs	17	139,065	(674,264)
Profit/(loss) before tax		1,921,215	(559,767)
Income tax expense		-	-
Profit/(loss) after tax		1,921,215	(559,767)

RWANDA TOWERS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital Rwf '000	Accumulated Losses Rwf '000	Total Rwf '000
Balance as at 01 January 2013	10,000	(1,850,230)	(1,840,230)
Loss for the year	-	(559,767)	(559,767)
Balance at 31 December 2013	10,000	(2,409,997)	(2,399,997)
Balance as at 01 January 2014	10,000	(2,409,997)	(2,399,997)
Profit for the year	-	1,921,215	1,921,215
Balance as at 31 December 2014	10,000	(488,782)	(478,782)

2/6/2015

RWANDA TOWERS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 2014

	Note	2014 Rwf '000	2013 Rwf '000
OPERATING ACTIVITIES:			
Profit before tax		1,921,215	(1,254,680)
Adjustments for:			
Depreciation	3	355,600	1,787,168
Amortisation	4	4,033	4,033
Unrealized Loss-Shareholder's loan		497,473	512,281
Operating loss before working capital changes		2,778,321	1,048,802
Trade and other receivables		631,012	(1,000,730)
Due from related parties		(5,122,200)	113,332
Trade and other payables		(7,774,697)	2,535,644
Due to related parties		3,795,942	(929,845)
Deferred revenue		4,498	3,047
Net cash used in operating activities		(5,687,124)	1,770,250
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	3	(2,152,892)	(187,600)
Net cash used in investing activities		(2,152,892)	(187,600)
Decrease in cash and cash equivalents		(7,840,016)	1,582,650
Movement in Restricted cash		6,914,526	-
Cash and cash equivalents at the beginning of the year		1,719,267	136,617
Cash and cash equivalents at the end of the year	7	793,777	1,719,267

1. GENERAL INFORMATION

Rwanda Towers Limited (the company) is a limited liability company incorporated and domiciled in Rwanda. The principal activities of the company are described in note 1, page 2 and its registered office is described on page 1.

The parent company is Airtel Rwanda Limited which owns 100% shareholding of the company. The ultimate parent of the company is Bharti Airtel Limited which is registered in India and listed in Bombay Stock Exchange and National Stock Exchange of India.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Rwandan Franc and all values are rounded to the nearest thousand (Rwf '000), except where otherwise indicated.

Statement of compliance

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

2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates.

The most significant use of judgments and estimates are as follows:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy 2.4 (d) below.

Income taxes

The company is subject to income taxes under the Rwanda Income Tax Act. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and the deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Judgments

In the process of applying the company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

a) The classification of financial assets;

b) Whether assets are impaired.

2.16.2015

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2. ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures

(i) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2014:

- Investment Entities - Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 *Financial Instruments: Presentation*
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 *Impairment of Assets*
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 21 *Levies*
- *Improvements to IFRSs - 2010-2012 Cycle:* Amendments to IFRS 13 - Short-term receivables and payables
- *Improvements to IFRSs - 2011-2013 Cycle:* Amendments to IFRS 1 - Meaning of 'effective IFRSs'

The adoption of the standards or interpretations is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since the company does not have any subsidiary.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company does not have any derivatives.

2. ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

(i) New and amended standards and interpretations (continued)

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it is not subject to any levies.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the company is an existing IFRS preparer.

(ii) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing of standards and interpretations issued are those that the entity reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Date 2/6/2015
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2. ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

(ii) Standards issued but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same company
- a performance condition may be a market or non-market condition if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

Date: 2/6/2015
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2. ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

(ii) Standards issued but not yet effective (continued)

Annual improvements 2010-2012 Cycle

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that: An entity must disclose the judgements made by management in applying the aggregation criteria in
paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination

2. ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

(ii) Standards issued but not yet effective (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

2.4 Summary of significant accounting policies

a) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the company at the functional currency rates (Rwf) prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities, excluding discounts, rebates, and net of value-added tax (VAT) or duty.

The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements.

The company recognises revenue when it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The following specific recognition criteria must also be met before revenue is recognised:

Provision of passive infrastructure

Service revenue includes amounts invoiced for fixed monthly charges for use of passive infrastructure (leased technical assets 'towers') as per agreements with wireless telecommunication operators. Service revenues are recognised as the services are rendered and are stated net of discounts, waivers and taxes.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:-

Computer equipment	3 years
Technical assets	3 - 20 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted prospectively, if appropriate.

e) Intangible assets and amortisation

Identifiable intangible assets are recognised when the company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The amortization period and the amortization method for an intangible asset are reviewed at least at each financial period end.

(i) Licenses

Acquired licenses are initially recognised at cost. Subsequently, License is measured at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is recognised in profit or loss on a straight-line basis over the unexpired period of the license commencing from the date when the related network is available for intended use in the respective jurisdiction and is disclosed under 'depreciation and amortization.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

f) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the company commits to purchase or sell the asset. The company's financial assets include cash and bank balances, trade and other receivables, and due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as above in line IAS 39.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the company has transferred substantially all the risks and rewards of the asset, or the company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset. The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(ii) Impairment of financial assets

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

f) Financial instruments

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The company's financial liabilities include trade and other payables, shareholders' loans, and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

g) Employee benefits

Retirement benefit costs
The company contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5% of the employees' gross salary. The company's RSSB contributions are charged to the profit or loss in the period to which they relate.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

h) Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts shown within the borrowings in current liabilities in the statement of financial position and which are considered an integral part of the company's cash management.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

j) Capital work in progress

Costs related to construction/installation of capital projects are recorded at the costs to date or valuation and are only transferred into the relevant property, plant and equipment categories once completed and commissioned.

k) Share capital

Ordinary shares and qualifying preference 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.

l) Provisions

(i) General

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(ii) Contingencies

Contingent liabilities are recognised at their fair value only if they were assumed as part of a business combination. Contingent assets are not recognised. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, and is recognised as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(iii) Asset Retirement Obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset.

m) Accounting for leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Date 2/6/2015

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

m) Accounting for leases (continued)

Company as a lessee

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards of ownership. A lease that is not a finance lease is an operating lease.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3. PROPERTY, PLANT AND EQUIPMENT

(i) Year ended 31 December 2014

	Technical assets Rwf'000	Freehold Land Rwf'000	Computer equipment Rwf'000	Capital Work-In-Progress Rwf'000	Total Rwf'000
Cost					
At 01 January 2014	9,846,495	4,000	5,305	1,145,055	11,000,855
Additions	1,407,352	4,600	-	740,940	2,152,892
At 31 December 2014	11,253,847	8,600	5,305	1,885,994	13,153,747
Depreciation					
At 01 January 2014	3,074,165	-	790	-	3,074,955
Charge for the year	353,832	-	1,768	-	355,600
At 31 December 2014	3,427,997	-	2,558	-	3,430,555
Net carrying amount					
At 31 December 2014	7,825,850	8,600	2,747	1,885,994	9,723,192

3. PROPERTY, PLANT AND EQUIPMENT

(ii) Year ended 31 December 2013

	Technical assets Rwf'000	Freehold Land Rwf'000	Computer equipment Rwf'000	Capital Work-In-Progress Rwf'000	Total Rwf'000
Cost					
At 01 January 2013	9,630,891	-	-	1,182,364	10,813,255
Additions	215,604	4,000	5,305	(37,309)	187,600
At 31 December 2013	9,846,495	4,000	5,305	1,145,054	11,000,855
Depreciation					
At 01 January 2013	1,287,788	-	-	-	1,287,788
Charge for the year	1,786,377	-	790	-	1,787,168
At 31 December 2013	3,074,165	-	790	-	3,074,956
Net carrying amount					
At 31 December 2013	6,772,330	4,000	4,515	1,145,054	7,925,899

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4. INTANGIBLE ASSETS

	2014	2013
	Rwf'000	Rwf'000
Cost		
At 01 January and 31 December	60,501	60,501
Depreciation		
At 01 January	7,174	3,141
Charge for the year	4,033	4,033
At 31 December	11,207	7,174
Net carrying amount		
At 31 December	49,294	53,327

The company obtained an operating license from Rwanda Utilities Regulatory Agency on 22 March 2012. The license fees are amortized starting from the issue date using straight-line method over the remaining period of license term (15 years).

5. TRADE AND OTHER RECEIVABLES

	2014 Rwf'000	2013 Rwf'000
Trade receivables	370,322	1,096,939
Prepayments and deposits	182,564	19,308
Other receivables	17,416	85,066
	570,301	1,201,313

6. RELATED PARTIES TRANSACTIONS

(i) Due from related parties

	2014	2013
Airtel Rwanda Limited	5,275,328	153,128

Amounts due from related parties relate to transfer of active assets to Airtel Rwanda Limited for assets acquired from Rwandatel.

(ii) Shareholder's loans

	2014 Rwf'000	2013 Rwf'000
At 1 January	9,565,401	9,053,120
Increase during the year	497,473	512,281
At 31 December	10,062,874	9,565,401

Shareholder's loans were issued to finance acquisition of Rwandatel assets. Interest is charged at 0% per annum, with no specified repayment date.

	2014 Rwf'000	2013 Rwf'000
6. RELATED PARTIES TRANSACTIONS (continued)		
(iii) Due to related parties		
Airtel Rwanda Limited	4,488,989	693,047

Amount due to related parties relates to transfer of assets from Airtel Rwanda Limited and payments made on behalf of the company.

7. CASH AND BANK BALANCES	2014 Rwf'000	2013 Rwf'000
Cash at bank	793,777	1,719,267
Restricted cash at bank	-	6,914,526
	793,777	8,633,794

Restricted cash at bank in the prior year relates to an Escrow account held at I&M Bank for purpose of extinguishing the capital expenditure payable as shown under Note 10 below once the Asset Sale and Purchase Agreement is fully executed. This amount is restricted for any other use.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2014 Rwf'000	2013 Rwf'000
Cash and bank balances	793,777	8,633,794
Less restricted cash at bank	-	(6,914,526)
	793,777	1,719,267

8. SHARE CAPITAL

Authorised, issued and fully paid:		
1,000 ordinary shares of Rwf 10,000 each	10,000	10,000

9. ACCUMULATED LOSSES

Balance as at 1 January	(2,409,997)	(1,850,229)
Profit(loss) for the year	1,921,215	(559,767)
	(488,782)	(2,409,997)

10. TRADE AND OTHER PAYABLES

Capital expenditure payable	4,200	7,001,716
Trade payables	866,924	1,460,411
Accrued expenses	749,572	789,570
Other payables	710,570	854,265
	2,331,266	10,105,962

Capital expenditure payable relates to amount owed to Rwandatel (in liquidation) from whom the company acquired its network equipment at a cost of US$ 15.5 million (approximately Rwf 9.8 billion).
Accrued expenses include provisions for capital and operating expenditure, and employees' annual leave accrual.
Other payables include withholding tax payable and salaries and wages related payments.

	2014 Rwf'000	2013 Rwf'000
11. DEFERRED REVENUE		
Prepaid revenue	7,545	3,047
12. REVENUE		
Revenue from services	4,943,775	4,636,355
13. DIRECT COSTS		
Sites security expenses	229,931	178,200
Sites electricity	280,256	385,665
Other costs	1,071,291	1,170,522
	1,581,478	1,734,387
14. ADMINISTRATIVE COSTS		
Employee costs	231,571	130,467
Professional fees	-	4,933
Audit fees	3,697	9,480
Other administrative expenses	624,421	313,404
	859,690	458,284
15. OTHER OPERATING EXPENSES		
Depreciation	364,592	1,787,167
Amortisation	4,033	4,033
Regulatory fees	252,150	46,364
Bank charges and commissions	1,227	1,489
	622,003	1,839,053
16. FOREIGN EXCHANGE LOSS		
Foreign exchange loss	98,454	490,134
17. FINANCE COSTS		
Interest expense on shareholder's loans	(155,127)	659,374
Interest on Asset Retirement Obligations	16,062	14,890
	(139,065)	674,264

		2014	2013
18.	TAXATION	Rwf'000	Rwf'000
(i)	Current period income tax expense	-	-
	Accounting loss before tax	1,921,215	(559,767)
	Rwanda's statutory income tax rate of 30%	576,364.63	(167,930)
	Tax effect on non-deductible expenses	62,136	(617,076)
	Deferred tax asset not recognised	(638,501)	785,006
		-	-

(ii) Deferred tax

The company recognizes tax-temporary differences at the current rate of tax applicable to corporate profits of 30%. For prudence purposes, the company has decided not to recognize the full amount of deferred tax asset arising from tax losses accruing to date given that such losses expire after 5 years. Deferred tax not recognized is valued at Rwf'000 638,501 (2013 Rwf'000 785,006) and may be recognized in the future if sufficient taxable profits are assured.

19. CONTINGENCIES AND CAPITAL COMMITMENTS

(a) Legal claims

During the period, the company had no legal cases pending.

20. RISK MANAGEMENT

The company's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the company's operations. The company has trade and other receivables, and cash and short-terms deposits that arrive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk.

The company's senior management at group level oversees the management of these risks. The Board of directors review policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk.
Financial instruments affected by market risk include loans and borrowings and deposits. The salient exposures to market risks are discussed below.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term loans and borrowings which attracts an average fixed rate of 0%. The company manages its interest rate risks by negotiating and entering into short term fixed interest rates agreements.

22. RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when purchases are denominated in a different currency from the company's functional currency).

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables and short-term deposits).

No collateral is held for any of the above assets. All receivables that are neither past due or impaired and are within their approved credit limits and no receivables have had their terms renegotiated.

The company has policies in place to ensure that contracts are entered into with customers with appropriate credit history and that its financial interests are contractually safeguarded at the time of engagement.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury policies. Investments of surplus funds are made only with approved financial institutions, whose credit assessment is assessed on a regular basis.

Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning method.

The company's objective is to maintain a balance between continuity if funding and flexibility through use of bank overdrafts, bank loans, finance leases, group borrowings and ordinary shares.

Capital management

Capital includes equity attributable to the equity holders of the company.

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the period ended 31 December 2014.

23. POST BALANCE SHEET EVENT AND GOING CONCERN

On 15 January 2015, Airtel Rwanda Limited, the parent company of Rwanda Towers, sold its entire interest in its tower business in Rwanda being 100% of the issued share capital of Rwanda Towers to IHS Holdings Limited. The company was sold as a going concern.