

**AIRTEL AFRICA LIMITED**

**Annual Financial Statements**

**For the 38 weeks period ended 31 March 2019**

**Registered number: 11462215**

**Airtel Africa Limited**

**Audited Annual Financial Statements**

**For the period from 12 July 2018 to 31 March 2019**

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# **Airtel Africa Limited**

## **Strategic Report for the year ended 31 March 2019**

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### **Strategic report**

The Directors present their Strategic report for Airtel Africa Limited (the 'Company') for the period starting from 12 July, 2018 to 31 March, 2019.

### **Review of the business**

The Company was incorporated and registered in England and Wales on 12 July, 2018 as a private company limited by shares under the Companies Act 2006 with the name Airtel Africa Limited and with registered number 11462215. The Company's registered office and principal place of business is at 2nd Floor (East and West), 53/54 Grosvenor Street, London W1K 3HU, United Kingdom. The Company is a holding company which provides management services to the Airtel Africa group; it did not trade during the period.

The share capital of the Company on incorporation was USD 1.50 divided into 15 ordinary shares of USD 0.10 each, all of which were allotted to Airtel Africa Mauritius Limited (AAML).

On 7 September, 2018, the Company allotted 5 ordinary shares of USD 0.10 each to AAML and then consolidated 20 ordinary shares of USD 0.10 each into 2 ordinary shares of USD 1.00 each.

Also on 7 September, 2018, the Company acquired a shareholding and a shareholder's loan in Bharti Airtel International (Netherlands) BV (BAIN) from Network i2i Limited (Ni2i) for a consideration of USD 1,167,757,619. The consideration was settled by issuing 1,167,757,619 shares at par value of USD 1 per share to AAML and further issuance of 1,167,757,619 shares at par value of USD 1 per share by AAML to Ni2i.

In addition, the Company has raised funds between 16 October, 2018 and 30 January, 2019 by further issuing:

- 937,351,184 Shares at par value of USD 1 per share to its parent company (AAML) worth USD 937,351,184; and
- 976,635,762 Shares at value of USD 1.48 per share (USD 0.48 premium per share) to private equity investors (Warburg, Temasek, Singtel, Hero, Indian Continent Investment Limited, Softbank and Qatar Investment Authority) against investment of USD 1,450m subject to certain indemnities.

As at 31 March, 2019, 68.31% shareholding is held by AAML and 31.69% shareholding is held by private equity investors in the Company.

The Company has invested USD 2,365m fund in its immediate subsidiary BAIN and these funds have been largely used to repay the bonds liabilities of BAIN.

### **Key performance indicators**

The Company does not trade and therefore financial and non-financial performance indicators have not been used.

### **Principal risks and uncertainties**

The Company's performance is influenced by a vast range of risk factors. Many of these risk factors affect not just our business, but also other businesses in and outside of the telecommunications industry. These risks vary widely and many are beyond the Company's control. There can also be risks that are either presently unknown or not currently assessed as significant, which may later prove to be material. However, we aim to mitigate the exposures through appropriate risk management strategies and internal control procedures.

We identify and manage risks to reduce the uncertainty associated with executing our business strategies and maximizing opportunities that may arise. Risks can take various forms and can have material adverse impact on the Group's reputation, operations, human resources and financial performance. The effectiveness of the Group's risk management policies and procedures is reviewed on a regular basis and, where necessary, improved.

Bharti Airtel Limited, which indirectly owns 68.31% of the shares of the Company, is a listed Company and is subject to stringent compliance procedures. Risk assessment and mitigation strategies are an integral part of the Group's annual business planning and budgeting process. Appropriate monitoring and control processes are in place. Reviews and audits are carried out by Group Internal Audit teams and by reputed international audit firms to ensure compliance and pro-active alerts. The processes and procedures that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, as well as ensuring the safeguarding of assets, compliance with applicable legislation, regulations and best practices and the identification and management of business risk.

## **Risk Factors relevant to the Company and its investments**

### Political and regulatory risks

Some of the countries in which we operate have experienced or continue to experience political instability. The continuation or re-emergence of such political instability in the future could have a material adverse effect on economic or social conditions in those countries as well as on the ownership, control and conditions of our assets in those areas.

The Group has a politically neutral approach with no political affiliations in any of the countries in which we operate. This policy increases independence and reduces risks related to change in political regimes.

### Regulatory and litigation risks

Our operating Companies are subject to extensive government regulations, which may impact or limit our flexibility to respond to market conditions, competition, new technologies or changes in cost structures. Governments may alter their policies relating to the telecommunications, IT, mobile commerce and related industries, as well as the regulatory environment (including taxation) in which we operate. Such changes could have a material adverse effect on the Company's financial performance.

Our subsidiary operating Companies are subject to the risk of imposition of laws and regulations restricting the level, percentage and manner of foreign ownership and investment, as well as the risk of nationalization. Any of these factors can materially and adversely affect our international investments.

Our operating Companies depend on statutory licenses issued by government authorities. Failure to meet regulatory requirements could result in fines or other sanctions, including, ultimately, the revocation of licenses.

The Company has access to appropriate regulatory expertise and resources in the countries in which we operate. We constantly monitor and review potential changes in regulations. Programs are in place in all aspects of our business to offset the impact of newly introduced or expected changes in taxes and regulations. We regularly participate in discussions and consultations with the respective regulatory authorities and the industry to propose changes and provide feedback on regulatory reforms and developments in the telecommunications and related industries.

### Litigation risks

We are exposed to the risk of regulatory or litigation action by regulators and other parties. Such regulatory matters or litigation actions may have a material effect on the operational result of our operating subsidiaries.

The Company has in place standard master supply agreements with vendors and contract policies to manage contractual arrangements. The policies provide the necessary empowerment framework for the Management of the Operating subsidiaries to approve any deviation from the standard policies.

### Competitive risks

The telecommunications market in the countries in which we have invested is highly competitive, creating a continuous pressure on market share and prices for the products and services offered. The growth of our businesses depends in part on the adoption of mobile data services. Whilst mobile data usage may increase, competitive forces may drive down prices. These trends may continue and intensify.

The business models and profits of our operating subsidiaries are also challenged by disintermediation in the telecommunications industry by non-traditional telecommunications services providers who provide multimedia content, applications and services directly on demand.

Our operating subsidiaries and the Group as a whole is focused on driving efficiencies and innovation, via new technologies, products and services, processes and business models to meet evolving customer needs and strengthen customer loyalty.

### Technology and Information Technology risks

Rapid and significant technological changes are typical in the telecommunications and ICT industry. These changes may materially affect the capital expenditure and operating costs of our operating subsidiaries. Regulatory practices, including spectrum availability, may not necessarily synchronize with the technology progression path and the market

demand for new technologies. These changes may require our operating subsidiaries to replace and upgrade their network infrastructure to remain competitive and, as a result, incur additional capital expenditure.

The challenge for the operating subsidiaries is to modify their network infrastructure in a timely and cost-effective manner to facilitate such implementation, failing which this could adversely affect their quality of service, financial condition and result of operations.

The Group continues to invest in upgrading, modernizing and equipping its systems with new capabilities to ensure continuing delivery of innovative and relevant services.

The Group's business and operations rely heavily on information technology. The Group has developed appropriate policies and frameworks, based on industry best practices and standards, to ensure information systems security through robust IT security controls across the Group. The Group's network and IT processes and procedures include regular assessment of threats and vulnerabilities to security breaches, including cyber security threats and data privacy breaches, and deployment of resources to mitigate those risks. Compliance to those processes is actively and continuously monitored.

#### Network failure and catastrophic risks

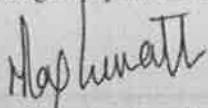
The provision of services by our operating subsidiaries depends on the quality, stability, resilience and robustness of our integrated networks. They face the risk of malfunction of, loss of, or damage to, network infrastructure from natural or other uncontrollable events such as acts of terrorism. Such losses or damage may significantly disrupt the operations in the countries in which we have invested, which may materially adverse the ability of our operating subsidiaries to deliver services to customers.

The Group has business continuity plans as well as insurance policies in place. Crisis management and escalation processes are in place, which enable adequate response to emergencies and catastrophic events.

#### **Future developments**

The Company intends to seek admission for its ordinary share capital to the premium listing segment of the Official List and to trade on the main market for listed securities of the London Stock Exchange. The Company has appointed eight global banks including J P Morgan, Citigroup and Goldman Sachs to work on its initial public offer plan. It is expected that the primary proceeds raised by the Company will be used to reduce its external debt.

The Strategic Report has been approved by the Board and signed by order of the Board on its behalf by:



Raghunath Venkateswarlu Mandava

Director  
May, 2019

2nd Floor (East and West), 53/54 Grosvenor Street, London W1K 3HU, United Kingdom

## **Airtel Africa Limited**

### **Director's Report for the year ended 31 March 2019**

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The Directors present their Directors' report for Airtel Africa Limited (the 'Company') for the period from 12 July, 2018 to 31 March, 2019.

#### **Future developments**

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

#### **Events after the balance sheet date**

There are no significant events after the reporting date.

#### **Going Concern**

The financial statements have been prepared on a going concern basis as Bharti Airtel Limited, the step-up parent company, intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Bharti Airtel Limited intends to support the Company for at least one year after the financial statements were authorised for issue or until it becomes going concern independently; whichever is earlier.

#### **Financial risk management objectives and policies**

The Company's activities expose it to credit risk and liquidity risk.

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a loss. Taking into account that the Company financial assets consist of bank balances, credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. The Company also has access to adequate sources of financing including bilateral loans, debt, and overdraft from domestic and international banks.

Based on past performance and current expectations, the Company believes that the Cash and cash equivalents and cash generated from operations will satisfy its working capital needs and other liquidity requirements associated with its existing operations, through at least the next twelve months.

#### **Dividends**

No dividend has been declared by the Company during the period.

#### **Directors**

The Directors of the Company who were in office during the period and appointed post balance date are as follows:

1. Jantina Catharina Vande Vreede (12 July, 2018 to 12 November, 2018)
2. Sarvjit Singh Dhillon (12 July, 2018 to 12 November, 2018)
3. Raghunath Venkateswarlu Mandava (12 July, 2018 to date)
4. Richard Gubbins (23 October, 2018 to 12 November, 2018)
5. Sunil Bharti Mittal (23 October, 2018 to date)
6. Akhil Kumar Gupta (23 October, 2018 to date)
7. Vishal Kashyap Mahadevia (23 October, 2018 to 29 April, 2019)
8. Arthur Tao Yih Lang (23 October, 2018 to date)

9. Shravin Bharti Mittal (23 October, 2018 to date)
10. Alok Sama (2 November, 2018 to 5 April, 2019)
11. Sunil Kant Munjal (12 November, 2018 to 29 April, 2019)
12. Ravi Lambah (12 November, 2018 to 29 April, 2019)
13. Saurabh Jalan (30 January, 2019 to 30 January, 2019)
14. Poutiainen, Lisa Annika (1 April, 2019 to date)
15. Andrew James Green (1 April, 2019 to date)
16. John Joseph Danilovich (1 April, 2019 to date)
17. Douglas Anderson Baillie (1 April, 2019 to date)
18. Ajumogobia, Awuneba Sotonye (1 April, 2019 to date)
19. Ravi Rajagopal (29 April, 2019 to date)

**Directors' indemnities**

The directors do not have the benefit of an indemnity other than as provided by the Articles (paragraph 142).

**Political contributions**

The Company has not made any political donations during the period.

**Charitable contributions**

The Company has not made any charitable donations during the period.

**Disclosure of Information to the Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

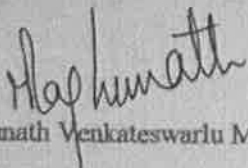
the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:



Raghunath Venkateswarlu Mandava

Director

May, 2019

1st Floor (East and West), 53/54 Grosvenor Street, London W1K 3HU

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

*Alaphumath*



## **Independent auditor's report to the members of Airtel Africa Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Airtel Africa Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the period from 12 July 2018 to 31 March 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

#### **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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

##### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Goodey (FCA) (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
4 May 2019

**Airtel Africa Limited**  
**Profit and loss account for the period from 12 July, 2018 to 31 March, 2019**  
**(All amounts are in United States Dollars –'USD')**

		12 July 2018 - Note 31 March 2019
<b>Operating expense</b>		
Employee expenses	6	(328,039)
Legal and professional expenses	7	(293,196)
Other operating expenses	8	(48,024)
		<u>(669,259)</u>
<b>Operating loss</b>		
Interest receivable and similar income	9	3,750,951
Interest payable and similar charges	10	(1,502)
Other losses	11	(5,560)
		<u>3,074,630</u>
<b>Profit for the financial year before tax</b>		
Tax on profit	12	(584,180)
		<u><u>2,490,450</u></u>

The accompanying notes form an integral part of these financial statements.

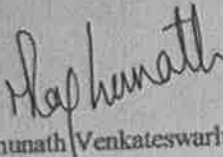
There were no recognised gains or losses for 2019 other than those included in the profit and loss account.

**Airtel Africa Limited**  
**Balance Sheet as at 31 March 2019**  
**(All amounts are in United States Dollars - 'USD')**

	Note	31 March 2019
<b>Fixed assets</b>		
Property, plant and equipment	13	118,200
Investments	14	3,532,757,619
Other non-financial asset	15	256,446
		<u>3,533,132,265</u>
<b>Current assets</b>		
Other financial asset	16	19,061
Cash and cash equivalents	17	25,180,099
		<u>25,199,160</u>
<b>Total current assets</b>		
Accruals	18	(347,980)
Current tax liabilities	12	(584,180)
Derivative finance liabilities	19	(64,000,000)
Other finance liabilities	20	(72,000,000)
		<u>(111,733,000)</u>
<b>Net current liabilities</b>		<u>3,421,399,265</u>
<b>Net assets</b>		
<b>Capital and reserves</b>		
Called up share capital	21	3,081,744,577
Share premium	22	473,164,238
Retained earnings		(133,509,550)
		<u>3,421,399,265</u>

The accompanying notes form an integral part of these financial statements.

The financial statements of Airtel Africa Limited (Company registration number: 11462215) were approved by the board of directors and authorised for issue on May 2019. They were signed on its behalf by:

  
Raghunath Venkateswarlu Mandava  
Director

**Airtel Africa Limited**  
**Statement of Changes in Equity**  
**(All amounts are in United States Dollars - 'USD')**

	Number of Shares	Share capital	Share premium account	Profit and loss account	Total
<b>Balance at 12 July 2018</b>	-	-	-	-	-
Profit for the period	-	-	-	2,490,450	2,490,450
<b>Total comprehensive income for the period</b>	-	-	-	2,490,450	2,490,450
<b>Transaction with owners of equity</b>					
Issue of share capital	3,081,744,577	3,081,744,577	473,164,238	(136,000,000)	3,418,908,815
<b>Balance at 31 March 2019</b>	<b>3,081,744,577</b>	<b>3,081,744,577</b>	<b>473,164,238</b>	<b>(133,509,550)</b>	<b>3,421,399,265</b>

## **1. GENERAL INFORMATION**

Africa Airtel Limited (the Company) is a Company incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is 2<sup>nd</sup> Floor (east and west), 53-54 Grosvenor Street, London, W1K3HU, United Kingdom. The Company is a holding company which provides management services to the Airtel Africa groups

The Company is registered on 12th July 2018, hence comparative information not been presented for previous year.

## **2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

### **2.1 New and revised IFRSs applied with no material effect on the financial statements**

#### **Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year**

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In the current year, the company has applied new and revised standards and interpretations issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRC") of the IASB are relevant to its operations and effective for accounting periods beginning on 01 January 2018.

IAS 7 - Statement of Cash Flows - Amendments as a result of the Disclosure initiative.

IAS 12 - Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealized losses.

IAS 12 - Income Taxes - Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends) (effective 1 January 2019).

IAS 39 - Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018).

IFRS 7- Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018).

IFRS 7- Financial Instruments: Disclosures- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018).

IFRS 9 - Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition (effective 1 January 2018).

IFRS 9 - Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018).

IFRS 9 - Financial Instruments - Amendments regarding prepayment features with negative compensation to address the concerns about how IFRS 9 classifies particular prepayable financial assets (effective 1 January 2019).

IFRIC 22- Foreign Currency Transactions and Advance Consideration (effective 1 January 2018).

IFRIC 23 - Uncertainty over Income Tax Treatments issued (effective 1 January 2019).

The directors anticipate that these amendments will be applied in the Company's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of accounting

These financial statements are standalone financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Bharti Airtel Limited. The group accounts of Bharti Airtel Limited are available to public on the Company's website [www.airtel.com](http://www.airtel.com).

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 March 2019, the Company has prepared financial statements as per FRS 101 'Reduced Disclosure Framework'.

The Company has applied the following exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of IAS 7 Statement of Cash Flows.
- The statement of compliance with Adopted IFRSs;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- Disclosures in respect of capital management.

#### 3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States dollars (USD), which is also the functional currency of the Company.

#### 3.3 Measurement Basis

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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The principal accounting policies adopted are set out below.

### **3.4 Going concern**

The financial statements have been prepared on a going concern basis, as described in the Director's Report.

### **3.5 Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

### **3.6 Dividend and interest income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **3.7 Foreign currencies**

The financial statements are presented in United States dollars (USD), which is the currency of the primary economic environment in which the Company operates (its functional currency).

#### **Transaction and balances**

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement / settlement, recognised in the income statement within finance costs / finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – the resulting foreign exchange difference, on subsequent re-statement / settlement, recognised in the income statement, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical cost.

#### **Foreign operations**

The assets and liabilities of foreign operations (including the goodwill and fair value adjustments arising on the acquisition of foreign entities) are translated into US Dollar at the exchange rates prevailing at the reporting date whereas their income statement are translated into US Dollar at monthly average exchange rates and the equity is recorded at the historical rate. The resulting exchange differences arising on the translation are recognised in other comprehensive income and held in foreign currency translation reserve ('FCTR'), a component of equity. On disposal of a foreign operation (that is, disposal involving loss of control), the component of other comprehensive income relating to that particular foreign operation is reclassified to income statement.

### **3.8 Operating profit**

Operating profit is stated after charging restructuring costs but before investment income and finance costs.



### **3.9 Taxation**

The income tax expense comprises of current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly.

#### **a. Current tax**

The current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date in the respective countries where the group entities operate and generate taxable income. The payment made in excess / (shortfall) of the respective group entities' income tax obligation for the period are recognised in the statement of financial position under non-current income tax assets / liabilities.

Any interest, related to accrued liabilities for potential tax assessments are not included in Income tax charge or (credit), but are rather recognised within finance costs.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **b. Deferred tax**

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax are not recognised 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. Further, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Moreover, deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associate - unless the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The unrecognised deferred tax assets / carrying amount of deferred tax assets are reviewed at each reporting date for recoverability and adjusted appropriately.

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

Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, (a) the Company currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

### **3.10 Tangible fixed assets**

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE are initially recognised at cost. The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item of PPE is recognised. Further, in case the replaced part was not being depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired.

The expenditures that are incurred after the item of PPE has been put to use, such as repairs and maintenance, are normally charged to the income statement in the period in which such costs are incurred. However, in situations

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where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	Years
Computer equipment	3
Furniture & Fixture and Office equipment	2-5
Vehicles	3-5

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at-least as at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and / or depreciation method are accounted prospectively, and accordingly, the depreciation is calculated over the PPE's remaining revised useful life. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed off are de-recognised from the statement of financial position and the resulting gains / (losses) are included in the income statement within other expenses / other income.

The cost of capital work-in-progress is presented separately in the statement of financial position.

#### **4. CRITICAL ACCOUNTING AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

##### **Fair value measurement of indemnity liabilities**

During the year ended March 31, 2019, Airtel Africa Limited issued to global investors 976,635,762 equity shares for an aggregate investment of USD 1,450m subject to certain indemnities. These indemnities represent an obligation for adjustment of subscription amounts triggered on payouts for the indemnified contingencies. These have been recorded as derivatives measured at fair value through profit and loss and other financial liabilities initially measured at fair value and subsequently re-measured at amortised cost. The key assumptions taken into measurement of these liabilities are around the probability of the outcome on which the indemnities are based and expected settlement amount.

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**5. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were USD 30,000. There were no non-audit services in the year.

**6. EMPLOYEE EXPENSES**

The average monthly number of employees (including executive directors) was: 1

	<b>12 July 2018 - 31 March 2019</b>
Salaries Employees	121,831
Others	206,208
	<u>328,039</u>

During the period, the Directors did not receive any remuneration, from any source, from the Company, for their services as directors of the Company.

**7. LEGAL AND PROFESSIONAL EXPENSES**

	<b>12 July 2018 - 31 March 2019</b>
Legal and Professional charges	293,196
	<u>293,196</u>

**8. OTHER OPERATING EXPENSES**

	<b>12 July 2018 - 31 March 2019</b>
Rent	15,846
Meeting and Conference	17,701
Depreciation & Amortisation	8,848
Others	5,629
	<u>48,024</u>

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>12 July 2018 - 31 March 2019</b>
Interest on Fixed Deposits	3,641,678
Interest on Bank Deposits	109,273
	<u>3,750,951</u>

**10. INTEREST PAYABLE AND SIMILAR EXPENSE**

**12 July 2018 - 31 March 2019**

Bank Charges	1,502
	<u>1,502</u>

**11. OTHER LOSSES**

**12 July 2018 - 31 March 2019**

Realized Exchange and Fluctuation Loss	5,560
	<u>5,560</u>

**12. TAX EXPENSE**

**12 July 2018 - 31 March 2019**

Corporation tax:	
UK corporation tax	584,180
	<u>584,180</u>

Corporation tax is calculated at 19 % of the taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

Profit before tax	3,074,630
Tax at the UK corporation tax rate of 19 %	584,180
Tax effect of expenses that are not deductible in determining taxable profit	-
Tax effect of income not taxable in determining taxable profit	-
Tax expense for the year	<u>584,180</u>

The Company has no temporary differences as at period ended 31 March 2019.

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**13. TANGIBLE ASSETS**

	Computer	Vehicles	Total
<b>Cost or valuation</b>			
At 12 July 2018	-	-	-
Additions	8,633	118,415	127,048
At 31 March 2019	<u>8,633</u>	<u>118,415</u>	<u>127,048</u>
<b>Accumulated depreciation and impairment</b>			
At 12 July 2018	-	-	-
Charge for the year	218	8,630	8,848
At 31 March 2019	<u>218</u>	<u>8,630</u>	<u>8,848</u>
<b>Carrying amount</b>			
At 31 March 2019	<u><u>8,415</u></u>	<u><u>109,785</u></u>	<u><u>118,200</u></u>

**14. INVESTMENTS**

	<b>31 March 2019</b>
Subsidiaries	<u>3,532,757,619</u>
<b>Cost</b>	
At 12 July 2018	-
Additions	3,532,757,619
Carrying Cost as at 31 March 2019	<u><u>3,532,757,619</u></u>

On 7<sup>th</sup> September 2018, the Company acquired 1,781,248,325 shares and a shareholder's loan in Bharti Airtel International (Netherlands) BV (BAIN) from Network i2i Limited (Ni2i) for a consideration of USD 1,167,757,619. The consideration was settled by issuing shares to Airtel Africa Mauritius Limited. Post 7<sup>th</sup> September, the Company has made capital contributions amounting US\$ 2.365 billion in Bharti Airtel International (Netherlands) B.V.

The activities of Bharti Airtel International (Netherlands) B.V. mainly consist of providing holding and finance services, including management services.

**15. OTHER NON- FINANCIAL ASSETS**

	<b>31 March 2019</b>
Capital Advance	256,446
	<u><u>256,446</u></u>

The Company has given advance for refurbishment of office.

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**16. OTHER FINANCIAL ASSETS**

	<b>31 March 2019</b>
Interest Accrued on Investments-FDRs	19,061
	<u>19,061</u>

**17. CASH AND CASH EQUIVALENT**

	<b>31 March 2019</b>
Cash at Bank	1,680,099
Fixed Deposit - Less than 90 Days	23,500,000
	<u>25,180,099</u>

**18. ACCRUALS**

	<b>31 March 2019</b>
Legal and professional expenses	158,000
Employee expenses	126,182
Administrative expenses	33,798
Audit fee	30,000
	<u>347,980</u>

Accruals will be settled within next 12 month, hence discounting has not been carried out.

**19. DERIVATIVE FINANCIAL LIABILITIES**

	<b>31 March 2019</b>
Derivatives	64,000,000
	<u>64,000,000</u>

During the year ended March 31, 2019 the Company issued shares to several global investors. The shares subscription agreements included certain indemnities that are embedded derivatives not clearly and closely related to the shares and therefore have been bifurcated and presented separately as a derivative financial liability. The fair value of those embedded derivatives was USD 64 Mn as of March 31, 2019. These derivative liabilities will expire on or prior to occurrence of the date that is 12 months after the date of closing of subscription agreement and IPO Publication Date.

As part of issue of equity shares to global investors, the Group has committed indemnities pertaining to acquisition of non-controlling interest in Group's operations in Nigeria and Congo B. The liability for such indemnity derives its value based on the price of the shares in these entities and hence is a derivative liability. The significant input to valuation is the probability of acquisition of minority interest at a lower value and avoiding this payout to the global investors. The liability has been valued on the basis of probability weighted amount payable for acquisition of non-controlling interest in these entities. The significant unobservable input to the valuation, thereby resulting in the embedded derivative being classified as Level 3 in the fair value hierarchy.

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**20. OTHER FINANCIAL LIABILITIES**

	<b>31 March 2019</b>
Other financial liabilities	72,000,000
	<u>72,000,000</u>

During the year ended March 31, 2019 the Company issued shares to several global investors. The shares subscription agreements included certain indemnities for claim under certain stipulated indemnities or for breach of agreed warranties. The liability estimated against the claims was USD 72 Mn.

**21. SHARE CAPITAL**

	<b>31 March 2019</b>
Issued and fully paid: 3,081,744,577 ordinary shares of USD 1.00 each	<u>3,081,744,577</u>

The Company has one class of ordinary shares which carry no right to fixed income.

	<b>31 March 2019</b>
Balance at 12 July 2018	-
Issue of equity shares	3,081,744,577
Balance at 31 March 2019	<u>3,081,744,577</u>

Airtel Africa Mauritius Limited has acquired 1,167,757,621 shares and 937,351,184 shares on 7<sup>th</sup> September, 2018 and 16<sup>th</sup> October, 2018 respectively thereby holding 68.31% of total shares of the Company as on 31 March 2019.

<b>Details of shareholders</b>	<b>Number of shares</b>	<b>Holding</b>
Airtel Africa Mauritius Limited	2,105,108,805	68.31%
Indian Continent Investment Limited	168,408,705	5.46%
Singapore Telecom International Pte Ltd.	168,408,705	5.46%
Hero Inc Limited	134,726,964	4.37%
Qatar Holding LLC	134,726,964	4.37%
Warburg Group	235,772,187	7.65%
Evans investment Pte Ltd	67,363,482	2.19%
SB Fast Holdings (Cayman) Limited	67,228,755	2.18%
Network i2i	10	0.00%

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**22. SHARE PREMIUM**

	31 March 2019
Balance at 12 July 2018	-
Premium arising on issue of equity shares	473,164,238
Balance at 31 March 2019	<u>473,164,238</u>

**23. NEW DEVELOPMENTS**

In January 2019, the Government of Tanzania ('GoT') and the Group, on a composite basis, agreed (i) to the GoT's withdrawal of certain tax claims and regulatory fines (ii) the entry into an agreement between the GoT and Airtel Tanzania ('AT') for the provision of support services to AT on a 'best efforts' basis in order to support its development; (iii) to approve the sale of towers owned by AT; (iv) to allow a defined portion of the net sale proceeds of the tower sale towards repayment of the outstanding shareholder loan granted to AT by Bharti Airtel Tanzania B.V. ('BATBV') which shall be treated as full repayment of said loan; (v) to either exempt AT from the listing obligations or to ensure that the Group's beneficial ownership of AT will not decrease below 51% at any time; and (vi) to an increase in the GoT's shareholding in AT, to 49% at zero effective cost. The said document also provided for execution of detailed agreements between GoT, AT and the Group, wherever required, to give effect to the above.

Pursuant to the above arrangement, the Group believes that the above-mentioned settlement amongst the shareholders of AT should be accounted for as an equity transaction on the consummation of the said agreements.

**24. RELATED UNDERTAKING DISCLOSURE**

The parent Company and the Company have investments in the following subsidiary undertakings, associates and other investments.

	Country of incorporation	Holding
<b>Subsidiary undertakings</b>		
Bharti Airtel International (Netherlands) B.V.	Netherlands	100%
Airtel International LLP	India	99%
<b>Parent undertakings</b>		
Airtel Africa Mauritius Limited	Mauritius	68.31%

Ultimate controlling entity is Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Mittal's family trust effectively controlling the Company. The step-up parent company that produces consolidated financial statements for public use within the Group is Bharti Airtel Limited, a company incorporated and domiciled in India.

**Transaction during the year with related party**

Related Party	Transaction	Amount
<b>Subsidiary undertakings</b>		
Bharti Airtel International (Netherlands) B.V.	Investment in subsidiary	3,532,757,619
<b>Parent undertakings</b>		
Airtel Africa Mauritius Limited	Issue of equity share capital	2,105,108,805
<b>Step up parent Company</b>		
Network i2i Limited (Ni2i)	Purchase of Investment	61,000,000
	Issue of equity share capital	10

There are no outstanding payable and receivable balances with the related parties as at period ended 31 March 2019.



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**Details of subsidiary**

<b>a) Bharti Airtel International (Netherlands) B.V. Group</b>	<b>31 March 2019</b>
<b>Registered address: Overschiestraat 65, 1062 XD Amsterdam</b>	
Share capital	2,359,439,736
Share premium	6,023,134,319
Retained Earnings	(2,922,604,179)
Other Reserves	(2,649,963,807)
Profit for the year	435,476,552

The above financial information is basis financial information considered for the purpose of consolidated IFRS financial statements of Bharti Airtel International (Netherlands) B.V. Group.

**b) Airtel International LLP**

Airtel International LLP, incorporated in India and registered at Plot No. 5, Sector 34, Gurgaon, Haryana, 122001, India on 27 March, 2019 pursuant to section 12 (1) of the Limited Liabilities Partnership Act 2008 of India with an objective to provide and facilitate support services, including manpower, administrative, information technology and other tech support services. There is no activities happened during the period ended 31 March 2019.