



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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AIRTEL (SEYCHELLES) LIMITED
(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present herewith their report and audited financial statement of the company for the year ended 31 December 2019.

Activities

Airtel (Seychelles) Limited (the 'Company') carries on the business of providing telecommunication service in Seychelles.

Revenue (Note 3) increased by 3% (2018: decreased by 2%) in the current year to SCR 325M (2018: SCR 314M) due to continued growth in data segment following the mass roll out of 4G/LTE home broadband router packages during the year. Data/Internet revenue continues to be the major growth driver.

Direct costs (Note 4) dropped by 25% (2018: dropped 36%) due to decrease in Interconnect and Roaming expense on account of higher discounts provided by roaming partners.

The profit before tax is SCR 65M (2018: SCR 61M) increased by 5% on account of provision reversal for doubtful debts in addition to factors explained above.

Consolidated accounts

The Company is a shareholder (holding 26%) in Seychelles Cable Systems Company Limited. The results of Seychelles Cable Systems Company Limited have been incorporated in the Statement of profit or loss and Other Comprehensive Income.

Results

The Company's operating profit for the current year is SCR 89M (2018: SCR 77M). The increase is primarily on account of increase in data, enterprise and home broadband revenue.

The operating expenses in current year decreased by 1% (2018: 2% increase).

During the year the company has contributed SCR 54M Net (2018: SCR 61M) to the exchequer on account of VAT, License fees, Business Tax, Income Tax, Tourism Marketing Tax, CSR Tax and Withholding Tax.

During the year no dividend was paid (2018: SCR 97.4M). The Directors declared interim dividend of SCR 49.6M and final dividend of SCR 39.5M in the board meetings held on 18 November 2019 and 22 June 2020 respectively

Capital Expenditure

Significant capital expenditure was made in 2019 to the tune of SCR 89M (2018: SCR 128M) to accommodate the increasing demand for home broadband (five STM1s), improve coverage in 3 new locations and modernize the LTE network.

Property plant and equipment and right of use assets with definite lives are reviewed for impairment on each balance sheet date; or whenever events or changes in circumstances indicate that their carrying values may not be recoverable. There was no impairment during the year 2019 (2018: SCR Nil).

Employees

As at 31 December 2019 the company employed 60 staff (2018: 55 staff). The board gratefully acknowledges the wholehearted and sincere efforts made by its employees in making it possible for the company to achieve continuous revenue growth in a saturated market like Seychelles.

As a matter of policy, the company has in the past, and will continue in the future to put special emphasis on training and development of human resources. The company follows a policy of participative management and suggestions given by employees have been implemented to constantly improve the efficiency of operations.

Statutory disclosures under section 153 of the Companies Ordinance 1972

Principal Activities

Principal activity of the company continues to be to provide telecommunication services in the Republic of Seychelles.

Directors and their interest in the company

The directors of the company during the year and their interest in accordance with register maintained under section 111 of the Companies Act 1972 were as follows: -

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AIRTEL (SEYCHELLES) LIMITED
(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

	Shares held	
	1 January	31 December
Amadou Mahamat Dina (appointed on 14 November 2014)	-	-
Alok Bafna (appointed on 28 November 2017)	-	-
Ramakrishna Lella (appointed on 28 November 2017)	-	-
Rogany Ramiah (appointed on 17 September 2019)	-	-
Michael Patrick Foley (appointed on 13 May 2020)	-	-

The directors are of the opinion that all transactions with related parties, further described in note 23 of the financial statements were conducted at arms length.

All non-executive directors will resign and offer themselves for re-election in the next AGM.

Statement of directors' responsibilities

The directors are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss for the period. In preparing those accounts, the directors are required to: -

- Prepare financial statements on the going concern basis unless inappropriate to assume continuance of business;
- Select appropriate accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Disclose and explain any material departures from applicable accounting standards.

The Companies Act 1972 also requires the directors to keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They also have the general responsibility for taking reasonable steps to safeguard the assets of the company and detect fraud and other irregularities.

The directors consider they met their responsibilities as set out in the Companies Act 1972.

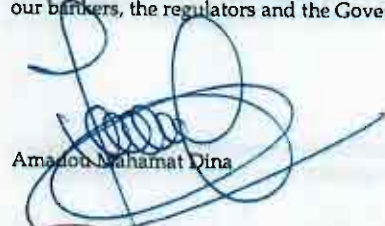
The financial statements are signed by current directors of the company.

Auditors


M/S Pool and Patel, Chartered Accountants, retire and being eligible offers themselves for appointment.

Acknowledgements

The Directors wish to place on record their sincere appreciation of the valuable contribution, unstinted efforts and spirit of dedication shown by all the employees of the company. The Directors would also like to place on record assistance provided by our bankers, the regulators and the Government of Seychelles.



Amadou Mahamat Dina



Alok Bafna



Ramakrishna Lella



Rogany Ramiah



Michael Patrick Foley

Date: 22 June 2020

INDEPENDENT AUDITOR'S REPORT

AIRTEL (SEYCHELLES) LIMITED

Opinion

We have audited the financial statements of Airtel (Seychelles) Limited, which comprise the statement of financial position as at December 31, 2019, the statement of income, statement of changes in equity and cash flow statement for the year then ended, a five year financial summary and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Seychelles Companies Act, 1972.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other 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.

Emphasis of matter – Events after the reporting date

We also draw your attention to note 27 of the financial statements which describes the uncertainty regarding the Corona virus pandemic which is severely affecting world trade and its repercussions also extend to small island states such as Seychelles. Actions taken worldwide such as closing of borders, and grounding of flights and restricting sea trade as well as confinements of the population activities across the world has severely impacted trade on all fronts.

The directors of the company are confident that they will continue to operate despite such difficult times and they are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

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

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and requirements of the Seychelles Companies Act, 1972, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT (cont...)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Pool. Patel
POOL & PATEL
CHARTERED ACCOUNTANTS
22 June 2020

AIRTEL (SEYCHELLES) LIMITED

Statement of profit or loss and other comprehensive income
 Financial statements are prepared in Seychelles Rupees

	Note	For the year ended 31 December	
		2019	2018
Income			
Revenue	3	324,666,066	314,200,508
Expenses			
Direct costs	4	(23,569,103)	(31,391,842)
Network operating expenses	5	(53,325,907)	(40,247,092)
License fee		(19,304,714)	(21,275,923)
Employee benefits expense	7	(37,300,722)	(34,587,162)
Sales and marketing expenses		(12,229,770)	(7,603,334)
Other expenses	6	(31,210,349)	(58,142,106)
Depreciation and amortisation	10/11/12	(58,622,610)	(44,316,893)
		<u>(235,563,175)</u>	<u>(237,564,350)</u>
Operating profit		89,102,891	76,636,158
Share of operating profit in associate	13	6,237,557	(5,877,895)
Finance costs	9	(30,615,380)	(9,440,011)
		<u>64,725,068</u>	<u>61,318,251</u>
Profit before income tax		64,725,068	61,318,251
Tax expense	14	(23,550,299)	(20,192,558)
		<u>41,174,769</u>	<u>41,125,693</u>
Profit for the year		41,174,769	41,125,693
Other comprehensive income/ (loss)			
Re-measurement gain on defined benefit plans		1,376,255	-
Share of associate		(834,236)	(1,817,683)
		<u>542,019</u>	<u>(1,817,683)</u>
Total comprehensive income for the year		41,716,788	39,308,010

The notes on pages 10 to 30 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Statement of changes in equity

Financial statements are prepared in Seychelles Rupees.

	Share capital (Note 18)	Retained earnings Total	Other reserves Total	Total
At 1 January 2018	35,969,000	113,414,873	(5,666,897)	143,716,976
Profit for the year	-	41,125,692	-	41,125,692
Other comprehensive loss	-	-	(1,817,683)	(1,817,683)
Dividend Paid	-	(97,396,803)	-	(97,396,803)
At 31 December 2018	35,969,000	57,143,762	(7,484,580)	85,628,182
Transition adjustment of Initial application of IFRS 16 ⁽¹⁾	-	(817,095)	-	(817,095)
Adjustment for IFRS 15 ⁽²⁾	-	849,562	-	849,562
Adjusted balance at 1 January 2019	35,969,000	57,176,229	(7,484,580)	85,660,649
Profit for the year	-	41,174,769	-	41,174,769
Other comprehensive income	-	-	542,019	542,019
Interim dividend declared	-	(49,659,182)	-	(49,659,182)
At 31 December 2019	35,969,000	48,691,816	(6,942,561)	77,718,255

(1) The company has applied *IFRS 16 Leases* using the modified retrospective approach on transition from *IAS 17 leases* to *IFRS 16 Leases* adoption as at 1 January 2019. The company has recognised the impact as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019) with the impact of deferred tax thereof.

(2) Relates to adjustment for IFRS 15 (Revenue from contracts with customers) during the year.

(3) Other reserves comprises of currency translation gains and losses in associate.

The notes on pages 10 to 30 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Statement of financial position

Financial statements are prepared in Seychelles Rupees

	Note	As at 31 December	
		2019	2018
Assets			
Non-current assets			
Property, plant and equipment	10	237,689,074	247,281,215
Right of use assets	12.1	14,173,030	-
Intangible assets	11	-	52,651,865
Investment in associate	13	47,797,737	42,394,416
Other assets	15	96,006,400	-
		395,666,241	342,327,496
Current assets			
Inventories	16	12,412,770	13,233,227
Trade and other receivables	17	45,513,114	52,303,588
Cash and cash equivalents	22	25,039,174	28,043,696
Other assets	15	18,325,943	4,334,172
		101,291,001	97,914,683
Total assets		496,957,242	440,242,179
Liabilities			
Non-current liabilities			
Borrowings	20	43,835,724	39,078,851
Lease liabilities	12.2	13,408,226	-
Deferred tax liability (net)	14	23,379,731	28,723,945
Employee benefit obligations	19	4,758,937	3,988,581
		85,382,618	71,791,377
Current liabilities			
Borrowings	20	212,790,000	204,758,277
Lease liabilities	12.2	2,231,947	-
Trade and other payables	21	99,526,244	64,156,842
Deferred Revenue		11,012,402	10,002,496
Current tax liabilities (net)	14	8,295,776	3,888,434
Other current liabilities		-	16,571
		333,856,369	282,822,620
Total liabilities		419,238,987	354,613,997
Equity			
Share capital	18	35,969,000	35,969,000
Retained earnings		48,691,816	57,143,762
Other reserves		(6,942,561)	(7,484,580)
		77,718,255	85,628,182
Total liabilities and equity		496,957,242	440,242,179

The notes on pages 10 to 30 are an integral part of these financial statements.

Directors

Amadou Mahamat Dina

Rogany Ramiah

22 June 2020

Alok Bafna

Michael Patrick Foley

Ramakrishna Lella

AIRTEL (SEYCHELLES) LIMITED

Cash flow statement

Financial statements are prepared in Seychelles Rupees.

	Note	For the year ended 31 December	
		2019	2018
Cash flows from operating activities			
Profit before tax		64,725,068	61,318,250
Adjustments for:-			
Depreciation and amortisation	10/11/12	58,622,610	44,316,893
Provision for employee benefits	19	2,767,815	(1,305,418)
Share of operating profit in associate		(6,237,557)	5,877,895
Provision for bad and doubtful debts		(829,531)	30,642,372
Finance costs	9	30,615,380	9,372,378
Operating cash flow before changes in working capital		149,663,785	150,222,370
Decrease/(Increase) in inventories		820,457	(3,161,840)
Decrease/(Increase) in trade and other receivables		7,620,004	(15,068,257)
Decrease/(Increase) in other assets		(68,413,920)	6,054,830
Increase in deferred revenue		1,009,907	2,432,782
Decrease in trade and other payables		(20,196,936)	(24,944,866)
Net Cash generated from operations before Tax		70,503,297	115,535,020
Tax paid		(24,487,171)	(30,465,986)
Net cash generated from operating activities		46,016,126	85,069,034
Cash flows from investing activities			
Payments to acquire property, plant & equipment	10	(33,239,039)	(106,914,450)
Payments to acquire intangible assets	11	-	(20,682,561)
Net cash used in investing activities		(33,239,039)	(127,597,011)
Cash flow from financing activities			
Proceeds from borrowings	23.5	230,491	242,372,000
Interest paid		(11,117,329)	(3,165,308)
Repayment of borrowings	23.5	-	(123,575,101)
Repayment of lease liabilities	12.2	(4,690,913)	-
Dividend paid	23.4	-	(97,396,803)
Net cash flow from/ (used) in financing activities		(15,577,751)	18,234,788
Decrease in cash and cash equivalents		(2,800,664)	(24,293,189)
Cash & cash equivalent at 1 January		28,043,696	54,496,262
Exchange adjustments on cash & cash equivalent	9	(203,858)	(2,159,377)
Cash & cash equivalents 31 December	21	25,039,174	28,043,696

The notes on pages 10 to 30 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED**FIVE YEAR FINANCIAL SUMMARY - 31 DECEMBER 2019**

Financial statements are prepared in Seychelles Rupees

	2019 SCR'000	2018 SCR'000	2017 SCR'000	2016 SCR'000	2015 SCR'000
Statement of financial position					
Share capital					
Authorised	35,969	35,969	35,969	1,000	1,000
Issued and fully paid	35,969	35,969	35,969	1,000	1,000
Retained earnings	48,692	57,144	106,898	64,502	59,364
Group borrowings	43,836	39,079	120,993	210,928	194,350
Net assets employed	128,497	132,192	263,860	276,430	254,714
Income statement					
Revenue	324,666	314,201	320,863	292,919	286,523
Profit before income tax	64,725	61,318	77,037	16,106	56,972
Tax expense	(23,550)	(20,193)	(34,641)	(10,968)	(35,636)
Profit for the year	41,175	41,126	42,396	5,138	21,336
Dividends	(49,659)	(97,397)	-	-	-
Retained earnings - 1 January	49,659	106,898	64,502	59,364	38,028
Retained earnings - 31 December	39,523	49,659	106,898	64,502	59,364

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

1 Corporate Information

Airtel (Seychelles) Limited is a limited liability company incorporated and domiciled in the Seychelles. The address of the company's registered office is Maison La Rosiere, Mahe, Seychelles.

The company provides telecommunication services in Seychelles.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on June 2020.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

The financial statements of Airtel (Seychelles) Limited are prepared in accordance with the requirements of the Seychelles Companies Act, 1972 and the International Financial Reporting Standard (IFRS). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. Areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the notes below.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 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.

2.2 Functional and reporting currency

The financial statements are presented in the Seychelles Rupee, which is the reporting currency under the Companies Act, 1972.

2.3 Changes in accounting policies

2.3.1 New and amended Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Company, has applied IFRS 16 Leases from 1 January 2019 using the modified retrospective approach.

IFRS 16 introduces new or amended requirements with respect to previous lease accounting under IAS 17. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are applied. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2.14. The impact of the application of IFRS 16 on the Company's financial statements is described below.

The Company has applied IFRS 16 using the modified retrospective approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.3 Changes in accounting policies (cont...)

2.3.1 New and amended Standards that are effective for the current year (cont...)

(a) Impact on the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off the balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments;
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented under operating activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

The Company has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease and short term lease recognition exemptions.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.3 Changes in accounting policies (cont...)

2.3.1 New and amended Standards that are effective for the current year (cont...)

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of initial application of IFRS 16

The Company has recognised SCR 18.897 million of right-of-use assets and SCR 20.331 million of lease liabilities upon transition to IFRS 16. The difference is recognised in retained earnings on the date of initial application, net of tax.

The Company's weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 7% for all leases in Seychelles Rupees and 6.09% for all leases in US dollar.

Impact of initial application of IFRIC 23

The Company has applied IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The Company determined based on its assessment that it is probable that its tax treatment will be accepted by Taxation Authorities. The interpretation therefore did not have any impact on the financial statements of the company in addition to which the company has already recorded.

Other amendments to IFRS's and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019 have not been applied in preparing these financial statements as their adoption did not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.3.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

<i>Effective date</i>	<i>New standards or amendments</i>
01st January 2020	Amendments to References to Conceptual Framework in IFRS Standards
01st January 2020	Definition of a Business (Amendments to IFRS 3)
01st January 2020	Definition of Material (Amendments to IAS 1 and IAS 8)
01st January 2021	IFRS 17 Insurance Contracts

The Directors do not expect that the adoption of the Standards listed above, if applicable, will have a material impact on the financial statements of the Company in future periods.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.4 Foreign Currency Translation

The financial statements are presented in Seychelles Rupee, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Seychelles Rupee using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss.

The Banks closing-rate for the period were:

Currency	Exchange rates at 31 December			Changes in percent (SCR)	
	2019	2018	2017	2018-2019	2017-2018
US \$/SCR	14.19	13.65	14.05	-4%	3%
Euro/SCR	15.31	15.62	16.29	2%	4%
UK Pound/SCR	17.96	17.31	18.45	-4%	6%

2.5 Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner indicated by the management. The cost of property, plant and equipment constructed by the company includes the cost of materials and direct labour.

All categories of property, plant and equipment are initially recorded at historical cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impairment losses or reversals of impairment losses on property, plant and equipment are recognized in profit or loss during the period.

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment, and adjusted prospectively.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when cost is incurred if the replacement part is expected to provide future benefits to the company. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the statement of income during the period in which they are incurred.

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AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.6 Property, plant and equipment (cont...)

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful lives range as follows:

Leasehold improvements	20 years
Office equipment	3-10 years
Network equipment	10 years
Motor vehicles	5 years

The assets residual values and depreciation methods are reviewed, and adjusted prospectively, if there is an indication or a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income or expenses" in the Statement of profit or loss.

2.7 Intangibles

Intangible assets are recognised when the company controls the asset, and 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.

Amortisation is recognised in Statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use or placed in service. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Software is capitalised at the amounts paid to acquire the respective license for use and is amortised over the period of license.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. 100% provision is made for sim cards on purchase.

At each reporting date, inventories are assessed for impairment. If the inventory is impaired, the carrying amount is reduced to its selling price less cost to complete and sell; and the impairment loss is recognised immediately in the statement of income.

2.9 Tax

The tax expense for the period comprises of current business, corporate social responsibility, tourism marketing taxes and deferred tax. Tax is recognised in the statement of income, except that a charge attributable to an item of income or expense as recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.10 Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

2.10.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Investment in equity are always measured at fair value.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivable measured at amortised cost.

The Company considers that default has occurred when a financial asset is more than 90 days past due.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on past experiences where ECL is deemed to be all debts which remain unpaid over 90 days and over 270 days for interconnect debts.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.10 Financial Instruments (cont...)

2.10.1 Financial assets (cont...)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.10.2 Financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the bank selling rate at the end of the reporting period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.11 Share capital and Share premium

Issued ordinary shares are classified as 'share capital' in equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares are classified as 'share premium' in equity.

2.12 Employee benefits

2.12.1 Retirement benefit obligations

The company operates a defined contribution scheme for all its employees. The company and all its local employees also contribute to the Seychelles Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions to the defined contribution schemes are recognised in profit or loss in the year in which they fall.

2 Summary of significant accounting policies (cont...)

2.12.2 Other entitlements

The employees of the company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises of encashment and the availing of leave balances that were earned by the employees over the period of past employment. The liability for employees' annual leave entitlement and compensation as determined by actuaries at the reporting date are recognised as an expense accrual.

2.13 Impairment of non-financial assets

Property plant and equipment, right of use assets and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ("CGU") level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

2.14 Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared.

2.15 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.16 Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

2.17 Critical accounting estimates and judgements

2.17.1 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables. The expected credit loss of trade receivables are estimated based on past experiences where ECL is deemed to be all debts which remain unpaid over 90 days.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 *Summary of significant accounting policies (cont...)*

2.17.1 Critical accounting estimates and assumptions

Taxes

1 Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

2 Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Determination of residual values and useful lives

Judgment and estimations are used when determining the residual values and useful lives of property, plant and equipment on annual basis.

2.17.2 Critical judgments in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgments in determining:

- the classification of financial assets and lease liabilities.
- revenue recognition allocation to different components.
- determining whether assets are impaired, or not.

(a) Multiple element contracts with vendors

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the Company has economic ownership in these assets and represents the substance of the arrangement.

(b) Arrangement containing lease

The Company assesses the contracts entered with telecom operators / passive infrastructure services providers to share tower infrastructure services so as to determine whether these contracts that do not take the legal form of a lease convey a right to use an asset or not. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of leases.

2.18 *Cash and cash equivalents*

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

2.19 *Trade receivables*

Trade receivables are initially recognised at the transaction price. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to original terms of the receivables.

2.20 *Trade payables*

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is done within one year or less. If not, they are presented as non-current liabilities.

2.21 *Leases*

The Company has applied IFRS 16 using the modified retrospective approach with effect from January 1, 2019 as stated in note 2.3.1

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

2 Summary of significant accounting policies (cont...)

2.21 Leases (cont...)

On initial application of IFRS 16, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at January 1, 2019. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of January 1, 2019 and has accounted for these leases as short-term leases.

Subsequently, the lease liability is measured at amortised cost using the effective interest method.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter.

2.22 Revenue recognition

Company's revenue arises from billing customers for monthly subscription, airtime usage, connections and sale of simcards, handsets and accessories, roaming and interconnection revenue.

Revenue is measured at the fair value of the consideration received or receivable for the sale/provision of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis. Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value added services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The Company recognises revenue from these services when performance obligation has been met. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services consumed.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced / collected from a customer are in excess of revenue recognised, a deferred revenue / advance income is recognised.

Service revenues also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services.

Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

The company writes off to revenue credits after six months for prepaid sales which are unutilised by deactivated customers through forfeiture.

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AIRTEL (SEYCHELLES) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial statements are prepared in Seychelles Rupees

3	<i>Revenue</i>	For the year ended 31 December	
		2019	2018
<i>Analysis of revenue by category</i>			
	Mobile	269,910,882	250,485,433
	Fixed & leased line	26,306,110	32,603,315
	Interconnect and roaming revenue	18,131,655	20,428,495
	Sale of handsets	9,962,732	10,298,219
	Other services including sales of other equipment	354,687	385,046
	Total	324,666,066	314,200,508
Performance obligations that are unsatisfied (or partially unsatisfied) amounting to SCR 11,012,402 at 31 December 2019 and SCR 10,002,496 as at 31 December 2018 will be satisfied within a period of next one year respectively.			
4	<i>Direct costs</i>	For the year ended 31 December	
		2019	2018
	Cost of goods sold	6,769,437	8,183,649
	Interconnect & roaming expenses	16,799,666	23,208,193
	Total	23,569,103	31,391,842
5	<i>Network operating expenses</i>	For the year ended 31 December	
		2019	2018
	Bandwidth charges	14,469,564	10,253,775
	Annual maintenance Charges	11,977,124	8,709,503
	Electricity	12,123,706	11,436,775
	Maintenance costs	4,015,948	6,140,950
	Other network expenses	10,739,565	3,706,090
	Total	53,325,907	40,247,092
6	<i>Other expenses</i>	For the year ended 31 December	
		2019	2018
	Security	3,861,266	204,979
	Repairs and maintenance	3,356,626	2,301,705
	Travelling and transport	596,134	510,664
	Utility	2,662,392	1,237,357
	Rental of offices and showrooms	4,802,881	7,428,649
	Legal and professional fees	1,527,422	1,130,720
	Postage, courier, and stationery	1,425,966	1,239,116
	Provision for bad and doubtful debts	(829,531)	30,642,372
	Management fees	11,078,048	9,642,267
	Office operational costs	2,729,145	3,804,278
	Total	31,210,349	58,142,106
7	<i>Employee benefits expense</i>	For the year ended 31 December	
		2019	2018
	Salaries	27,711,963	26,125,940
	Employers' contribution to defined contribution scheme	359,490	286,360
	Employee benefit obligation (note 19)	2,767,815	111,339
	Performance linked bonuses	3,553,135	5,452,115
	Staff welfare expenses	2,908,319	2,611,408
	Total	37,300,722	34,587,162
8	<i>Profit for the year</i>	For the year ended 31 December	
		2019	2018
Profit for the year has been arrived at after charging:			
	Auditors remuneration	330,000	309,000
	Depreciation and amortisation	58,622,610	44,316,899
	Management fees	11,078,048	9,642,267

AIRTEL (SEYCHELLES) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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9 Finance costs

	For the year ended 31 December	
	2019	2018
Interest on loan (note 20.1 & 23.5)	12,759,015	10,807,257
Interest on lease liabilities (note 12.2)	1,204,411	-
Exchange loss / (gain) on borrowings (note 20.1 & 23.5)	9,712,006	(3,594,257)
Exchange loss on cash and cash equivalents	203,858	2,159,377
Exchange loss on others	6,736,090	67,633
Total	30,615,380	9,440,011

10 Property, plant and equipment

	Leasehold improvements	Office & network equipment	Vehicles	Capital Work In Progress	Total
Cost					
At 1 January 2018	2,228,698	390,743,095	7,373,381	19,013,008	419,358,182
Additions	-	-	-	117,030,673	117,030,673
Disposals and cost adjustments	-	-	-	6,065,131	6,065,131
Transfers from capital work in progress	-	110,040,195	-	(110,040,195)	0
At 31 December 2018	2,228,698	500,783,290	7,373,381	32,068,617	542,453,986
Accumulated depreciation and impairment					
At 1 January 2018	1,381,994	250,885,002	5,421,022	-	257,688,018
Depreciation charge	47,776	36,731,844	705,133	-	37,484,754
Disposals	-	-	-	-	-
At 31 December 2018	1,429,770	287,616,846	6,126,155	-	295,172,772
Carrying amount					
At 1 January 2018	846,704	139,858,093	1,952,359	19,013,008	161,670,164
At 31 December 2018	798,928	213,166,444	1,247,226	32,068,617	247,281,215
Cost					
At 1 January 2019	2,228,698	500,783,290	7,373,381	32,068,617	542,453,986
Additions	-	-	-	33,239,039	33,239,039
Reclassification to Right of use assets - (note 12.1)	(202,045)	-	-	-	(202,045)
Reclassification from Intangible assets	-	44,742,675	-	-	44,742,675
Transfers from capital work in progress	-	53,029,509	-	(53,029,509)	-
At 31 December 2019	2,026,653	598,555,474	7,373,381	12,278,147	620,233,655
Accumulated depreciation and impairment					
At 1 January 2019	1,429,770	287,616,846	6,126,155	-	295,172,772
Reclassification from Intangible assets	-	33,675,062	-	-	33,675,062
Reclassification to Right of use assets - (note 12.1)	(30,472)	-	-	-	(30,472)
Depreciation charge	45,791	52,986,477	694,951	-	53,727,219
At 31 December 2019	1,445,090	374,278,385	6,821,106	-	382,544,581
Carrying amount					
At 1 January 2019	798,928	213,166,444	1,247,226	32,068,617	247,281,215
At 31 December 2019	581,563	224,277,089	552,275	12,278,147	237,689,074

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11 Intangibles

	Bandwidth	Software	Intangibles under developments	Total
Cost				
At 1 January 2018	42,343,005	43,143,362	6,065,131	91,551,498
Additions	19,083,248	1,599,313	20,682,561	41,365,122
Reclassification to property, plant and equipment	-	-	(26,747,692)	(26,747,692)
At 31 December 2018	61,426,253	44,742,675	0	106,168,928
Accumulated amortisation and impairment				
At 1 January 2018	15,788,654	30,896,270	-	46,684,924
Amortisation during the year	4,053,347	2,778,792	-	6,832,139
At 31 December 2018	19,842,001	33,675,062	-	53,517,063
Carrying amount				
At 1 January 2018	26,554,351	12,247,092	6,065,131	44,866,574
At 31 December 2018	41,584,252	11,067,613	-	52,651,865

	Bandwidth	Software	Intangibles under developments	Total
Cost				
At 1 January 2019	61,426,253	44,742,675	-	106,168,928
Reclassification to office & network equipment	-	(44,742,675)	-	(44,742,675)
Reclassification to prepaid expenses (Note 15&17)	(61,426,253)	-	-	(61,426,253)
At 31 December 2019	-	-	-	-
Accumulated amortisation and impairment				
At 1 January 2019	19,842,001	33,675,062	-	53,517,063
Reclassification to office & network equipment	-	(33,675,062)	-	(33,675,062)
Amortisation during the year	-	-	-	-
Reclassification to prepaid expenses (Note 15&17)	(19,842,001)	-	-	(19,842,001)
At 31 December 2019	-	-	-	-
Carrying amount				
At 1 January 2019	41,584,252	11,067,613	-	52,651,865
At 31 December 2019	-	-	-	-

The company's intangible asset of bandwidth of SCR 61.426 million with its related amortisation of SCR 19.842 million that were in prior year recognised as intangible assets and that have a long term period have been classified to Prepaid expenses. Refer note 15 and 17 of the financial statements.

12 Leases
12.1 Right of use assets

	Upon application of IFRS 16		Total
	Land and Building	Plant & machinery	
Cost			
Transition adjustment on application of IFRS 16	4,740,524	14,156,324	18,896,848
Reclassification from property, plant and equipment - (note 11)	202,045	-	202,045
At 31 December 2019	4,942,569	14,156,324	19,098,893
Accumulated depreciation			
Depreciation charge	2,730,485	2,164,906	4,895,391
Reclassification from property, plant and equipment - (note 11)	30,472	-	30,472
At 31 December 2019	2,760,957	2,164,906	4,925,863
Carrying amount			
At 1 January 2019	-	-	-
At 31 December 2019	2,181,612	11,991,418	14,173,030
At 31 December 2018	-	-	-

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12 Leases

12.2 Lease liabilities

	2019	2018
<i>Discounted lease liability</i>		
At 1 January 2019 (transition adjustment on application of IFRS 16)	20,331,085	-
Interest cost	1,204,411	-
Repayments	(5,895,324)	-
At 31 December 2019	15,640,172	-
Amounts recognised in the the Statement of financial position		
	2019	2018
Current	2,231,947	-
Non-current	13,408,226	-
Total	15,640,172	-
Amounts recognised in the Statement of profit or loss		
	2019	2018
Interest on lease liabilities (note 9)	1,204,411	-
	2019	2018
Maturity analysis:		
Less than one year	3,246,014	-
One to five years	10,544,505	-
More than five years	6,358,052	-
Total undiscounted lease liabilities	20,148,572	-
Total discounted lease liabilities	15,640,172	-

13 Investment in associate

Investment is stated at historical cost less loss retained in Seychelles Cable System Company Limited, an unquoted company incorporated in the Seychelles.

	Holding	2019	2018
Investment in associate at cost	26%	49,861,046	49,861,046
Foreign exchange adjustment in accounting for initial cost (recognized in other comprehensive income)		(8,318,816)	(7,484,580)
Share of profit/(losses) in associate		6,255,507	17,951
Total		47,797,737	42,394,416
Share of operating profit in associate (recognized in statement of profit or loss)		6,237,557	(5,877,895)

Seychelles Cable System Company Limited was incorporated to set up a submarine fibre-optic link between Seychelles and Tanzania for improved telecommunication services. The other shareholders of this company are the Government of Seychelles (40.6%) and Cable & Wireless (Seychelles) Limited (33.4%).

14 Tax

(a) The major components of the income tax (credit)/expense are:

	For the year ended 31 December	
	2019	2018
Current income tax		
- For the year	25,931,077	19,130,043
- Adjustments for prior periods	(375,010)	(677,684)
	25,556,067	18,452,359

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14 Tax (cont...)

Deferred tax		
- For the year	(5,344,214)	(1,606,215)
Corporate social responsibility & Tourism marketing Tax		
- For the year	3,338,446	3,346,414
Total	23,550,299	20,192,558

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

	For the year ended 31 December	
	2019	2018
Profit before tax less share of profit in associate	58,487,512	67,196,146
Enacted tax rate in the country	33%	33%
Tax expense with enacted rate	19,300,879	22,174,728
<i>Effect of:</i>		
Adjustments in respect to previous years	(375,010)	(677,684)
Net tax charge/(gain) on account of temporary and permanent difference	1,285,984	(4,650,899)
Corporate social responsibility & Tourism marketing Tax	3,338,446	3,346,414
Total tax expense	23,550,299	20,192,558

(c) The analysis of deferred tax assets and liabilities is as follows:

	2019	2018
Deferred tax liabilities (net)		
i) Deferred tax liability due to		
Depreciation / amortisation on PPE / intangible assets	48,409,050	58,635,530
ii) Deferred Tax asset arising out of		
Provision for Impairment of trade receivables / advances	(22,868,772)	(23,142,516)
Fair valuation of financial instruments and exchange differences	(447,819)	(5,273,453)
Provision for compensation and obsolete stock	(1,712,728)	(1,495,616)
Total	23,379,731	28,723,945

(d) The movement in deferred tax liabilities (net) during the year is as follows

	2019	2018
Opening balance	28,723,945	30,330,160
Tax income recognised in statement of profit & loss	(5,344,214)	(1,606,215)
Closing balance	23,379,731	28,723,945

(e) The movement in current tax liabilities (net) during the year is as follows

	2019	2018
Opening balance	3,888,434	17,032,104
Adjustments for prior periods	(375,010)	(677,684)
Tax expense recognised for the year	25,931,077	19,130,043
Paid during the year	(21,148,725)	(31,596,029)
Closing balance	8,295,776	3,888,434

15 Other assets

	2019	2018
Prepaid expenses	114,332,343	4,334,172
Total	114,332,343	4,334,172
Classified as:		
Current	18,325,943	4,334,172
Non-current	96,006,400	-

The company's intangible asset of bandwidth of SCR 61.426 million with its related amortisation of SCR 19.842 million that were in prior year recognised as intangible assets and that have a long term period have been classified to Prepaid expenses. Refer note 15 and 17 of the financial statements.

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16 Inventories

	2019	2018
Handsets and accessories	12,412,770	13,233,227
Scratch cards	232,475	195,690
Starter packs	198,673	347,900
Less: Provision for obsolescence	(431,148)	(543,590)
Total	12,412,770	13,233,227

17 Trade and other receivables

	2019	2018
Trade receivables	93,955,039	111,107,309
Less: Provision for bad debts	(69,299,305)	(70,128,836)
Trade receivable net of provision	24,655,734	40,978,474
Receivable from related parties (note 23.3)	17,146,389	10,381,280
Deposits	710,609	144,630
Others	3,000,382	799,204
Total	45,513,114	52,303,588

The movement in provision for doubtful debts during the year is as follows:

	2019	2018
1 January	70,128,836	39,486,464
Provisions made/(reversed) in the year	(829,531)	30,642,372
Total	69,299,305	70,128,836

The carrying amounts of the above receivables approximate their fair values.

18 Authorised & issued capital

	2019	2018
Authorised, issued and allotted 35,969 shares of SCR 1,000 each	35,969,000	35,969,000
Total	35,969,000	35,969,000

19 Employee benefit obligations

	2019	2018
1 January	3,988,581	5,293,999
Current service cost	2,767,815	111,339
Remeasurements (amount recognised in other comprehensive income)	(1,376,255)	-
Benefits paid	(621,204)	(1,416,757)
Total	4,758,937	3,988,581

Employee benefits obligations are stated at present values of liabilities due for termination indemnities under Employment Amendment Act (1999); Long Service Awards, Retirement Benefits and Compensated Absences. The actuarial assumptions in determining the obligation are:

- Discount rate rate - 6% p.a.
- Salary increase rate - 4% p.a.
- Mortality Table - implicit withdrawal rate assumption
- Withdrawals - 10% p.a. (rate of employee turnover)
- Retirement age - 55 years
- Leave availment rate - 8% p.a. of accrued leave of employees

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20 Borrowings

	2019	2018
Due to:		
HSBC Bank - Mauritius	212,790,000	204,758,277
Step up parent - Bharti Airtel Africa BV (note 23.5)	43,835,724	39,078,851
Total	256,625,724	243,837,128
Classified as:		
Current	212,790,000	204,758,277
Non-current	43,835,724	39,078,851

20.1 Loan from financial institution

	US\$ 2019	US\$ 2018	SCR 2019	SCR 2018
At 1 January	15,000,000	-	204,758,277	-
Received in the year	-	15,000,000	-	204,180,000
Interest Accrued during the year	723,718	222,899	9,889,623	3,192,169
Repaid during the year	(723,718)	(222,899)	(9,912,918)	(3,165,308)
Exchange difference	-	-	8,055,018	551,415
At 31 December	15,000,000	15,000,000	212,790,000	204,758,277

The loan matures on 31 December 2020 and attracts interest at a rate of libor + 2.7% per annum

The loan is secured by a corporate guarantee from the step up parent.

21 Trade and other payables

	2019	2018
Trade payables	5,734,655	4,271,566
Payable to related parties (note 23.4)	80,224,400	20,541,509
Interconnect and roaming partners	1,191,258	20,566,906
Security deposits	1,957,119	1,687,714
Accruals for network maintenance & other services	10,418,812	17,089,147
Total	99,526,244	64,156,842

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

22 Cash and Cash Equivalents

	2019	2018
Cash at Bank	24,224,066	27,807,282
Cash at Hand	815,108	236,414
Total	25,039,174	28,043,696

23 Related parties and transactions
23.1 Services provided to related parties:

Name of related party	Relationship to Company	2019	2018
Sale of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	2,938	1,075
Airtel Networks Kenya Limited	Fellow subsidiary	65,103	54,830
Airtel Malawi Plc	Fellow subsidiary	17,779	3,617
Airtel Tanzania Limited	Fellow subsidiary	5,046	(948)
Airtel Madagascar S.A	Fellow subsidiary	3,701	(14,218)
Airtel Gabon S.A	Fellow subsidiary	679	-
Airtel Tchad S.A	Fellow subsidiary	1,589	(141)
Airtel Networks Limited	Fellow subsidiary	6,893	(1,891)
Celtel Niger S.A	Fellow subsidiary	-	(3,400)
Airtel Uganda Limited	Fellow subsidiary	12,571	(1,298)
Airtel Congo (RDC) S.A	Fellow subsidiary	-	(196)
Airtel Congo S.A	Fellow subsidiary	89	-
Airtel Rwanda Limited	Fellow subsidiary	375	-
Bharti International (Singapore) Pte Limited	Fellow subsidiary	329,084	84,258
Bharti Airtel Lanka (Private) Ltd	Fellow subsidiary	488	590
Bharti Airtel Limited	Step up parent	406,115	71,555
Bharti Airtel (UK) Limited	Fellow subsidiary	19,315,212	4,594,526
Airtel Mobile Commerce (Seychelles) Ltd	Fellow subsidiary	441,919	450,739
Singapore Telecommunications Limited	Other related party	89,912	20,197
Total		20,699,492	5,259,295

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23 Related parties and transactions (cont...)
23.2 Services received from related parties

Name of related party	Relationship to Company	2019	2018
Purchase of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	691	(2,005)
Airtel Networks Kenya Limited	Fellow subsidiary	360,345	1,068,331
Airtel Malawi Plc	Fellow subsidiary	38	(6,243)
Airtel Tanzania Plc	Fellow subsidiary	1,231,442	60,280
Airtel Madagascar S.A	Fellow subsidiary	7,899	2,616
Airtel Gabon S.A	Fellow subsidiary	158	249
Airtel Tchad S.A	Fellow subsidiary	2,961	391
Celstel Niger S.A	Fellow subsidiary	110	(72)
Airtel Uganda Limited	Fellow subsidiary	1,244	(1,201)
Airtel Networks Limited	Fellow subsidiary	283	(7,214)
Airtel Congo (RDC) S.A	Fellow subsidiary	1,303	(1,955)
Airtel Congo S.A	Fellow subsidiary	147	-
Airtel Rwanda Limited	Fellow subsidiary	4,535	203
Network izi Limited	Step up parent	2,948,311	1,117,086
Bharti Airtel Lanka (Private) Ltd	Fellow subsidiary	15,637	9,238
Bharti Airtel Limited	Step up parent	2,942,382	989,680
Bharti International (Singapore) Pte Limited	Fellow subsidiary	878,079	3,151,190
Bharti Airtel (UK) Limited	Fellow subsidiary	5,969,639	1,121,571
Bharti Airtel International (Netherlands) B.V.	Step up parent	13,681,413	1,795,288
Seychelles Cable Systems Company Limited	Associate	22,367,835	16,273,344
Airtel Mobile Commerce (Seychelles) Ltd	Fellow subsidiary	38,473	-
Bharti Airtel (France) SAS	Fellow subsidiary	218,804	-
Singapore Telecommunications Limited	Other related party	76,309	2,465
Nxtra Data Limited	Fellow subsidiary	150,768	108,683
Total		50,898,806	25,681,925

23.3 Receivables from related parties

Name of related party	Relationship to Company	2019	2018
Airtel Networks Zambia Plc	Fellow subsidiary	834	595
Airtel Networks Kenya Limited	Fellow subsidiary	94,118	73,950
Airtel Malawi Plc	Fellow subsidiary	2,943	8,954
Airtel Tanzania Plc	Fellow subsidiary	1,060	866
Airtel Madagascar S.A	Fellow subsidiary	42	942
Airtel Tchad S.A	Fellow subsidiary	4	8
Airtel Uganda Limited	Fellow subsidiary	818	1,772
Celstel Niger S.A	Fellow subsidiary	116,656	116,235
Airtel Networks Limited	Fellow subsidiary	353	24
Airtel Gabon S.A	Fellow subsidiary	-	58
Airtel Rwanda Limited	Fellow subsidiary	-	190
Airtel Congo (RDC) S.A	Fellow subsidiary	65	-
Bharti Airtel Lanka (Private) Ltd	Fellow subsidiary	2,338	-
Airtel Mobile Commerce (Seychelles) Ltd	Fellow subsidiary	7,019,553	6,615,056
Bharti Airtel (UK) Limited	Fellow subsidiary	6,574,414	2,465,198
Bharti Airtel Limited	Step up parent	1,346,792	381,848
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	1,986,399	689,494
Singapore Telecommunications Limited	Other related party	-	26,089
Total		17,146,389	10,381,280

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23 Related parties and transactions (cont...)

23.4 Payables to related parties

Name of related party	Relationship to Company	2019	2018
Airtel Networks Zambia Plc	Fellow subsidiary	1	29
Airtel Networks Kenya Limited	Fellow subsidiary	2,657,491	2,285,926
Airtel Malawi Plc	Fellow subsidiary	195,091	194,459
Airtel Tanzania Plc	Fellow subsidiary	1,293,459	60,349
Airtel Madagascar S.A	Fellow subsidiary	1,059	2,804
Airtel Congo (RDC) S.A	Fellow subsidiary	65,949	64,869
Airtel Congo S.A	Fellow subsidiary	(1)	221
Airtel Rwanda Limited	Fellow subsidiary	4,289	391
Airtel Tchad S.A	Fellow subsidiary	40	1,333
Airtel Uganda Limited	Fellow subsidiary	1,301	245,995
Celstel Niger S.A	Fellow subsidiary	-	250
Airtel Networks Limited	Fellow subsidiary	246,933	1,520,254
Airtel Gabon S.A	Fellow subsidiary	-	12,200
Bharti Airtel Limited	Step up parent	1,262,339	6,769,447
Bharti Airtel Lanka (Private) Ltd	Fellow subsidiary	4,694	3,687,052
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	3,310,187	994,389
Bharti Airtel International (Netherlands) B.V.	Step up parent	13,347,413	-
Seychelles Cable Systems Company Limited	Associate	2,521,252	3,827,213
Singapore Telecommunications Limited	Other related party	1,468	605,629
Bharti Airtel (UK) Limited	Fellow subsidiary	898,710	268,699
Network I2I Limited	Step up parent	4,158,884	-
Nxtra Data Limited	Fellow subsidiary	594,658	-
Bharti Airtel Africa B.V (Netherlands)	Step up parent	2,761	-
Indian Ocean Telecom Limited	Parent	49,656,421	-
Total		80,224,400	20,541,509

23.5 Loan from step up parent (Bharti Airtel Africa B.V)

	US\$ 2019	US\$ 2018	SCR 2019	SCR 2018
At 1 January	2,864,936	8,609,240	39,078,851	120,992,536
Received in the year	16,849	2,800,000	230,491	38,192,000
Interest Capitalized during the year	206,348	565,252	2,869,392	7,615,088
Repaid during the year	-	(9,109,556)	-	(123,575,101)
Exchange difference	-	-	1,656,989	(4,145,672)
At 31 December	3,088,133	2,864,936	43,835,724	39,078,851

The loan has a maturity date of 31 December 2021, is unsecured and attracts interest at a rate of $libor + 4.5\%$

23.6 Directors emoluments, pensions or compensation

Emoluments, pensions or compensation and any other benefits paid to directors during the year are shown below;

Director	Salary for Management		Fees, Pensions & Others	
	2019	2018	2019	2018
Amadou Mahamat Dina	1,903,997	1,841,795	705,802	778,415
Alok Bafna	-	-	-	-
Ramakrishna Lella	-	-	-	-
Rogany Ramiah	-	-	-	-
Total	1,903,997	1,841,795	705,802	778,415

23.7 Parent and other controlling interests

The shares of the company are held by Indian Ocean Telecom Limited (99.9%) and Bharti Airtel Africa BV(0.1%).

The step up parent is Airtel Africa plc a company incorporated in the UK.

24 Capital commitments

Capital commitments in the form of Open Purchase orders as at 31 December 2019 were to the tune of SCR 151M (2018: SCR 54M) dedicated to completion of the construction of the New Tier 3 Data Centre and Head Office building at Perseverance Island, Network modernisation & Palm Tree towers project and extension of fiber connectivity footprint in the country. These commitments are self financed by the company.

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25 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: Market risk (including Foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market Risk

(i) Foreign exchange risk

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

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

The following table demonstrates the sensitivity in the USD and EURO to the functional currency, with all other variables held constant.

	Change in currency exchange rate ⁽¹⁾	Effect on Profit before tax ⁽²⁾ SCR	Effect on equity (OCI) ⁽²⁾ SCR
For the year ended 31 December 2019			
US Dollars	+5%	12,831,286	-
	-5%	(12,831,286)	-
Euro	+5%	-	2,389,887
	-5%	-	(2,389,887)
For the year ended 31 December 2018			
US Dollars	+5%	12,191,856	-
	-5%	(12,191,856)	-
Euro	+5%	-	2,389,887
	-5%	-	(2,389,887)

(1) '+' represents appreciation and '-' represents depreciation in US Dollars/Euro against SCR.

(2) represents losses/(gains) arising from conversion/translation.

(ii) Price Risk

The company does not hold any financial instruments subject to price risk.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company and arises from cash equivalents and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. For banks and financial institutions, only reputable institutions are used.

The company is not significantly exposed to credit risk on the retail side since the majority of its customers are on the prepaid plan and majority of the distributors /dealers are primarily on cash basis, or their credit is covered by a bank guarantee.

The interconnection between the company and other telecommunications operators (both local and foreign) is on credit basis and the number of credit days is governed by the agreement between the parties. The utilisation of credit limits is regularly monitored.

The amount that best represents the company's maximum exposure to credit risk at 31 December 2019 is made up as follows:

	Note	SCR 2019	SCR 2018
Cash and cash equivalents	22	25,039,174	28,043,696
Trade receivables (net)	17	24,655,734	40,978,474
Receivable from related parties	17	17,146,389	10,381,280

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25 Financial risk management objectives and policies (cont...)

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the finance department maintain flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2019					
- Borrowings	20	212,790,000	43,835,724	-	-
- Trade and other payables	21	99,526,244	-	-	-
- Lease liabilities	12.2	3,246,014	2,990,903	7,553,602	6,358,052
At 31 December 2018					
- Borrowings	20	204,758,277	-	39,078,851	-
- Trade and other payables	21	64,156,842	-	-	-
- Lease liabilities	12.2	-	-	-	-

26 Contingencies

The directors are not aware of any outstanding contingent liabilities at 31 December 2019. (2018: Nil).

27 Events after reporting period

The Global Covid-19 crisis will have mixed impact on our business. On 20th March 2020, the Public Health Commissioner of Seychelles declared a National Emergency after 11 positive cases and on 9th April 2020, a 21 day lockdown was implemented. As customers increasingly confined themselves to staying at home and companies encouraged workers to work from home, the demand for 4G Home Broadband internet increased substantially. On the other hand, Roaming revenue will significantly decline as less tourists visit Seychelles since by May 2020 travel restrictions were still in force. Management does not expect significant going concern issues arising from the global corona virus crisis. However, the economic impact is yet to be assessed.