
Celtel (Mauritius) Holdings Limited

Audited Financial Statements

31 December 2019

CelTel (Mauritius) Holdings Limited

**Audited Financial Statements
For the year ended December 31, 2019**

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CelTel (Mauritius) Holdings Limited
Corporate Information

		Date of Appointment
DIRECTORS	: Jantina Catharina Van De Vreede	26 November, 2010
	Devenanda Naraidoo	14 February, 2011
	Bhoomija Juwaheer	27 March, 2013
	(Alternate to Devananda Naraidoo)	
	Rishal Tanee	01 December, 2017

**ADMINISTRATOR
AND SECRETARY** : Ocorian Corporate Services (Mauritius) Limited
6th Floor, Tower A
1 Cybercity
Ebene
Mauritius

REGISTERED OFFICE : 6th Floor, Tower A
1 Cybercity
Ebene
Mauritius

BANKER : HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre
18, Cybercity
Ebene
Reduit 72201
Mauritius

AUDITOR : Deloitte
7th Floor, Standard Chartered Tower
19-21 Bank Street, Cybercity
Ebene
Republic of Mauritius

**Celtel (Mauritius) Holdings Limited
Commentary of Directors**

The directors present their commentary, together with the audited financial statements of Bharti Airtel Rwanda Holdings Limited (the 'Company') for the year ended December 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 December 2019 is USD 21,922 (2018 loss: USD 102,321).

The directors do not recommend the payment of a dividend for the year under review (2018 - Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. 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.

AUDITOR

Deloitte has been appointed as auditor and has indicated its willingness to remain in office and will be automatically re-appointed at the Annual Meeting.

By Order of the Board

DocuSigned by:

FF669908239427
SECRETARY

OCORIAN CORPORATE SERVICES (MAURITIUS) LIMITED

Date: 07 July 2020

SECRETARY'S CERTIFICATE

Celtel (Mauritius) Holdings Limited

SECRETARY'S CERTIFICATE UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT

In accordance with section 166 (d) of the Mauritius Companies Act, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Mauritius Companies Act 2001 for the Audited Financial Statements for the year ended 31 December 2019.

Dated 7 July 2020

DocuSigned by:

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FOR
OCORIAN CORPORATE SERVICES
LIMITED MAURITIUS LIMITED

**Ocorian Corporate Services (Mauritius) Limited
Secretary**

Independent auditor's report to the Shareholders of Celtel (Mauritius) Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Celtel (Mauritius) Holdings Limited** (the "Company") set out on pages 7 to 24, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 of its financial performance and cash flows for the year then ended in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies, as described in note 3 to the financial statements.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of preparation

We draw attention to note 3 to the financial statements, which describes the basis of preparation of the financial statements in accordance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Commentary of the Directors and Certificate from the Secretary, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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, 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 this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies and they are also responsible 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.

Independent auditor's report to the Shareholders of Celtel (Mauritius) Holdings Limited (Cont'd)

Responsibilities of directors for the financial statements (cont'd)

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.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

This report is made solely to the Company's shareholders, as a body, in accordance with the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte

Chartered Accountants

07 July 2020



Vishal Agrawal, FCA

Licensed by FRC

Celtel (Mauritius) Holdings Limited**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019****(All amounts are in United States Dollars - 'USD')**


	For the year ended December 31, 2019	For the year ended December 31, 2018
Expenses		
Domiciliation and compliance fees	800	1,000
Interest expenses (Note 12)	-	78,447
Directors' fees	2,345	1,500
Licence fees	1,800	1,800
Audit fees	10,721	11,923
Legal and professional fees	1,536	1,533
Taxation fees	450	250
Accountancy fees	1,000	1,000
Secretarial fees and disbursements	2,450	3,430
Bank charges	890	1,438
Total Expenses	21,992	102,321
Loss before income tax	(21,992)	(102,321)
Income tax expense (Note 6)	-	-
Loss after tax	(21,992)	(102,321)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(21,992)	(102,321)

The notes on pages 11 to 24 form an integral part of these financials statements.

CelTel (Mauritius) Holdings Limited
Statement of Financial Position as at 31 December 2019
(All amounts are in United States Dollars - 'USD')

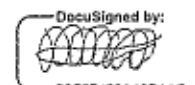
	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Non-current assets			
Investment in subsidiary	7	4,355,634	4,355,634
Investment in associate	8	-	-
		<u>4,355,634</u>	<u>4,355,634</u>
Current assets			
Loan receivable	9	110,434,745	147,734,790
Other receivables and prepayments	10	1,539,042	2,164,588
Cash and cash equivalents		223	48,404
		<u>111,974,010</u>	<u>149,947,782</u>
Total assets		<u>116,329,644</u>	<u>154,303,416</u>
EQUITY AND LIABILITIES			
Shareholders' funds			
Stated capital	11	10,000	10,000
Retained earnings		40,103,531	40,125,523
Total equity		<u>40,113,531</u>	<u>40,135,523</u>
Current liabilities			
Borrowings	12	75,859,460	113,859,460
Other payables and accrued expenses	13	356,653	308,433
		<u>76,216,113</u>	<u>114,167,893</u>
Total liabilities		<u>76,216,113</u>	<u>114,167,893</u>
Total equity and liabilities		<u>116,329,644</u>	<u>154,303,416</u>

Approved by the Board of directors on 07 July 2020 and signed on its behalf by:

DocuSigned by:

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Rishal Tanee

Director

DocuSigned by:

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Devananda Naraidoo

Director

The notes on pages 11 to 24 form an integral part of these financials statements.

Celtel (Mauritius) Holdings Limited
Statement of Changes in Equity for the year ended 31 December 2019
(All amounts are in United States Dollars - 'USD')

	Stated capital		Retained earnings	Total equity
	No of shares	Amount		
As of January 1, 2018	100	10,000	40,227,844	40,237,844
Profit / (loss) for the year	-	-	(102,321)	(102,321)
Other comprehensive profit	-	-	-	-
Total comprehensive profit			(102,321)	(102,321)
As of December 31, 2018	100	10,000	40,125,523	40,135,523
Profit / (loss) for the year	-	-	(21,992)	(21,992)
Other comprehensive profit	-	-	-	-
Total comprehensive loss	-	-	(21,992)	(21,992)
As of December 31, 2019	100	10,000	40,103,531	40,113,531

The notes on pages 11 to 24 form an integral part of these financials statements.

Celtel (Mauritius) Holdings Limited
Statement of Cash Flows for the year ended 31 December 2019
(All amounts are in United States Dollars - 'USD')

	For the year ended December 31, 2019	For the year ended December 31, 2018
Operating activities		
Loss before tax	(21,992)	(102,321)
Adjustments for:		
Interest expense	-	78,447
Expenses paid by other related party on behalf of the Company	-	144,774
Operating cash flows before changes in working capital	(21,992)	120,900
Changes in working capital :		
Decrease / (Increase) in other receivables	625,546	(210,993)
Increase / (Decrease) in other payables and accrued expenses	48,220	(9,975)
Cash (used in)/generated from operating activities	651,774	(100,068)
Taxes refund / (paid)	-	9,163
Net cash used in operating activities (a)	651,774	(90,905)
Cash flow from investing activities		
Repayment of Loan given to subsidiary	37,300,045	7,800,000
Net cash generated from investing activities (b)	37,300,045	7,800,000
Cash flow from financing activities		
Repayment of Loan received from parent	(38,000,000)	(7,799,991)
Net cash used in financing activities (c)	(38,000,000)	(7,799,991)
Net decrease in cash and cash equivalents during the year (a)+(b)+(c)	(48,181)	(90,896)
Cash and Cash Equivalents as at beginning of the year	48,404	139,300
Cash and cash equivalents as at end of the year	223	48,404

The notes on pages 11 to 24 form an integral part of these financials statements.

1. Corporate information

Celtel (Holdings) Limited (the "Company") is a private limited company incorporated in Mauritius, holds a Category 1 Global Business Licence (renamed Global Business License (GBL)) under the Financial Services Act 2007 and is regulated by Financial Services Commission. The Company's registered office is 6th Floor, Tower A, 1 Cyber City, Ebene, Republic of Mauritius.

The Company's step-up parent is Airtel Africa plc listed on London Stock Exchange on 3 July 2019 and on Nigerian Stock Exchange on 9 July 2019.

The principal activity of the Company is investment holding.

2. Application of new and revised international financial reporting standards

2.1 New and revised IFRSs applied with no material effect on the 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 2019.

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

IAS 28 - Investment in Associates and Joint Ventures – Amendments regarding long- term interests in associates and joint ventures

IFRS 9 - Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities

IFRIC 23 - Uncertainty over Income Tax Treatments issued

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1 - Presentation of financial statements - Amendments regarding the definition of material (effective January 1, 2020)

IAS 1 - Presentation of financial statements - Amendments regarding the classification of liabilities (effective January 1, 2022)

IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective January 1, 2020)

IAS 39 - Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective January 1, 2020).

IFRS 7 - Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective January 1, 2020)

IFRS 9 - Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective January 1, 2020)

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

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

Basis of presentation

The financial statements are prepared in accordance with the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence. The directors have considered the exemption available under Section 12 of the Fourteenth Schedule of the Mauritius Companies Act 2001. The Company has not prepared consolidated financial statements as required by IFRS 10, Consolidated Financial Statements, and these financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) on a stand-alone basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 4.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence in the foreseeable future.

Foreign currency translation

(a) 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.

(b) Transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange 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 Statement of Profit or Loss and Comprehensive Income 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.

Current and deferred income tax

The income tax expense for the year comprises of current tax only. The current income tax is calculated on the basis of the tax rates, laws and regulation, which have been enacted or substantively enacted as at the reporting date in the country where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on - temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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, tax losses and tax credits can be utilized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

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

Investment in subsidiary

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement from the entity, and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is initially shown at cost. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to profit and loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to Statement of Profit or Loss.

Investment in associate

Associates are all entities over which the Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or jointly control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, investments in associates are carried out in the Statement of Financial Position at cost as adjusted for post acquisition changes in the share of net assets of the associate, less any impairment in the value of the individual investments. The goodwill is included within the carrying amount of the investment.

The Company's share of its associates' post acquisition profits or losses is recognised in Statement of Profit or Loss and its share of post acquisition movements in reserves is recognised in reserves. Where the company transacts with an associate, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Financial instruments

The Company initially recognises financial instruments on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus transaction costs.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective

3. Summary of significant accounting policies (continued)

Amortised cost and effective interest method (continued)

Interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial instruments carried on the statement of financial position include loan receivable, other receivables, cash and cash equivalents, borrowings and other payables and accrued expenses. The particular recognition methods adopted are disclosed below:

Loan receivable

Loan receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents comprise of cash at bank.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in Statement of Profit or Loss and Comprehensive Income over the period of the borrowings using the effective interest method.

Other payables and accrued expenses

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Stated capital

Stated capital is determined using the nominal values of shares that have been issued and classified as equity.

Impairment of non-financial assets

The carrying amount of assets is assessed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset being the higher of the asset's net selling price and its value in use, in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for any excess of the asset's carrying amount over its recoverable amount and is taken directly to profit and loss.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI; and
- (2) Trade receivables and contract assets;

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Revenue recognition

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive the dividend is established.

Interest and dividend income are recognised gross of withholding taxes.

Expense recognition

Expenses are accounted for in Statement of Profit or Loss and Comprehensive Income on accrual basis.

Provisions

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

4. Critical accounting estimates and judgments

The estimates and judgements used in the preparation of these financial statements are continuously evaluated by the Company, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the Company believes to be reasonable under the existing circumstances. These estimates and judgements are based on the facts and events that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date. The changes in estimates are recognised in the financial statements in the year in which they become known

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Company is the USD.

The Company has made investment in Malagasy Ariary (Note 7) and expects to receive dividend and proceeds from disposal of investment in Malagasy Ariary. However, it obtains financing from its shareholder(s) and other stakeholders in USD and all operating activities are conducted in USD. Thus, USD is the functional currency as it most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company. The Company has also made investment in USD (Note 8) and expects to receive dividend and proceeds from disposal of investment in USD. It also obtains financing from its shareholder(s) and other stakeholders in USD and all operating activities are conducted in USD. Thus, USD is the functional currency as it most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

Impairment assessment

The directors have assessed the recoverable amount of the subsidiary at 31 December 2019 and are of the opinion that the investment has not suffered any impairment. The impairment assessment is based on the discounted cash flow of the subsidiary. (Note 7)

5. Financial risk management objectives and policies

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate measures and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

The Company's exposure to the various types of risks associated to its activity and financial instruments is detailed below.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. None of the Company's financial assets and liabilities is denominated in foreign currency at the reporting date and therefore is not exposed to foreign currency risk.

5. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at reporting date, the Company is not exposed to interest rate risk as it does not hold any interest bearing financial assets or financial liabilities.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's exposure to credit risk is monitored by management on an ongoing basis. The Company limits its risk by carrying out transactions through companies within the group and by banking with reputable financial institutions.

Amounts due from related parties are assessed regarding credit risk at each reporting date. As the same are closely monitored and controlled by the same management, there is no provision matrix being followed on ageing basis. There have been no instances observed in the past where collection are assumed to be at risk for such related party receivable.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company relies on its related companies for funding.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 based on contractual undiscounted payments.

	On Demand	Within 1 year	More than 1 year	Total
December 31, 2019				
Borrowings	75,859,460	-	-	75,859,460
Other payables and accrued expenses	339,924	16,729	-	356,653
	<u>76,199,384</u>	<u>16,729</u>	<u>-</u>	<u>76,216,113</u>
	On Demand	Within 1 year	More than 1 year	Total
December 31, 2018				
Borrowings	113,859,460	-	-	113,859,460
Other payables and accrued expenses	292,461	15,972	-	308,433
	<u>114,151,921</u>	<u>15,972</u>	<u>-</u>	<u>114,167,893</u>

5. Financial risk management objectives and policies (continued)

(d) Fair values

The carrying amounts of loan receivables, other receivables, cash and cash equivalents, borrowings and other payables and accrued expenses approximate their fair values due to short term nature of the balances involved.

(e) Capital risk management

The Company's objectives when managing capital are to raise sufficient funds for its investing activities and to safeguard the Company's ability to pay its debts as they fall due in order to continue as going concern and provide returns for the shareholders. Capital comprises equity and retained earnings.

(f) Financial instruments by category

Financial Assets	As of 31 December, 2019	As of 31 December, 2018
<i>Amortised Cost:</i>		
Loan Receivable	110,434,745	147,734,790
Other Receivables	1,539,042	2,164,588
Cash & Cash Equivalents	223	48,404
	111,974,010	149,947,782
Financial Liabilities	As of 31 December, 2019	As of 31 December, 2018
<i>Amortised Cost:</i>		
Borrowings	75,859,460	113,859,460
Other payables and accrued expenses	356,653	308,433
	76,216,113	114,167,893

6. Income tax

Upto December 2018, the Company is subject to income tax in Mauritius on its net income at 15%. However, the Company was entitled to a tax credit equivalent to the higher of the actual foreign tax suffered (Foreign Tax Credit) and 80% of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of 3%. With effect from 1 January 2019, the Foreign Tax Credit available to the Company has been abolished by Mauritius Finance (Miscellaneous Provisions) Act 2018 (Finance Act), with introduction of 80% partial exemption regime whereby an income tax exemption of 80% on the following categories of income is applicable, provided that the pre-defined substance requirements issued by the Financial Service Commission (FSC) are met.

- o Foreign-source dividend (not allowed as deduction in source country).
- o Interest income.
- o Profit attributable to a permanent establishment (PE) that a resident company has in a foreign country.

GBC1 license issued on or before 16 October 2017 will remain governed under the existing provisions of the Financial Services Act 2007 until 30 June 2021, after which it will be deemed to be a Global Business License (GBL).

6. Income tax (continued)

The tax losses are available for set off against future taxable profit of the Company as follows:

Upto the year ending	As of 31 December, 2019
31 December 2019	-
31 December 2020	-
31 December 2021	-
31 December 2022	102,321
31 December 2023	21,992
	<u>124,313</u>

A reconciliation of the actual income tax expense based on accounting profit and the actual income tax expenses is as follows:

	As of 31 December, 2019	As of 31 December, 2018
Loss before taxation	(21,992)	(102,321)
Income tax @ 15%	(3,299)	(15,348)
Unutilized tax losses	3,299	15,348
Income tax Charge	<u>-</u>	<u>-</u>

Deferred Tax asset, amounting to USD 3,730 (2018 - USD 3,191) has not been recognized in the financial statements as it is not probable that the Company will have sufficient taxable profit against which the unused tax losses could be utilized in the foreseeable future,

7. Investment in subsidiary

	As of 31 December, 2019	As of 31 December, 2018
Investment in subsidiary Airtel Madagascar SA (Unquoted investment at cost)	4,355,634	4,355,634
	<u>4,355,634</u>	<u>4,355,634</u>

The Company owns 63.20% of the issued share capital of Airtel Madagascar S.A., a company incorporated in the Republic of Madagascar. The principal activity of the company is to develop and use communication system.

At 31 December 2019, the directors reviewed the financial position of the investee company and believed that investment has not suffered any impairment.

8. Investment in associate

The Company holds 40% of the issued share capital of Montana International, company incorporated in the Republic of Mauritius. Montana International is the beneficial owner of all the issued shares of Société Malgache de Téléphone Cellulaire S.A. ("SMTC"), company incorporated in the Republic of Mauritius.

The Company's cost of investment in the associate amounting to US\$ 40 was fully impaired in previous years.

Summarized financial information of the associate:

Particulars	Unaudited 31 December, 2019	Unaudited 31 December, 2018
Current Assets	4,500	4,540
Non-Current Assets	-	-
Current Liabilities	541,538	516,924
Non-Current Liabilities	-	-
Net Assets	(537,038)	(512,384)
Share in Associate's Net Assets	(214,815)	(204,954)
Revenue	-	-
Total loss for the year	(24,615)	(25,361)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(24,615)	(25,361)
Share of Associate's loss for the year absorbed	-	-
Share of Unabsorbed Losses- cumulative	(150,515)	(140,654)
Share of Unabsorbed loss for the year	(9,862)	(10,145)

Reconciliation of above summarized financial information to the carrying amount of the interest in Montana International recognized:

Particulars	Unaudited 31 December, 2019	Unaudited 31 December, 2018
Share in Net Asset of the associate	(214,815)	(204,954)
Percentage of the Company's ownership interest in the associate	40%	40%
Goodwill	64,300	64,300
Share of Unabsorbed losses - cumulative	(150,515)	(140,654)
Carrying amount of the Company interest in the associate	-	-

9. Loan receivable

	As of 31 December, 2019	As of 31 December, 2018
Loan receivable from subsidiary, Airtel Madagascar SA		
At the beginning of the year	147,734,790	155,534,790
Repayment during the year	(37,300,045)	(7,800,000)
	110,434,745	147,734,790

The loan is unsecured, bears interest at the rate of 0% per annum with a maturity date of 31st December, 2021. The credit facility is denominated in USD. The repayment clause states that any outstanding principal loan amount and accrued interest thereon will be payable in full upon request of the lender by giving a 3 (three) months advance notice to the borrower.

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10. Other receivables and prepayments

	<u>As of</u> <u>31 December, 2019</u>	<u>As of</u> <u>31 December, 2018</u>
Royalty fees receivables from subsidiary (Note 14)	-	364,499
Technical fees receivables from subsidiary (Note 14)	907,754	1,069,544
Other receivable from subsidiary (Note 14)	-	143,242
Other receivable from associates (Note 14)	117,025	108,140
Other receivable from other related parties (Note 14)	514,263	479,163
	<u>1,539,042</u>	<u>2,164,588</u>

The directors consider that the carrying amount of related party receivables at 31 December 2019 are recoverable, and have not suffered any impairment.

11. Stated capital

	<u>As of</u> <u>31 December, 2019</u>	<u>As of</u> <u>31 December, 2018</u>
Issued and fully paid up : 100 shares of USD 100 each	<u>10,000</u>	<u>10,000</u>

Shareholder

The company's shares are held by Bharti Airtel Madagascar Holdings B.V. and Channel Sea Management Company (Mauritius) Limited in the ratio of 51:49.

Rights and restrictions attached to ordinary shares:

Voting rights

Each ordinary share shall entitle its holder to receive notice of, to attend and vote at any meeting of the Company.

Rights relating to dividends

Each ordinary share shall entitle its holder the right of an equal share in dividends as authorised by the board.

Rights relating to repayment of capital

Upon winding-up, each ordinary share shall entitle its holder the right to an equal share in the distribution of the surplus assets of the Company.

12. Borrowings

	As of 31 December, 2019	As of 31 December, 2018
Loan from Bharti Airtel Madagascar Holdings B.V		
At the beginning of the year	113,859,460	121,581,004
Repayment during the year	(38,000,000)	(7,799,991)
Interest expense	-	78,447
	<u>75,859,460</u>	<u>113,859,460</u>

The loan is unsecured, bears interest at the rate of 0% per annum with a maturity date of 31st December, 2021. The credit facility is denominated in USD. The repayment clause states that any outstanding principal loan amount and accrued interest thereon will be payable in full upon request of the lender by giving a 3 (three) months advance notice to the borrower.

13. Other payables and accrued expenses

	As of 31 December, 2019	As of 31 December, 2018
Amount due to other related parties (Refer Note 14)	339,924	292,461
Accruals	16,729	15,972
	<u>356,653</u>	<u>308,433</u>

14. Related Party Transactions

During the year ended, the Company entered into transactions with related parties. All balances are unsecured, interest free and receivable/payable on demand. The nature, volume of transactions and balances with related parties are as follows.

Entity Name	Relationship
Bharti Airtel Africa B.V.	Step-up parent company
Bharti Airtel Madagascar Holdings B.V.	Holding company
Channel Sea Management Company (Mauritius) Limited	Shareholder - significant influence
Montana International	Associated company
Societe Malgache De Telephone Cellulaire SA	Associated company
Bharti Airtel Rwanda Holding Limited	Fellow subsidiary
Airtel Madagascar S.A.	Subsidiary company

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(All amounts are in United States Dollars - 'USD'; unless stated otherwise)

14. Related Party Transactions (continued)

Related Party Transactions for the year ended December 31, 2019

Nature of transaction	Airtel Madagascar S.A.	Bharti Airtel Madagascar Holdings B.V	Montana International	Bharti Rwanda Holdings Limited	Societe Malgache de Telephone Cellulaire S.A	Bharti Airtel Africa BV	Channel Sea Management Company (Mauritius) Limited
Opening Balance as on 01 January, 2019	149,312,075	(114,002,701)	108,100	294,700	164,083	(1,533)	(127,267)
Expenses incurred on behalf of the company	47,462	(47,465)	-	-	-	-	-
Expenses paid by the Company	-	-	8,885	9,325	13,375	-	12,400
Amount received from subsidiary against other receivables	(716,993)	-	-	-	-	-	-
Loan repaid by the subsidiary during the year	(37,300,045)	38,000,000	-	-	-	-	-
Outstanding balance as at 31 December, 2019	110,434,745	-	-	-	-	-	-
Loan receivable	-	(75,859,460)	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Others Receivables	907,754	-	117,025	304,025	177,458	-	32,780
Others Payables	-	(190,706)	(40)	-	-	(1,533)	(147,647)
Total	111,342,499	(76,050,166)	116,985	304,025	177,458	(1,533)	(114,867)

Related Party Transactions for the year ended December 31, 2018

Nature of transaction	Airtel Madagascar S.A.	Bharti Airtel Madagascar Holdings B.V	Montana International	Bharti Rwanda Holdings Limited	Societe Malgache de Telephone Cellulaire S.A	Bharti Airtel Africa BV	Channel Sea Management Company (Mauritius) Limited
Opening Balance as on 01 January, 2018	156,968,833	(121,581,004)	98,044	278,850	142,658	-	(147,647)
Expenses incurred on behalf of the company	-	(143,241)	-	-	-	(1,533)	-
Expenses paid by the Company	143,242	-	10,096	15,850	21,425	-	20,380
Interest charged	-	(78,447)	-	-	-	-	-
Loan repaid by the Company during the year	-	7,799,991	-	-	-	-	-
Loan repaid by the subsidiary during the year	(7,800,000)	-	-	-	-	-	-
Outstanding balance as at 31 December, 2018	147,734,790	(113,859,460)	-	-	-	-	-
Loan receivable	-	(113,859,460)	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Others Receivables	1,577,285	-	108,140	294,700	164,083	-	20,380
Others Payables	-	(143,241)	(40)	-	-	(1,533)	(147,647)
Total	149,312,075	(114,002,701)	108,100	294,700	164,083	(1,533)	(127,267)

15. Parent company

The directors consider Bharti Airtel Madagascar Holdings B.V, a company incorporated in the Netherlands, as the Company's parent and Airtel Africa Plc, a company incorporated in London, United Kingdom as the Company's step-up parent.

Bharti Enterprises (Holding) Private Limited is the ultimate controlling entity. It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the company.

16. Event after reporting date

In December 2019, there was an outbreak of Covid 19. This, however, became widespread in a number of countries after the reporting date and was subsequently declared a pandemic by the World Health Organisation (WHO) in March 2020. In this regard, a response team was set up in the Company's subsidiary to ensure preparedness and implement safety measures to contain the spread of the COVID-19. The Company's subsidiary staff are being provided with relevant information and tools to help ensure safety as they carry out their day to day duties.

The Company's subsidiary has also implemented social distancing when managing its queues across the country to protect our customers. The Company's subsidiary will continue to review the fast-changing situation and implement stringent procedures in line with Ministry of Health and World Health Organization guidelines to ensure that the health and safety of all our key stakeholders is not compromised. The COVID-19 has no impact on the financial operations as most customers are now using more data and airtime as a means of communication.