CELTEL (MAURITIUS) HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2016

CELTEL (MAURITIUS) HOLDINGS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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CELTEL (MAURITIUS) HOLDINGS LIMITED

COMPANY INFORMATION

			Date of appointment
DIRECTORS	:	Jantina Catharina van de Vreede	26 November 2010
		Devananda Naraidoo	14 February 2011
		Sachidananda Payandee Govinda	14 February 2011
		Bhoomija Juwaheer (Alternate to Devananda Naraidoo)	27 March 2013
		Bhoomija Juwaheer (Alternate to Sachidananda Payandee Govinda)	20 January 2015
		Rishal Tanee (Alternate to Sachidananda Payandee Govinda)	16 May 2016

ADMINISTRATOR AND SECRETARY : Abax Corporate Services Ltd
6th Floor, Tower A
1 CyberCity
Ebene
Mauritius

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

AUDITORS : PKF (Mauritius)
5 Duke of Edinburgh Avenue
Port Louis
Mauritius

BANKER : HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre
18, CyberCity,
Ebene
Mauritius

CELTEL (MAURITIUS) HOLDINGS LIMITED

COMMENTARY OF DIRECTORS

The directors present their commentary and the audited financial statements of CELTEL (MAURITIUS) HOLDINGS LIMITED (the "Company") for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of investment holding.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2016 is **USD 5,691,418** (2015 - USD 4,878,668).

The directors do not recommend the payment of a dividend for the year under review (2015 - Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE 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 and complied with, 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 have confirmed 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.

AUDITORS

The auditors, PKF (Mauritius), have indicated their willingness to remain in office and will be automatically re-appointed at the next Annual Meeting.

By Order of the Board

NISHA PROAG-DOOKUN
FOR
ABAX CORPORATE SERVICES LTD

SECRETARY

14 JUL 2017

ABAX
Adding value to global business

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1 CyberCity, Ebene, Mauritius
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SECRETARY'S CERTIFICATE
TO THE MEMBERS OF CELTEL (MAURITIUS) HOLDINGS LIMITED

UNDER SECTION 166 (d) OF THE MAURITIAN COMPANIES ACT 2001

We certify, as secretary of the Company, that based on records and information made available to us by the Directors and the Shareholders of the Company, the Company has filed with the Registrar of Companies for the year ended 31 December 2016, all such returns as are required of the Company under the Mauritian Companies Act 2001, except for the Financial Statements for the year ended 31 December 2016.

Dated 14 July 2017

NISHA PROAG-DOOKUN
FOR
ABAX CORPORATE SERVICES LTD

ABAX CORPORATE SERVICES LTD
SECRETARY

CELTEL (MAURITIUS) HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements set out on pages 8 to 26 which comprise the statement of financial position as at 31 December 2016, and the statement of 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, in all material respects, the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. They are also responsible for such internal control as they determine is necessary to enable the preparation of the 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.

CELTEL (MAURITIUS) HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- 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.

CELTEL (MAURITIUS) HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

Report on Other Legal and Regulatory Requirements

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

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

PKF (Mfs)

PKF (MAURITIUS)
PUBLIC ACCOUNTANTS

MICHAEL V K LO TIAP KWONG, FCCA
(Licensed by FRC)

Port Louis
MAURITIUS

Date: 14 JUL 2017

CELTEL (MAURITIUS) HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	USD	USD
Income		
Interest income (Note 2)	**9,860,350**	8,578,772
Expenses		
Domiciliation and compliance fees	**1,500**	1,500
Interest expense (Note 11)	**3,121,799**	2,795,659
Directors' fees	**4,000**	3,583
Licence fees	**2,099**	2,050
Audit fees	**8,510**	8,740
Taxation fees	**1,820**	2,820
Accountancy fees	**8,750**	8,750
Secretarial fees and disbursements	**15,130**	14,280
Other administrative expenses	-	1,400
Bank charges	**956**	380
	3,164,564	2,839,162
Profit before income tax	**6,695,786**	5,739,610
Income tax expense (Note 5)	(**1,004,368**)	(860,942)
Profit for the year	**5,691,418**	4,878,668
Other comprehensive income	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,691,418**	4,878,668

The notes on pages 12 to 26 are an integral part of these financial statements.

CELTEL (MAURITIUS) HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2016

	2016 USD	2015 USD
ASSETS		
Non-current assets		
Investment in subsidiary (Note 6)	**4,355,634**	4,355,634
Investment in associate (Note 7)	**40**	40
Loan receivables (Note 8)	**150,931,606**	140,857,292
	155,287,280	145,212,966
Current assets		
Other receivables and prepayments (Note 9)	**1,883,673**	3,020,813
Cash and cash equivalents	**303,885**	627,692
	2,187,558	3,648,505
Total assets	**157,474,838**	148,861,471
EQUITY AND LIABILITIES		
Equity		
Stated capital (Note 10)	**10,000**	10,000
Retained earnings	**37,979,241**	32,287,823
Total equity	**37,989,241**	32,297,823
Liabilities		
Non-current liability		
Borrowings (Note 11)	**119,273,212**	116,337,413
Current liabilities		
Other payables and accrued expenses (Note 12)	**196,350**	223,169
Current tax liability (Note 5)	**16,035**	3,066
	212,385	226,235
Total liabilities	**119,485,597**	116,563,648
Total equity and liabilities	**157,474,838**	148,861,471

Authorised for issue by the Board of directors on 14 JUL 2017
and signed on its behalf by:

Name Deranandra Naraidoo **Signature** .....

Name Sachidananda Payandee Govinda **Signature** .....

The notes on pages 12 to 26 are an integral part of these financial statements.

CELTEL (MAURITIUS) HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Stated capital USD	Retained earnings USD	Total equity USD
At 01 January 2015	10,000	27,409,155	27,419,155
Total comprehensive income for the year	-	4,878,668	4,878,668
At 31 December 2015	**10,000**	**32,287,823**	**32,297,823**
Total comprehensive income for the year	-	**5,691,418**	**5,691,418**
At 31 December 2016	**10,000**	**37,979,241**	**37,989,241**

The notes on pages 12 to 26 are an integral part of these financial statements.

CELTEL (MAURITIUS) HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	USD	USD
Cash flows from operating activities		
Profit before income tax	**6,695,786**	5,739,610
Adjustments for:		
Interest income	(**9,860,350**)	(8,578,772)
Interest expense	**3,121,799**	2,795,659
	(**42,765**)	(43,503)
Working capital adjustments:		
Decrease in other receivables and prepayments	**1,137,140**	521,864
Decrease in other payables and accrued expenses	**(26,819)**	(35,664)
Cash inflows from operations	**1,067,556**	442,697
Income tax paid	**(5,363)**	-
Net cash inflows from operating activities	**1,062,193**	442,697
Cash flows from investing activity		
Net loan to subsidiary (Note 8)	(**1,200,000**)	(15,700,000)
Net cash outflows from investing activity	(**1,200,000**)	(15,700,000)
Cash flows from financing activity		
Net loan from parent (Note 11)	**(186,000)**	15,050,000
Net cash (outflows)/ inflows from financing activities	**(186,000)**	15,050,000
Net decrease in cash and cash equivalents	**(323,807)**	(207,303)
Cash and cash equivalents at beginning of year	**627,692**	834,995
Cash and cash equivalents at end of year	**303,885**	627,692

The notes on pages 12 to 26 are an integral part of these financial statements.

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation

The financial statements have been prepared in accordance with and in compliance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The financial statements have been prepared under the historical cost convention except that relevant financial assets and liabilities are stated at fair value, or carried at amortised cost as appropriate.

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 3.

Changes in accounting policy and disclosures

New and amended standards

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01 January 2016.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment relevant to the Company are described below:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

• The materiality requirements in IAS 1 - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

• That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated - where this is relevant to an understanding of the entity's financial position or performance.

• That entities have flexibility as to the order in which they present the notes to financial statements.

• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policy and disclosures (continued)

New and amended standards (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments affect presentation only and do not have any impact on the financial position or performance of the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial period beginning on 01 January 2016 are not relevant to the Company.

New standards, amendments and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 01 January 2018)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Company plans to adopt the new standard on the required effective date. Early adoption is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective for accounting periods beginning on or after 01 January 2017)

The amendments to IAS 7, 'Statement of Cash Flows', are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a company's debt.

The directors anticipate that these IFRSs will be applied on their effective dates in the future periods. The directors have not yet assessed the potential impact of the adoption of these amendments.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates 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 in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Consolidated financial statements

The financial statements are separate financial statements which contain information about Celtel (Mauritius) Holdings Limited as an individual company and do not contain consolidated financial information as the parent. The Company has taken advantage of paragraph 4 of International Financial Reporting Standard ("IFRS") 10, Consolidated Financial Statements which dispenses it from the need to present consolidated financial statements, as its ultimate parent, Bharti Airtel Limited, incorporated in India prepares consolidated financial statements that comply with International Financial Reporting Standards and which are available for public use. These consolidated financial statements are obtainable at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110 070, India.

Investment in associate

An associate is an entity over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted at cost.

Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Equity accounting

The Company owns 40% of the issued share capital of Montana International and has taken advantage of paragraph 17 of International Accounting Standards, IAS 28, Investments in Associates, which dispenses it from the need to equity account its investment in associate as its ultimate parent, Bharti Airtel Limited, incorporated in India, prepares consolidated financial statements that comply with International Financial Reporting Standards and which are available for public use. These consolidated financial statements are obtainable at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110 070, India.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

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

Loan receivables

Loan receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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 comprehensive income over the period of the borrowings using the effective interest method.

Other payables and accrued expenses

Other payables and accrued expenses 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 the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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 obligation is discharged, cancelled or expired.

Offsetting of financial instruments

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 legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

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 the statement of comprehensive income on an 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 the amount has been reliably estimated.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgments that affect the reported amounts of assets and liabilities within the next year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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. As described in Note 2, 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 MGA (Note 6) and expects to receive dividend and proceeds from disposal of investment in MGA. 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 7) 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 and the associate at 31 December 2016. The impairment assessment is based on the net asset value of the investee company. Refer to Notes 6 and 7.

4 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. Risks 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.

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (continued)

(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.

(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. The Company has no significant exposure to interest-rate risk as it has interest- bearing financial assets and liabilities that are denominated at fixed interest rates.

(b) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. With respect to credit risk arising from financial assets which comprise of cash and cash equivalents and amounts due from a related party, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets at the reporting date. The Company manages credit risk by banking with reputable financial institutions and carrying out transactions with related parties, where there is no significant credit risk.

The financial assets are neither past due nor impaired as at reporting date.

(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 2016 based on contractual undiscounted payments:

2016	**On demand USD**	**Within one year USD**	**More than 1 year USD**	**Total USD**
Borrowings	**-**	**-**	**119,273,212**	**119,273,212**
Other payables and accrued expenses	**177,103**	**19,247**	**-**	**196,350**
	177,103	**19,247**	**119,273,212**	**119,469,562**

2015	On demand USD	Within one year USD	More than 1 year USD	Total USD
Borrowings	-	-	116,337,413	116,337,413
Other payables and accrued expenses	208,423	14,746	-	223,169
	208,423	14,746	116,337,413	116,560,582

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

4 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.

(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 loan payable to parent. In order to maintain or adjust the capital structure, the Company may issue new shares or have recourse to its parent for funding, sells its investments or vary the amount of dividends or return capital to the shareholders.

(f) Financial instruments by category

	2016	2015
	USD	USD
Financial assets		
Loans and receivables		
Loan receivables	**150,931,606**	140,857,292
Other receivables	**1,880,330**	3,017,291
Cash and cash equivalents	**303,884**	627,692
	153,115,820	144,502,275
Financial liabilities		
Other financial liabilities at amortised cost		
Borrowings	**119,273,212**	116,337,413
Other payables and accrued expenses	**196,350**	223,169
	119,469,562	116,560,582

5 INCOME TAX

The Company invests in Madagascar and the directors expect to obtain benefits under the double taxation treaty between Mauritius and Madagascar. To obtain benefits under the double taxation treaty the Company must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. A company which is tax resident in Mauritius under the treaty, but has no branch or permanent establishment in Madagascar, is subject to withholding tax on interest, royalties and technical fee income earned in Madagascar at the rate of 10% and is taxable on dividends earned on Malagasy securities at 10%.

The Company is subject to income tax in Mauritius on its net income at **15%** (2015 - 15%). However, the Company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and **80%** (2015 - 80%) of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of **3%** (2015 - 3%). Gains or profits from the sale of units of securities by a company holding a Category 1 Global Business License under the Financial Services Act 2007 are exempt in Mauritius.

5 INCOME TAX (Continued)

The foregoing is based on current interpretation and practice and is subject to any future changes in Malagasy or Mauritian tax laws and in the tax treaty between Madagascar and Mauritius.

	2016	2015
	USD	USD
The tax expense for the year consists of:		
Current tax expense	**18,332**	3,066
Withholding tax on interest	**986,036**	857,876
	1,004,368	860,942

The reconciliation between the actual income tax rate of **0.05%** (2015 - 0.05%) and the effective income tax rate of **15.00%** (2015 - 15.00%) is as follows:

As a % of profit before tax

	2016	2015
	%	%
Effective income tax rate	**15.00**	15.00
Impact of:		
Foreign tax credit	(**14.95**)	(14.95)
Actual income tax rate	**0.05**	0.05

The withholding taxes of **USD 986,036** (2015 – USD 857,876) has been suffered on interest earned in Madagascar and at year-end the taxes has not yet been paid to the Malagasy authorities.

A reconciliation between the opening and closing tax liability can be found below:

	2016	2015
	USD	USD
At beginning of year	**3,066**	-
Income tax paid during the year	**(5,363)**	-
Charge for the year	**18,332**	3,066
At end of year	**16,035**	3,066

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

6 INVESTMENT IN SUBSIDIARY

	2016	2015
	USD	USD
Unquoted investment at cost:		
At beginning and end of the year	**4,355,634**	4,355,634
	=========	=========

The Company owns 63.20% of the issued share capital of Airtel Madagascar S.A., a company incorporated in the Republic of Madagascar.

At 31 December 2016, the directors have assessed the recoverable amount of the above investment and are of the opinion that no impairment provision is required as at that date. The directors estimate the recoverable amount of the investment to be not less than cost.

7 INVESTMENT IN ASSOCIATE

	2016	2015
	USD	USD
Unquoted investment at cost:		
At beginning and end of the year	**40**	40
	=========	=========

The Company holds 40% of the issued share capital of Montana International, an unquoted 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”), an unquoted company incorporated in the Republic of Mauritius.

At 31 December 2016, the directors believe that the investment in associate has not suffered any impairment. The directors estimate the recoverable amount of the investment to be not less than cost.

8 LOAN RECEIVABLES

	2016	2015
	USD	USD
Airtel Madagascar S.A.		
At beginning of the year	**140,857,292**	117,436,396
Addition during the year	**1,200,000**	25,350,000
Repayment during the year	**-**	(9,650,000)
Interest income net of withholding tax	**8,874,314**	7,720,896
	- - - - - - - - - -	- - - - - - - - - -
At end of the year	**150,931,606**	140,857,292
	==========	==========
Principal amount	**96,787,922**	95,587,922
Interest net of withholding tax	**54,143,684**	45,269,370
	- - - - - - - - - -	- - - - - - - - - -
	150,931,606	140,857,292
	==========	==========

The loan is unsecured, bears interest at the rate of 6% per annum and is receivable in full by 31 December 2020. The Company has received a letter of comfort from Bharti Airtel Africa B.V., confirming they will provide or procure a requisite financial support for Airtel Madagascar S.A. to be in a position, at all times, to meet its financial obligations as are necessary to ensure that Airtel Madagascar S.A. remains technically solvent.

9 OTHER RECEIVABLES AND PREPAYMENTS

	2016 USD	2015 USD
Royalty fees receivable from subsidiary (Note 13 (i))	**364,499**	621,290
Technical fees receivable from subsidiary (Note 13 (ii))	**1,069,544**	2,030,074
Amount receivable from associate (Note 13 (iii))	**80,395**	59,505
Amount receivable from other related parties (Note 13 (iv))	**365,892**	306,422
Prepayments	**3,343**	3,522
	1,883,673	3,020,813

10 STATED CAPITAL

	Number of shares		**2016 USD**	2015 USD
	2016	2015		
Issued and fully paid:				
100 Ordinary shares of USD 100 each	**100**	100	**10,000**	10,000

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.

11 BORROWINGS

	2016 USD	2015 USD
Bharti Airtel Madagascar Holdings B.V		
At beginning of the year	**116,337,413**	98,491,754
Addition during the year	**1,200,000**	25,350,000
Repayment during the year	(**1,386,000**)	(10,300,000)
Interest expense	**3,121,799**	2,795,659
At end of the year	**119,273,212**	116,337,413

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

11 BORROWINGS (Continued)

	2016	2015
	USD	USD
Principal amount	**90,777,699**	90,963,699
Interest	**28,495,513**	25,373,714
	119,273,212	116,337,413

The loan is unsecured, bears interest at the rate of 2.6% per annum and is repayable in full by 31 December 2020.

12 OTHER PAYABLES AND ACCRUED EXPENSES

	2016	2015
	USD	USD
Amount payable to associate (Note 13 (v))	**40**	40
Amount payable to other related party (Note 13 (vi))	**177,063**	208,383
Accruals	**19,247**	14,746
	196,350	223,169

13 RELATED PARTY TRANSACTIONS

During the year under review, the Company entered into transactions with related parties. The nature, volume of transactions and balances with related parties are as follows:

	2016	2015
	USD	USD
(i) Royalty fees receivable from subsidiary - Airtel Madagascar S.A.		
At beginning of the year	**621,290**	749,686
Repayment during the year	(**256,791**)	(128,396)
At end of the year	**364,499**	621,290

The royalty fees receivable from subsidiary is unsecured, interest free and receivable on demand.

	2016	2015
	USD	USD
(ii) Technical fees receivable from subsidiary - Airtel Madagascar S.A.		
At beginning of the year	**2,030,074**	2,510,339
Repayment during the year	(**960,530**)	(480,265)
At end of the year	**1,069,544**	2,030,074

The technical fees receivable from subsidiary is unsecured, interest free and receivable on demand.

CELTEL (MAURITIUS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

13 RELATED PARTY TRANSACTIONS (Continued)

	2016	2015
	USD	USD
(iii) Amount receivable from associate - Montana International		
At beginning of the year	**59,505**	41,710
Expenses paid during the year	**20,890**	17,795
At end of the year	**80,395**	59,505

The amount receivable from associate is unsecured, interest free and receivable on demand.

	2016	2015
	USD	USD
(iv) Amount receivable from other related parties		
(a) Bharti Airtel Rwanda Holdings Limited		
At beginning of the year	**213,750**	174,275
Expenses paid during the year	**33,525**	39,475
At end of the year	**247,275**	213,750
(b) Societe Malgache de Telephone Cellulaire S.A		
At beginning of the year	**92,672**	63,562
Expenses paid during the year	**25,945**	29,110
At end of the year	**118,617**	92,672
Total	**365,892**	306,422

The amount receivable from other related parties is unsecured, interest free and receivable on demand.

	2016	2015
	USD	USD
(v) Amount payable to associate - Montana International		
At beginning and end of the year	**40**	40

The amount payable to associate is unsecured, interest free and repayable on demand.

	2016	2015
	USD	USD
(vi) Amount payable to other related party – Channel Sea Management Company (Mauritius) Limited		
At beginning of the year	**208,383**	244,853
Expenses paid during the year	(**31,320**)	(36,470)
At end of the year	**177,063**	208,383

The amount payable to other related party is unsecured, interest free and repayable on demand.

13 RELATED PARTY TRANSACTIONS (Continued)

	2016	2015
	USD	USD
(vii) Key management services		
ABAX CORPORATE SERVICES LTD - Administrator		
(a) Expenses including directors fees incurred by the Company	**30,891**	32,670
	========	========
(b) Outstanding balance	**10,737**	6,237
	========	========

(viii) Loan to subsidiary

The loan to subsidiary is disclosed in note 8.

(ix) Loan from parent

The loan from parent is disclosed in note 11.

14 PARENT AND ULTIMATE PARENT

The directors consider Bharti Airtel Madagascar Holdings B.V, a company incorporated in the Netherlands, as the Company's parent and Bharti Airtel Limited incorporated in India, as the Company's ultimate parent.

15 EVENT AFTER REPORTING DATE

There are no material events after the reporting date which require amendments to or additional disclosures in the financial statements for the year ended 31 December 2016.