

**SOCIETE MALGACHE DE TELEPHONE  
CELLULAIRE SA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2014**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

<b>CONTENTS</b>	<b>PAGES</b>
COMPANY INFORMATION	2
COMMENTARY OF DIRECTORS	3
SECRETARY'S CERTIFICATE	4
INDEPENDENT AUDITOR'S REPORT	5-6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 23

**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA****COMPANY INFORMATION**

<b>DIRECTORS:</b>	Noro Vololona Rivet	<b>Date of appointment</b> 23 December 1997
	Marie Bernadette Lamarque	23 December 1997
	Devananda Naraidoo	14 February 2011
	(Alternate to Noro Vololona Rivet)	
	Sachidananda Payandee Govinda	14 February 2011
	(Alternate to Marie Bernadette Lamarque)	
	Bhoomija Juwaheer	27 March 2013
	(Alternate to Noro Vololona Rivet)	
<b>ADMINISTRATOR AND SECRETARY:</b>	Abax Corporate Services Ltd 6th Floor, Tower A 1 Cyber City Ebene Mauritius	
<b>REGISTERED OFFICE:</b>	C/o Abax Corporate Services Ltd 6th Floor, Tower A 1 Cyber City Ebene Mauritius	
<b>AUDITOR:</b>	Lamusse Sek Sum & Co 5 Duke of Edinburgh Avenue Port Louis Mauritius	
<b>BANKER:</b>	HSBC Bank (Mauritius) Limited 6 <sup>th</sup> Floor, HSBC Centre 18, Cybercity, Ebene Reduit 72201 Mauritius	



**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA**

**COMMENTARY OF DIRECTORS**

The directors present their commentary and the audited financial statements of SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA (the "Company") for the year ended 31 December 2014.

**PRINCIPAL ACTIVITIES**

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

**RESULTS AND DIVIDENDS**

The Company's loss for the year ended 31 December 2014 is **USD 28,896** (2013 – profit of USD 2,462,327).

The directors do not recommend the payment of a dividend for the year under review (2013 – USD 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.

**AUDITOR**

The auditor, Lamusse Sek Sum & Co, have indicated their willingness to continue in office and will be automatically re-appointed at the next annual meeting.

By Order of the Board

ISABELLE ADRIEN

For

Abax Corporate Services Ltd

**SECRETARY**

**13 MAY 2015**

**SECRETARY'S CERTIFICATE**

**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA**

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

We confirm, as Secretary of the Company, that based on the records and information made available to us by the directors and shareholders of the Company, we have filed all such returns of the Company for the year ended 31 December 2014 with the Registrar of Companies, as required under the Companies Act 2001.

Dated 13 May 2015



ISABELLE ADRIEN

For

Abax Corporate Services Ltd  
**ABAX CORPORATE SERVICES LTD**  
CORPORATE SECRETARY

*The contents of this document are classified as DC2 – confidential information*



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBER OF SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA**

This report is made solely to the member 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 member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinion we have formed.

#### **Report on the financial statements**

We have audited the financial statements set out on pages 7 to 23 which comprise the statement of financial position at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' Responsibilities 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. These responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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**INDEPENDENT AUDITORS' REPORT (CONT'D)**

**TO THE MEMBER OF SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA**

**Opinion**

In our opinion, the financial statements on pages 7 to 23 give a true and fair view of the financial position of the Company at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

**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 appears from our examination of those records.

*Lamusse Sek Sum & Co*

**LAMUSSE SEK SUM & CO**  
**PUBLIC ACCOUNTANTS**

Port Louis  
Mauritius

Date: 13 May 2015

*Michael V K Lo Tiap Kwong*

**MICHAEL V K LO TIAP KWONG**  
(Licensed by FRC)



## SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 USD	2013 USD
<b>INCOME</b>		
Reversal of impairment charge on dividend receivable (Note 10(iii))	-	2,490,209
	-----	-----
	-	2,490,209
	=====	=====
<b>EXPENSES</b>		
Licence and registration fees	2,130	2,130
Secretarial and administration fees	7,633	7,677
Directors' fees (Note 10(i))	4,125	3,750
Accountancy fees and taxation fees	10,070	9,870
Audit fees	4,485	4,255
Bank charges	50	200
Legal fees	403	-
	-----	-----
	28,896	27,882
	-----	-----
<b>(Loss)/profit before tax</b>	(28,896)	2,462,327
Income tax expense (Note 5)	-	-
	-----	-----
<b>(Loss)/profit for the year</b>	(28,896)	2,462,327
Other comprehensive income	-	-
	-----	-----
<b>Total comprehensive (loss)/income for the year</b>	<b>USD (28,896)</b>	<b>2,462,327</b>
	=====	=====

The notes on pages 11 to 23 form an integral part of the financial statements.



## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	2014 USD	2013 USD
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in associate (Note 6)	2,494,335	2,494,335
<b>Current assets</b>		
Trade and other receivables (Note 7)	43,150	43,150
Cash and cash equivalents	2,184	2,234
	45,334	45,384
<b>Total assets</b>	<b>USD 2,539,669</b>	<b>2,539,719</b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Stated capital (Note 8)	40,000	40,000
Retained earnings	2,292,561	2,321,457
<b>Total equity</b>	<b>2,332,561</b>	<b>2,361,457</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 9)	207,108	178,262
<b>Total equity and liabilities</b>	<b>USD 2,539,669</b>	<b>2,539,719</b>

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

13 MAY 2015

Name Sachidananda Gorinda

Signature

Name Devarananda Naraindo

Signature

The notes on pages 11 to 23 form an integral part of the financial statements.

## SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA

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

		Stated capital USD	Retained earnings USD	Total USD
At 01 January 2013		40,000	( 140,870)	( 100,870)
Total comprehensive income for the year		-	2,462,327	2,462,327
At 31 December 2013	USD	40,000	2,321,457	2,361,457
Total comprehensive loss for the year		-	(28,896)	(28,896)
At 31 December 2014	USD	40,000	2,292,561	2,332,561

The notes on pages 11 to 23 form an integral part of the financial statements.

## SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 USD	2013 USD
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(28,896)	2,462,327
<i>Adjustment for non-cash items:</i>		
Reversal of impairment charge on dividend receivable	-	(2,490,209)
Expenses paid by other related party on behalf of the Company (Note 10(ii))	28,253	15,000
<i>Operating loss before working capital changes</i>	(643)	(12,882)
Increase in accruals	593	267
<b>Net cash flow used in operating activities</b>	(50)	(12,615)
<b>Cash flow from financing activities</b>		
Advance from other related party	-	10,000
<b>Net cash flow from financing activities</b>	-	10,000
<b>Net decrease in cash and cash equivalents</b>	(50)	(2,615)
<b>Cash and cash equivalents at beginning of year</b>	2,234	4,849
<b>Cash and cash equivalents at end of year</b>	2,184	2,234

During the financial year ended 31 December 2013, dividends receivable from Airtel Madagascar S.A (formerly known as Celtel Madagascar S.A.) amounting to **USD 2,409,209** were converted into investment.



## **SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **1 GENERAL INFORMATION**

Societe Malgache De Telephone Cellulaire SA (the "Company") is a limited liability company incorporated in Mauritius, holds a Category 1 Global Business Licence under the Financial Services Act 2007 and is regulated by Financial Services Commission. The Company's registered office is at C/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene, Republic of Mauritius.

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

#### **2 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 all the 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"). The financial statements have been prepared under the historical cost convention.

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### **Changes in accounting policy and disclosures**

###### ***(i) New and amended standards adopted by the Company***

The following new standards and amendments became effective as of 1 January 2014:

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

None of these standards and amendments has had any impact on the financial statements of the Company for the year ended 31 December 2014.



**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Changes in accounting policy and disclosures (continued)***(ii) Standards 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.

Standards	Effective dates
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 14 Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	Annual periods beginning on or after 1 July 2014
Annual improvements 2010-2012 Cycle	From 1 July 2014
Annual improvements 2011-2013 Cycle	From 1 July 2014
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2017
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests	Annual periods beginning on or after 1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 January 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	Annual periods beginning on or after 1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	Annual periods beginning on or after 1 January 2016

None of these standards and amendments is expected to have any material impact on the financial statements of the Company when they become effective, except for those listed below:

*IFRS 9 - Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Company is still evaluating the impact of this standard and shall adopt this standard when it becomes effective.

*Annual improvements 2010-2012 Cycle**IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment will result in additional disclosures in respect of the fees paid to the management entity of the Company.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****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 entity operates (the "functional currency"). The financial statements are presented in United States dollar ("USD") which is the Company's functional currency. The USD is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

***(b) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

***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.

***Equity accounting***

The Company owns 35.87% of the issued share capital of Airtel Madagascar S.A, a company incorporated in Madagascar and has taken advantage of paragraph 17 of International Accounting Standard ("IAS") 28, Investments in Associates, which dispenses it from the need to account for the investment in associate under the equity method, as its intermediate parent Bharti Airtel Africa B.V, prepares consolidated financial statements available for public use in accordance with IFRS. The registered office of Bharti Airtel Africa B.V is Herengracht 574, 1017 CJ Amsterdam, The Netherlands.

The financial statements are the separate financial statements of the Company and do not equity account the results of the associate.

***Current and deferred income 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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Current and deferred income tax (Continued)***

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.

***Stated Capital***

Ordinary shares are classified as equity.

***Expenses Recognition***

Expenses are accounted for in the statement of comprehensive income on an accrual basis.

***Financial instruments***

Financial instruments carried on the statement of financial position include amount receivable from and payable to related parties, cash and cash equivalents and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

***Trade and other receivables***

Trade and 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 include cash at bank.

***Trade and other payables***

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

***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 or loss.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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**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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

***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.

***Revenue recognition***

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

Interest income is recognised using the effective interest method.

***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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements 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.

*Functional currency*

The directors consider the USD as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results.

**4 FINANCIAL RISK MANAGEMENT***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 holdings 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 fair value of future cash flows of financial instrument will fluctuate because of changes in foreign exchange rate. The Company has no significant exposure to foreign exchange risk as it does not have any financial assets or liabilities, which are denominated in foreign currencies.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

*Financial risk factors (Continued)**(ii) Interest 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 no interest-bearing financial assets and liabilities.

*(iii) Price risk*

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The Company has no exposure to price risk at year-end.

*(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*

The Company manages liquidity risk by maintaining adequate cash reserves to meet its obligations as they fall due and through financing from related parties.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014 based on contractual undiscounted payments:

2014	On demand USD	Within one year USD	Total USD
<i>Trade and other payables</i>			
Amount due to related parties	197,653	-	197,653
Accruals	-	9,455	9,455
	-----	-----	-----
USD	197,653	9,455	207,108
	=====	=====	=====
2013	On demand USD	Within one year USD	Total USD
<i>Trade and other payables</i>			
Amount due to related parties	169,400	-	169,400
Accruals	-	8,862	8,862
	-----	-----	-----
USD	169,400	8,862	178,262
	=====	=====	=====

**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****4 FINANCIAL RISK MANAGEMENT (CONTINUED)***(d) Fair value*

The carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables approximate their fair values.

*(e) Capital 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 shareholder. Capital comprises equity. In order to maintain or adjust the capital structure, the Company may issue new shares or have recourse to its parent for funding, sell its investment or vary the amount of dividends or return capital to the shareholder.

*(f) Financial instruments by category*
**Loans and  
receivables  
USD**
**2014****Financial assets**

Trade and other receivables	40,000
Cash and cash equivalents	2,184
Total	42,184

**2013**

Trade and other receivables	40,000
Cash and cash equivalents	2,234
Total	42,234

**Other financial liabilities  
at amortised cost**
**Financial liabilities**

	<b>2014 USD</b>	<b>2013 USD</b>
Trade and other payables	207,108	178,262
Total	207,108	178,262

**5 INCOME TAX***Mauritius*

The Company is subject to income tax in Mauritius on its net income at **15%** (2013 – 15%). However, the Company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and **80%** (2013 – 80%) of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of **3%** (2013 – 3%). Gains or profits from the sale of units of securities by a company holding a Category 1 Global Business Licence under the Financial Services Act 2007 are exempt in Mauritius.



## SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 5 INCOME TAX (CONTINUED)

## Madagascar

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 subjected to withholding tax on interest earned in Madagascar at the rate of **10%** (2013 – 10%) and is taxable on dividends earned on Malagasy securities at **10%** (2013 – 10%).

The foregoing is based on current interpretation and practice and is subject to any future changes in the Mauritian tax laws. At 31 December 2014, the Company had accumulated tax losses of **USD 139,282** (2013 – USD 143,489) and is therefore not liable to income tax.

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

Up to the year ending:

	2014 USD	2013 USD
31 December 2014	-	33,103
31 December 2015	27,675	27,675
31 December 2016	26,894	26,894
31 December 2017	27,935	27,935
31 December 2018	27,882	27,882
31 December 2019	28,896	-
	-----	-----
	<b>USD 139,282</b>	<b>143,489</b>
	=====	=====

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.

The reconciliation between the actual income tax rate of the Company of 0.0% (2013 – 0.0%) and the applicable income tax rate of 15% (2013 – 15%) is as follows:

	2014 %	2013 %
Applicable income tax rate	15.00	15.00
Impact of:		
Foreign tax credit	(12.00)	0.14
Non-taxable income	-	(15.17)
Deferred income tax asset not recognised	(3.00)	0.03
	-----	-----
Actual tax rate	-	-
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 5 INCOME TAX (CONTINUED)

*Deferred income tax*

A deferred income tax asset of **USD 4,178** (2013: USD 4,305) has not been recognised in respect of tax losses carried forward as the directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

## 6 INVESTMENT IN ASSOCIATE

	2014 USD	2013 USD
<i>Unquoted investments at cost and carrying amount:</i>		
At start of year	<b>2,494,335</b>	4,126
Dividends receivable converted into investment	-	2,490,209
At end of year	<b>2,494,335</b>	2,494,335

Details pertaining to the investment in associate at 31 December 2014 are as follows:

Name of company	Country of Incorporation	Number of shares held	% Ownership interest	USD
Airtel Madagascar SA	Madagascar	5,318	35.87	2,494,335

The directors have assessed the recoverable amount of the associate and are of the opinion that no impairment provision is required.

## 7 TRADE AND OTHER RECEIVABLES

	2014 USD	2013 USD
Amounts due from parent (Note 10(iv))	<b>40,000</b>	40,000
Prepayments	<b>3,150</b>	3,150
	<b>43,150</b>	43,150

**SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****8 STATED CAPITAL**

	<b>Number of shares</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
			<b>USD</b>	<b>USD</b>
<i>Ordinary shares</i>				
At 01 January and 31 December	<b>10,000</b>	10,000	<b>10,000</b>	10,000
	-----	-----	-----	-----
<i>"B" shares</i>				
At 01 January and 31 December	<b>30,000</b>	30,000	<b>30,000</b>	30,000
	-----	-----	-----	-----
<b>Total</b>			<b>40,000</b>	40,000
			=====	=====

The stated capital consists of 10,000 ordinary shares with a par value of USD 1 each.

The rights of ordinary shares are as follows:

*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.

The stated capital consists of 30,000 "B" shares with a par value of USD 1 each.

The rights attached to the "B" shares are as follows:

- one vote per share;
- no entitlement to receive dividend
- ranked pari passu with ordinary shares on repayment of capital on winding-up.



## SOCIETE MALGACHE DE TELEPHONE CELLULAIRE SA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 9 TRADE AND OTHER PAYABLES

	2014 USD	2013 USD
Amount due to other related parties (Note 10(ii))	197,653	169,400
Accruals	9,455	8,862
	-----	-----
	207,108	178,262
	=====	=====

## 10 RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the company entered into transactions with related parties. The nature, volume of transaction and the balances with the related parties are as follows:

	2014 USD	2013 USD
<i>(i) Key Management Personnel</i>		
Directors' fees	4,125	3,750
	=====	=====

The compensation to key management personnel is provided on commercial terms and conditions.

*(ii) Amount due to other related parties**(a) Channel Sea Management Company (Mauritius) Limited*

At 01 January	134,090	119,090
Expenses paid during the year	-	15,000
	-----	-----
At 31 December	134,090	134,090
	-----	-----

*(b) Bharti Airtel Africa B.V*

At 01 January	25,310	25,310
Repaid by other related party during the year (Note 10(ii)(c))	(25,310)	-
	-----	-----
At 31 December	-	25,310
	-----	-----

*(c) Celtel (Mauritius) Holdings Limited*

At 01 January	10,000	-
Advanced during the year (Note 10(ii)(b))	25,310	10,000
Expenses paid on behalf of the Company during the year	28,253	-
	-----	-----
At 31 December	63,563	10,000
	-----	-----

Total amount due to other related parties (Note 9)	197,653	169,400
	=====	=====

The amount due to other related parties are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 10 RELATED PARTY TRANSACTIONS (CONTINUED)

	2014 USD	2013 USD
<i>(iii) Amount receivable from related parties</i>		
<i>Airtel Madagascar S.A.</i>		
<i>Dividends receivable</i>		
At start of year	-	2,490,209
Dividends receivable converted into investment	-	(2,490,209)
	-----	-----
At end of year	-	-
	=====	=====
<i>Impairment</i>		
At start of year	-	(2,490,209)
Reversal of impairment loss during the year	-	2,490,209
	-----	-----
At end of year	-	-
	=====	=====
Dividend receivable at end of year	-	-
	=====	=====
<i>(iv) Amount due from parent</i>		
<i>Montana International (unpaid share capital)</i>		
At 01 January and 31 December (Note 7)	40,000	40,000
	=====	=====

The amount due from parent is unsecured, interest free and repayable on demand.

## 11 PARENT AND ULTIMATE PARENT

The directors consider Montana International, a company incorporated in Mauritius, as the Company's parent and Bharti Airtel Limited, a company incorporated in India as the Company's ultimate parent.

## 12 EVENTS AFTER REPORTING DATE

There have been no material events after reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 December 2014.