

BHARTI AIRTEL LANKA (PRIVATE) LIMITED

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**FOR THE YEAR ENDED
31 MARCH 2024**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BHARTI AIRTEL LANKA (PRIVATE) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the separate financial statements (herein after referred to as financial statements) of Bharti Airtel Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 *Code of Ethics for Professional Accountants* issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information generally comprises the information included in the Directors report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As management does not present any other information and we were not provided with any, we have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of financial statements in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

Deloitte Associates

Deloitte Associates

Chartered Accountants

Colombo

18 June 2024



Bharti Airtel Lanka (Private) Limited**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2024

	Note	2024 Rs. '000	2023 Rs. '000
Income			
Revenue	18	14,508,857	13,078,775
Other income	19	6,932	4,737
Finance income	20	1,911	2,327
Expenditure			
Access charges		(1,965,089)	(1,949,819)
Personnel costs		(1,614,109)	(1,378,151)
Network expenses		(10,379,028)	(9,153,869)
Marketing expenses		(2,699,481)	(2,589,154)
Administrative expenses		(363,943)	(342,200)
Depreciation, amortisation and impairment of property, plant and equipment		(6,197,958)	(5,610,944)
Finance cost	21	(6,227,595)	(4,557,932)
Exchange gain / (losses)		6,264,460	(2,969,469)
Loss before tax	22	(8,665,043)	(15,465,699)
Income tax expense	23	-	-
Loss for the year		(8,665,043)	(15,465,699)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	13	(12,633)	(8,050)
Other comprehensive expense for the year, net of income tax		(12,633)	(8,050)
Total Comprehensive Expense for the year		(8,677,676)	(15,473,749)

The accounting policies and notes on pages 7 through 33 form an integral part of these financial statements.



Bharti Airtel Lanka (Private) Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	31/Mar/24 Rs. '000	31/Mar/23 Rs. '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	20,323,878	24,092,064
Intangible assets	6	2,935,567	3,402,921
Right of use assets	8.1	3,017,925	1,437,976
Advances and prepayments	7	192,818	224,007
		26,470,188	29,156,968
Current assets			
Inventories	9	79,165	67,094
Advances and prepayments	7	1,002,664	771,214
Trade and other receivables	10	1,904,012	2,228,728
Cash and cash equivalents	11	298,840	1,063,501
		3,284,681	4,130,537
Total assets		29,754,869	33,287,505
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Stated capital	12	54,930,589	54,802,587
Accumulated loss		(115,117,185)	(106,311,507)
Total equity		(60,186,596)	(51,508,920)
Non-current liabilities			
Lease liability	8.2	2,682,694	1,050,711
Retirement benefit liability	13	124,992	114,284
Asset retirement obligation	14	718,279	404,369
Interest bearing loans and borrowings	15	60,718,068	65,993,504
Deferred revenue	17.1	43,222	-
		64,287,255	67,562,868
Current liabilities			
Interest bearing loans and borrowings	15	900,000	-
Trade and other payables	16	16,047,628	13,570,530
Deferred income	17	798,712	873,168
Lease liability	8.2	688,831	716,251
Bank overdrafts	11	7,219,038	2,073,608
		25,654,209	17,233,557
Total liabilities		89,941,464	84,796,425
Total equity and liabilities		29,754,869	33,287,505

I certify that these financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

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Director & Chief Finance Officer

The board of directors are responsible for the preparation and presentation of these financial statements. Signed on 17 June 2024 behalf of the board by:

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Director



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Director

The accounting policies and notes on pages 7 through 33 form an integral part of these financial statements.

Bharti Airtel Lanka (Private) Limited
STATEMENT OF CHANGES IN EQUITY
As at 31 March 2024

	Note	Stated Capital Rs. '000	Accumulated Loss Rs. '000	Total Rs. '000
As at 1 April 2022		54,802,587	(90,837,758)	(36,035,171)
Loss for the year		-	(15,465,699)	(15,465,699)
Other comprehensive expense		-	(8,050)	(8,050)
As at 31 March 2023		54,802,587	(106,311,507)	(51,508,920)
Adjustment for Stated capital and accumulated loss	12.1	128,002	(128,002)	-
Loss for the year		-	(8,665,043)	(8,665,043)
Other comprehensive expense		-	(12,633)	(12,633)
As at 31 March 2024		54,930,589	(115,117,185)	(60,186,596)

The accounting policies and notes on pages 7 through 33 form an integral part of these financial statements.



Bharti Airtel Lanka (Private) Limited

CASH FLOW STATEMENT

As at 31 March 2024

	Note	2024 Rs. '000	2023 Rs. '000
Cash Flows From / (Used in) Operating Activities			
Loss before tax from continuing operations		(8,665,043)	(15,465,699)
Adjustments for			
Deferred revenue		(10,082,028)	(7,816,006)
Depreciation of property, plant and equipment	5	4,712,335	3,686,981
Amortisation of intangible assets	6	542,257	945,420
Depreciation of right-of-use assets	8.1	937,561	965,555
Impairment of property, plant and equipment and CWIP	5.1	1,164	29,201
Amortisation of prepaid lease rental		(1,753)	(1,794)
Income from investments	20	(1,911)	(2,327)
Finance costs	21	6,227,595	4,557,932
Other income	19	(290)	(402)
TDC income recognised	19	(588)	-
Profit on disposal of property, plant and equipment	19	(6,054)	(4,335)
Loss on retirement of property, plant and equipment	5.1	259	284
Foreign currency gains		(6,264,460)	2,969,469
Provision for defined benefit plans	13	25,049	23,597
Provision for/ (reversal of) property, plant and equipment CWIP	5.2	113,827	206,910
Provision for doubtful debts	10.2	(3,585)	(95,505)
Operating loss before working capital changes		(12,465,665)	(10,000,719)
Increase in inventories		(12,071)	(39,606)
Decrease / (increase) in trade and other receivables		330,054	216,486
(Increase) in advances and prepayments		(200,261)	(18,380)
(Decrease) / increase in trade and other payables		(2,642,197)	1,188,627
Cash used in operations		(14,990,140)	(8,653,592)
Gratuity paid	13	(26,974)	(21,291)
Receipts from recharge cards and reload sales		10,004,044	7,873,037
Receipts of TDC claims		47,339	-
Net cash used in operations		(4,965,731)	(801,846)
Cash Flows from / (Used in) Investing Activities			
Acquisition of property, plant and equipment		(1,134,300)	(4,823,833)
Proceeds from disposal of property, plant and equipment		6,053	5,123
Interest received	20	1,911	2,327
Money received from sundry balances written off		290	402
Net cash flows used in investing activities		(1,126,046)	(4,815,981)
Cash Flows from / (Used in) Financing Activities			
Proceeds from loans and borrowings	15.1	1,800,000	17,736,015
Repayments of loans and borrowings	15.1	(900,000)	(2,089,828)
Interest payments on loans and borrowings		(409,131)	(1,299,952)
Repayments on lease liability		(1,298,205)	(1,315,327)
Net cash flows from financing activities		(807,336)	13,030,908
Net increase in cash and cash equivalents		(6,899,113)	7,413,081
Effect of exchange rate difference on cash and cash equivalents		989,022	(214,304)
Cash and cash equivalents at the beginning of the year	11	(1,010,107)	(8,208,884)
Cash and cash equivalents at the end of the year	11	(6,920,198)	(1,010,107)



The accounting policies and notes on pages 7 through 33 form an integral part of these financial statements.

1. Corporate Information

1.1 General

Bharti Airtel Lanka (Private) Limited ("Company") is a limited liability Company incorporated on 29 March 2007 and domiciled in Sri Lanka. The registered office of the Company is situated at 11th Floor, West Tower, World Trade Centre, Echelon Square, Colombo 01.

1.2 Principle Activities and Nature of Operations

The Company is engaged in its principal activity of providing mobile telecommunication services with the launch of its services on 12 January 2009. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Bharti Airtel Ltd and ultimate parent undertaking and controlling party is Bharti Enterprises (Holding) Private Limited, both are incorporated in India.

1.4 Date of Authorization for Issue

The financial statements of Bharti Airtel Lanka (Private) Limited for the year ended 31 March 2024 were authorized for issue in accordance with a resolution of the board of directors on 17 June 2024.

2. General Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for Retirement benefit liability, Lease liability, Right-of-use asset, and asset retirement obligation, which are reflected in the financial statements at their present value. The financial statements are presented in Sri Lankan Rupees and rounded to the nearest thousand unless otherwise stated.

2.2 Statement of Compliance - Basis of preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (LKAS, SLFRS), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). and per the requirements of the Companies Act No. 7 of 2007.

2.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend to cease operations. However, the Company has incurred a loss after tax of Rs 8,665 Mn for the financial year ended 31 March 2024 (2023 – Rs 15,466 Mn). As at the reporting date, the Company's accumulated loss amounted to Rs 115,117 Mn (2023 – Rs. 106,312 Mn).

Accordingly, the Company has the support from parent company for USD 240 million equity infusion which is planned to complete in the first quarter of next financial period. Hence it will not raise substantial doubts that the Company will not be able to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.



2. General Accounting Policies

2.4 Material Accounting Estimates and Assumptions

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the statement of financial position and amounts charged to the statement of profit or loss and other comprehensive income. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant notes to the financial statements.

a) Impairment Losses on Capital Work in Progress

Management reviews capital work in progress at each month end to identify any constructions which are unlikely to be completed. An impairment loss is recognized for uncompleted sites and computer hardware & integral software based on the period lapsed since commencement of the construction and development. Refer details given in Note 5.2.

b) Asset Retirement Obligation (ARO)

The Company has recognized a provision for Asset Retirement Obligation associated with each base station constructed in freehold and leasehold assets. The determination of the obligation is based on estimates relating to discount rates, expected cost to dismantle the site and the expected timing of these costs. Refer details given in Note 14.

c) Defined Benefit Plans

The Defined Benefit Obligations and the related charges for the year are determined using an actuarial valuation. It involves making assumptions about discount rates, future salary increases, and mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainties. Further details are provided in Note 13.

d) Impairment of Trade Receivables

Impairment of trade receivables is based on the Company's past loss experience and is determined on management's best estimate. Refer details given in Note 10.1 and 10.2 relating to impairment of financial assets.

e) Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment and concluded when there are indicators that the carrying amounts may not be recoverable. The "recoverable amount" of an asset is the greater of its Value in Use (VIU) and its fair value less costs to sell. VIU is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Impairment losses are recognised in profit or loss.



3. Summary of Material Accounting Policies

3.1 Foreign Currency Translation

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non monetary item that is measured in terms of historical cost in a foreign currency is translated using the exchange rate as at the date of the initial transaction.

3.2 Classification of assets and liabilities as current or non-current

The Company presents assets and liabilities in the statement of financial position as current and non-current.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period,
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3.3 Taxation

Current Taxes

Pursuant to agreement dated 20 September 2007 entered into with Board of Investment under section 17 of the Board of Investment Law, for the business to construct, operate and maintain a digital cellular mobile communication system to provide mobile communication service, the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the enterprise shall not apply for a period of 15 years from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operation whichever is earlier.

This exemption is continued to be applied under Inland Revenue Act, No.24 of 2017.

After the expiration of the aforesaid tax exemption period, the profits and income of the enterprise shall be charged at the rate of 15%.

The Company's other income from sale of products is liable for income tax at the rate of 30%.



3. Summary of Material Accounting Policies – (contd.)

3.3 Taxation – (contd.)

Deferred Taxation

Since, the Company is enjoying a tax holiday period of 15 years as stated above under current taxation. Deferred tax asset/liability is not recognized for the temporary difference, which is to be reversed during the tax holiday period.

3.4 Intangible Assets

An intangible asset is recognised if it is probable that benefits attributable to the asset will flow to the entity and cost of the assets can be measured reliably. Intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss.

Intangible assets with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite life is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Licences

Licence fee paid by the Company has been recognised as an intangible asset and the same is being amortised equally over period of licence of maximum 10 years from the date of commencement of commercial operations or renewal date.

Software

Software represents the operational, networking and other software used by the Company. Such software is amortised on a straight-line basis over a period of 1-3 years.

3.5 Inventories

Inventory is valued at the lower of cost and net realizable value. Cost includes the packing cost of SIM stock. The inventory cost is determined on first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.6 Financial Instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



3. Summary of Material Accounting Policies – (contd.)

3.7 Financial Instruments

Financial assets - Initial recognition and measurement

Financial assets are classified at fair value minus the transaction cost as the initial recognition, and as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through comprehensive income.

The classification of financial assets at initial recognition depend on their contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under SLFRS 15 (Refer to the accounting policies in section (e) Revenue from contracts with customers.)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely for payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows; selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial liabilities – initial and subsequent measurement

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. For Network i2i loan the principle payable provided in Note 15 and interest accrued has been provided in Note 16.1 under amounts due to related parties.



3. Summary of Material Accounting Policies – (contd.)

3.7 Financial Instruments – (contd.)

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the assets have expired
or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.8 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and at bank that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at bank net of outstanding bank overdrafts.

3.9 Property, Plant and Equipment

3.9.1 Owned Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is provided for on the basis specified in paragraph 3.9.3.

The cost of property, plant and equipment includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant & equipment have different useful life, they are accounted for as separate items (major components) of property, plant & equipment.

The Company uses various premises on lease to set up infrastructural facilities to support the Company's telecommunication network and to install the equipment. A provision is recognized for the costs which are to be incurred for the restoration of these premises at the end of the lease period. It is expected that this provision will be utilised at the end of the lease period of the respective sites as per the respective lease agreements.



3. Summary of Material Accounting Policies – (contd.)

3.9 Property, Plant and Equipment – (contd.)

3.9.2 Capital work-in-progress

The plant and equipment under construction are recognised at cost under work in progress and capitalised when such plant and equipment are available for use.

The Company recognizes an impairment loss for sites which are under construction, when there is an objective evidence of impairment.

Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognised in the statement of comprehensive income and gains are not classified as revenue.

3.9.3 Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life for the current and comparative period is as follows;

Buildings	-	20 Years
Telecommunication Infrastructure and Equipment	-	1-20 Years
Office, Furniture and Equipment	-	1-10 Years
Computer Hardware	-	1-3 Years
Leasehold Improvements	-	Period of lease or 10 years whichever is less

3.10 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The contracts are typically entered into for a term of more than 12 months. Contracts may contain both lease and non-lease components. The Company allocates full consideration as lease component for own agreements & 60% of the consideration for shared agreements as lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right of Use Assets

The Company recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

3. Summary of Material Accounting Policies – (contd.)

3.9 Property, Plant and Equipment – (contd.)

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the quarterly average incremental borrowing rate. The lease payments are discounted using the interest rates mentioned in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. For such the Company determines by obtaining interest rate from the Banker which is an external financial sources and adjusts to risk premium.

The lease liability is subsequently measured at amortised cost using the effective interest method.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company did not have any short - term or low - value lease assets.

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. When the Company expects some or all of the provisions are to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Asset Retirement Obligations

Provisions for asset retirement obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

3.11 Retirement Benefit Obligations

a) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3. Summary of Material Accounting Policies – (contd.)

3.12 Retirement Benefit Obligations – (contd.)

b) Defined Benefits Plans – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 13.2 Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Actuarial gains and losses for the defined benefit obligation is recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to comprehensive income in subsequent periods.

Provision has been made for retirement gratuity from the first year of service for all employees, in conformity with Sri Lanka Accounting Standards. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The gratuity liability is not externally funded.

3.13 Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its VIU. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Impairment losses are recognised in profit or loss.

3.14 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Company's activities. Revenue is stated net of all applicable taxes and levies, returns, rebates and discounts.

Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.



3. Summary of Material Accounting Policies – (contd.)

3.14 Revenue Recognition – (contd.)

The Company recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer obtains the control of good or service. The timing of the transfer of control of good or service, at point in time or over time, should be determined to recognise revenue. Accordingly, the specific revenue recognition criteria applied to significant elements of revenue is set out below:

The Company principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services, infrastructure provision, connection fees, equipment sales and other related services.

Telecommunications services (Prepaid and Postpaid)

Revenue from mobile telecommunications services provided to post-paid and pre-paid customers is recognised as and when services are transferred. If the customer performs first, by prepaying their promised consideration, the Company has a contract liability (prepaid). This is presented in the statement of financial position as deferred revenue.

Consideration received from the sale of postpaid credit is recognised as a deferred revenue until such time the customer uses the services, then it is recognised as revenue. If the Company performs first by satisfying a performance obligation, the Company has a contract asset (post-paid).

If a customer has the option to pay for the equipment or services over a period, SLFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Connection fees

The Company recognizes connection fee as one time payment and recognizes revenue as and when connections are provided.

Interconnection and roaming revenue

Revenue from interconnection and roaming services provided to other telecom operators are recognised on accrual basis, based on satisfaction of performance obligations and by applying contractual rates net of estimated discounts.

Interest income

Interest income is recognised using the effective interest method.

Other activities

Income on account of infrastructure shared is recognised on an accrual basis.

3.15 Government Grant

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Specifically, government grants whose primary condition is that the Company constructed or otherwise acquired non-current assets (including property, plant and equipment) are recognized as deferred income in the statement of financial position and transferred to comprehensive income on a systematic and rational basis over the useful life of the related asset.



4. Comparative Information

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



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

5. Property, Plant and Equipment

	31.03.2024	31.03.2023
	Rs. '000	Rs. '000
Property, plant and equipment		
Freehold (Note 5.1)	20,236,733	22,924,009
Capital work-in-progress (Note 5.2)	87,145	1,088,707
Capital goods in transit	-	79,348
	20,323,878	24,092,064

5.1 Freehold	Land	Buildings	Telecom Infrastructure equipment	Office Equipment	Furniture & Fittings	Computer Hardware and integral software	Leasehold Improvements	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost								
As at 1 April 2022	20,799	101,078	46,952,672	102,916	54,496	3,572,946	98,092	50,902,999
Additions during the year	-	-	3,947,107	2,291	-	184,298	-	4,133,696
Adjustment / transfers	-	-	(66,614)	(1,589)	-	(135,467)	-	(203,670)
Retirements during the year	-	-	(1,606)	(95)	-	-	-	(1,701)
Disposals during the year	-	-	(82,373)	-	-	-	-	(82,373)
As at 31 March 2023	20,799	101,078	50,749,186	103,523	54,496	3,621,777	98,092	54,748,951
Additions during the year	-	-	2,121,096	2,223	-	38,945	-	2,162,264
Adjustment / transfers	-	-	(134,967)	-	-	(817)	-	(135,784)
Retirements during the year	-	-	-	(780)	-	(4,621)	-	(5,401)
Disposals during the year	-	-	(12,605)	-	-	-	-	(12,605)
As at 31 March 2024	20,799	101,078	52,722,710	104,966	54,496	3,655,284	98,092	56,757,425

Accumulated Depreciation

As at 1 April 2022	-	50,528	25,112,112	98,272	52,288	2,777,352	91,593	28,182,145
Charge for the year	-	5,067	3,527,811	2,805	952	210,559	1,173	3,748,367
Adjustment / transfers	-	-	(18,304)	(1,387)	-	(41,695)	-	(61,386)
Depreciation on retirements	-	-	(1,395)	(22)	-	-	-	(1,417)
Depreciation on disposals	-	-	(81,586)	-	-	-	-	(81,586)
As at 31 March 2023	-	55,595	28,538,638	99,668	53,240	2,946,216	92,766	31,786,123
Charge for the year	-	5,067	3,481,794	2,617	825	609,309	743	4,100,355
Adjustment / transfers	-	-	611,558	19	-	402	-	611,979
Depreciation on retirements	-	-	-	(522)	-	(4,621)	-	(5,143)
Depreciation on disposals	-	-	(12,605)	-	-	-	-	(12,605)
As at 31 March 2024	-	60,662	32,619,385	101,782	54,065	3,551,306	93,509	36,480,709

Provision for impairment

As at 1 April 2022	-	-	9,618	-	-	-	-	9,618
Charge for the year	-	-	38,819	-	-	-	-	38,819
Adjustment / transfers	-	-	(9,618)	-	-	-	-	(9,618)
As at 31 March 2023	-	-	38,819	-	-	-	-	38,819
Charge for the year	-	-	39,983	-	-	-	-	39,983
Adjustment / transfers	-	-	(38,819)	-	-	-	-	(38,819)
As at 31 March 2024	-	-	39,983	-	-	-	-	39,983

Written Down Value

As at 31 March 2023	20,799	45,483	22,171,729	3,855	1,256	675,561	5,326	22,924,009
As at 31 March 2024	20,799	40,416	20,063,342	3,184	431	103,978	4,583	20,236,733



5.2 Capital Work in Progress

	Telecom Infrastructure equipment	Computer Hardware and integral software	Total
Cost			
As at 1 April 2022	1,398,388	-	1,398,388
Additions during the year	274,153	2,347	276,500
Transfers to PPE	(232,464)		(232,464)
Disposals	(49,447)	(2,347)	(51,794)
As at 31 March 2023	<u>1,390,630</u>	-	1,390,630
Additions during the year	151,213	-	151,213
Transfers to PPE	(999,969)	-	(999,969)
Disposals/Retirements	(38,980)	-	(38,980)
As at 31 March 2024	<u>502,895</u>	-	502,895
Impairment			
As at 1 April 2022	95,013	-	95,013
Charge for the year	301,923	-	301,923
Reversal of Impairment	(95,013)	-	(95,013)
As at 31 March 2023	<u>301,923</u>	-	301,923
Charge for the year	415,750	-	415,750
Reversal of Impairment	(301,923)	-	(301,923)
As at 31 March 2024	<u>415,750</u>	-	415,750
Net book Value			
As at 31 March 2023	<u>1,088,707</u>	-	1,088,707
As at 31 March 2024	<u>87,145</u>	-	87,145

5.3 During the financial year, the Company acquired property, plant & equipment and Intangible assets to the aggregate value of Rs. 1,134 Mn (2022/23 Rs. 4,824 Mn).



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

6. Intangible Assets

Summary	Licenses Rs. '000	Software Rs. '000	Total Rs. '000
Cost			
As at 1 April 2022	5,323,561	2,288,139	7,611,700
Acquired / incurred during the year	360,002	462,216	822,218
As at 31 March 2023	5,683,563	2,750,355	8,433,918
Acquired / incurred during the year	-	74,903	74,903
As at 31 March 2024	5,683,563	2,825,258	8,508,821
Amortisation			
As at 1 April 2022	(2,188,723)	(1,896,854)	(4,085,577)
Amortisation for the year	(456,492)	(488,928)	(945,420)
As at 31 March 2023	(2,645,215)	(2,385,782)	(5,030,997)
Amortisation for the year	(452,848)	(89,409)	(542,257)
As at 31 March 2024	(3,098,063)	(2,475,191)	(5,573,254)
Net Book Value			
As at March 2023	3,038,348	364,573	3,402,921
As at March 2024	2,585,500	350,067	2,935,567

7. Advances and Prepayments

	2024 Rs. '000	2023 Rs. '000
Current	1,002,664	771,214
Non current	192,818	224,007
Total	1,195,482	995,221

This includes various payments made by the company for networking expenses, access charges, which are relating to future periods.



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

8. ROU Assets and Lease Liability

8.1 ROU Assets

	2024 Rs. '000	2023 Rs. '000
Cost		
As at the beginning of the year	4,977,359	5,281,150
Additions during the year	2,517,509	149,011
Expirations during the period	(3,081,578)	(452,803)
Balance as at the end of the year	4,413,290	4,977,358
Accumulated Depreciation		
As at the beginning of the year	(3,539,382)	(3,026,594)
Depreciation for the year	(937,561)	(965,555)
Expirations during the period	3,081,578	452,767
Balance as at the end of the year	(1,395,365)	(3,539,382)
Net Book Value	3,017,925	1,437,976

As per SLFRS 16, a contract may contain a lease component and non-lease components, such as the lease of an asset and the provision of a maintenance service. In that context, we have considered 100% ROU asset for own agreements & 60% ROU asset for shared agreements.

8.2 Lease Liability

Long term portion	2,682,694	1,050,711
Short term portion	688,831	716,251
Total lease liability	3,371,525	1,766,962

Amounts recognised in the comprehensive income statement

Interest on lease liabilities	385,259	256,615
Finance Lease Obligation		
As at the beginning of the year	1,766,962	2,676,699
Additions during the period	2,517,509	149,011
Finance cost	385,259	256,615
Repayment	(1,298,205)	(1,315,363)
Balance as at the end of the year	3,371,525	1,766,962



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

9. Inventories

	2024	2023
	Rs. '000	Rs. '000
SIM stocks	82,735	58,213
Dongle stocks	3,188	3,371
Fuel inventory	9,124	7,446
	<u>95,047</u>	<u>69,030</u>
Less - Provision for obsolete stocks	<u>(15,882)</u>	<u>(1,936)</u>
	<u><u>79,165</u></u>	<u><u>67,094</u></u>

9.1 Movement for the provision for obsolete stocks
IAS 2.36 (d)(E)(F)

Balance as at 1 April	1,936	551
Further provisions made	13,946	1,451
Provisions written back	-	(66)
Balance as at 31 March	<u><u>15,882</u></u>	<u><u>1,936</u></u>

10. Trade and Other Receivables

	2024	2023
	Rs. '000	Rs. '000
Trade debtors (10.1)	2,236,711	2,326,434
Less : Provision for impairment (10.2)	<u>(348,049)</u>	<u>(344,463)</u>
	1,888,662	1,981,971
Other receivables	15,350	246,757
Claim receivables	45,206	45,206
Less : Provisions for claim receivables	<u>(45,206)</u>	<u>(45,206)</u>
	15,350	246,757
Total	<u><u>1,904,012</u></u>	<u><u>2,228,728</u></u>



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

10. Trade and Other Receivables - (contd.)

10.1 Trade Debtors

Trade receivables are non-interest bearing and are as follows;

	2024	2023
	Rs. '000	Rs. '000
Receivables from post paid subscribers	260,524	263,733
Receivables from other operators - related parties (10.1a)	273,600	482,751
Receivables from other operators - others	<u>1,702,586</u>	<u>1,579,950</u>
	<u>2,236,711</u>	<u>2,326,433</u>

a) Receivables from other operators - related parties

	Relationship	2024	2023
		Rs. '000	Rs. '000
Bharti Airtel Limited	Parent Company	167,498	347,150
Bharti Airtel UK Limited	Group Company	100,387	126,842
Bharti International Singapore Pte Ltd	Group Company	4,597	5,071
Airtel Networks Kenya Limited	Group Company	-	1,253
Bharti Airtel USA	Group Company	940	267
Airtel Gabon S.A.	Group Company	-	1,916
SingTel Mobile Singapore Pte. Ltd	Group Company	93	211
Others	Group Company	85	41
		<u>273,600</u>	<u>482,751</u>

- b) Receivables from post paid subscribers are recognized based on the monthly billing carried out for the services provided. The Company provides a period of 30 days for settlements to be made from the date of the monthly billing. The Company makes a provision for impairment in relation to all post paid subscribers, whose connections have been temporarily or permanently disconnected in the network, as well as for all dues receivable for over 90 days.



10. Trade and Other Receivables

10.1 Trade Debtors (contd.)

c) As at 31 March, the ageing analysis of trade receivables are, as follows

	Neither past due		Past due but not impaired				
	Total Rs. '000	nor impaired Rs. '000	0 - 30 days Rs. '000	30 - 60 days Rs. '000	60 - 90 days Rs. '000	90-120 Rs. '000	Over 120 Rs. '000
2024	1,888,662	301,365	494,821	275,533	49,484	130,178	637,281
2023	1,981,972	299,407	445,639	327,708	227,367	128,953	552,897

See Note 29 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

10.2 The provision for impairment in relation to trade receivables of the Company has been based on a collective impairment model and is as follows;

	2024 Rs. '000	2023 Rs. '000
Balance as at the beginning of the year	344,463	248,958
Impairment loss recognized during the year	93,993	167,967
Reversal of previously recognized impairment loss	(90,407)	(72,462)
Balance as at the end of the year	348,049	344,463

11. Cash and Cash Equivalents in the Cash Flow Statements

Components of Cash and Cash Equivalents

Favorable Cash and Cash Equivalents Balance

Cash in hand
Cash at bank

Unfavorable Cash and Cash Equivalents Balance

Bank Overdrafts

Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement

	2024 Rs. '000	2023 Rs. '000
Cash in hand	155	259
Cash at bank	298,685	1,063,242
	298,840	1,063,501
Bank Overdrafts	(7,219,038)	(2,073,608)
	(6,920,198)	(1,010,107)

12. Stated Capital

	2024		2023	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
As at the beginning of the year	50,200,221,771	54,802,587	50,200,221,771	54,802,587
Adjustment for Stated capital and accumulated loss	-	128,002	-	-
	50,200,221,771	54,930,589	50,200,221,771	54,802,587
Rs 10/- share capital	525,596,420		525,596,420	
Rs 1/- Share capital	49,674,625,351		49,674,625,351	
	50,200,221,771		50,200,221,771	

12.1 Adjustments

At the time of share issue, stamp duty was paid on share issue which was included in accumulated loss, which resulted in understatement of stated capital and overvaluation of accumulated loss. This reclassification adjustment was done in the current period since there is no material impact to the financial statement line items.

	2024 Rs. '000	2023 Rs. '000
Adjustment done to opening balance of stated capital	128,002	-
Adjustment done to opening balance of accumulated losses	(128,002)	-
	-	-



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

13. Retirement Benefit Obligation

	2024 Rs. '000	2023 Rs. '000
As at the beginning of the year	114,284	103,928
Charge for the year	25,049	23,597
Benefits paid	(26,974)	(21,291)
Actuarial gains and losses	12,633	8,050
Balance as at the end of the year	124,992	114,284

13.1 Expense Recognized during the Year

Interest cost	13,486	12,471
Current service cost	11,564	11,126
	25,049	23,597

Actuarial gains recognized in other comprehensive income 12,633 8,050

13.2 An independent professionally qualified actuary carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2023. The principal financial assumptions underlying the valuation are as follows:

Discount rate	11% (2023-11.8%)
Salary Increment	6.20% (2023- 6.20%)
Staff Turnover	16% Up to age 54 and thereafter 0% (2023-12% Up to age 54 and thereafter 0%)
Retirement Age	57 to 60 Years as specified by the company
Mortality	Based on a 1967/70 Mortality Table (Institute of Actuaries, London)
Estimated average remaining work life	5.44 years (2023- 7 years)

13.3 A quantitative sensitivity analysis for significant assumptions as at 31 March 2024 and 31 March 2023 is as shown below.

	2023/2024			
	Salary Increment Rate		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Impact on defined benefit obligation	5,744	(5,379)	(4,828)	5,231

	2022/2023			
	Salary Increment Rate		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Impact on defined benefit obligation	6,096	(5,651)	(5,054)	5,525

14. Asset Retirement Obligation

	2023/2024	2022/2023
Balance as at 1 April	404,369	388,694
Provisions for during the year additions	933	371
Commissioning interest expenses	179,766	108,047
Variance in provisions	133,211	(92,743)
Balance as at 31 March	718,279	404,369

Net movement represent the change in discount rate amounting to Rs.154.72 Mn [2023 - Rs. Rs.174.27 Mn]

The value of the asset retirement obligation (ARO) recognised in Plant & Machinery and the corresponding depreciation as at end of the financial year amounted to Rs.163,098,430/- (2023 - Rs.28,954,335/-) and Rs 120,673,514/- (2023 - 19,791,373/-) respectively. The principle financial assumptions used to arrive at the ARO are as follows;

	2024	2023
No. of sites	1,124	1,119
Discount rate	12.69%	23.40%
Discounting period	15 years	15 years



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

14. Asset Retirement Obligation - (contd.)

	2023/2024	
	Discount rate	
	1% increase Rs.	1% decrease Rs.
Impact of Discount Rate on Asset retirement obligation	(18,532)	19,619

15. Interest bearing Loans and Borrowings

	2024			2023		
	Current Rs. '000	Non Current Rs. '000	Total Rs. '000	Current Rs. '000	Non Current Rs. '000	Total Rs. '000
Network i2i Limited	-	60,718,068	60,718,068	-	65,993,504	65,993,504
Short term loan	900,000	-	900,000	-	-	-
Total interest bearing loans and borrowings	900,000	60,718,068	61,618,068	-	65,993,504	65,993,504

	2024 Rs. '000	2023 Rs. '000
Loans at the beginning of the year	65,993,504	47,592,150
Loans received during the year	1,800,000	17,736,015
Loans settled during the year	(900,000)	(2,089,828)
Exchange (gain) / loss on revaluation	(5,275,438)	2,755,167
	61,618,066	65,993,504

Rate of interest 6 months SOFR + 330 bps
Security - Unsecured
Tenure of the loan - Loan Matures on 31 March 2027, and repayment is at maturity
Interest expense - Interest accrued for the year has been accounted under due to related parties in note 24 amounting to Rs.5,253,438 (in thousands) (2022-23 - Rs. 2,893,318 (in thousands))

16. Trade and Other Payables

	2024 Rs. '000	2023 Rs. '000
Equipment creditors	1,496,718	2,602,628
Other payables and provisions - Related parties (Note 16.1)	10,613,598	6,050,605
- Others	3,937,312	4,917,297
	16,047,628	13,570,530

16.1 Amounts due to Related Parties

	Relationship	2024	2023
Bharti Airtel Limited	Parent Company	27,242	33,109
Bharti Airtel UK Limited	Group Company	39,264	58,801
Network i2i Limited	Group Company	10,238,801	5,746,111
Bharti Airtel Services Limited	Group Company	109,175	83,814
Bharti Airtel (Singapore) Private Limited	Group Company	198,946	128,545
Singapore Telecom Mobile Pte Ltd	Group Company	163	213
Other related parties	Group Company	7	12
		10,613,598	6,050,605



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

17. Deferred Income

	2024 Rs. '000	2023 Rs. '000
Deferred airtime revenue	795,183	873,168
Deferred TDC income (17.1)	46,751	-
Total	841,934	873,168

Deferred revenue comprises the unutilised balance of call time, data etc. Such revenue amounts are recognised as revenue upon subsequent utilisation of services.

17.1 Deferred TDC Income

TDC claim received during the year	47,339	-
Release of TDC Disbursements to Comprehensive income	(588)	-
As at 31 March	46,751	-
Current	3,529	-
Non Current	43,222	-
Total	46,751	-

The deferred income relates to the government grant for the purchase of certain qualifying assets

17.2 Deferred Income

Current	798,712	-
Non current	43,222	-
Total	841,934	-

18. Revenue

	2024 Rs. '000	2023 Rs. '000
Services:		
Prepaid revenue	2,054,633	1,843,666
Post paid revenue	209,314	278,173
Value Added Services (VAS)	8,581,771	7,293,343
Interconnection	2,518,520	2,608,622
Roaming revenue	221,435	72,400
Other [see note (a) below]	923,184	982,571
	14,508,857	13,078,775

(a) Other revenue mainly consists of revenue from site sharing income amounting to Rs. 655,429 (2023 - Rs. 660,092) and revenue from link sharing amounting to Rs. 248,587 (2023 - Rs. 305,153).



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2024

19. Other income

	2024 Rs. '000	2023 Rs. '000
Profit on sale of fixed assets	6,054	4,335
Sundry balances written back	-	232
Scrap sales	-	170
Grant income	588	-
Stale cheques liability written off	290	-
	<u>6,932</u>	<u>4,737</u>

20. Finance income

	2024 Rs. '000	2023 Rs. '000
Interest on refundable deposit	1,911	2,327
	<u>1,911</u>	<u>2,327</u>

21. Finance cost

	2024 Rs. '000	2023 Rs. '000
Interest expense on loans and borrowings	5,662,570	4,193,270
Interest on asset retirement obligation	179,766	108,047
Interest expense on finance leases	385,259	256,615
	<u>6,227,595</u>	<u>4,557,932</u>



22. Loss from continuing operations

Loss for the year has been arrived at after charging / (crediting):

	2024 Rs. '000	2023 Rs. '000
Directors remunerations [Note 24 (b)]	319,366	195,618
Depreciation of property, plant and equipment (Note 5)	4,712,335	3,686,981
Depreciation of right-of-use assets (Note 8.1)	937,561	965,555
Amortisation of intangible assets (Note 6)	542,257	945,420
Employees benefits including the following		
- Total employee expenses	1,614,109	1,378,151
- Bonus and incentives	97,015	120,132
- Defined benefit plan costs - gratuity	25,049	23,597
- Defined contribution plan costs - EPF & ETF	94,765	92,622
Included in Administrative Expenses		
Legal and professional charges	44,626	32,780
Auditors remuneration	3,300	2,860
Amortisation of prepaid lease rental	1,753	1,794
Impairment of telecom infrastructure equipment (Note 5)	114,991	236,111
Loss allowance on trade receivables (Note 10.2)	93,993	167,967
Reversal of previously recognized impairment loss on trade receivables (Note 10.2)	(90,407)	(72,462)
Provision / (reversal of provision) for slow moving and obsolete inventories (Note 9.1)	13,946	1,385

23. Income Tax

	2024 Rs. '000	2023 Rs. '000
Current Income Tax		
Assessable income	2,025	2,642
Set off against previous tax losses	(2,025)	(2,642)
Taxable income	-	-
Current income tax charge	-	-



24. Related Party Disclosures

a) Transactions with the parent and related entities

Nature of Transaction	Parent		Affiliates	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Borrowings	-	-	-	(17,736,015)
Finance charges	-	-	(5,253,438)	(2,893,318)
Purchase of goods / services	(25)	(101)	-	-
Purchase of capital assets	-	-	-	(67,962)
Manpower services	-	-	(178,628)	(233,701)
<u>Leased line services</u>				
Revenue	188,194	250,010	29,443	32,282
Cost	(15,293)	(17,505)	(192,244)	(249,732)
<u>Roaming Services</u>				
Revenue	202,636	57,199	706	879
Cost	(3,238)	(29,229)	(129)	(348)
<u>Interconnection Services</u>				
Revenue	589,391	723,242	230,671	199,969
Cost	(6,450)	(10,053)	(67,973)	(93,268)

* Affiliates of the Company include Network i2i Limited , Bharti Airtel Services Limited, Bharti International (Singapore) Pte. Ltd. , Bharti Airtel Nigeria B.V, Bharti Airtel (USA) Limited, Airtel Networks Kenya Limited, Airtel Madagascar S.A., Jersey Airtel Limited, Airtel (Seychelles) Limited, SingTel Mobile Singapore Pte. Ltd, Airtel Malawi plc, Airtel Rwanda Limited, Airtel Tanzania Uganda Limited, Airtel Networks Zambia PLC and Bharti Airtel UK Limited.

Dues from and dues to related party balances are reflected in Note 10.1 and 16.1.

b) Transactions with Key Management Personnel of the Company or its parent

The key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Key management personnel compensation	2024	2023
	Rs. '000	Rs. '000
Short-term employee benefits	315,036	193,313
Post employment benefits	4,330	2,305

25. Commitments and Contingencies

25.1 Capital Expenditure Commitments

The company has purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at balance sheet date as follows;

	2024	2023
	Rs. '000	Rs. '000
Contracted but not provided for	258,237	1,138,447

25.2 Contingent Liabilities

The company has given out bank guarantees to the value of LKR 1,100 million.

Filed legal actions as stated below and the respective contingent liability is disclosed below.

1. Inquiry into alleged false declaration of HS Codes on CUSDECs. Eight (8) shipments of Bharti Airtel Lanka (Pvt) Ltd detained and seized. [LKR 67 Mn]
2. Inquiry into past shipments of Airtel Lanka (2007 to 2009 period) [LKR 519 Mn]
3. Appeal of district court case No: 00943/2011/DMR [LKR 500 Mn]
4. (ADP/31/2009) - Inquiry into alleged use of incorrect payment term on CUSDECs (i.e. "Consignment A/C Basis")
 (ADP/36/2009) - Investigation into alleged failure to provide approval for storing of Airtel telecommunications equipment at DHL Exel Warehouse, Sedawatte. (On 06/05/2010, inquiry postponed by Customs.) [LKR 100 Mn]



26. Assets Pledged

The Company has not pledged any assets as at 31 March 2024.

27. Events Occurring after the Balance Sheet Date

Dialog Axiata PLC, Axiata Group Berhad and Bharti Airtel Lanka (Private) Limited, signed a Definitive Agreement to combine their operations in Sri Lanka. Under this agreement, Dialog will acquire 100% of the issued shares of Bharti Airtel Lanka (Private) Limited in consideration of which Dialog will issue to Bharti Airtel Lanka (Private) Limited, ordinary voting shares which will amount to 10.355% of the total issued shares of Dialog by way of a share swap. This transaction is subject to the approval of Dialog's shareholders and as well as completion of specific conditions outlined in the Share Sale

In addition the Parent Company ,Bharti Airtel Limited has committed to infuse USD 240 million into Bharti Airtel Lanka (Pvt) Ltd. The capital infusion is scheduled as follows:

1. USD 23 million received till May 2024.
2. The balance USD 217 million is anticipated to be received before end of June 2024.

28. Financial Risk Management Objectives and Policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The senior management is supported by the Parent Company's Audit committee that advises on financial risks and the appropriate risk governance framework for the Company. The Audit committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite and agrees to policies for managing each of these risks which are summarized below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of two types of risk: interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Wide fluctuation in interest rate may have a significant impact on the Company's cash flows given its borrowing portfolio. The Company may enter into interest rate swap and options to manage such risk at an appropriate time.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables remaining constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase / Decrease in %	Effect on profit before tax 2023/24 Rs. '000	Effect on profit before tax 2022/23 Rs. '000
Sri Lanka Rupee denominated borrowings	+1%	(60,275)	-
	-1%	60,275	-
United States Dollar denominated borrowings	+0.5%	(314,048)	396,066
	-0.5%	314,048	(396,066)



28. Financial Risk Management Objectives and Policies - (contd.)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company transacts business both in local currency and in foreign currency. The Company has foreign currency loans and foreign currency trade payables, and is therefore exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Company may enter into appropriate hedging products to mitigate this risk.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including embedded derivatives.

The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD Rate	Effect on Profit before tax Rs. '000
2024	5%	3,659,865
2023	5%	3,895,933

Credit Risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities including any deposits with banks and financial institutions and other financial instruments. The Company maintains an adequate oversight over its debtors and deals with reputable financial institutions.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across the Group's major risk-based lines of business

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Refer Note 10.1 for further details on the credit quality of the Company's trade receivables.

Company do not have any other significant financial assets. Cash at bank is maintained with highly reputable financial institutions.

Liquidity Risk

The Liquidity risk is the risk that the Company may not be able to meet its present and future cash obligations without incurring unacceptable losses or impacting operations. The Company's objective is to; at all times maintain optimum levels of liquidity to meet its cash requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans, debt, and overdraft from both domestic and international banks at an optimized cost.



28. Financial Risk Management Objectives and Policies - (contd.)

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liability	2024			Total
	Less than 3 months	3-12 months	Over 1 year	
Interest bearing loans and borrowings	900,000	-	60,718,068	61,618,068
Deferred interest	-	-	10,238,801	10,238,801
Trade and other payables	3,963,491	922,590	940,631	5,826,712
Bank overdrafts	7,219,038	-	-	7,219,038
Lease liability	172,208	516,624	2,682,694	3,371,526
	<u>12,254,737</u>	<u>1,439,214</u>	<u>74,580,194</u>	<u>88,274,145</u>

Financial liability	2023			Total
	Less than 3 months	3-12 months	Over 1 year	
Interest bearing loans and borrowings	979,500	14,823,100	50,190,906	65,993,506
Deferred interest	-	-	5,746,111	5,746,111
Trade and other payables	5,466,967	1,540,660	861,995	7,869,621
Bank overdrafts	2,073,608	-	-	2,073,608
Lease liability	179,063	537,188	1,050,711	1,766,962
	<u>8,699,138</u>	<u>16,900,948</u>	<u>57,849,722</u>	<u>83,449,808</u>

29. Capital Risk Management Objectives

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of issued share capital less treasury shares, reserves and retained earnings.

Gearing ratio

The gearing ratio at year end was as follows:

	2024	2023
Interest bearing loans and borrowings	61,618,068	65,993,504
Bank overdrafts	7,219,038	2,073,608
Less: Cash at bank and in hand	(298,840)	(1,063,501)
Net debt	68,538,265	67,003,611
Equity	(60,186,596)	(51,508,920)
Net debt to equity ratio	N/A	N/A

