

BHARTI AIRTEL LANKA (PRIVATE) LIMITED
FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE YEAR ENDED
31 MARCH 2023

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

Opinion

We have audited the financial statements of Bharti Airtel Lanka (Private) Limited ("the Company") which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive and other related income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, 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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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 comprises the information included in the annual 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 included in the annual report and we will not, express any form of assurance conclusion the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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.


SJMS ASSOCIATES
Chartered Accountants
Colombo
19 July 2023



Bharti Airtel Lanka (Private) Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2023

	Note	2023 Rs. '000	2022 Rs. '000
Income			
Revenue	18	13,078,775	10,589,566
Other income	19	4,737	46,882
Finance income	20	2,327	1,851
Expenditure			
Access charges		(1,949,819)	(1,499,774)
Personnel costs		(1,378,151)	(1,113,819)
Network expenses		(9,153,869)	(7,055,526)
Marketing expenses		(2,589,154)	(2,492,642)
Administrative expenses		(342,200)	(221,175)
Depreciation, amortisation and impairment of property, plant and equipment		(5,610,944)	(4,926,673)
Finance expenses	21	(4,557,932)	(1,832,612)
Exchange losses		(2,969,469)	(15,419,443)
Loss before tax	22	(15,465,699)	(23,923,365)
Income tax expense	23	-	-
Loss for the year		(15,465,699)	(23,923,365)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	13	(8,050)	16,989
Other comprehensive (expense) / income for the year, net of income tax		(8,050)	16,989
Total comprehensive expense for the year		(15,473,749)	(23,906,376)



The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Bharti Airtel Lanka (Private) Limited**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2023

	Note	31/Mar/23 Rs. '000	31/Mar/22 Rs. '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	24,092,064	24,014,611
Intangible assets	6	3,402,921	3,526,123
Right-of-use assets	8.1	1,437,976	2,254,556
Advances and prepayments	7	224,007	157,973
		29,156,968	29,953,263
Current assets			
Inventories	9	67,094	27,488
Advances and prepayments	7	771,214	818,868
Trade and other receivables	10	2,228,728	2,347,915
Cash and cash equivalents	11	1,063,501	2,908,391
		4,130,537	6,102,662
Total assets		33,287,505	36,055,925
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	12	54,802,587	54,802,587
Accumulated loss		(106,311,507)	(90,837,758)
Total equity		(51,508,920)	(36,035,171)
Non-current liabilities			
Lease liability	8.2	1,050,711	1,636,134
Retirement benefit liability	13	114,284	103,928
Asset retirement obligation	14	404,369	388,694
Interest bearing loans and borrowings	15	65,993,504	45,502,322
		67,562,868	47,631,078
Current liabilities			
Interest bearing loans and borrowings	15	-	2,089,828
Trade and other payables	16	13,570,530	9,396,213
Deferred revenue	17	873,168	816,137
Lease liability	8.2	716,251	1,040,565
Bank overdrafts	11	2,073,608	11,117,275
		17,233,557	24,460,018
Total liabilities		84,796,425	72,091,096
Total equity and liabilities		33,287,505	36,055,925

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

.....
Director & Chief Finance Officer



The board of directors are responsible for the preparation and presentation of these financial statements. Signed on 19 July 2023 on behalf of the board by:

.....
Director

.....
Director

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Bharti Airtel Lanka (Private) Limited
STATEMENT OF CHANGES IN EQUITY
As at 31 March 2023

	Stated capital Rs. '000	Accumulated loss Rs. '000	Total Rs. '000
As at 31 March 2021	54,802,587	(66,931,382)	(12,128,795)
Loss for the year	-	(23,923,365)	(23,923,365)
Other comprehensive income	-	16,989	16,989
As at 31 March 2022	<u><u>54,802,587</u></u>	<u><u>(90,837,758)</u></u>	<u><u>(36,035,171)</u></u>
Loss for the year	-	(15,465,699)	(15,465,699)
Other comprehensive income	-	(8,050)	(8,050)
As at 31 March 2023	<u><u>54,802,587</u></u>	<u><u>(106,311,507)</u></u>	<u><u>(51,508,920)</u></u>

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.



Bharti Airtel Lanka (Private) Limited**STATEMENT OF CASH FLOWS**

As at 31 March 2023

	Note	2023 Rs. '000	2022 Rs. '000
Cash flows from / (used in) operating activities			
Loss before tax from continuing operations		(15,465,699)	(23,923,365)
<i>Adjustments for</i>			
Deferred revenue		(7,816,006)	(7,338,656)
Depreciation of property, plant and equipment	5	3,686,981	3,086,214
Amortisation of intangible assets	6	945,420	878,987
Depreciation of right-of-use assets	8.1	965,555	962,962
Impairment of property, plant, and equipment	5.1	29,201	(3,400)
Amortisation of prepaid lease rental		(1,794)	(1,878)
Income from investments	20	(2,327)	(1,851)
Finance expenses	21	4,557,932	1,832,612
Profit on disposal of property, plant and equipment	19	(4,335)	(44,070)
Loss on retirement of property, plant and equipment	5.1	284	9,762
Foreign currency losses		2,969,469	15,419,443
Provision for defined benefit plans	13	23,597	17,513
Provision for / (reversal of) property, plant and equipment CWIP	5.2	206,910	(17,022)
Provision for doubtful debts		(95,505)	(11,615)
Operating loss before working capital changes		(10,000,317)	(9,134,364)
Increase in inventories		(39,606)	(18,269)
Decrease / (increase) in trade and other receivables		198,106	(855,481)
Increase in trade and other payables		4,081,945	793,377
Cash used in operating activities		(5,759,872)	(9,214,737)
Gratuity paid	13	(21,291)	(10,143)
Receipts from recharge cards and reload sales		7,873,037	7,325,983
Net cash from / (used in) operating activities		2,091,874	(1,898,897)
Cash flows used in investing activities			
Acquisition of property, plant and equipment		(4,823,833)	(9,441,060)
Proceeds from disposal of property, plant and equipment		5,123	44,079
Interest received	20	2,327	1,851
Net cash flows used in investing activities		(4,816,383)	(9,395,130)
Cash flows from financing activities			
Proceeds from loans and borrowings	15	17,736,015	21,559,828
Repayments of loans and borrowings	15	(2,089,828)	(4,491,296)
Interest expense on loans and borrowings	21	(4,193,270)	(1,437,315)
Repayments on lease liability		(1,315,327)	(1,136,064)
Net cash flows from financing activities		10,137,590	14,495,153
Net increase in cash and cash equivalents		7,413,081	3,201,126
Effect of exchange rate difference on cash and cash equivalents		(214,304)	(1,470,212)
Cash and cash equivalents at the beginning of the year	11	(8,208,884)	(9,939,798)
Cash and cash equivalents at the end of the year	11	(1,010,107)	(8,208,884)



The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Bharti Airtel Lanka (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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 and ultimate parent undertaking and controlling party is Bharti Airtel Ltd, which is 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 2023 were authorized for issue in accordance with a resolution of the board of directors on 19 July 2023.

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 15,466 Mn for the financial year ended 31 March 2023 (2022 – Rs 23,923 Mn). As at the reporting date, the Company’s accumulated loss amounted to Rs 106,312 Mn (2022 – Rs. 90,838 Mn).

Despite the above fact, the management has forecasted positive EBITDA and operational cash flows as the Company was able to successfully complete the 4G rollout.

In addition to above the company have below support from the related companies

- Financial and technical support from the parent entity to provide additional funding as on when required by the Company for the purpose of meeting the Company’s future liabilities to enable the Company to continue as a going concern over the ensuing period of 12 months.
- Signed contract with a related party company, Bharti Airtel Lanka (Pvt) Ltd. has a facility of USD 225 Mn. Current usage is only USD 202.12 Mn. Availability of this unused credit facilities are available for future expansions.

These factors 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 Significant 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 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. The actuarial valuation 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 impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.



3. Summary of Significant 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 Foreign Currency Translation

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 an unconditional right 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 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



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

3.3 Fair Value Measurement – (contd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.4 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 24% for the period of 01.04.2022 to 30.09.2022 and at the rate of 30% for the period of 01.10.2022 to 31.3.2023.

Deferred Taxation

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities generally are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carry-forward of unused tax credits or unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the year when the liability is settled or asset is realized, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.



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

3.4 Taxation – (contd.)

Deferred Taxation – (contd.)

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.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that assets.

3.5 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 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.

3.6 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. Summary of Significant Accounting Policies – (contd.)

3.7 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.

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.

Financial assets - Initial recognition and measurement – (Contd.)

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 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 DE recognition (equity instruments)
- Financial assets at fair value through comprehensive income

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in comprehensive income when the asset is derecognized, modified or impaired. Company's financial assets at amortized cost includes trade receivables, amounts due from related companies, fixed deposits with banks and cash and cash equivalents.



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

3.7 Financial Instruments – (contd.)

Initial recognition and

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.

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 asset 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.

Bharti Airtel Lanka (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

3.9 Property, Plant and Equipment – (contd)

3.9.1 Owned Assets (contd.)

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.

3.9.2 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 a 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

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.

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



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

3.11 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.

3.12 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.

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. Summary of Significant Accounting Policies – (contd.)

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 value in use. The value in use 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

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.

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 prepaid customers is recognised as and when services are transferred. If the customer performs first, by prepaying its 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 contract liability 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 (postpaid).

The Company may provide handsets to its customers along with the mobile telecommunication services. In such cases, it allocates the contract's transaction price to each performance obligation based on their relative stand-alone selling price. The stand-alone selling prices are determined based on active market prices.

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.



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

3.14 Revenue Recognition – (contd.)

Connection fees

The Company recognizes connection fee as one time fee and Company 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 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.

4. Comparative Information

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



5. Property, Plant and Equipment

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
Property, plant and equipment		
Freehold (Note 5.1)	22,924,009	22,711,236
Capital working progress (Note 5.2)	1,088,707	1,303,375
Capital goods in transit	79,348	-
	<u>24,092,064</u>	<u>24,014,611</u>

5.1 Freehold	Land	Building	Telecom Infrastructure equipment	Office Equipment	Furniture & Fittings	Computer Hardware and integral software	Leasehold Improvements	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
As at 31 March 2021	20,799	101,078	35,254,686	100,319	54,790	2,862,066	96,782	38,490,520
Additions during the year	-	-	12,695,797	2,899	-	1,043,916	1,418	13,744,030
Adjustment / transfers	-	-	(778,161)	(34)	(294)	(333,036)	(108)	(1,111,633)
Retirements during the year	-	-	(78,705)	(268)	-	-	-	(78,973)
Disposals during the year	-	-	(140,945)	-	-	-	-	(140,945)
As at 31 March 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	<u>20,799</u>	<u>101,078</u>	<u>50,749,186</u>	<u>103,523</u>	<u>54,496</u>	<u>3,621,777</u>	<u>98,092</u>	<u>54,748,951</u>
Accumulated Depreciation								
As at 31 March 2021	-	45,461	22,430,136	95,425	51,095	2,593,876	90,086	25,306,079
Charge for the year	-	5,067	3,075,551	2,990	1,193	202,316	1,507	3,288,624
Adjustment / transfers	-	-	(183,555)	(16)	-	(18,840)	-	(202,411)
Depreciation on retirements	-	-	(69,085)	(127)	-	-	-	(69,212)
Depreciation on disposals	-	-	(140,935)	-	-	-	-	(140,935)
As at 31 March 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	<u>-</u>	<u>55,595</u>	<u>28,538,638</u>	<u>99,668</u>	<u>53,240</u>	<u>2,946,216</u>	<u>92,766</u>	<u>31,786,123</u>
Provision for impairment								
As at 31 March 2021	-	-	13,018	-	-	-	-	13,018
Charge for the year	-	-	9,618	-	-	-	-	9,618
Adjustment / transfers	-	-	(13,018)	-	-	-	-	(13,018)
As at 31 March 2022	-	-	9,618	-	-	-	-	9,618
Charge for the year	-	-	38,819	-	-	-	-	38,819
Adjustment / transfers	-	-	(9,618)	-	-	-	-	(9,618)
As at 31 March 2023	<u>-</u>	<u>-</u>	<u>38,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,819</u>
Carrying amount								
As at 31 March 2022	20,799	50,550	21,830,942	4,644	2,208	795,594	6,499	22,711,236
As at 31 March 2023	<u>20,799</u>	<u>45,483</u>	<u>22,171,729</u>	<u>3,855</u>	<u>1,256</u>	<u>675,561</u>	<u>5,326</u>	<u>22,924,009</u>



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

5.2 Capital work in progress	Telecom infrastructure equipment	Computer hardware and integral software	Total
<i>Cost</i>			
As at 31 March 2021	4,790,488	-	4,790,488
Additions during the year	3,126,173	2,347	3,128,520
Adjustment / transfers	(6,518,273)	(2,347)	(6,520,620)
As at 31 March 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	1,390,630	-	1,390,630
<i>Impairment</i>			
As at 31 March 2021	112,035	-	112,035
Charge for the year	95,013	-	95,013
Reversal of impairment	(112,035)	-	(112,035)
As at 31 March 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	301,923	-	301,923
<i>Carrying amount</i>			
As at 31 March 2022	1,303,375	-	1,303,375
As at 31 March 2023	1,088,707	-	1,088,707

5.3 During the financial year, the Company has acquired property, plant & equipment and intangible assets to the aggregate value of Rs. 4,824 Mn (2022 - Rs. 9,441 Mn).



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

6. Intangible assets

Summary	Licenses Rs. '000	Software Rs. '000	Total Rs. '000
Cost			
As at 31 March 2021	5,042,276	1,873,005	6,915,281
Acquired / incurred during the year	309,011	252,354	561,365
As at 31 March 2022	5,351,287	2,125,359	7,476,646
Acquired / incurred during the year	360,002	462,216	822,218
As at 31 March 2023	5,711,289	2,587,575	8,298,864
Amortisation			
As at 31 March 2021	(1,790,544)	(1,280,992)	(3,071,536)
Amortisation for the year	(425,905)	(453,082)	(878,987)
As at 31 March 2022	(2,216,449)	(1,734,074)	(3,950,523)
Amortisation for the year	(456,492)	(488,928)	(945,420)
As at 31 March 2023	(2,672,941)	(2,223,002)	(4,895,943)
Carrying amount			
As at 31 March 2022	3,134,838	391,285	3,526,123
As at 31 March 2023	3,038,348	364,573	3,402,921

7. Advances and Prepayments

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
Current	771,214	818,868
Non-current	224,007	157,973
Total	995,221	976,841

These include various payments made by the company for networking expenses, access charges, which are relating to subsequent periods.



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

8. Right-of-use assets and Lease liability

8.1 Right-of-use assets

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
<i>Cost</i>		
As at the beginning of the year	5,281,150	4,761,508
Additions during the year	149,011	835,920
Expirations during the period	(452,803)	(316,279)
As at the end of the year	4,977,358	5,281,149
<i>Accumulated depreciation</i>		
As at the beginning of the year	(3,026,594)	(2,304,880)
Depreciation for the year	(965,555)	(962,962)
Expirations during the period	452,767	241,249
As at the end of the year	(3,539,382)	(3,026,593)
<i>Carrying amount</i>	1,437,976	2,254,556

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	1,050,711	1,636,134
Short term portion	716,251	1,040,565
Total lease liability	1,766,962	2,676,699

Amounts recognised in the comprehensive income statement

Interest on lease liabilities	256,615	326,307
-------------------------------	---------	---------



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

9. Inventories

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
SIM stocks	58,213	23,755
Dongle stocks	3,371	4,218
Handsets stocks	-	66
Fuel inventory	7,446	-
	<u>69,030</u>	<u>28,039</u>
Less : Provision for obsolete stocks	(1,936)	(551)
	<u>67,094</u>	<u>27,488</u>

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

As at the beginning of the year	551	18,338
Provisions provided during the year	1,451	-
Provisions written back during the year	(66)	(17,787)
As at the end of the year	<u>1,936</u>	<u>551</u>

10. Trade and other receivables

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
Trade receivables (Note 10.1)	2,326,434	2,065,578
Less : Provision for impairment (Note 10.2)	(344,463)	(248,959)
	<u>1,981,971</u>	<u>1,816,619</u>
Other receivables	246,757	531,296
Claim receivables	45,206	45,206
Less : Provisions for claim receivables	(45,206)	(45,206)
	<u>246,757</u>	<u>531,296</u>
	<u>2,228,728</u>	<u>2,347,915</u>



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

10. Trade and other receivables - (contd.)

10.1 Trade receivables

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

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
Receivables from post paid subscribers	263,733	229,404
Receivables from other operators - related parties [Note 10.1(a)]	482,751	194,305
Receivables from other operators - others	1,579,950	1,641,869
	<u>2,326,434</u>	<u>2,065,578</u>

a) Receivables from other operators - Related parties

		31-Mar-23	31-Mar-22
	Relationships	Rs. '000	Rs. '000
Bharti Airtel Limited	Parent company	347,150	119,641
Bharti Airtel UK Limited	Group company	126,842	68,964
Bharti International Singapore Pte Ltd	Group company	5,071	2,013
Airtel Networks Kenya Limited	Group company	1,253	1,136
Bharti Airtel USA	Group company	267	122
Airtel Gabon S.A.	Group company	1,916	1,737
SingTel Mobile Singapore Pte. Ltd	Group company	211	662
Other related parties	Group company	41	30
		<u>482,751</u>	<u>194,305</u>

- b) Receivables from post paid subscribers are recognised 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.



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

10. Trade and other receivables - (contd.)

10.1 Trade receivables (contd.)

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

	Total Rs. '000	Neither past due nor impaired Rs. '000	Past due but not impaired				
			0 - 30 days Rs. '000	30 - 60 days Rs. '000	60 - 90 days Rs. '000	90-120 Rs. '000	Over 120 Rs. '000
2023	1,981,971	299,407	445,639	327,708	227,367	128,953	552,897
2022	1,816,619	481,783	305,881	148,997	67,002	58,616	754,340

Refer to Note 28 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;

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
As at the beginning of the year	248,959	252,397
Impairment loss recognised during the year	167,966	16,585
Reversal of previously recognized impairment loss	(72,462)	(20,023)
As at the end of the year	344,463	248,959

11. Cash and cash equivalents in the cash flow statement

Components of cash and cash equivalents

Favourable cash and cash equivalents balance

Cash in hand

Cash at bank

Unfavourable cash and cash equivalents balance

Bank overdraft

Total cash and cash equivalents for the purpose of cash flow statement

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
Cash in hand	259	565
Cash at bank	1,063,242	2,907,826
	1,063,501	2,908,391
Bank overdraft	(2,073,608)	(11,117,275)
	(1,010,107)	(8,208,884)

12. Stated capital

	31/Mar/23		31/Mar/22	
	Number of shares	Rs. '000	Number of shares	Rs. '000
As at the end of the financial year	50,200,221,771	54,802,587	50,200,221,771	54,802,587
	50,200,221,771	54,802,587	50,200,221,771	54,802,587
Rs 10/- share capital	525,596,420		525,596,420	
Rs 0.9950/- Share capital	25,600,483,632		25,600,483,632	
Rs 1/- Share capital	24,074,141,719		24,074,141,719	
	50,200,221,771		50,200,221,771	



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023
13. Retirement benefit obligation

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
As at the beginning of the year	103,928	113,547
Charge for the year	23,597	17,513
Benefits paid during the year	(21,291)	(10,143)
Actuarial loss / (gain) during the year	8,050	(16,989)
As at the end of the year	114,284	103,928

13.1 Expense recognised during the year

Interest cost	12,471	9,368
Current service cost	11,126	8,145
	23,597	17,513
Actuarial loss / (gain) recognized in other comprehensive income	8,050	(16,989)

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	11.8%(2022-12%)
Salary Increment	6.20% (2022 - 6.20%)
Staff Turnover	12% Up to age 54 and thereafter 0% (2022-10%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	7 years (2022- 8 years)

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

	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

	31-Mar-23 Rs. '000	31-Mar-22 Rs. '000
As at the beginning of the year	388,694	394,564
Provisions for during the year additions	371	2,759
Commissioning interest expenses	108,047	68,990
Variance in provisions	(92,743)	(77,619)
As at the end of the year	404,369	388,694

Net movement represent the change in discount rate amounting to Rs.174.27 Mn (2022 - Rs.49.09 Mn).

The value of the asset retirement obligation (ARO) recognised in plant and machinery and the corresponding depreciation as at end of the financial year amounted to Rs.28,954 ('000) [2022 - Rs.121,326 ('000)] and Rs.19,791 ('000) [2022 - Rs.76,200 ('000)] respectively. The principle financial assumptions used to arrive at the ARO are as follows:

	2023	2022
Number of sites	1,119	1,113
Discount rate	23.40%	11.71%
Discounting period	15 years	15 years


15. Interest bearing loans and borrowings

	31-Mar-23			31-Mar-22		
	Current Rs. '000	Non-current Rs. '000	Total Rs. '000	Current Rs. '000	Non-current Rs. '000	Total Rs. '000
Network i2i Limited	-	65,993,504	65,993,504	-	45,502,322	45,502,322
Short term loan portion	-	-	-	2,089,828	-	2,089,828
Total interest bearing loans & borrowings	-	65,993,504	65,993,504	2,089,828	45,502,322	47,592,150

Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

15. Interest bearing loans and borrowings - (contd.)

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
As at the beginning of the year	47,592,150	16,574,383
Loans received during the year	17,736,015	21,559,828
Loans settled during the year	(2,089,828)	(4,491,296)
Exchange (gain) / loss on revaluation	2,755,167	13,949,235
As at the end of the year	65,993,504	47,592,150
Rate of interest	- SOFR + 115 bps	
Security	- Unsecured	
Tenure of the loan	- Loan matures on 31 March 2027 and repayment is at maturity	
Interest payable	- Interest accrued for the year has been accounted under due to related parties in (Note 24) amounting to Rs.2,893,317 ('000) [2022 - Rs.454,116 ('000)].	

16. Trade and other payables

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
Equipment creditors	2,602,628	1,823,211
Other payables and provisions	6,050,605	3,094,324
	- Related parties (Note 16.1)	
	- Others	
	4,917,297	4,478,678
	13,570,530	9,396,213

16.1 Amounts due to related parties

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
Bharti Airtel Limited	33,109	38,508
Bharti Airtel UK Limited	58,801	41,166
Network i2i Limited	5,746,111	2,828,682
Bharti Airtel Services Limited	83,814	93,540
Bharti Airtel (Singapore) Private Limited	128,545	92,208
Singapore Telecom Mobile Pte Ltd	213	121
Other related parties	12	99
	6,050,605	3,094,324

17. Deferred Revenue

	31-Mar-23	31-Mar-22
	Rs. '000	Rs. '000
Deferred airtime revenue	873,168	816,137
	873,168	816,137



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

Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

18. Revenue

	2023 Rs. '000	2022 Rs. '000
Services:		
Prepaid revenue	1,843,666	1,459,206
Post paid revenue	278,173	298,050
Value Added Services (VAS)	7,293,343	6,331,981
Interconnection	2,608,622	1,597,105
Roaming revenue	72,400	44,692
Other [see note (a) below]	982,571	858,532
	<u>13,078,775</u>	<u>10,589,566</u>

(a) Other revenue mainly consists of revenue from site sharing amounting to Rs.660,092 ('000) [2022 - Rs.655,471 ('000)] and revenue from link sharing amounting to Rs.305,153 ('000) [2022 - Rs.191,078 ('000)].

19. Other income

	2023 Rs. '000	2022 Rs. '000
Profit on sale of fixed assets	4,335	44,070
Sundry balances written back	232	1,990
Scrap sales	170	822
	<u>4,737</u>	<u>46,882</u>

20. Finance income

	2023 Rs. '000	2022 Rs. '000
Interest on refundable deposit	2,327	1,851
	<u>2,327</u>	<u>1,851</u>

21. Finance expenses

	2023 Rs. '000	2022 Rs. '000
Interest expense on loans and borrowings	4,193,270	1,483,701
Interest on asset retirement obligation	108,047	68,990
Interest expense on finance leases	256,615	326,307
Interest expenses capitalised	-	(46,386)
	<u>4,557,932</u>	<u>1,832,612</u>



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

22. Loss from continuing operations

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

	2023	2022
	Rs. '000	Rs. '000
Directors remunerations [Note 24 (b)]	195,618	135,925
Depreciation of property, plant and equipment (Note 5)	3,686,981	3,086,213
Depreciation of right-of-use assets (Note 8.1)	965,555	962,962
Amortisation of intangible assets (Note 6)	945,420	878,987
Employees benefits including the following		
- Salary expense	1,378,151	1,113,819
- Bonus and incentives	120,132	52,951
- Defined benefit plan costs - gratuity	23,597	17,513
- Defined contribution plan costs - EPF & ETF	92,622	86,049
<i>Included in Administrative expenses</i>		
Legal and professional charges	32,780	12,847
Auditors remuneration	2,860	2,420
Amortisation of prepaid lease rental	1,794	1,878
Impairment of telecom infrastructure equipment (Note 5)	236,111	(20,422)
Loss allowance on trade receivables (Note 10.2)	167,966	16,585
Reversal of previously recognized impairment loss on trade receivables (Note 10.2)	(72,462)	(20,023)
Provision / (reversal of provision) for slow moving and obsolete inventories (Note 9.1)	1,385	(17,787)

23. Income tax expense

Current income tax

Assessable income	2,642	3,968
Setoff against brought-forward tax losses	(2,642)	-
Net assessable income	-	3,968
Income tax on other income:		
For the year ended 31.03.2022 @ 24%	-	952
For the period - 1.04.2022 - 30.09.2022 @ 24%	-	-
- 1.10.2022 - 31.03.2023 @ 30%	-	-
Setoff against ESC recoverable	-	(952)
Tax expense on continuing operations	-	-

The Company's carried forward tax loss for the year end is Rs.2,785 ('000) [2022 - Rs.5,426 ('000)].



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

24. Related party disclosures

a) Transactions with the parent and related entities

Nature of transaction	Parent Bharti Airtel Limited		Affiliates	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Borrowings	-	-	(17,736,015)	(16,285,000)
Finance charges	-	-	(2,893,318)	(454,116)
Purchase of goods /services	(101)	(771)	-	-
Purchase of capital assets	-	-	(67,962)	(36,749)
Manpower services	-	-	(233,701)	(148,218)
<u>Leased line services</u>				
Revenue	250,010	160,696	32,282	18,327
Cost	(17,505)	(8,888)	(249,732)	(161,276)
<u>Roaming services</u>				
Revenue	57,199	30,961	879	732
Cost	(29,229)	(3,524)	(348)	(160)
<u>Interconnection services</u>				
Revenue	723,242	116,017	199,969	120,638
Cost	(10,053)	(7,302)	(93,268)	(72,686)

* 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.

Due from and due to related party balances are reflected in Note 10.1 and Note 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	2023 Rs. '000	2022 Rs. '000
Short-term employee benefits	193,313	134,093
Post employment benefits	2,305	1,832

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;

	2023 Rs. '000	2022 Rs. '000
Contracted but not provided for	1,138,447	3,238,300

25.2 Contingent liabilities

The Company has given out bank guarantees to the value of Rs.1,050 million.

Filled legal actions against below cases and the respective contingent liability is disclosed as below.

1. Inquiry into alleged false declaration of HS Codes on CUSDECs. Eight (8) shipments of Bharti Airtel Lanka (Pvt) Ltd detained and seized. [Rs.67 Mn]
2. Inquiry into past shipments of Airtel Lanka (2007 to 2009 period) [Rs.519 Mn]
3. Appeal of district court case No: 00943/2011/DMR [Rs.500 Mn]



Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

26. Assets pledged

The Company has not pledged any assets as at 31 March 2023.

27. Events occurring after the balance sheet date

The Company's ultimate parent 'Bharti Airtel Limited' has entered into a binding term sheet with Axiata Group Berhad to combine operations of Bharti Airtel Lanka (Pvt) Limited and Dialog Axiata PLC. The proposed transaction envisages Bharti Airtel Limited being granted a stake in the Dialog Axiata PLC, representing the fair value of Bharti Airtel Lanka (Pvt) Limited. Bharti Airtel Limited would accordingly be issued new shares in the Company upon completion of the transaction.

Discussions with respect to the proposed transaction are ongoing between the parties and also with the relevant regulatory authorities as per applicable laws and regulations. The proposed transaction is subject to signing of definitive agreements and necessary closing conditions including applicable regulatory and shareholder approvals.

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 2022/23 Rs. '000	Effect on profit before tax 2021/22 Rs. '000
Sri Lanka Rupee denominated borrowings	+1%	-	112,247
	-1%	-	(112,247)
United States Dollar denominated borrowings	+0.5%	369,066	251,567
	-0.5%	(369,066)	(251,567)



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 are not material.

	Change in USD rate	Effect on Loss before tax Rs. '000
2023	5%	3,895,933
2022	5%	2,856,004

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. The Company does not have any other significant financial assets and the Company maintains their bank accounts at high standard 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.

Bharti Airtel Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

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.

<u>Financial liability</u>	31-Mar-23			
	<u>Less than 3</u>	<u>3-12</u>	<u>Over 1 year</u>	<u>Total</u>
	<u>months</u>	<u>months</u>		
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Interest bearing loans and borrowings	979,500	14,823,100	50,190,904	65,993,504
Deferred interest	-	-	5,746,111	5,746,111
Trade and other payables	5,849,859	4,075,196	3,645,475	13,570,530
Bank overdrafts	2,073,608	-	-	2,073,608
	<u>8,902,967</u>	<u>18,898,296</u>	<u>59,582,490</u>	<u>87,383,753</u>

<u>Financial liability</u>	31-Mar-22			
	<u>Less than 3</u>	<u>3-12</u>	<u>Over 1 year</u>	<u>Total</u>
	<u>months</u>	<u>months</u>		
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Interest bearing loans and borrowings	1,095,000	994,828	45,502,322	47,592,150
Trade and other payables	6,417,986	2,978,227	-	9,396,213
Bank overdrafts	11,117,275	-	-	11,117,275
	<u>18,630,261</u>	<u>3,973,055</u>	<u>45,502,322</u>	<u>68,105,638</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 debt.

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:

	2023	2022
Interest bearing loans and borrowings	65,993,504	47,592,150
Bank overdrafts	2,073,608	11,117,275
Less: Cash at bank and in hand	(1,063,501)	(2,908,391)
Net debt	<u>67,003,611</u>	<u>55,801,034</u>
Equity	(51,508,920)	(36,035,171)
Net debt to equity ratio	<u>N/A</u>	<u>N/A</u>

