BHARTI AIRTEL LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED 31ST MARCH 2020

Deloitte.

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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 2020, and the statement of profit or loss and other comprehensive income, the 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 2020, 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.

P. E. A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Deloitte.

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
22 June 2020

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Bharti Airtel Lanka (Private) Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Note	2020 Rs. '000	2019 Rs. '000
Income			
Revenue	19.	11,563,217	10,726,935
Other income	20.	7,515	60
Finance income	21.	1,638	2,307
Expenditure			
Access charges		(1,430,929)	(1,256,724)
Personnel costs		(1,006,604)	(983,633)
Networking expenses		(6,208,776)	(5,929,136)
Marketing expenses		(2,233,846)	(1,958,787)
Administrative expenses		(318,323)	(296,261)
Depreciation, amortisation and impairment of property, plant and equipment		(3,763,518)	(2,880,964)
Finance cost	22.	(1,454,583)	(725,430)
Exchange losses		(600,861)	(536,209)
Loss before tax	23.	**(5,445,071)**	**(3,837,841)**
Income tax expense	24.	(42,708)	(54,807)
Loss for the year		**(5,487,779)**	**(3,892,649)**
Other comprehensive income			
Items that will not be reclassified subsequently to comprehensive income:			
Actuarial gain on defined benefit obligations	14.	(5,672)	(11,305)
Other comprehensive income / (expense) for the year - Net of tax		(5,672)	(11,305)
Total comprehensive income, net of tax		**(5,493,451)**	**(3,903,954)**

The accounting policies and notes on pages 7 through 31 form an integral part of the financial statements.

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Bharti Airtel Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 Mar 2020

	Note	2020 Rs. '000	2019 Rs. '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	11,713,098	11,904,749
Intangible assets	7	3,211,312	2,134,317
Right of use assets	9.	2,916,002	-
Advances and prepayments	8.	157,859	155,536
		17,998,270	14,194,602
Current Assets			
Inventories	10.	12,957	4,451
Advances and prepayments	8.	757,895	685,856
Trade and other receivables	11.	1,278,004	1,852,641
Cash and cash equivalents	12.	244,469	425,041
		2,293,325	2,967,989
Total Assets		20,291,595	17,162,591
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent Entity			
Stated capital	13.	54,802,587	54,802,587
Accumulated losses		(61,150,267)	(55,613,145)
Total Equity		(6,347,680)	(810,558)
Non-Current Liabilities			
Lease liability	9.1	2,235,949	-
Retirement benefit obligation	14.	98,398	80,533
Asset retirement obligation	15.	287,118	274,605
Interest bearing loans and borrowings	16.	5,219,054	-
		7,840,519	355,138
Current Liabilities			
Interest bearing loans and borrowings	16	1,115,000	2,237,569
Trade and other payables	17.	5,236,074	5,278,649
Deferred revenue	18.	885,047	720,958
Lease liability	9.1	989,065	-
Bank overdrafts	12.	10,573,569	9,380,835
		18,798,755	17,618,011
Total Equity and Liabilities		20,291,595	17,162,591

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

Director & Chief Finance Officer
22nd June 2020

The board of directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on

Director
22nd June 2020

Director
22nd June 2020

The accounting policies and notes on pages 7 through 31 form an integral part of the financial statements.

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Bharti Airtel Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Stated capital Rs. '000	Accumulated losses Rs. '000	Total Rs. '000
As at 31 Mar 2018	54,802,587	(51,709,191)	3,093,396
Loss for the year	-	(3,892,649)	(3,892,649)
Other comprehensive income	-	(11,305)	(11,305)
As at 31 Mar 2019	54,802,587	(55,613,145)	(810,558)
Impact due to the adoption of SLFRS 16	-	(43,672)	(43,672)
Loss for the year	-	(5,487,779)	(5,487,779)
Other comprehensive income	-	(5,672)	(5,672)
As at 31 Mar 2020	54,802,587	(61,150,267)	(6,347,680)

The accounting policies and notes on pages 7 through 31 form an integral part of the financial statements.

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Bharti Airtel Lanka (Private) Limited
CASH FLOW STATEMENT
Year ended 31 March 2020

	Note	2020 Rs. '000	2019 Rs. '000
Cash Flows From / (Used in) Operating Activities			
Loss before tax from continuing operations		(5,445,071)	(3,837,841)
Adjustments for			
Deferred revenue		(9,461,075)	(9,395,108)
Depreciation	6	2,489,188	2,512,019
Amortisation	7	462,349	369,494
Impairment of property, plant and equipment and CWIP		2,752	(551)
Depreciation ROU assets		804,431	-
Amortisation of prepaid lease rental		(1,667)	(2,149)
Income from investments	21.	(1,638)	(2,307)
Finance costs	22.	1,454,583	725,430
Other income		(4,635)	-
(Profit) / loss on disposal of property, plant and equipment		(2,880)	(60)
Foreign currency gains / (losses)		600,861	536,209
Provision for defined benefit plans	14.	21,147	17,746
Provision for / (reversal of) property, plant and equipment CWIP	6.2	32,315	(14,107)
Provision for doubtful debts		67,480	96,692
Operating loss before working capital changes		(8,981,857)	(8,994,532)
(Increase) / decrease in inventories		(8,506)	4,003
(Increase) in trade and other receivables		434,461	(1,077,525)
Increase/ (decrease) in trade and other payables		(59,121)	286,290
Cash used in operations		(8,615,023)	(9,781,765)
Income tax paid		(42,708)	(54,807)
Gratuity paid	14.	(8,954)	(10,313)
Receipts from recharge cards and reload sales		9,625,164	9,532,211
Net cash from / (used in) operations		958,479	(314,674)
Cash Flows from / (Used in) Investing Activities			
Acquisition of property, plant and equipment		(2,648,671)	(2,830,992)
Proceeds from disposal of property. plant and equipment		4,100	60
Renewal of mobile license fee		(1,224,494)	(102,043)
Interest received	21.	1,638	2,307
Addition of Right of use of assets		(539,092)	-
Money received from sundry balances written off		4,635	-
Net cash flows used in investing activities		(4,401,885)	(2,930,668)
Cash Flows from / (Used in) Financing Activities			
Proceeds from interest bearing loans and borrowings	16.1	2,777,250	-
Interest payment on loans and borrowing	22.	(1,425,525)	(786,793)
Increase / (decrease) in short term loans		1,115,000	-
Net cash flows from / (used in) financing activities		2,466,725	(786,793)
Net Decrease in Cash and Cash Equivalents		(976,679)	(4,032,134)
Effect of each rate difference on cash and cash equivalents		(396,627)	(284,081)
Cash and cash equivalents at the beginning of the year	12.	(8,955,794)	(4,639,580)
Cash and cash equivalents at the end of the year	12.	(10,329,100)	(8,955,794)

The accounting policies and notes on pages 7 through 31 form an integral part of the 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 principle 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 principle 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 2020 were authorized for issue in accordance with a resolution of the board of directors on 22 June 2020.

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 and asset retirement obligation, which are reflected in the financial statements at present value of the defined benefit obligation and present value of the asset retirement obligation respectively. 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.

Adoption of new and revised Standards

Impact of initial application of SLFRS 16 Leases
In the current year, the Company has applied SLFRS 16 Leases, that is effective for annual periods that begin on or after 1 April 2019.

SLFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of SLFRS 16 on the Company's financial statements is described below.

The date of initial application of SLFRS 16 for the Company is 01 April 2019. The Company has applied SLFRS 16 using the cumulative catch-up approach which:

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Impact of initial application of SLFRS 16 Leases – *(Contd..)*
Requires the Company to recognise the cumulative effect of initially applying SLFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. Does not permit restatement of comparatives, which continue to be presented under LKAS 17.

(a) Impact of the new definition of a lease
The Company has made use of the practical expedient available on transition to SLFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with LKAS 17 will continue to be applied to those leases entered or changed before 1 April 2019. The change in definition of a lease mainly relates to the concept of control. SLFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in LKAS 17.

The Company applies the definition of a lease and related guidance set out in SLFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract).

(b) Impact on Lessee Accounting
(i) Former operating leases
SLFRS 16 changes how the Company accounts for leases previously classified as operating leases under LKAS 17, which were off balance sheet.

Applying SLFRS 16, for all leases (except as noted below), the Company:
Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SLFRS 16:C8(b)(i) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Under SLFRS 16, right-of-use assets are tested for impairment in accordance with LKAS 36.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying LKAS 17.

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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 either to liquidate, merge or to cease trading. However the Company has incurred a loss of Rs 5,488 Mn for the financial year ended 31 March 2020 (2019 – Rs 3,893 Mn). As at the reporting date, the Company's accumulated loss amounted to Rs 61,150 Mn (2019 – Rs. 55,613 Mn).

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2.3 Going Concern – *(Contd..)*

Management has evaluated these events and conditions and to overcome the current situation and make profits in future years they have come-up with below plans;

- To launch 4 G networks in 2020/21 financial year, Management has taken active steps to make this happen, Airtel has paid TRCSL fee and taken approvals, 4G testing is being successfully performed
- Forecasted positive EBITDA and operational cash flows through 8% revenue growth

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

- Financial and technical support from the parent entity to provide additional funding as 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, Airtel has a facility of USD 125 Mn. Current usage is only 28 Mn. Availability of this unused credit facilities are available for future expansions.

These factors will not raise substantial doubts that the Company will be able to continue as a going concern. Accordingly, these financial statements have been prepared by going concern basis.

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) Determination of Cost of Plant and Machinery

The cost of equipment relating to Plant & Machinery purchased from the Company's main network equipment vendors, is determined based on the terms and conditions of the agreed contracts/amendments.

The cost of Computer Hardware and Software purchased from the Company's main IT vendor have been determined based on the terms and calculations included in the relevant agreement, which includes the determination of its value by an independent valuer using current market prices of similar assets available in the market.

b) Useful Lives of Property Plant and Equipment and Intangible Assets

Management has assigned useful lives to Property Plant and Equipment and Intangible Assets based on the intended use of the assets. However, subsequent changes in circumstances such as technical advances, prospective utilization of the assets concerned and the Company's ability to renew the license for operation as a telecommunication service provider in Sri Lanka could result in the actual useful life differing from the estimate. Management reviews annually the useful lives of Property Plant and Equipment and Intangible Assets. Refer details given in Note 4.10.4 and 4.6 respectively.

c) 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 6.2.

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d) 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 15.

During the year, management has revisited the obligation per site and changes have accounted prospectively.

e) 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 14.2.

f) Deferred Revenue
Deferred revenue comprises the unutilised balance of call time and downloadable quota in respect of prepaid cards and services sold to customers. Such revenue amounts are recognised as revenue upon subsequent utilisation of call time, and downloadable quota by the customer or when the credit expires.

g) 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 11.1 and 11.2 relating to impairment of financial assets.

h) 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 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. Further details are disclosed in Note 4.14.

3. CHANGES IN ACCOUNTING POLICIES
The accounting policies adopted are consistent with those of the previous financial year.

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which are applicable for the financial periods beginning on or after 1 April 2019.

Leases
The Company has applied SLFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under LKAS 17. The details of accounting policies under both LKAS 17 and SLFRS 16 are presented separately below.

Policies applicable from 1 April 2019
The Company as a lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Leases – *(Contd..)*
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under LKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.
The Company applies LKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, SLFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For shared sites with other operators, an analysis has carried out and lease and non-lease components have identified as 60% and 40% respectively.

Accounting treatment for prior 1 April 2019 is listed in note 4.11.
Opening retained earnings impact of Rs 43.672 Mn consist of retrospective depreciation charges.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

4.2 Current/ Non-Current Classification

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, or
- 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
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

4.3 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.

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4.4 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.

4.5 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 fifteen percent (15%).

The company's other income from sale of products are liable for income tax till 31 December 2019 at the rate of 28% and thereafter at 24%.

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.

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

4.6 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.

4.7 Intangible Assets

An Intangible Assets is recognised if it is probable that benefits attributable to the assets will flow to the entity and cost of the assets can be measured reliably. 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.

Intangible assets with finite lives are 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 are 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 assets with finite lives is recognised in the statement of profit or loss 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.

Licenses

License fees paid by the Company have been recognised as an intangible asset and the same is being amortised equally over period of license 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.

4.8 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 cause of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.9 Financial Instruments – Financial Assets

Financial instruments - Initial recognition, classification and subsequent measurement

Recognition

All financial assets and liabilities are initially recognised on the trade date, the date that the company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. All financial instruments are initially measured at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the income statement.

Company has interest bearing loans and borrowings as financial liabilities carried at amortised cost.

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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 derecognised when:

- the right to receive cash flows from the asset has expired.
- the Company has transferred its right 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:
- the Company has transferred substantially all the risks and rewards of the asset or
- 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.

4.10 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.

4.11 Property, Plant and Equipment
4.11.1 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 4.10.4.

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 lives, 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.

4.11.2 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.

4.11.3 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 profit or loss and gains are not classified as revenue.

4.11.4 Depreciation

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives 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 lives for the current and comparative periods are 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

4.12 Leases - Company as a Lessee (prior to 1 April 2019)

Finance leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the lease property or, if lower, at the present value of the minimum lease payments.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable assets is consistent with that for depreciable assets that are owned as described in 4.10.4.

Operating leases

Operating lease payments are recognised as expenses in the statement of profit or loss on a straight line basis over the lease term.

4.13 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.

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4.14 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 14.2 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 profit or loss in subsequent periods.

Provision has been made for retirement gratuities 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.

4.15 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 loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

4.16 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 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.

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Revenue Recognition
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:

Telecommunications services (Prepaid and Post-paid)
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 prepaid 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 (Post-paid).

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 standalone 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.

Connection fees
The Company recognises connection fee as a onetime fee & Company recognises 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.

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

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6 PROPERTY, PLANT AND EQUIPMENT

	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Property, plant and equipment		
Freehold *(Note 6.1)*	10,982,845	11,553,729
Capital Working Progress *(Note 6.2)*	187,579	302,846
Capital goods in transit	542,673	48,175
	11,713,098	11,904,749

6.1 Freehold

	Land	Building	Telecommunication Infrastructure equipment	Office Equipment	Furniture & Fittings	Computer Hardware and integral software	Leasehold Improvements	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2018	20,799	101,078	26,718,003	97,349	50,667	2,066,791	89,841	**29,144,528**
Additions during the year	-	-	3,060,458	5,517	44	521,729	5,196	**3,592,945**
Adjustment / transfers	-	-	(422,710)	(7,754)	(44)	(174,105)	(111)	**(604,724)**
Disposals during the year	-	-	-	(668)	-	-	-	**(668)**
As at 31 March 2019	20,799	101,078	29,355,752	94,444	50,667	2,414,415	94,926	**32,132,081**
Additions during the year	-	-	2,449,248	2,755	3,442	82,216	2,134	**2,539,794**
Adjustment/Transfers	-	-	(616,850)	(40)	(427)	-	(278)	**(617,594)**
Disposals during the year	-	-	(23,786)	-	-	-	-	**(23,786)**
As at 31st March 2020	**20,799**	**101,078**	**31,164,363**	**97,159**	**53,682**	**2,496,631**	**96,782**	**34,030,495**
Accumulated Depreciation								
As at 01 April 2018	-	30,258	15,960,316	87,699	48,369	1,840,484	80,688	**18,047,814**
Charge for the year	-	5,067	2,491,380	5,509	531	333,538	2,905	**2,838,930**
Adjustment/transfers	-	-	(288,516)	(2,023)	(13)	(39,634)	3,276	**(326,910)**
Depreciation on disposals	-	-	-	(668)	-	-	-	**(668)**
As at 31 March 2019	-	**35,326**	**18,163,180**	**90,516**	**48,887**	**2,134,388**	**86,870**	**20,559,165**
Charge for the year	-	5,067	2,235,179	2,925	1,057	275,458	1,340	**2,521,026**
Adjustment/Transfers	-	-	(31,825)	(81)	(9)	-	-	**(31,915)**
Depreciation on disposals	-	-	(22,566)	-	-	-	-	**(22,566)**
As at 31 March 2020	-	**40,393**	**20,343,968**	**93,360**	**49,934**	**2,409,845**	**88,210**	**23,025,711**
Provision for impairment								
As at 01st April 2018	-	-	18,622	-	-	-	-	**18,622**
Charge for the year	-	-	19,188	-	-	-	-	**19,188**
Reversal of impairment	-	-	(18,623)	-	-	-	-	**(18,623)**
As at 31 March 2019	-	-	19,187	-	-	-	-	**19,187**
Charge for the year	-	-	21,940	-	-	-	-	**21,940**
Reversal of impairment	-	-	(19,188)	-	-	-	-	**(19,188)**
As at 31 March 2020	-	-	21,939	-	-	-	-	**21,939**
Written Down Value								
As at 31 March 2020	20,799	60,685	10,798,457	3,799	3,748	86,785	8,572	**10,982,845**
As at 31 March 2019	20,799	65,752	11,173,386	3,928	1,781	280,027	8,056	**11,553,729**

6.2 Capital Work in progress

	Telecommunication Infrastructure equipment	Computer Hardware and integral software	Total
Cost			
As at 01 April 2018	643,567	94,499	**738,066**
Additions during the year	515,099	1,051	**516,150**
Adjustment/transfers	(837,882)	(81,403)	**(919,285)**
As at 31 March 2019	**320,784**	**14,147**	**334,930**
Additions during the year	79,099	-	**79,099**
Adjustment/transfers	(147,904)	(14,147)	**(162,050)**
As at 31 March 2020	**251,979**	-	**251,979**
Impairment			
As at 01 April 2018	32,518	14,919	47,437
Charge for the year	32,085	-	32,085
Reversal of impairment	(32,518)	(14,919)	(47,437)
As at 31 March 2019	32,085	-	32,085
Charge for the year	64,400	-	64,400
Reversal of impairment	(32,085)	-	(32,085)
As at 31 March 2020	**64,400**	-	**64,400**
Net book value			
As at 31 March 2019	288,699	14,147	302,846
As at 31 March 2020	187,579	-	187,579

6. PROPERTY, PLANT AND EQUIPMENT (CONT.)

6.3 During the financial year, the Company acquired Property, Plant & Equipment and Intangible assets to the aggregate value of Rs. 3,873 Mn (2019 Rs. 2,933 Mn).

7. INTANGIBLE ASSETS

Summary	Licenses Rs. '000	Software Rs. '000	Total Rs. '000
Cost			
Balance as at 01 April 2017	986,140	803,447	1,789,587
Acquired / incurred during the year	1,979,598	170,470	2,150,068
As at 31 March 2018	2,965,738	973,917	3,939,655
Acquired / incurred during the year	102,043	197,601	299,644
As at 31 March 2019	3,067,781	1,171,518	4,239,299
Acquired / incurred during the year	459,186	314,850	774,035
License addition in CWIP	765,308	-	765,308
As at 31 March 2020	4,292,274	1,486,368	5,778,642
Amortisation			
As at 31 March 2017	(970,281)	(444,098)	(1,414,378)
Amortisation for the year	(114,063)	(207,046)	(321,109)
As at 31 March 2018	(1,084,344)	(651,144)	(1,735,487)
Amortisation for the year	(212,164)	(157,330)	(369,494)
As at 31 March 2019	(1,296,508)	(808,474)	(2,104,982)
Amortisation for the year	(228,614)	(233,735)	(462,349)
As at 31 March 2020	(1,525,122)	(1,042,209)	(2,567,331)
Net Book Value			
As at March 2018	1,881,394	322,773	2,204,168
As at March 2019	1,771,273	363,045	2,134,317
As at March 2020	2,767,152	444,159	3,211,312

8. ADVANCES AND PREPAYMENTS

	2020 Rs. '000	2019 Rs. '000
Current	757,895	685,856
Non current	157,859	155,536
Total	915,754	841,392

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

9. ROU ASSETS

	2020 Rs. '000	2019 Rs. '000
Cost		
As at 31 March 2019	-	-
Impact due to the adoption of SLFRs 16	4,739,548	-
As at 31 March 2020	4,739,548	-
Accumulated Depreciation		
Impact due to the adoption of SLFRs 16	(1,019,114)	-
Depreciation for the year	(804,431)	-
As at 31 March 2020	(1,823,546)	-
Net Book Value		
As at March 2019	(1,019,114)	-
As at March 2020	2,916,002	-

9.1 LEASE Liability

	2020	2019
Long term portion	2,235,949	-
Short term portion	989,065	-
Total lease liability	3,225,013	-

Amounts recognised in the comprehensive income statement

Interest on Lease Liabilities	285,722	-

The incremental borrowing rate applied to measure lease liabilities is 11.25%

The following line items were affected by the adjustments & reclassifications made with respect to the amounts recognised at the date first year of adoption;

	SLFRS 16 adjustments 2020 Rs. '000	2019 Rs. '000
In comprehensive statement of income		
Expenditure		
Networking expenses	(975,545)	-
Depreciation / amortisation	804,431	-
Finance cost	285,722	-
Total expenses	**114,608**	-
In Financial Position		
Non-Current Assets		
Right of use assets	2,916,002	-
Total Assets	**2,916,002**	-
Equity		
Adjusted for opening retained earnings	(43,672)	-
Expenses for the year	(114,608)	-
Total Equity	**(158,279)**	-
Liabilities		
Finance Lease obligation - Non Current	2,235,949	-
Finance Lease obligation - Current	989,065	-
Trade and Other Payables	(150,732)	-
Total Liabilities	**3,074,281**	-
Total Equity and Liabilities	**2,916,002**	-

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		2020 Rs. '000	2019 Rs. '000
10.	**INVENTORIES**		
	SIM stocks	31,191	22,972
	Dongle stocks	4,164	3,652
	Handsets stocks	1,104	1,104
		36,459	27,728
	Less - Provision for obsolete stocks	(23,502)	(23,277)
		12,957	4,451
10.1	Movement for the provision for obsolete stocks		
	Balance as at 1 April	23,277	23,277
	Further provisions made	227	-
	Provisions written back	(2)	(1)
	Balance as at 31 March	23,502	23,277

		2020 Rs. '000	2019 Rs. '000
11.	**TRADE AND OTHER RECEIVABLES**		
	Trade debtors (11.1)	1,574,268	1,408,197
	Less : Provision for impairment (11.2)	(302,463)	(247,630)
		1,271,805	1,160,567
	Other receivables	6,200	692,075
	Claim receivable	45,206	45,206
	Less : Provision for claim receivable	(45,206)	(45,206)
		6,199	692,074
		1,278,004	1,852,641

11.1 Trade Debtors

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

	2020 Rs. '000	2019 Rs. '000
Receivables from post paid subscribers	268,198	236,185
Receivables from other operators - related parties (11.1a)	142,503	275,073
Receivables from other operators - others	1,163,567	896,939
	1,574,268	1,408,197

a) Receivables from Other Operators - Related Parties

	Relationship	2020 Rs. '000	2019 Rs. '000
Bharti Airtel Limited	Parent Company	134,158	265,313
Bharti International Singapore Pte Ltd	Group Company	6,284	7,479
Bharti Airtel USA	Group Company	244	375
Airtel Gabon S.A.	Group Company	1,762	1,762
Jersey Airtel Limited	Group Company	25	84
Others	Group Company	30	60
		142,503	275,073

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.

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11. TRADE & OTHER RECEIVABLES (Contd..)

11.1 Trade Debtors (Cont.)

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

	Total	Neither past due nor impaired	Past due but not impaired				
			0 - 30 days	30 - 60 days	60 - 90 days	90-120	Over 120
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2020	1,271,805	906,659	232,992	72,252	38,391	16,280	5,230
2019	1,160,567	625,011	256,020	67,297	77,511	34,344	100,385

See 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.

11.2

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

	2020 Rs. '000	2019 Rs. '000
Balance as at the beginning of the year	247,630	164,695
Impairment loss recognized during the year	99,968	155,482
Reversal of previously recognized impairment loss	(45,135)	(72,547)
Balance as at the end of the year	302,463	247,630

12. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

COMPONENTS OF CASH AND CASH EQUIVALENTS

	2020 Rs. '000	2019 Rs. '000
Favourable Cash and Cash Equivalents Balance		
Cash	-	208
Cash at bank	244,469	424,834
	244,469	425,041
Unfavourable Cash and Cash Equivalents Balance		
Bank overdraft	(10,573,569)	(9,380,835)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(10,329,100)	(8,955,794)

13. STATED CAPITAL

	2020		2019	
	Number of Shares	Rs. '000	Number 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
	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	

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	2020 Rs. '000	2019 Rs. '000
14. RETIREMENT BENEFIT LIABILITY		
As at the beginning of the year	80,533	61,794
Charge for the year	21,147	17,746
Benefits Paid	(8,954)	(10,313)
Acturial Gains & Losses	5,672	11,305
Balance as at the end of the year	98,398	80,533
14.1 Expense Recognized during the year		
Interest cost	8,456	6,488
Current service cost	12,691	11,258
	21,147	17,746
Actuarial gains recognized in other comprehensive income	5,672	11,305

14.2 An independent professionally qualified actuary carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2020. The principal financial assumptions underling the valuation are as follows:

Discount rate	10.5% (2019-10.5%)
Salary increment	08% (2019- 7%)
Staff turnover	11% Up to age 49 and zero thereafter
Retirement age	55 or 58 Years as specified by the company
Mortality	Based on a 1967/70 Mortality Table (Institute of Actuaries, London)

Estimated average remaining work life 7.64 years (2019: 7.31 years)

14.3 A quantitative sensitivity analysis for significant assumptions as at 31 March 2020 is as shown below.

	Salary Increment Rate		Discount Rate	Discount Rate
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% increase Rs.
Impact on defined benefit obligation	92,554	104,906	105,267	92,137

15. ASSET RETIREMENT OBLIGATION

	2020	2019
Balance as at 1 April	274,605	440,842
Net movement for the year	12,513	(166,237)
Balance as at 31 March	287,118	274,605

Net movement represent the change in discount rate amounting to Rs 29.059 Mn [2019:- Rs (61.3 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.112,172,336/- (2019 - Rs.128,718,972/) and Rs-57,815,347/- (Rs.-58,164,458./-) respectively. The principle financial assumptions used to arrive at the ARO are as follows;

	2020	2019
Number of sites	1,087	1,081
Discount rate	11.50%	10.50%
Discounting period	15 years	15 years

16. INTEREST BEARING LOANS AND BORROWINGS

	2020			2019		
	Current Rs. '000	Non Current Rs. '000	Total Rs. '000	Current Rs. '000	Non Current Rs. '000	Total Rs. '000
Network i2i Limited	-	5,219,054	5,219,054	2,237,569	-	2,237,569
Short term loan	1,115,000	-	1,115,000	-	-	-
Total interest bearing loans and borrowings	1,115,000	5,219,054	6,334,054	2,237,569	-	2,237,569

16.1 Interest Bearing Loans and Borrowings	2020 Rs. '000	2019 Rs. '000
Loans at the beginning of the year	2,237,569	1,985,441
Loans received during the year	3,892,250	-
Loans settled during the year	-	-
Exchange (gain) / loss on revaluation	204,234	252,128
	6,334,053	2,237,569

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Terms of Borrowing Network i2i Limited-Mauritius

Rate of interest	- LIBOR + 170 bps
Security	- Unsecured
Tenure of the loan	- Loan Matures on 30th June 2023, and repayment is at maturity (2019: - maturity date was 30 june 2019 and exter 2023 after renawal)

Interest accrued for the year has been accounted under due to related parties in (note 25) amounting to Rs.107,428 thousand (2019-Rs. 91,061 thousand)

17. TRADE AND OTHER PAYABLES

	2020 Rs. '000	2019 Rs. '000
Equipment creditors	881,222	756,046
Other payables and provisions - Related parties *(Note 17.1)*	1,477,248	1,153,213
- Others	2,877,604	3,369,391
	5,236,074	5,278,649

17.1 AMOUNTS Due to Related Parties

	Relationship		
Bharti Airtel Limited	Parent Company	73,482	52,473
Network i2i Limited	Group Company	1,214,777	1,027,683
Bharti Airtel Services Limited	Group Company	92,760	34,876
Bharti Airtel (Singapore) Private Limited	Group Company	96,125	31,654
Bharti Airtel (France) SAS	Group Company	-	6,501
Singapore Telecom Mobile Pte Ltd	Group Company	83	
Other related parties	Group Company	22	25
		1,477,248	1,153,213

18. DEFERRED REVENUE

Deferred revenue	2020	2019
Deferred airtime revenue	885,047	720,958
	885,047	720,958

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

19. REVENUE

Services:		
Prepaid revenue	1,875,842	2,718,701
Post paid revenue	327,722	387,313
Value Added Services (VAS)	6,803,840	5,214,658
Interconnection	1,481,383	1,317,631
Roaming revenue	188,021	245,832
Other	886,409	842,799
	11,563,217	10,726,935

20. OTHER INCOME

Profit on sale of fixed assets	2,880	60
Sundry balances written back	4,635	-
	7,515	60

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	2020 Rs. '000	2019 Rs. '000
21. FINANCE INCOME		
Interest on refundable deposit	1,638	2,307
	1,638	2,307

	2020 Rs. '000	2019 Rs. '000
22. FINANCE COST		
Interest expense on loans and borrowings	1,139,803	786,793
Interest on asset retirement obligation	29,059	(61,363)
Interest expense on finance leases	285,722	-
	1,454,583	725,430

23. LOSS FROM CONTINUING OPERATIONS

Loss before tax stated after charging / (crediting) followings ;

	2020 Rs. '000	2019 Rs. '000
Directors remunerations	112,319	109,083
Depreciation	3,293,619	2,512,019
Amortisations	462,349	369,494
Impairments	2,752	(551)
Employees benefits including the following	1,006,604	983,633
- Bonus and incentives	52,383	65,569
- Defined benefit plan costs - Gratuity	21,147	17,746
- Defined contribution plan costs - EPF & ETF	77,895	78,121
Included in Administrative Expenses		
Legal and professional charges	39,938	5,226
Auditors remuneration	1,980	1,909
Amortisation of prepaid lease rental	1,667	2,149

24. INCOME TAX

	2020 Rs. '000	2019 Rs. '000
Current Income Tax		
Assessable income	3,632	1,729
ESC paid during the tax holiday period	41,691	54,323
Current income tax expense (28% till 31.12.2019 and 24% till 31.03.2020)	1,017	484
Current income tax charge	42,708	54,807

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25. RELATED PARTY DISCLOSURES

a) Transactions with the parent and related entities

	Parent Bharti Airtel Limited		Affiliates	
Nature of Transaction	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Borrowings	-	-	(2,777,250)	-
Finance charges	-	-	(107,428)	(91,061)
Purchase of goods / services	(398)	(398)		
Purchase of capital assets	-	-	(41,453)	-
Manpower services	-	-	(124,562)	(104,821)
Leased line services				
Revenue	167,647	150,566	17,222	24,829
Cost	(8,935)	(12,344)	(102,499)	(70,485)
Roaming Services				
Revenue	80,674	80,413	2,878	25,967
Cost	(34,180)	(21,296)	(355)	(453)
Interconnection Services				
Revenue	234,842	212,877	-	-
Cost	(107,802)	(110,600)	-	-

* 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

Due from and due to related party balances are reflected in note number 11.1 and 17.1 to these financial statements.

These related party balances do not carry any interest and payable/receivable on Demand.

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

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	2020 Rs. '000	2019 Rs. '000
Short-term employee benefits	107,843	103,236
Post employment benefits	4,476	847

26. COMMITMENTS AND CONTINGENCIES

26.1 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;

	2020 Rs. '000	2019 Rs. '000
Contracted but not provided for	7,475,414	1,808,030

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26.2 Contingent Liabilities

The company has given out bank guarantees to the value of LKR 600 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 detained and seized. amounting to LKR 67 million
2. Inquiry into past shipments of Airtel Lanka (2007 to 2009 period) amounting to LKR 519 million.
3. Inquiry into appeal of District Court case No. 00943/2011/DMR amounting to LKR 500 million.

27. ASSETS PLEDGED

The Company has not pledged any assets as at 31 March 2020.

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 contact, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

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	Increase/ Decrease in %	Effect on profit before tax 2019/20 Rs. '000	Effect on profit before tax 2018/19 Rs. '000
Sri Lanka Rupee denominated borrowings	+1%	65,041	36,263
	-1%	(65,041)	(36,263)
United States Dollar denominated borrowings	+0.5%	49,040	16,628
	-0.5%	(49,040)	(16,628)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cond..)

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 Loss before tax RS Mn
2020	5%	518,221
2019	5%	307,666

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 11.1 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 they maintain with 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.

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.

			2020	
Financial liability	**Less than 3 months**	**3-12 months**	**Over 1 year**	**Total**
Interest bearing loans and borrowings	1,115,000	-	5,219,054	6,334,054
Trade and other payables	4,650,383	630,897	-	5,281,280
Deferred revenue	885,047	-	-	885,047
Bank overdrafts	10,573,569	-	-	10,573,569
	17,223,999	630,897	5,219,054	23,073,950

			2019	
Financial liability	**Less than 3 months**	**3-12 months**	**Over 1 year**	**Total**
Interest bearing loans and borrowings	-	2,237,569	-	2,237,569
Trade and other payables	4,163,359	1,160,495	-	5,323,854
Deferred revenue	720,958	-	-	720,958
Bank overdrafts	9,380,835	-	-	9,380,835
	14,265,152	3,398,064	-	17,663,216

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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:	2020	2019
Interest bearing loans and borrowings	6,334,054	2,237,569
Bank overdrafts	10,573,569	9,380,835
Less: Cash at bank and in hand	(244,469)	(425,041)
Net debt	16,663,154	11,193,363
Equity	(6,347,680)	(810,558)
Net debt to equity ratio	-263%	-1382%

30. Events after the reporting date

There were no significant events after the reporting date that would require adjustments to or disclosures in the financial statements.

31. Impact of COVID-19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic. Responding to the potentially serious threat that COVID – 19 presents to public health, the Sri Lankan government have taken measures to contain the outbreak. pending further developments. In particular, airports were closed for international transport of people, restaurants, hotels, cinemas, sports facilities and retailers excluding food retailers, grocery stores and pharmacies were closed and an islandwide curfew has been in effect since 20 March 2020. Many countries across the world have imposed similar lockdowns.

The entity operates in the Telecom sector that has not been significantly affected by the outbreak of COVID – 19. As a result of this, the company is expecting minor implications. Based on the publicly available information at the date these financial statements were authorized for issue, management considered below impact's.

Management considered the following operating risks that may adversely affect the Company:

- Restrictions on the cross-borders movement of people, as a result some declines to roaming revenues.
- Recession in the Sri Lankan economy that could significantly reduce the purchasing power of consumers
- Challenges in timely collection of outstanding dues, However 97% of company's revenue are pre-paid, therefore impact is minimal. In order to mitigate the risks resulting from potential adverse scenarios, Management started to implement the measures, which notably include:

- Launching 4G and expecting revenue growth
- Negotiating financial resources from Parent entity and related parties
- Follow up on debtor collections.

In management's view, and based on an assessment of the future cash flows made along with the above factors and what is disclosed in note no. 2.3 support the fact that the Company will have sufficient resources to continue in operation for a period over one year.

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