

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED

Special purpose Financial Statements

March 2021

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Special Purpose Financial Statements March 2021

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Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bharti Airtel (Japan) Private Limited

Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the accompanying Special Purpose Financial Statements (SPFS) of Bharti Airtel (Japan) Private Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Loss), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, (hereinafter referred to as the "SPFS").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid SPFS is prepared, in all material respects, in accordance with basis set out in note 2.1 to the SPFS.

Basis for Opinion

We conducted our audit of the SPFS in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the SPFS' section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence and ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 (the "Act") and the Rules made thereunder, and we have fulfilled our other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the SPFS.

Emphasis of Matter- Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2.1 to the SPFS, which describes the purpose and basis of accounting. The SPFS have been prepared by the Company solely to assist Bharti Airtel Limited for its consolidation purpose and to comply with the requirements under the Companies Act 2013. As a result, the SPFS may not be suitable for another purpose. Our report is intended solely for the use of management and Board of Directors for the above purpose and should not be distributed to or used by any other parties.

Our opinion is not modified in respect of this matter.



Management's Responsibility for the Special Purpose Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these SPFS that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the basis and for the purpose stated in Note 2.1 to the SPFS.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the SPFS that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the SPFS, 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.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the SPFS 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 SAs 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 SPFS.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the SPFS, 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 financial 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 SPFS 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 SPFS, including the disclosures, and whether the SPFS represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



A handwritten signature in black ink, appearing to read "Nilesh H. Lahoti".

Nilesh H. Lahoti
(Partner)

(Membership No.130054)
UDIN:21130054AAAACY9070

Date: June 21, 2021
Place: Gurugram

Special Purpose Financial Statements

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Special Purpose Balance Sheet
(All amounts are in thousands of JPY; unless stated otherwise)

	Notes	As of		
		March 31, 2021 (In Rs. '000) (Unaudited)	March 31, 2021 (Audited)	March 31, 2020 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	3	75	113	259
Financial assets				
- Security deposits		32	48	47
		107	161	306
Current assets				
Financial assets				
- Trade receivables	4	16,333	24,541	68,544
- Cash and bank balances	5	8,390	12,606	1,738
Other current assets	6	-	-	86
		24,723	37,147	70,368
Total assets		24,830	37,308	70,674
Equity and liabilities				
Equity				
Equity share capital	7	33	50	50
Other equity		8,973	13,482	11,261
		9006	13,532	11,311
Current liabilities				
Financial liabilities				
- Borrowings	9	6,878	10,335	37,638
- Trade payables	10	-	-	-
- total outstanding dues of micro enterprises and small enterprises		-	-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		5,151	7,739	9,283
- Others	11	2,401	3,607	10,398
Income tax liabilities (net)		1,083	1,627	821
Other current liabilities	13	311	468	1,223
		15,824	23,776	59,363
Total liabilities		15,824	23,776	59,363
Total Equity and liabilities		24,830	37,308	70,674

The accompanying notes 1 to 24 form an integral part of these special purpose financial statements.

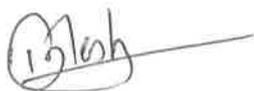
As per our report of even date

For Debitto Haskins & Sells LLP

Chartered Accountants

(Firm's Registration No: 117366W / W-100818)

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited



Nilesh H. Lahoti
Partner
Membership No: 130034



Nishi Chakraborty
Secretary
Place: Gurugram



Masahiko Hiro
Director
Place: Japan

Place: Gurugram

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Special Purpose Statement of Profit and loss
(All amounts are in thousands of JPY; unless stated otherwise)

Notes	For the year ended		
	March 31, 2021 (In Rs. '000) (Unaudited)	March 31, 2021 (Audited)	March 31, 2020 (Audited)
Income			
Revenue from operations	15	36,558	54,931
Other Income		-	104
		36,558	54,931
Expenses			
Network operating expenses	16	29,960	45,016
Employee benefits expense	17	1,814	2,725
Other expenses	18	937	1,408
		32,710	49,149
Profit before depreciation, finance costs and tax		3,848	5,782
Depreciation expense	3	127	191
Finance costs	19	1,522	2,287
Profit before tax		2,199	3,304
Tax expense			
Current tax	12	515	774
Deferred tax		-	846
		515	846
Profit for the year		1,683	1,375
Other comprehensive income			
Items to be reclassified subsequently to profit or loss			
Currency translation (loss)		(206)	(309)
Total comprehensive income for the year		1,478	1,216
Earnings per share (In Rs. / JPY)			
Basic and Diluted earnings per share	21	1,683,509	2,529,565
			1,375,164

The accompanying notes 1 to 24 form an integral part of these special purpose financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)



Nilesh H. Lahoti
Partner
Membership No: 100018

Place: Gurgaon
Date: June 21, 2021

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited



Ajay Chhabra
Place: Tokyo



Yasuhiko Hiro
Place: Tokyo

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Special Purpose Statement of Changes in Equity
(All amounts are in thousands of JPY; unless stated otherwise)

	Equity share capital		Other equity-Reserves & Surplus		Total equity
	No. of shares	Amount	Retained earnings	Foreign currency translation reserve 'FCR'	
As of April 1, 2019	1	50	11,600	(1,643)	10,095
Profit for the year	-	-	1,375	-	1,375
Other comprehensive loss	-	-	-	(159)	(159)
Total comprehensive income	-	-	1,375	(159)	1,216
As of March 31, 2020	1	50	13,063	(1,802)	11,311
Profit for the year	-	-	2,530	-	2,530
Other comprehensive loss	-	-	-	(309)	(309)
Total comprehensive income	-	-	2,530	(309)	2,221
As of March 31, 2021	1	50	15,593	(2,111)	13,532

The accompanying notes 1 to 24 form an integral part of these special purpose financial statements.

As per our report of even date
 For Deloitte Hasidas & Saha LLP
 Chartered Accountants
 (Firm's Registration No: 117366W / W-100818)

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited



Nilesh H. Lohod
 Partner
 Membership No: 130054



Ajay Chikara
 Director
 Place: Gurugram



Yasuhiko Hiro
 Director
 Place: Japan

Place: Gurugram
 Date: June 21, 2021

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Special Purpose Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

1. Corporate information

Bharti Airtel (Japan) Private Limited ('the Company') incorporated on April 5, 2010, is registered in Japan having its registered office at 7-1, Nishi Shinjuku 3-chome, Shinjuku-ku, Tokyo.

The Company is a wholly owned subsidiary of Bharti International (Singapore) Pte. Limited (erstwhile Bharti Airtel Holding (Singapore) Pte Limited), a company incorporated in Singapore.

The Company has set up point of presence ('POP') in Japan to provide telecommunication services so as to interconnect international and domestic capacities terminating and originating into that country.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Special Purpose Financial Statements ('financial statements') have been prepared by the Company solely to assist Bharti Airtel Limited for its consolidation purpose and to comply with the requirements under Companies Act 2013 ('Act'). These financial statements have been prepared to comply in all material respects with the Indian Accounting Standard ('Ind AS') as notified by the Ministry of Corporate Affairs ('MCA') under section 133 of the Act, read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other accounting principles generally accepted in India.

The financial statements are approved for issue by the Company's Board of Directors on June 21, 2021.

The financial statements are based on the classification provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Act. Further, for the purpose of clarity, various items are aggregated in Statement of Profit and Loss and balance sheet. Nonetheless, these items are disaggregated separately in the notes to the financial statements, where applicable or required.

The functional currency of the Company is United States Dollars ('USD'). However, the presentation currency of the Company is Japanese Yen ('JPY') and therefore all the amounts included in the financial statements are reported in Japanese Yen ('JPY'), except per share data and unless stated otherwise. The translation of JPY to Rupee amounts is unaudited and is included solely for readers in India and has been calculated using the rate of JPY 1 = Rs 0.67, the RBI reference rate as announced by the Reserve Bank of India (RBI) on March 31, 2021. Such translations should not be construed as representations that the Rupee amounts represent, or have been or could be converted into, United States Dollars at that or any other rate.

The preparation of the said financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Company's accounting policies.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

All the amounts included in the financial statements are reported in thousands of Japanese Yen ('JPY') and are rounded to the nearest thousands, except per share data and unless stated otherwise. Further, due to rounding off, certain amounts are appearing as '0'.

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the Company, to all the periods presented in the said financial statements, except in case of adoption of any new standards and / or amendments during the year.

New amendments adopted during the year

MCA vide notification no. G.S.R. 463(E) dated July 24, 2020 has issued the Companies (Indian Accounting Standards) Amendment Rules, 2020 which amends following Ind AS:

- Ind AS 103, Business Combinations
- Ind AS 107, Financial Instruments: Disclosures
- Ind AS 109, Financial Instruments
- Ind AS 116, Leases
- Ind AS 1, Presentation of Financial Statements
- Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- Ind AS 10, Events after the Reporting Period
- Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

The amendments are applicable for annual periods beginning on or after the April 1, 2020, however, these do not have material impact on the financial statements of the Company.

Amendment to Schedule III Division II

MCA vide notification dated March 24, 2021, has amended disclosure requirements to division II of schedule III of the Act. The amendments are applicable from April 1, 2021.

2.2 Basis of measurement

The financial statements have been prepared on the accrual and going concern basis, and the historical cost convention except where the Ind AS requires a different accounting treatment. The principal variations from the historical cost convention relate to financial instruments classified at fair value through profit or loss.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or a liability can be transferred, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial instruments at fair values (either on a recurring or non-recurring basis).

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, 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.

The three levels of the fair-value-hierarchy are described below:

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

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable

Level 3: Significant inputs to the fair value measurement are unobservable

2.3 Foreign currency transactions

Transactions in foreign currencies are measured and recorded in US dollars on initial recognition at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss.

For the purpose of presentation, the financial statements are prepared in JPY by translating the assets and liabilities at the rate of exchange at the date of that balance sheet and income and expenses are translated at monthly average exchange rates for the period.

2.4 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in 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 equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as 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.

2.5 Property, plant and equipment ('PPE')

An item of PPE is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE are initially recognised at cost. The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. In case of multiple element contracts whereby the vendor supplies PPE as well as other components, PPE is recorded on the basis of relative fair values.

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of property, plant and equipment are required to be replaced in regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the balance sheet and cost of the new item of PPE is recognised. Further, in case the replaced part was not being depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired.

The expenditures that are incurred after the item of PPE has been available for use, such as repairs and maintenance, are normally charged to the Statement of Profit and Loss in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Act and has accordingly, depreciated the assets over such useful life. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives of different categories of PPE as follows:

	Years
Plant and Equipment	3 – 10

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at-least as at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and / or depreciation method are accounted prospectively, and accordingly the depreciation is calculated over the PPE's remaining revised useful life. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed off are de-recognised from the balance sheet and the resulting gains / losses are included in the Statement of Profit and Loss within other expenses / other income.

2.6 Impairment of non-financial assets

PPE

PPE is reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the Statement of Profit and Loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Reversal of impairment losses

Impairment losses are reversed in the Statement of Profit and Loss and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

2.7 Financial instruments

a. Recognition, classification and presentation

The financial instruments are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its other financial assets in the following categories: a) those to be measured subsequently at fair value through profit or loss, and b) those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has classified all the non-derivative financial liabilities as measured at amortised cost.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, the Company currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

b. Measurement – Non-derivative financial instruments

I. Initial measurement

At initial recognition, the Company measures the non-derivative financial instruments at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Otherwise transaction costs are expensed in the Statement of Profit and Loss.

II. Subsequent measurement - financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

i. Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective-interest rate ('EIR') method (if the impact of discounting / any transaction costs is significant). Interest income from these financial assets is included in finance income.

ii. Financial assets at fair value through profit or loss ('FVTPL')

All financial assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. Interest (basis EIR method) income is recognised in the Statement of Profit and Loss separately from the other gains/ losses arising from changes in the fair value.

Impairment

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month Expected Credit Loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

III. Subsequent measurement - financial liabilities

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the EIR method (if the impact of discounting / any transaction costs is significant).

c. Derecognition

The financial assets are de-recognised from the Balance Sheet when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognised in statement of Profit and Loss. The financial liabilities are de-recognised from the balance sheet when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released.

2.8 Taxes

The income tax expense comprises of current and deferred income tax. Income tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly.

a. Current tax

The current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date. The payment made in excess / (shortfall) of the Company's income tax obligation for the period are recognised in the balance sheet under assets as income tax assets /

under current liabilities as current tax liabilities.

Any interest related to accrued liabilities for potential tax assessments are not included in income tax charge or (credit), but are rather recognised within finance costs.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. The Company considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If the Company concludes it is probable that the taxation authority will accept an uncertain tax treatment, it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

b. Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets/ liabilities recognised for temporary differences arising from a business combination, affect the amount of goodwill or the bargain purchase gain that the Company recognises. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The Company considers the projected future taxable income and tax planning strategies in making this assessment.

The unrecognised deferred tax assets / carrying amount of deferred tax assets are reviewed at each reporting date for recoverability and adjusted appropriately.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, (a) the Company currently has a legally enforceable right to set-off the

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of Cash and cash equivalents and subject to an insignificant risk of changes in value).

2.10 Share capital

Ordinary shares are classified as Equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect.

2.11 Employee benefits

The Company's employee benefits mainly include salaries and bonuses. The employee benefits are recognised in the period in which the associated services are rendered by the Company employees. Short-term employee benefits are recognised in statement of profit and loss at undiscounted amounts during the period in which the related services are rendered.

2.12 Provisions

a. General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the said obligation, and the amounts of the said obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation (if the impact of discounting is significant), 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 un-winding of interest over passage of time is recognised within finance costs.

b. Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

2.13 Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers.

Co-location Income: Income on Co-location is recognised on an accrual basis.

Point of presence (POP) services: Revenue from these services are recognised based on the capacities interconnected at each such POP and varies from time to time.

2.14 Borrowing costs

Borrowing costs consist of interest and other ancillary costs that the Company incurs in connection with the borrowing of funds. The borrowing costs directly attributable to the acquisition or construction of any asset that takes a substantial period of time to get ready for its intended use or sale are capitalised. All other borrowing costs are recognised in the Statement of Profit and Loss within finance costs in the period in which they are incurred.

2.15 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS.

Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares.

2.16 Segment Reporting

Based on the way the Company manages its operating business, and the manner in which resource allocation decisions are made, the Company has only one reportable segment for financial reporting purposes, being the telecom services. Accordingly, no further operating segment financial information is disclosed.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

3 Property Plant and equipment

Particulars	Plant and machinery
Gross carrying value	
As at April 1, 2019	24,801
Currency Translation	(617)
As at March 31, 2020	24,184
Currency Translation	(541)
Disposals /Adjustments	(22,019)
As at March 31, 2021	1,624
Accumulated depreciation	
As at April 1, 2019	24,384
Charge for the year	194
Currency Translation	(653)
As at March 31, 2020	23,925
Charge for the year	191
Currency Translation	(527)
Disposals /Adjustments	(22,078)
As at March 31, 2021	1,511
Net carrying value	
At March 31, 2020	259
At March 31, 2021	113

4 Trade receivables

	As of	
	March 31, 2021	March 31, 2020
Trade receivables -considered good unsecured*	24,541	68,544
	24,541	68,544

*It includes amount due from related parties (refer note 20).

5 Cash and bank balances

	As of	
	March 31, 2021	March 31, 2020
Balance with banks		
- On current accounts	12,606	1,738
	12,606	1,738

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

6 Other assets- current

	As of	
	March 31, 2021	March 31, 2020
Advance to supplier	-	86
	-	86

7 Equity Share Capital

Authorised Share

The Company has authorised share of 100 with no par value.

	As of	
	March 31, 2021	March 31, 2020
Issued, subscribed and fully paid-up shares		
1 (March 31, 2020- 1) equity share of JPY 50,000 each, fully paid-up	50	50
	50	50

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As of March 31, 2021		As of March 31, 2020	
	No. of shares	JPY	No. of shares	JPY
At the beginning of the year	1	50	1	50
Outstanding at the end of the year	1	50	1	50

b) Terms/rights attached to equity shares

The Company has one class of equity shares having no par value. Each shareholder of equity share is entitled to one vote per share.

c) Shares held by holding company

Name of the shareholder	As of March 31, 2021		As of March 31, 2020	
	No. of shares	% holding	No. of shares	% holding
Equity shares of JPY 50,000 each fully paid				
Bharti International (Singapore) Pte Ltd	1	100%	1	100%

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
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8 Reserves & surplus

(i) Retained earnings: Retained earnings represent the amount of accumulated earnings of the Company.

(ii) Other components of equity: Other components of equity represent amount on account of change in exchange rates.

9 Borrowings

Current

	As of	
	March 31, 2021	March 31, 2020
Unsecured		
Loan from holding company (refer note 20)	10,335	37,638
	10,335	37,638

Maturity of borrowings

	As of	
	March 31, 2021	March 31, 2020
On demand	10,335	37,638
	10,335	37,638

The JPY fixed rate borrowings bear an interest rate of 7.33% (March 31, 2020 – 7.33%) per annum and is repayable on demand.

10 Trade payables

	As of	
	March 31, 2021	March 31, 2020
Trade payables		
Due to micro and small enterprises	-	-
Others*	7,739	9,283
	7,739	9,283

*includes amount payable to related parties (refer note 20)

11 Financial liabilities- Others
Current

	As of	
	March 31, 2021	March 31, 2020
Interest accrued (refer note 20)	3,607	10,398
	3,607	10,398

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
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12 Income Tax

The major components of income tax expense are:

	For the year ended	
	March 31, 2021	March 31, 2020
Current income tax		
- For the year	774	846
	774	846

13 Other liabilities
Current

	As of	
	March 31, 2021	March 31, 2020
Taxes payable	143	1,223
Advance from customers	325	-
	468	1,223

14 Contingencies and Commitments

There is no contingent liabilities in current year as well as previous year.

Capital commitment as of March 31, 2021 is Nil (March 31, 2020: 501)

15 Revenue from operations

	For the year ended	
	March 31, 2021	March 31, 2020
Service revenue*	54,931	57,571
	54,931	57,571

*It includes revenue from related parties (refer note 20)

Disaggregation of Revenue

Revenue is disaggregated by timing of revenue recognition. For disaggregation by geographical market, refer note 2.16:

Timing of Revenue Recognition	For the year ended	
	March 31, 2021	March 31, 2020
Services transferred over time	54,931	57,571
	54,931	57,571

np

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

16 Network operating expenses

	For the year ended	
	March 31, 2021	March 31, 2020
Internet Access & Bandwidth charges	44,900	46,376
Rent expenses	-	21
Others	116	579
	45,016	46,976

17 Employee benefits expense

	For the year ended	
	March 31, 2021	March 31, 2020
Salaries and bonus	2,725	2,866
	2,725	2,866

18 Other expenses

	For the year ended	
	March 31, 2021	March 31, 2020
Legal and professional charges*	1,147	2,059
Rates, fees and taxes	49	43
Rent expenses	60	217
Others	152	64
	1,408	2,383

*Details of auditor's remuneration (excluding GST) included in legal and professional fees:

	For the year ended	
	March 31, 2021	March 31, 2020
Audit fees	555	699
Reimbursement of expenses	42	52
	597	751

19 Finance costs

	For the year ended	
	March 31, 2021	March 31, 2020
Net exchange (gain) / loss	983	979
Interest expense (refer note 20)	906	1,665
Finance charge on Lease	-	0
Other finance charges	398	391
	2,287	3,035

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

20 Related party disclosure

Name of related party and related party relationship:

Related Party	Relationship
Bharti International (Singapore) Pte Ltd	Parent company
Bharti Airtel Limited	Intermediate parent entity
Bharti Enterprises (Holding) Private Limited*	Ultimate controlling entity
Bharti Airtel (USA) Limited	Fellow subsidiary
Bharti Airtel (Hong Kong) Limited	Fellow subsidiary

* It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the said company.

The summary of transactions and outstanding balances with the above mentioned parties are as follows:

Related party transactions for 2020-21

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore) Pte Ltd	Bharti Airtel (USA) Limited	Bharti Airtel (Hong Kong) Limited	Total
Purchase of services	446	-	-	-	446
Interest expense payable to related party	-	(906)	-	-	(906)
Rendering of services	6,351	47,168	1,412	-	54,931
Closing Balance					
Interest accrued	-	(3,607)	-	-	(3,607)
Borrowings	-	(10,335)	-	-	(10,335)
Trade receivables	2,471	21,032	1,038	-	24,541
Advance from related parties	-	-	-	(325)	(325)
Total	2,471	7,090	1,038	(325)	10,273

Related party transactions for 2019-20

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore) Pte Ltd	Bharti Airtel (USA) Limited	Bharti Airtel (Hong Kong) Limited	Total
Purchase of services	(1,162)	-	-	-	(1,162)
Interest expense payable to related party	-	(1,665)	-	-	(1,665)
Rendering of services	23,751	32,254	1,145	421	57,571
Closing Balance					
Interest accrued	-	(10,398)	-	-	(10,398)
Borrowings	-	(37,638)	-	-	(37,638)
Trade receivables / Payables	41,801	26,182	879	-	68,862
Advance from related parties	-	-	-	(318)	(318)
Total	41,801	(21,854)	879	(318)	20,508

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

21 Earnings per share

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
(a) Profit / (loss) attributable to equity shareholders	2,529,565	1,375,164
(b) Weighted average number of equity shares outstanding during the year	1	1
(c) Nominal value of equity shares (in JPY)	50,000	50,000
(d) Earnings per share (Basic and Diluted) (a)/(b)	2,529,565	1,375,164

22 Financial risk and capital risk

1. Financial risk

The business activities of the Company expose it to a variety of financial risks, namely market risks (that is, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management seeks to minimize potential adverse effects of these risks on the financial performance of the Company. The Company has established risk management policies, guidelines and control procedures to manage its exposure to financial risks.

(a) Credit risk

Credit risk refers to the risk of default on its obligation by the counter-party, the risk of deterioration of credit-worthiness of the counter-party as well as concentration risks of financial assets, and thereby exposing the Company to potential financial losses.

The Company is exposed to credit risk mainly with respect to trade receivables. The trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to group entities. Revenue earned from the related parties is disclosed in note 20. The credit period provided by the Company to its customers generally ranges between 0-60 days.

Cash and cash equivalents are placed with reputed financial banks / institutions.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
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	0-60 days	Total
	In JPY	In JPY
March 31, 2021		
Trade Receivables	24,541	24,541
	24,541	24,541
	0-60 days	Total
	In JPY	In JPY
March 31, 2020		
Trade Receivables	68,544	68,544
	68,544	68,544

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Company monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligation.

	As of March 31, 2021						
	Carrying amount	On demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Interest bearing borrowings	10,335	10,335	-	-	-	-	10,335
Trade payables	7,739	-	7,739	-	-	-	7,739
Other financial liabilities	3,607	-	3,607	-	-	-	3,607
	21,681	10,335	11,346	-	-	-	21,681
	As of March 31, 2020						
	Carrying amount	On demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Interest bearing borrowings	37,638	37,638	-	-	-	-	37,638
Trade payables	9,283	-	9,283	-	-	-	9,283
Other financial liabilities	10,398	-	10,398	-	-	-	10,398
	57,319	37,638	19,681	-	-	-	57,319

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
(All amounts are in thousands of JPY; unless stated otherwise)

(c) Foreign currency risk

The Company has foreign currency trade payables, receivables and borrowings (internal as well as external). However, foreign exchange exposure mainly arises from trade payables and accrued expenses denominated in foreign currencies. Consequently, the Company is mainly exposed to foreign exchange risks related to foreign currencies vis-à-vis the functional currencies.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit / (loss) before tax to a reasonably possible change in the exchange rates against the functional currency of the Company:

	Change in currency exchange rate	Effect on Profit/Loss before Tax	
		March 31, 2021	March 31, 2020
JPY	+5%	(15)	(64)
JPY	-5%	15	64

The above sensitivity analysis is based on a reasonably possible change in the underlying foreign currency against the respective functional currency while assuming all other variables to be constant.

2. Capital Risk

Company's objective while managing capital is to safeguard its ability to continue as a going concern (so that it is enabled to provide returns and create value for its shareholders, and benefits for other stakeholders), support business stability and growth, ensure adherence to the relevant laws and regulations, and maintain an optimal and efficient capital structure so as to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares, declare dividends, return capital to shareholders, etc. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions or its business requirements.

The Company monitors capital using a gearing ratio, which is net debt divided by a total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
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	As of	
	March 31, 2021	March 31, 2020
Loans and Borrowings	10,335	37,638
Less: Cash and Cash Equivalents *	10,335	1,738
Net Debt	-	35,900
Equity	13,532	11,311
Total Capital	13,532	11,311
Capital and Net Debt	13,532	47,211
Gearing Ratio	0%	76%

*As of March 31, 2021, cash and cash equivalents has been considered to the extent of outstanding loans and borrowings for the purpose of computation of net debt.

23. COVID-19

Covid 19 pandemic has resulted in a nationwide lock down with restrictions imposed on movement of people and goods. Consequently, the Company formulated a robust Business Continuity Plan to ensure that its operations are not disrupted. The Company has considered a range of possible scenarios to understand potential outcomes on its business and plan appropriately.

A detail assessment has been carried out by the Company with regards to impact on revenue and costs. Impact due to any extended credit terms, cancelled orders, change in contractual terms, price concession request, onerous obligations etc. were comprehensively evaluated for any risk due to Covid-19 on revenue recognized and collectability thereof and no material impact has been noted. The Company has not experienced any loss of significant customer on account of force majeure clauses in the revenue contracts. Besides, the Company has also assessed its other arrangements, including leasing arrangements and no changes in terms of those arrangements are expected due to COVID-19.

The Company has also re-assessed its financial risk management policies and impact of any change on the related disclosures in the financial statements, on counterparty credit risk, liquidity risk and foreign currency risk and no material impact has been noted.

24. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Notes to Financial Statements
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Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, trade payable and other current financial liabilities reasonably approximate their fair values because these are short term in nature and repriced regularly.

Amounts due to/from related companies, approximate their fair value as the interest rates charged to/by related companies are approximately equivalent to interest rate prevailing in the market or re-priced regularly.

	March 31, 2021		March 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets at amortised costs				
Security deposits	48	48	47	47
Trade receivables	24,541	24,541	68,544	68,544
Cash and cash equivalents	12,606	12,606	1,738	1,738
	37,195	37,195	70,329	70,329
Liabilities at amortised costs				
Other financial liabilities	3,607	3,607	10,398	10,398
Borrowing	10,335	10,335	37,638	37,638
Trade payables	-	-	9,283	9,283
	13,942	13,942	57,319	57,319

The following methods / assumptions were used to estimate the fair values:

The carrying value of the trade receivables, trade payable, borrowings and other financial assets and liabilities approximates their fair value mainly due to short term maturity of these instruments.

During the year ended March 31, 2021 and March 31, 2020, there were no transfers between level 1 and level 2 fair value measurement. None of the financial assets and liabilities are in level 3.