BHARTI AIRTEL LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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 2021, and the statement of comprehensive and other related income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

SJMS ASSOCIATES
Chartered Accountants
Colombo
19 July 2021

SJMS ASSOCIATES
11, Castle Lane,
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Tel:0115 444 400
CHARTERED ACCOUNTANTS

Bharti Airtel Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	Mar-21 Rs. '000	Mar-20 Rs. '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	6.	18,210,478	11,713,097
Intangible assets	7.	3,843,745	3,211,312
Right of use assets	9.	2,456,627	2,916,002
Advances and prepayments	8.	150,395	157,859
		24,661,245	17,998,270
Current Assets			
Inventories	10.	9,218	12,957
Advances and prepayments	8.	850,949	757,895
Trade and other receivables	11.	1,454,438	1,278,004
Cash and cash equivalents	12.	1,249,989	244,469
		3,564,594	2,293,326
Total Assets		**28,225,839**	**20,291,595**
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Stated capital	13.	54,802,587	54,802,587
Accumulated losses		(66,931,382)	(61,150,267)
Total Equity		(12,128,795)	(6,347,680)
Non-Current Liabilities			
Lease liability	9.1	1,992,507	2,235,949
Retirement benefit obligation	14.	113,547	98,398
Asset retirement obligation	15.	394,565	287,118
Interest bearing loans and borrowings	16.	15,268,088	5,219,054
		17,768,707	7,840,519
Current Liabilities			
Interest bearing loans and borrowings	16.	1,306,297	1,115,000
Trade and other payables	17.	8,527,973	5,236,074
Deferred revenue	18.	828,810	885,047
Lease liability	9.1	733,060	989,065
Bank overdrafts	12.	11,189,787	10,573,569
		22,585,927	18,798,754
Total Equity and Liabilities		**28,225,839**	**20,291,595**

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

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Chief Finance Officer

The board of directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by on 19 July 2021.

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Director

....

Director

The accounting policies and notes on pages 7 through 30 form an integral part of these financial statements.

Bharti Airtel Lanka (Private) Limited

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March 2021

	Note	2021 Rs. '000	2020 Rs. '000
Income			
Revenue	19.	10,731,868	11,563,217
Other income	20.	4,900	7,515
Finance income	21.	1,588	1,638
Expenditure			
Access charges		(1,224,373)	(1,430,929)
Personnel costs		(1,009,283)	(1,006,604)
Networking expenses		(5,702,179)	(6,208,776)
Marketing expenses		(2,312,563)	(2,233,846)
Administrative expenses		(252,937)	(318,323)
Depreciation, amortisation and impairment of property, plant and equipment		(3,673,183)	(3,763,518)
Finance cost	22.	(1,266,542)	(1,454,583)
Exchange gains / losses		(1,079,797)	(600,861)
Loss Before Tax	23.	**(5,782,501)**	**(5,445,071)**
Income tax expense	24.	-	(42,708)
Loss for the Year		**(5,782,501)**	**(5,487,779)**
Other Comprehensive Loss			
Items that will not be reclassified subsequently to comprehensive income:			
Actuarial gain on defined benefit obligations	14.	1,386	(5,672)
Income tax effect		1,386	(5,672)
Total Comprehensive Loss, net of tax		**(5,781,114)**	**(5,493,451)**

The accounting policies and notes on page 7 to 30 form an integral part of these financial statements.

S J M S ASSOCIATES # 11, Castle Lane, Colombo - 04. Tel:0115 444 400 CHARTERED ACCOUNTANTS

Bharti Airtel Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2021

	Stated Capital Rs. '000	Accumulated Losses Rs. '000	Total Rs. '000
As at 31 Mar 2019	54,802,587	(55,613,145)	(810,558)
Loss for the year	-	(5,487,779)	(5,487,779)
Other comprehensive income	-	(5,672)	(5,672)
Impact due to the adoption of SLFRS 16	-	(43,672)	(43,672)
As at 31 Mar 2020	54,802,587	(61,150,267)	(6,347,680)
Loss for the year	-	(5,782,501)	(5,782,501)
Other comprehensive income	-	1,386	1,386
As at 31 Mar 2021	54,802,587	(66,931,382)	(12,128,795)

The accounting policies and notes on page 7 to 30 form an integral part of these financial statements.

Bharti Airtel Lanka (Private) Limited

CASH FLOW STATEMENT

Year Ended 31 March 2021

	Note	2021 Rs. '000	2020 Rs. '000
Cash Flows From / (Used in) Operating Activities			
Loss before tax from continuing operations		(5,782,501)	(5,445,071)
Adjustments for			
Deferred revenue		(7,346,210)	(9,461,075)
Depreciation	6.	2,356,458	2,489,188
Amortisation	7.	504,205	462,349
Depreciation ROU assets		820,540	804,431
Impairment of property, plant and equipment and CWIP		(8,920)	2,752
Amortisation of prepaid lease rental		(1,652)	(1,667)
Income from investments	21.	(1,588)	(1,638)
Finance costs	22.	1,266,542	1,454,583
Other income		(3,161)	(4,635)
(Profit) / loss on disposal of property, plant and equipment		(1,739)	(2,880)
(Profit) / loss on retirement of property, plant and equipment		1,611	-
Foreign currency gains / (losses)		1,079,797	600,861
Provision for defined benefit plans	14.	23,969	21,147
Provision for / (reversal of) property, plant and equipment CWIP	6.2	47,635	32,315
Provision for doubtful debts		1,676	67,480
Operating loss before working capital changes		(7,043,340)	(8,981,858)
(Increase) / decrease in inventories		3,740	(8,506)
(Increase) in trade and other receivables		(262,047)	434,461
Increase / (decrease) in trade and other payables		3,380,322	(59,120)
Cash used in operations		(3,921,326)	(8,615,023)
Income tax paid		-	(42,708)
Gratuity paid	14.	(7,434)	(8,954)
Receipts from recharge cards and reload sales		7,289,972	9,625,164
Net cash from operations		3,361,213	958,479
Cash Flows from / (Used in) Investing Activities			
Acquisition of property, plant and equipment		(9,280,801)	(2,648,671)
Proceeds from disposal of property. plant and equipment		1,739	4,100
Renewal of mobile license fee		(750,002)	(1,224,494)
Interest received	21.	1,588	1,638
Money received from sundry balances written off		3,161	4,635
Net cash flows used in investing activities		(10,024,315)	(3,862,792)
Cash Flows from / (Used in) Financing Activities			
Net Proceeds from interest bearing loans and borrowings	16.1	9,179,500	2,777,250
Interest payment on loans and borrowing		(999,719)	(1,425,525)
Increase / (decrease) in short term loans		191,297	1,115,000
Repayments on lease liability		(1,108,413)	(539,092)
Net cash flows from financing activities		7,262,665	1,927,633
Net Increase / (Decrease) in Cash and Cash Equivalents		599,564	(976,680)
Effect of each rate difference on cash and cash equivalents		(210,262)	(396,627)
Cash and Cash Equivalents at the beginning of the year	12.	(10,329,100)	(8,955,794)
Cash and Cash Equivalents at the end of the year	12.	(9,939,799)	(10,329,100)

The accounting policies and notes on page 7 to 30 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principle Activities and Nature of Operations

The Company is engaged in its 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 2021 were authorized for issue in accordance with a resolution of the board of directors on 19 July 2021.

2. GENERAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for Retirement benefit liability, Lease liability, Right of use Asset and asset Retirement obligation, which are reflected in the financial statements at 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 as per the requirements of the Companies Act No. 7 of 2007.

2.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate, merge or to cease trading. However the Company has incurred a loss of Rs. 5,783 Mn for the financial year ended 31 March 2021 (2020 – Rs. 5,488 Mn). As at the reporting date, the Company's accumulated loss amounted to Rs. 66,931 Mn (2020 – Rs. 61,150 Mn).

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

- To complete 4G launch in FY 2021/22 for which, Management has taken active steps by paying TRCSL spectrum fees and taken related approvals. And accordingly, 4G commercial launch is being successfully underway starting from Feb 2021.
- Forecasted positive EBITDA and operational cash flows through steady annual revenue growth for next five years.

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

- Financial and technical support from the parent entity to provide additional funding as required by the Company for the purpose of meeting the Company's future liabilities to enable the Company to continue as a going concern over the ensuing period of 12 months.
- Signed contract with a related party company, Bharti Airtel Lanka (Pvt) Ltd. has a facility of USD 125 Mn. Current usage is only 76.72 Mn. Availability of this unused credit facilities are available for future expansions.

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

2.4 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) Useful Life of Property Plant and Equipment and Intangible Assets

Management has assigned useful Life 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 Life of Property Plant and Equipment and Intangible Assets. Refer details given in Note 4.6 and 4.10.4 respectively.

b) 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.

c) 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.

d) 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.

e) 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.

f) Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment and concluded when there are indicators that the carrying amounts may not be recoverable. The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

3. AMMENDMENTS TO THE ACCOUNTING STANDARDS

The following amendments and improvements do not expect to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 3: Definition of a Business
- Amendments to SLFRS 7 and SLFRS 9 Interest Rate Benchmark Reform
- Amendments to LKAS 1 and LKAS 8 Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to SLFRS 16 Covid-19 Related Rent Concessions

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes.

- **Standards amended but not yet effective,**

  Amendments to LKAS 1 – Classification of Liabilities as Current or Non-current The amendments to LKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

  Amendments to LKAS 37 – Onerous Contracts—Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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
- The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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.

4.3 Fair Value Measurement – *(contd..)*

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

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

4.4 Taxation

Current Taxes

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

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

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

The company's other income from sale of products are liable for income tax at the rate of 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.

4.5 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.

4.6 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 Life 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 Life 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.

4.7 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.

4.8 Financial Instruments

Initial recognition and subsequent measurement

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

Financial assets - Initial recognition and measurement

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon DE recognition (equity instruments)
- Financial assets at fair value through profit or loss

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

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

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

Financial liabilities – initial and subsequent measurement
Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

4.9 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.

4.10 Property, Plant and Equipment

4.10.1 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 Life, they are accounted for as separate items (major components) of property, plant & equipment.

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

4.10.2 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.

4.10.3 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.

4.10.4 Depreciation

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

The estimated useful Life for the current and comparative 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

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4.11 Leases

Right of use assets

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

The Company's right of use assets does not have any short term lease contracts or low value lease contracts.

4.12 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.

4.13 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.

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b) Defined Benefits Plans – Gratuity – *(contd..)*

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.

4.14 Impairment of Non-Financial Assets

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

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

4.15 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.

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).

Telecommunications services (Prepaid and Post-paid) – *(contd..)*
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 recognizes connection fee as a onetime fee & Company recognizes revenue as and when connections are provided

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

Interest income
Interest income is recognised using the effective interest method.

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Freehold *(Note 6.1)*	13,171,420	10,982,845
Capital Working Progress *(Note 6.2)*	4,678,454	187,579
Capital goods in transit	360,603	542,673
	18,210,478	11,713,097

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 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 31 March 2020	20,799	101,078	31,164,363	97,159	53,682	2,496,631	96,782	34,030,495
Additions during the year	-	-	4,266,136	3,766	1,108	365,436	-	4,636,445
Adjustment/Transfers	-	-	(98,690)	(31)	-	-	-	(98,721)
Retirements during the year	-	-	(63,884)	(576)	-	(1)	-	(64,461)
Disposals during the year	-	-	(13,242)	-	-	-	-	(13,242)
As at 31 March 2021	**20,799**	**101,078**	**35,254,684**	**100,319**	**54,790**	**2,862,066**	**96,782**	**38,490,517**
Accumulated Depreciation								
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
Charge for the year	-	5,067	2,207,331	2,592	1,161	184,031	1,316	2,401,499
Adjustment/Transfers	-	-	(45,589)	(13)	-	-	560	(45,041)
Depreciation on retirements	-	-	(62,333)	(515)	-	(1)	-	(62,849)
Depreciation on disposals	-	-	(13,242)	-	-	-	-	(13,242)
As at 31 March 2021	-	45,461	22,430,136	95,425	51,095	2,593,876	90,086	25,306,078
Provision for impairment								
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
Charge for the year	-	-	13,018	-	-	-	-	13,018
Adjustment/Transfers	-	-	(21,939)	-	-	-	-	(21,939)
As at 31 March 2021	-	-	13,018	-	-	-	-	13,018
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 2021	20,799	55,617	12,811,529	4,894	3,695	268,190	6,696	13,171,420

6.2 Capital Work in Progress

	Telecommunication Infrastructure equipment	Computer Hardware and integral software	Total
Cost			
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
Additions during the year	4,277,480	47,875	4,325,355
Adjustment / transfers	261,029	(47,875)	213,154
Disposals during the year			-
As at 31 March 2021	4,790,488	-	4,790,488
Impairment			
As at 31 March 2019	32,085	14,919	47,004
Charge for the year	64,400	-	64,400
Reversal of Impairment	(32,085)	(14,919)	(47,004)
As at 31 March 2020	64,400	-	64,400
Charge for the year	112,035	-	112,035
Reversal of impairment	(64,400)	-	(64,400)
As at 31 March 2021	112,035	-	112,035
Net book Value			
As at 31 March 2020	187,579	-	187,579
As at 31 March 2021	4,678,454	-	4,678,454

Borrowing cost capitalized during the year amounting to USD 199,783 /- which is equivalent of LKR 37 Mn and the weighted average interest rate used is 1.89%-3.13%.

6. PROPERTY, PLANT AND EQUIPMENT (CONT.)

6.3 During the financial year, the Company acquired property, plant and equipment and intangible assets to the aggregate value of Rs. 10,031 Mn (2020 Rs. 3,873 Mn).

7. INTANGIBLE ASSETS

Summary	Licenses Rs. '000	Software Rs. '000	Total Rs. '000
Cost			
Balance as at 01 April 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
License addition in CWIP	750,002	386,637	1,136,639
As at 31 March 2020	5,042,276	1,873,005	6,915,282
Amortisation			
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)
Amortisation for the year	(265,422)	(238,783)	(504,205)
As at 31 March 2021	(1,790,544)	(1,280,992)	(3,071,536)
Net Book Value			
As at March 2020	2,767,152	444,159	3,211,312
As at March 2021	3,251,732	592,013	3,843,745

8. ADVANCES AND PREPAYMENTS

	2021 Rs. '000	2020 Rs. '000
Current	850,949	757,895
Non current	150,395	157,859
Total	1,001,344	915,754

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

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9. ROU ASSETS

	2021 Rs. '000	2020 Rs. '000
Cost		
As at 31 March 2020	4,739,548	-
Additions during the year	361,165	4,739,548
Expirations during the period	(339,205)	-
As at 31 March 2021	4,761,508	4,739,548
Accumulated Depreciation		
As at 31 March 2020	(1,823,546)	(1,019,114)
Depreciation for the year	(820,540)	(804,431)
Expirations during the period	339,205	-
As at 31 March 2021	(2,304,880)	(1,823,546)
Net Book Value	2,456,627	2,916,002

9.1 Lease Liability

	2021 Rs. '000	2020 Rs. '000
Long term portion	1,992,507	2,235,949
Short term portion	733,060	989,065
Total lease liability	2,725,567	3,225,013

Amounts recognised in the comprehensive income statement

	2021 Rs. '000	2020 Rs. '000
Interest on lease liabilities	243,391	285,722

10. INVENTORIES

	2021 Rs. '000	2020 Rs. '000
SIM stocks	26,994	31,191
Dongle stocks	495	4,164
Handsets stocks	66	1,104
	27,556	36,459
Less - Provision for obsolete stocks	(18,338)	(23,502)
	9,218	12,957

10.1 Movement for the Provision for Obsolete Stocks

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	23,502	23,277
Further provisions made	-	227
Provisions written back	(5,164)	(2)
Balance as at 31 March	18,338	23,502

11. TRADE AND OTHER RECEIVABLES

	2021 Rs. '000	2020 Rs. '000
Trade debtors (11.1)	1,319,886	1,574,268
Less : Provision for impairment (11.2)	(252,397)	(302,463)
	1,067,488	1,271,805
Other receivables	386,950	6,200
Claim receivables	45,206	45,206
Less : Provisions for claim receivables	(45,206)	(45,206)
	386,949	6,199
	1,454,438	1,278,004

11.1 Trade Debtors

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

	2021 Rs. '000	2020 Rs. '000
Receivables from post paid subscribers	217,653	268,198
Receivables from other operators - related parties (11.1a)	115,248	142,503
Receivables from other operators - others	986,985	1,163,567
	1,319,886	1,574,268

a) Receivables from other operators - related parties

	Relationship	2021 Rs. '000	2020 Rs. '000
Bharti Airtel Limited	Parent Company	110,522	134,158
Bharti International Singapore Pte Ltd	Group Company	2,619	6,284
Airtel Networks Kenya Limited	Group Company	764	-
Bharti Airtel USA	Group Company	122	244
Airtel Gabon S.A.	Group Company	1,168	1,762
Jersey Airtel Limited	Group Company	1	25
Others	Group Company	52	30
		115,248	142,503

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.

11. TRADE & OTHER RECEIVABLES *(Contd..)*

11.1 Trade Debtors *(Contd.)*

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

			Past due but not impaired					
	Total Rs. '000	Neither past due nor impaired	0 - 30 days Rs. '000	30 - 60 days Rs. '000	60 - 90 days Rs. '000	90-120 Rs. '000	Over 120 Rs. '000	Impairment of trade Receivables Rs. '000
2021	1,319,886	536,058	232,740	44,432	75,649	60,439	118,171	252,397
2020	1,574,268	906,659	232,992	72,252	38,391	16,280	5,230	302,463

See note 30 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;

	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	302,463	247,630
Impairment loss recognized during the year	96,790	99,968
Reversal of previously recognized impairment loss	(146,855)	(45,135)
Balance as at the end of the year	252,397	302,463

12. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

COMPONENTS OF CASH AND CASH EQUIVALENTS

	2021 Rs. '000	2020 Rs. '000
Favourable Cash and Cash Equivalents Balance		
Cash	73	-
Cash at bank	1,249,916	244,469
	1,249,989	244,469
Unfavourable Cash and Cash Equivalents Balance		
Bank overdraft	(11,189,787)	(10,573,569)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(9,939,798)	(10,329,100)

13. STATED CAPITAL

	2021		2020	
	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	

14. RETIREMENT BENEFIT OBLIGATION

	2021 Rs. '000	2020 Rs. '000
As at the beginning of the year	98,398	80,533
Charge for the year	23,969	21,147
Benefits paid	(7,434)	(8,954)
Actuarial gains and losses	(1,386)	5,672
Balance as at the end of the year	113,547	98,398

14.1 Expense Recognized during the year

	2021 Rs. '000	2020 Rs. '000
Interest cost	10,332	8,456
Current service cost	13,637	12,691
	23,969	21,147
Actuarial gains recognized in other comprehensive income	(1,386)	5,672

14.2 An independent professionally qualified actuary carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2021. The principal financial assumptions underling the valuation are as follows:

Discount rate	8.25%(2020-10.5%)
Salary increment	06.20% (2020- 8%)
Staff turnover	10% Up to age 49 and zero thereafter 0%
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 is 7.96 years (2020-7.64 years)

14.3 A quantitative sensitivity analysis for significant assumptions as at 31 March 2021 is as shown below.

	Salary Increment Rate 1% increase Rs.	Salary Increment Rate 1% decrease Rs.	Discount Rate 1% increase Rs.	Discount Rate 1% increase Rs.
Impact on defined benefit obligation	106,459	(121,466)	121,854	(105,997)

15. ASSET RETIREMENT OBLIGATION

	2021	2020
Balance as at 1 April	287,118	274,605
Provision for during the year additions	395	604
Decommissioning interest expense	23,432	29,059
Variance in provisions	83,619	(17,149)
Balance as at 31 March	394,565	287,118

Net movement represent the change in discount rate amounting to Rs. 72.84 Mn (2020 - Rs. 22.059 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.196,187,232/- (2020 - Rs.112,172,336/-) and Rs-113,938,051- (Rs.-57,815,347/-) respectively. The principle financial assumptions used to arrive at the ARO are as follows;

	2021	2020
Number of sites	1,088	1,087
Discount rate	7.75%	11.50%
Discounting period	15 years	15 years

16. INTEREST BEARING LOANS AND BORROWINGS

	2021			2020		
	Current Rs. '000	Non Current Rs. '000	Total Rs. '000	Current Rs. '000	Non Current Rs. '000	Total Rs. '000
Network i2i Limited	-	15,268,088	15,268,088	-	5,219,054	5,219,054
Short term loan	1,306,297	-	1,306,297	1,115,000	-	1,115,000
Total interest bearing loans and borrowings	1,306,297	15,268,088	16,574,385	1,115,000	5,219,054	6,334,054

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16.1 Interest Bearing Loans and Borrowings

	2021 Rs. '000	2020 Rs. '000
Loans at the beginning of the year	6,334,053	2,237,569
Loans received during the year	9,553,880	3,892,250
Loans settled during the year	(183,084)	-
Exchange (gain) / loss on revaluation	869,534	204,234
	16,574,384	6,334,053

Terms of Borrowing Network i2i Limited-Mauritius

Rate of interest	- LIBOR + 170 bps
Security	- Unsecured
Tenure of the loan	- Loan Matures on 30th June 2025, and repayment is at maturity (2020 - maturity date was 30 June 2023 and extended to 30 June 2025 after renewal)
Interest payable	- Interest accrued for the year has been accounted under due to related parties in (note 25) amounting to Rs.169,457 thousand (2020-107,428 thousand)

17. TRADE AND OTHER PAYABLES

		2021 Rs. '000	2020 Rs. '000
Equipment creditors		3,064,218	881,222
Other payables and provisions	- Related parties (17.1)	1,830,954	1,477,248
	- Others	3,632,801	2,877,604
		8,527,973	5,236,074

17.1 Amounts Due to Related Parties

	Relationship		
Bharti Airtel Limited	Parent Company	73,349	73,482
Network i2i Limited	Group Company	1,462,860	1,214,777
Bharti Airtel Services Limited	Group Company	120,311	92,760
Bharti Airtel (Singapore) Private Limited	Group Company	174,350	96,125
Singapore Telecome Mobile Pte Ltd	Group Company	79	83
Other Related Parties	Group Company	6	22
		1,830,954	1,477,248

18. DEFERRED REVENUE

Deferred revenue

	2021	2020
Deferred airtime revenue	828,810	885,047
	828,810	885,047

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

		2021 Rs. '000	2020 Rs. '000
19.	**REVENUE**		
	Services:		
	Prepaid revenue	1,559,679	1,875,842
	Post paid revenue	293,413	327,722
	Value Added Services (VAS)	6,626,804	6,803,840
	Interconnection	1,348,097	1,481,383
	Roaming revenue	42,442	188,021
	Other	861,433	886,409
		10,731,868	11,563,217
20.	**OTHER INCOME**		
	Profit on sale of fixed assets	1,739	2,880
	Sundry balances written back	3,161	4,635
		4,900	7,515
21.	**FINANCE INCOME**		
	Interest on refundable deposit	1,588	1,638
		1,588	1,638
22.	**FINANCE COST**		
	Interest expense on loans and borrowings	999,719	1,139,803
	Interest on asset retirement obligation	23,432	29,059
	Interest expense on leases	243,391	285,722
		1,266,542	1,454,583
23.	**LOSS FROM CONTINUING OPERATIONS**		
	Loss before tax stated after charging / (crediting) followings ;		
	Directors remunerations	83,682	112,319
	Depreciation	3,176,997	3,293,619
	Amortisations	504,205	462,349
	Impairments	38,715	2,752
	Employees benefits including the following		
	- Salary expense	1,009,283	1,006,604
	- Bonus and incentives	71,807	52,383
	- Defined benefit plan costs - gratuity	23,969	21,147
	- Defined contribution plan costs - EPF & ETF	80,799	77,895
	Included in Administrative Expenses		
	Legal and professional charges	18,688	39,938
	Auditors remuneration	2,200	1,980
	Amortisation of prepaid lease rental	1,652	1,667
24.	**INCOME TAX**		
	Current Income Tax		
	Assessable income	6,368	3,632
	ESC recoverable	(1,783)	41,691
	Current income tax expense on other income - @ 24%	1,783	1,017
	Current income tax charge	-	42,708

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25. RELATED PARTY DISCLOSURES

a) Transactions with the parent and related entities

Nature of Transaction	Parent Bharti Airtel Limited 2021 Rs. '000	Parent Bharti Airtel Limited 2020 Rs. '000	Affiliates 2021 Rs. '000	Affiliates 2020 Rs. '000
Borrowings	-	-	(9,179,500)	(2,777,250)
Finance charges	-	-	(169,457)	(107,428)
Purchase of goods / services	(895)	(398)		
Purchase of capital assets	-	-	(195,653)	(41,453)
Manpower services		-	(149,434)	(124,562)
Leased line Services				
Revenue	150,694	167,647	16,715	17,222
Cost	(7,843)	(8,935)	(125,631)	(102,499)
Roaming Services				
Revenue	31,950	80,674	106	2,878
Cost	(16,935)	(34,180)	(25)	(355)
Interconnection Services				
Revenue	196,749	234,842		-
Cost	(65,422)	(107,802)		-

* 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 and repayable on demand. terms and conditions of the borrowing are disclosed in note 16.1 to the financial statements. transactions are taken place at agreed commercial terms.

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

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

Key Management Personnel Compensation	2021 Rs. '000	2020 Rs. '000
Short-term employee benefits	78,532	107,843
Post employment benefits	5,150	4,476

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;

	2021 Rs. '000	2020 Rs. '000
Contracted but not provided for	6,252,269	7,475,414

Contingent Liabilities

The company has given out bank guarantees to the value of LKR 1,813 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 & seized amounting to LKR 67 million
2. Inquiry into past shipments of Airtel Lanka (2007 to 2009 period) LKR 519 million
3. Apeal of District Court case No: 00943/2011/DMR. LKR 500

27. ASSETS PLEDGED

The Company has not pledged any assets as at 31 March 2021.

28. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no other material events occurring after the Balance Sheet date, that require adjustments to or disclosure in these Financial Statements.

29. 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:

	Increase/ Decrease in %	Effect on profit before tax 2020/21 Rs. '000	Effect on profit before tax 2019/20 Rs. '000
Sri Lanka Rupee denominated borrowings	+1%	103,929	65,041
	-1%	(103,929)	(65,041)
United States Dollar denominated borrowings	+0.5%	92,470	49,040
	-0.5%	(92,470)	(49,040)

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30. 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
2021	5%	1,038,929
2020	5%	518,221

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.
Carrying value of the financial assets and financial liabilities approximates it's fair value.

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.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cond..)*

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.

	2021			
Financial liability	**Less than 3 months**	**3-12 months**	**Over 1 year**	**Total**
Interest bearing loans and borrowings	1,095,000	211,296	15,268,088	16,574,384
Trade and other payables	5,131,281	3,396,690	-	8,527,971
Deferred revenue	828,810	-	-	828,810
Bank overdrafts	11,189,787	-	-	11,189,787
	18,244,878	3,607,986	15,268,088	37,120,951

	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	4,605,178	630,896	-	5,236,074
Deferred revenue	885,047	-	-	885,047
Bank overdrafts	10,573,569	-	-	10,573,569
	17,178,794	630,896	5,219,054	23,028,744

31. 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:	2021	2020
Interest Bearing Loans and Borrowings	16,574,385	6,334,054
Bank overdrafts	11,189,787	10,573,569
Less: Cash at bank and in hand	(1,249,989)	(244,469)
Net debt	26,514,183	16,663,154
Equity	(12,128,789)	(6,347,680)
Net debt to equity ratio	-219%	-263%

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32. Impact of COVID-19

Covid 19 pandemic has resulted an island wide / partial locked downs and isolation measures with restriction on movement of people and goods. Telecommunications services have been declared as an "essential service" by the government, consequently the company formulated a robust business continuity plan to ensure that its operations are not disrupted.

Company has done detail assessment of each segment of the business and identified following operating risks that may have impact:

•Restrictions on the cross-border movement of people, as a result decline in roaming revenue
•Recession in the Sri Lankan economy that could reduce the purchasing power of consumers
•Challenges in timely collection of outstanding dues

In order to mitigate the risks resulting from potential adverse scenarios, company taken measures, which notably include:

•Expecting revenue growth with the completion of 4G launch
•Negotiating financial resources from Parent entity and related parties
•Continues follow-ups up on debtor collections

Accordingly, there is no material impact on the financial statements for the year ended 31 March 2021.

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