

**BHARTI AIRTEL (HONG KONG) LIMITED**

Reports and Financial Statements

For the year ended March 31, 2022

BHARTI AIRTEL (HONG KONG) LIMITED

Reports and Financial Statements  
For the year ended March 31, 2022

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## DIRECTORS' REPORT

The directors present their report and the audited Financial Statements of the Company for the year ended March 31, 2022.

### Principal Activities

The principal activities of the Company consist of international telecommunications operations. There were no significant changes in the nature of the Company's principal activities during the year.

### Business Review

The Company is a wholly-owned subsidiary of Bharti International (Singapore) Pte Ltd. for the financial year and therefore, according to section 388(3)(b) of the Hong Kong Companies Ordinance, it was exempted to prepare a business review as required by the Schedule 5 of the Hong Kong Companies Ordinance (Cap. 622) for the financial year.

### Permitted Indemnity Provision

During the financial year and the time when the directors' report is approved, a permitted indemnity provision that meets the requirements specified in section 469(2) of the Hong Kong Companies Ordinance for the benefit of the directors of the Company is in force.

### Results

The Company's profit for the year ended March 31, 2022 and its financial position at that date are set out in the financial statements on pages 6 and 7.

### Share Capital

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

### Directors

The directors of the Company during the year and up to the date of issue of this report were:

Devendra Khanna  
Jantina Catharina Van De Vreede  
Anurag Joshi (appointed on June 04, 2021)  
Sukirti Singh (resigned on June 04, 2021)

There being no provision in the Company's articles of association regarding the retirement of directors by rotation, all remaining directors will continue in office.

### Directors' Interests in Transactions, Arrangements and Contracts of Significance

Other than as disclosed in note 26 to the financial statements, no transactions, arrangements and contracts of significance, to which the Company, its parent Company, intermediate parent entity, ultimate controlling entity or fellow subsidiaries was a party and in which a director or a connected entity of a directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

### Directors' Interests in Shares, Underlying Shares and Debentures.

Pursuant to the share option scheme of, Bharti Airtel Ltd, the Company's directors have been granted options to purchase ordinary shares of Bharti Airtel Limited. These options were granted to the Company's directors in respect of their services to the group companies of Bharti Airtel Limited other than the Company.

The following director has an interest in shares and share options of Bharti Airtel Limited as stated below:

<b>Name of director</b>	<b>At the beginning of financial year</b>	<b>At the end of financial year</b>
<b>Bharti Airtel Limited</b>		
<b>Ordinary shares</b>		
Devendra Khanna	171,128	183,351
<b>Options to purchase ordinary shares</b>		
Devendra Khanna	121,054	173,209

Other than as disclosed above, none of the directors nor his associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at March 31, 2022.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

ON BEHALF OF THE BOARD



Janina Catharina Van De Vreede  
Director

Date: June 27, 2022

## INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF BHARTI AIRTEL (HONG KONG) LIMITED  
(incorporated in Hong Kong with limited liability)

### **Opinion**

We have audited the financial statements of Bharti Airtel (Hong Kong) Limited (the "Company") set out on pages 6 to 36, which comprise the statement of financial position as at March 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The directors are 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 and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF BHARTI AIRTEL (HONG KONG) LIMITED - continued  
(incorporated in Hong Kong with limited liability)

### **Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

## INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF BHARTI AIRTEL (HONG KONG) LIMITED - continued  
(incorporated in Hong Kong with limited liability)

### **Auditor's Responsibilities for the Audit of the Financial Statements** - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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.

*Deloitte Touche Tohmatsu*

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

27 JUN 2022

BHARTI AIRTEL (HONG KONG) LIMITED

Statement of Profit or Loss and Other Comprehensive Income  
For the year ended March 31, 2022

All amounts are in Hong Kong Dollar – 'HK\$'

	Notes	For the year ended	
		March 31, 2022	March 31, 2021
Revenue	6	62,629,555	55,584,990
Other income		41,748	202,608
Impairment loss under expected credit loss model, net of reversal		(108,487)	(1,147,089)
Network operating expenses	7	(46,132,439)	(53,094,052)
Depreciation expense	13,24	(1,468,624)	(1,729,503)
General and administrative expenses	8	(1,118,878)	(1,595,638)
Exchange loss		(623,036)	(629,164)
Finance costs	9	(158,129)	(223,099)
<b>Profit / (Loss) before taxation</b>	<b>10</b>	13,061,710	(2,630,947)
Income tax (expense) / credit	12	(2,172,010)	361,593
<b>Profit / (Loss) for the year</b>		<b>10,889,700</b>	<b>(2,269,354)</b>
<b>Other comprehensive income / (expense)</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Exchange difference arising on translation to presentation currency		327,824	(74,850)
<b>Total comprehensive income / (loss) for the year</b>		<b>11,217,524</b>	<b>(2,344,204)</b>



BHARTI AIRTEL (HONG KONG) LIMITED

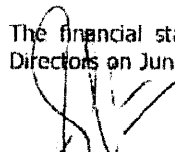
Statement of Financial Position

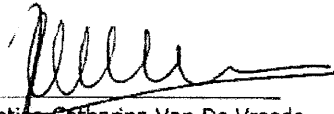
As of March 31, 2022

All amounts are in Hong Kong Dollar – 'HK\$'

	Notes	As of	
		March 31, 2022	March 31, 2021
<b>Non-current assets</b>			
Property, plant and equipment	13	6,646,773	7,672,366
Right-of-use assets	24		
Deferred tax assets (net)	20	66,636	202,672
Security deposits (net)		706,138	701,402
Prepayments	15	21,124,489	24,571,868
<b>Total non-current assets (a)</b>		<b>28,544,036</b>	<b>33,148,308</b>
<b>Current assets</b>			
Trade receivables	14	12,377,234	6,025,392
Prepayments	15	4,549,278	4,340,225
Tax recoverable		2,781,161	2,792,695
Contract assets		51,712	24,656
Cash and cash equivalents	16	34,725,903	28,504,609
<b>Total current assets (b)</b>		<b>54,485,288</b>	<b>41,687,577</b>
<b>Current liabilities</b>			
Trade and other payables	17	13,238,192	12,969,211
Tax payable		1,974,252	
Contract liabilities	18	7,385,197	7,256,773
Borrowings	19	3,765	2,535,971
Other financial liabilities	21	1,299	999,490
<b>Total current liabilities (c)</b>		<b>22,602,705</b>	<b>23,761,445</b>
<b>Net current assets (d=b-c)</b>		<b>31,882,583</b>	<b>17,926,132</b>
<b>Total non-current assets plus net current assets (e=a+d)</b>		<b>60,426,619</b>	<b>51,074,440</b>
<b>Non-current liabilities</b>			
Contract liabilities	18	13,137,658	15,003,003
<b>Total non-current liabilities (f)</b>		<b>13,137,658</b>	<b>15,003,003</b>
<b>Net Assets (e-f)</b>		<b>47,288,961</b>	<b>36,071,437</b>
<b>Equity</b>			
Share capital	22	4,959,480	4,959,480
Reserves	23	42,329,481	31,111,957
<b>Total equity</b>		<b>47,288,961</b>	<b>36,071,437</b>

The financial statements on pages 6 to 36 were approved and authorised for issue by the Board of Directors on June 27, 2022 and are signed on its behalf.

  
Anurag Joshi  
Director

  
Jantina Catharina Van De Vreede  
Director

BHARTI AIRTEL (HONG KONG) LIMITED

Statement of Changes in Equity  
For the year ended March 31, 2022

All amounts are in Hong Kong Dollar – ‘HK\$’

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total equity</u>
<b>As of April 01, 2020</b>	<b>4,959,480</b>	<b>34,889,127</b>	<b>(1,432,966)</b>	<b>38,415,641</b>
Loss for the year	-	(2,269,354)	-	(2,269,354)
Exchange differences arising on translation to presentation currency	-	-	(74,850)	(74,850)
<b>As of March 31, 2021</b>	<b>4,959,480</b>	<b>32,619,773</b>	<b>(1,507,816)</b>	<b>36,071,437</b>
Profit for the year	-	10,889,700	-	10,889,700
Exchange differences arising on translation to presentation currency	-	-	327,824	327,824
<b>As of March 31, 2022</b>	<b>4,959,480</b>	<b>43,509,473</b>	<b>(1,179,992)</b>	<b>47,288,961</b>

BHARTI AIRTEL (HONG KONG) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED March 31, 2022

All amounts are in Hong Kong Dollar – ‘HK\$’

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Cash flows from operating activities</b>		
Profit / (Loss) before taxation	13,061,710	(2,630,947)
<b>Adjustments for :</b>		
Finance costs	158,129	223,099
Unrealised foreign exchange gains	(127,152)	(40,823)
Depreciation and amortisation expense	1,468,624	1,729,503
Impairment loss recognised on trade receivables (net of reversal)	108,487	1,147,089
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>14,669,798</b>	<b>427,921</b>
<b>Changes in assets and liabilities</b>		
Trade receivables	(6,183,923)	25,727,247
Prepayments	3,162,233	746,501
Other financial / non-financial assets	(31,045)	(6,758,381)
Trade and other payables	239,200	(1,297,913)
Contract liabilities	(1,777,735)	(1,962,748)
<b>Net cash flows from operating activities before tax</b>	<b>10,078,528</b>	<b>16,882,628</b>
Income tax paid	-	(1,711,115)
<b>Net cash flows generated from operating activities</b>	<b>10,078,528</b>	<b>15,171,513</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(405,615)	(2,803,429)
<b>Net cash flows used in investing activities</b>	<b>(405,615)</b>	<b>(2,803,429)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(2,532,206)	-
Payment of lease liabilities	-	(50,332)
Finance costs paid	(1,111,904)	(151,340)
<b>Net cash flows used in financing activities</b>	<b>(3,644,110)</b>	<b>(201,672)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,028,803</b>	<b>12,166,412</b>
Effect of foreign exchange rate changes	192,491	42,556
Cash and cash equivalents at the beginning of year	28,504,609	16,295,641
<b>Cash and cash equivalents at the end of the year</b>	<b>34,725,903</b>	<b>28,504,609</b>

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

All amounts are in Hong Kong Dollar – ‘HK\$’; unless stated otherwise

#### 1. Corporate information

Bharti Airtel (Hong Kong) Limited (the “Company”) is a limited liability Company domiciled and incorporated in Hong Kong. The registered office of the Company is located at 4th Floor, Cheung Hing Industrial Building, 12P Smithfield Road, Kennedy town, Hong Kong.

The Company is a wholly-owned subsidiary of Bharti International (Singapore) Pte Ltd, a Company incorporated in Singapore. Bharti Airtel Limited, the intermediate parent entity, is a Company incorporated in India and listed on the stock exchange in India.

The principal activities of the Company are international telecommunication operation.

#### 2. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and in compliance with the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements have been prepared on a going concern basis. The financial statements are presented in Hong Kong dollars (“HK\$”), while the functional currency of the Company is United States dollars (“US\$”).

#### 3. Application of new standards and amendments to Hong Kong financial reporting standards

##### Amendments to HKFRSs that are mandatorily effective for the current year

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued the following amendments to HKFRSs that are first effective for the current accounting period of the company:

Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, and HKFRS 16	Interest Rate Benchmark Reform-Phase 2

None of these amendments have had material impact on the Company’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

##### New and amendments to HKFRSs in issue but not yet effective

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

All amounts are in Hong Kong Dollar – ‘HK\$’; unless stated otherwise

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after April 1, 2021

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

#### 4. Summary of significant accounting policies

##### 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

All amounts are in Hong Kong Dollar – ‘HK\$’; unless stated otherwise

#### Revenue from contracts with customers

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments*. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

**Over time revenue recognition:** measurement of progress towards complete satisfaction of a performance obligation

#### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Company's performance in transferring control of goods or services.

As a practical expedient, if the Company has a right to consideration in an amount that corresponds directly with the value of the Company's performance completed to date, the Company recognises revenue in the amount to which the Company has the right to invoice.

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

All amounts are in Hong Kong Dollar – ‘HK\$’; unless stated otherwise

#### Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Company's performance in transferring control of goods or services.

Revenue from telecommunication services are recognised when the relevant services are rendered or over the period of the arrangement of the contract using output method.

#### **Existence of significant financing component**

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Company applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Company adjusts for the promised amount of consideration for a significant financing component, the Company applies a discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Company transferred the associated goods or services before payments from customers in which the Company adjusts for the promised amount of consideration for significant financing components, the Company applies a discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. The Company recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

#### **Principal versus agent**

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Company is an agent).

The Company is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Company does not control the specified good or service provided by another party before that good or service is transferred to the customer. When

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

All amounts are in Hong Kong Dollar – ‘HK\$’; unless stated otherwise

the Company acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### **Leases**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use

#### **The Company as a lessee**

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

#### **Foreign currency**

##### *Transactions and balances*

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items



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denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the financial statements, the assets and liabilities of the Company's operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange differences relating to the retranslation of the Company's net assets in United States dollars to the Company's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the translation reserve will not be reclassified to profit or loss subsequently.

#### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

#### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit / loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the

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temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress. Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

#### *Ownership interests in leasehold land and building*

When the Company makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" or "prepaid lease payments" in the statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Telecommunications equipment	8 -10 Years
Computer equipment	3 Years

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Telecommunications projects under construction are stated at cost less any impairment losses and are not depreciated. Cost comprises the costs of equipment and any directly attributable costs of bringing the assets to become ready for use. Telecommunications projects under construction are reclassified to the appropriate category of property, plant and equipment when ready for use.

#### Impairment on property, plant and equipment, and right-of-use assets

At the end of the reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Company assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Company compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or

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a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and other short term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at Fair value through Profit or loss (“FVTPL”) are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### *Impairment of financial assets*

The Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, security deposits and cash and cash equivalents), and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company always recognises lifetime ECL for trade receivables other than amounts due from related parties. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

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- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
  
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or

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- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, other financial liability and borrowings are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. Key Sources of Estimation Uncertainty

The followings are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. The Company estimates the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. In addition, the Company calculates ECL for the trade receivables by individual assessment. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Company's historical loss rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As of March 31, 2022, the total carrying amount of trade receivables of the Company amounted to HK\$ 18,985,011 (March 31, 2021: HK\$ 12,480,489), net of allowance for credit losses of HK\$ 6,607,777 (March 31, 2021: HK\$ 6,455,097).

## 6. Revenue

	For the year ended	
	March 31, 2022	March 31, 2021
Rendering of services	62,629,555	55,584,990
	<u>62,629,555</u>	<u>55,584,990</u>



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**Disaggregation of Revenue**

Revenue is disaggregated as follows:

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Bandwidth Services	53,449,550	45,760,298
Airtel Talks	1,574,322	3,154,594
Others	7,605,683	6,670,098
	<b>62,629,555</b>	<b>55,584,990</b>

**Timing of Revenue Recognition**

Services transferred over time

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	62,629,555	55,584,990
	<b>62,629,555</b>	<b>55,584,990</b>

Revenue from telecommunication services are recognised when the relevant services are rendered or over the period of the arrangement of the contract using output method.

**Bandwidth Services:** Bandwidth revenue is recognised over time as the performance obligation is satisfied over the period of arrangement.

**Airtel Talks:** This includes revenue from voice calling, video calling and messaging using mobile application. Revenues from prepaid customer are recognised based on actual usage.

Others include:

**Point of Presence (POP) Services:** The revenue from these services are recognised based on the capacities interconnected at each such POP and varies from time to time.

**IP port services:** The revenue from IP port services is recognised when data start transmitting.

**7. Network operating expenses**

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Access charges	986,239	4,669,459
Network operating costs	45,044,797	48,210,213
License fee	101,403	214,380
	<b>46,132,439</b>	<b>53,094,052</b>

**8. General and administrative expenses**

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Employee costs	378,959	740,951
Other expenses	739,919	854,687
	<b>1,118,878</b>	<b>1,595,638</b>

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**9. Finance costs**

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Interest on a loan from Bharti International (Singapore) Pte. Limited (notes 19 and 26)	11,096	71,224
Interest expense - lease liability	-	535
Bank charges	147,033	151,340
	<b>158,129</b>	<b>223,099</b>

**10. Profit / (Loss) before taxation**

The Company's profit / (loss) before taxation is arrived at after charging (crediting):

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Auditor's remuneration	83,679	62,529
Depreciation expense on telecommunication equipment	1,468,624	1,682,012
Depreciation expense on Right-of-use assets ("ROU")	-	47,491
Impairment loss under expected loss model, net of reversal	108,487	1,147,089
Exchange loss	623,036	629,164

**11. Directors' emoluments**

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance is as follows:

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Other emoluments:		
Salaries, bonuses, commissions and allowances	84,363	330,497
Provident fund contributions (defined contribution schemes)	-	-
	<b>84,363</b>	<b>330,497</b>

**12. Income tax expense / (credit)**

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Hong Kong Profits Tax:		
- Current tax	2,035,974	-
- Over-provision in prior year	-	(277,281)
	2,035,974	(277,281)
Deferred Tax		
- Current year	136,036	(84,312)
	<b>2,172,010</b>	<b>(361,593)</b>

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On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Income tax expense / (credit) for the year can be reconciled to the profit / (loss) before taxation as per the statement of profit or loss and other comprehensive income is as follows:

	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Profit / (Loss) Before Tax	13,061,710	(2,630,947)
Tax at HK Profit tax rate @ 16.5%	2,155,182	(434,106)
Tax effect of expenses not deductible for tax purposes	519,455	845,316
Tax effect of income not taxable for tax purposes	(259,778)	(520,508)
Profit tax at concessionary rate (8.25%)	(165,000)	-
Utilisation of tax losses previously not recognised	(139,571)	-
Under-provision (Over-provision) in prior year	11,534	(277,281)
Others	50,188	24,986
	<b>2,172,010</b>	<b>(361,593)</b>

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**13. Property, plant and equipment**

	Telecom- munications equipment	Computer equipment	Construction work in progress	Total
<b>At March 31, 2022:</b>				
Opening Cost	24,328,235	17,049	3,118	24,348,402
Additions	-	-	397,331	397,331
Capitalisation	378,982	-	(379,842)	(860)
Currency translation	167,007	115	189	167,311
Closing Cost	<u>24,874,224</u>	<u>17,164</u>	<u>20,796</u>	<u>24,912,184</u>
Opening accumulated depreciation	(16,658,987)	(17,049)	-	(16,676,036)
Depreciation during the year	(1,468,624)	-	-	(1,468,624)
Currency translation	(120,636)	(115)	-	(120,751)
Closing accumulated depreciation	<u>(18,248,247)</u>	<u>(17,164)</u>	<u>-</u>	<u>(18,265,411)</u>
	Telecom- munications equipment	Computer equipment	Construction work in progress	Total
<b>At March 31, 2021:</b>				
Opening Cost	21,454,385	17,005	-	21,471,390
Additions	-	-	2,812,572	2,812,572
Capitalisation	2,809,570	-	(2,809,570)	-
Currency translation	64,280	44	116	64,440
Closing Cost	<u>24,328,235</u>	<u>17,049</u>	<u>3,118</u>	<u>24,348,402</u>
Opening accumulated depreciation	(14,933,373)	(17,005)	-	(14,950,378)
Depreciation during the year	(1,682,011)	-	-	(1,682,011)
Currency translation	(43,603)	(44)	-	(43,647)
Closing accumulated depreciation	<u>(16,658,987)</u>	<u>(17,049)</u>	<u>-</u>	<u>(16,676,036)</u>
<b>Carrying value:</b>				
As of March 31, 2022	6,625,977	-	20,796	6,646,773
As of March 31, 2021	7,669,248	-	3,118	7,672,366

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**14. Trade receivables**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Trade receivable	12,129,113	10,569,426
Less : Allowance for credit losses	(6,493,538)	(6,455,097)
	<u>5,635,575</u>	<u>4,114,329</u>
Due from related parties (note 26)	6,855,898	1,911,063
Less : Allowance for credit losses	(114,239)	-
	<u><b>12,377,234</b></u>	<u><b>6,025,392</b></u>

The Company allows a credit period of 45 days throughout the year to its trade customers. Over 53% (March 31, 2021: 65%) of the trade receivables are neither past due nor impaired as of March 31, 2022. The management considers that these receivables have good credit rating attributable under the credit review policy used by the Company.

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

As of March 31, 2022, the Company's trade receivables amounting to HK\$ 2,627,160 (March 31, 2021: HK\$ 1,459,276) which are past due at the reporting date for which the Company has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Company does not hold any collateral over these balances.

Ageing of trade receivables which are based on invoice date but not impaired

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Not due	3,008,415	2,655,053
0-30 days	1,784,735	1,122,159
31 - 60 days	598,970	280,725
61-90 days	243,455	56,392
	<u><b>5,635,575</b></u>	<u><b>4,114,329</b></u>

The Company has assessed individual cases and provided allowance for bad and doubtful receivables when the management considers the receivables are unlikely to recover in foreseeable future.

Movement in the allowance for credit loss:

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
At beginning of the year	6,455,097	5,303,937
Allowance for credit loss	108,487	1,147,089
Exchange differences	44,193	4,071
	<u><b>6,607,777</b></u>	<u><b>6,455,097</b></u>

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the

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opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**15. Prepayments  
Non-current**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Prepayments*	21,124,489	24,571,868
	<b>21,124,489</b>	<b>24,571,868</b>

**Current**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Prepayments*	4,543,737	4,340,225
Advance to suppliers	56,502	96,954
Less: Allowances	(50,961)	(96,954)
	<b>4,549,278</b>	<b>4,340,225</b>

\*Prepayments includes payment for contract of Indefeasible Right of Use (IRU) for use of certain capacity of Lit Fiber on non-exclusive basis. Such prepayments are expensed off on the basis of usage of capacity on a straight line basis over the contract period.

**16. Cash and cash equivalents**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Cash at bank	34,725,903	28,504,609
	<b>34,725,903</b>	<b>28,504,609</b>

**17. Trade and other payables**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Trade payables <sup>#</sup>	7,423,029	5,462,525
Accrued expenses <sup>#</sup>	5,815,163	7,497,543
Equipment supply payables	-	9,143
	<b>13,238,192</b>	<b>12,969,211</b>

<sup>#</sup>It includes amount due to related parties (refer note 26)

BHARTI AIRTEL (HONG KONG) LIMITED

Notes to Financial Statements

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**18. Contract liabilities**

	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Current	7,385,197	7,256,773
Non-Current	13,137,658	15,003,003

As of April 01, 2020, contract liabilities amounted to HK\$ 24,211,371.

Revenue recognised during the current year is HK\$ 7,256,773 (March 31, 2021: HK\$ 7,333,448) that was included in contract liabilities at the beginning of the reporting period amounted to HK\$ 7,256,773 (March 31, 2021: HK\$ 7,333,448).

Contract liabilities are recognised when the Company receives an amount from customers before services are provided, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Company typically receives a 100% of the contract amount as deposits from customer when the Company enter into the contracts with their customers.

**19. Borrowings**

The amount due to Bharti International (Singapore) Pte. Limited, amounting to HK\$ 3,765 as of March 31, 2022 (March 31, 2021: HK\$ 2,535,971) is unsecured and interest-bearing at average Hong Kong Inter-Bank Offered Rate (“HIBOR”) for the three-month period plus 190 basis points (March 31, 2021: at average HIBOR for the three-month period plus 190 basis points) and is repayable on demand.

**20. Deferred taxation**

The movement in deferred tax assets of the Company during the year is as follows:

	Depreciation Allowance in excess of related depreciation	Provision for impairment for Trade Receivables	Tax losses	Total
As at 31 March 2021	881,266	(1,065,091)	(18,847)	(202,672)
Deferred Tax Charged/ (Credited) to profit & loss account during the year	142,381	(25,192)	18,847	136,036
<b>As at March 31, 2022</b>	<b>1,023,647</b>	<b>(1,090,283)</b>	<b>-</b>	<b>(66,636)</b>
As at 31 March 2020	754,644	(873,004)	-	(118,360)
Deferred Tax Charged/ (Credited) to profit & loss account during the year	126,622	(192,087)	(18,847)	(84,312)
<b>As at 31 March 2021</b>	<b>881,266</b>	<b>(1,065,091)</b>	<b>(18,847)</b>	<b>(202,672)</b>

The company has utilised all the tax losses carried forward from the prior year. At the end of the reporting period, the company has no unused tax loss.

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**21. Other financial liabilities**

	As of	
	March 31, 2022	March 31, 2021
Interest accrued (refer note 26)	1,299	955,075
Dues to employees	-	44,415
	<b>1,299</b>	<b>999,490</b>

**22. Share capital**

	Number of shares	HK\$
<b>Issued and fully paid:</b>		
As of April 01, 2020, March 31, 2021 and March 31, 2022	4,959,480	4,959,480
Ordinary shares with no par value		

**23. Reserves**

- (i) **Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Company.
- (ii) **Foreign currency translation reserve:** Foreign currency translation reserve represent amount on account of change in exchange rates.

**24. Rights-of-use assets**

	Land and Buildings	
<b>As at March 31, 2022</b>		
Carrying amount	-	
<b>As at April 1, 2021</b>		
Carrying amount	-	
<b>For the year ended March 31, 2022</b>		
Depreciation charge for the year	-	
Exchange differences	-	
	-	
<b>For the year ended March 31, 2021</b>		
Depreciation charge for the year	47,491	
Exchange differences	11	
	<b>47,502</b>	
	<b>For the year ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Expenses relating to short-term leases	156,000	108,158
Total cash outflow for leases	-	158,480

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.



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The Company leases office buildings for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

#### 25. Capital and other commitments

As of March 31, 2022, the Company had contracted, but not provided for, capital commitments in respect of purchases of telecommunication equipment of HK\$ 1,333,421 (March 31, 2021: HK\$ 256,452).

#### 26. Related party disclosures

(a) List of related parties:

- i Parent Company**  
Bharti International (Singapore) Pte. Limited
- ii Intermediate parent entities**  
Network i2i Limited  
Bharti Airtel Limited (Parent of Network i2i Limited)
- iii Ultimate controlling entity**  
Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal’s family trust effectively controlling the said Company.
- iv Entity having significant influence over Bharti Airtel Limited**  
Singapore Telecommunications Limited
- v Other entities with whom transactions have taken place during the year**  
**Fellow Subsidiaries**  
Bharti Airtel (UK) Limited  
Bharti Airtel (USA) Limited  
Bharti Airtel (Japan) Private Limited  
Bharti Airtel (France) SAS  
Nextra Data Limited

(b) The Company had the following transactions with related parties during the year:

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	<b>As of</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Telecommunications service revenue from Bharti Airtel Limited	7,189,614	6,289,680
Telecommunications service fee charged by Bharti Airtel Limited	2,203,696	5,380,767
Telecommunications service revenue from Bharti International (Singapore) Pte. Limited	13,682,409	6,519,858
Telecommunications service fee charged by Bharti International (Singapore) Pte. Limited	3,382,432	4,265,416
Telecommunications service revenue from Bharti Airtel (USA) Limited	2,332,772	4,083,497
Telecommunications service fee charged by Bharti Airtel (USA) Limited	3,248,094	789,240
Telecommunications service revenue from Bharti Airtel (UK) Limited	2,098,869	700,206
Telecommunications service fee charged by Bharti Airtel (UK) Limited	177,160	218,324
Telecommunications service revenue from Network i2i Limited	744,118	-
Telecommunications service fee charged by Network i2i Limited	2,850,103	4,476,032
Telecommunications service fee charged by Bharti Airtel (France) SAS	110,477	5,571,648
Expenses incurred by Bharti Airtel Limited	47,235	46,887
Service fee charged by Nxtra Data Limited	1,097,267	922,041
Interest charged by Bharti International (Singapore) Pte. Limited <sup>^</sup>	11,096	71,224

<sup>^</sup>The interest rate is disclosed in note 19 to the financial statements.

(c) Outstanding balances with related parties:

	Bharti Airtel Limited	Bharti International (Singapore) Pte. Limited	Singapore Telecommunications Limited	Bharti Airtel (USA) Limited	Bharti Airtel (UK) Limited	Network i2i Limited	Bharti Airtel (Japan) Private Limited	Bharti Airtel (France) SAS	Nxtra Data Limited	Total outstanding balances
<b>As of March 31, 2022</b>										
Trade and other payables	-	-	-	(249,398)	-	(270,584)	-	-	(279,871)	(799,853)
Trade receivables	455,247	3,418,133	114,239	-	490,518	-	23,037	2,354,724	-	6,855,898
Borrowings (including accrued interest)	-	(5,064)	-	-	-	-	-	-	-	(5,064)
	<b>455,247</b>	<b>3,413,069</b>	<b>114,239</b>	<b>(249,398)</b>	<b>490,518</b>	<b>(270,584)</b>	<b>23,037</b>	<b>2,354,724</b>	<b>(279,871)</b>	<b>6,050,981</b>
<b>As of March 31, 2021</b>										
Trade and other payables	-	(1,285,771)	-	-	-	(649,342)	-	-	(1,730,596)	(3,665,709)
Trade receivables	1,185,920	-	113,479	96,264	102,612	-	22,882	389,906	-	1,911,063
Borrowings (including accrued interest)	-	(3,491,046)	-	-	-	-	-	-	-	(3,491,046)
	<b>1,185,920</b>	<b>(4,776,817)</b>	<b>113,479</b>	<b>96,264</b>	<b>102,612</b>	<b>(649,342)</b>	<b>22,882</b>	<b>389,906</b>	<b>(1,730,596)</b>	<b>(5,245,692)</b>

As of March 31, 2022, except as disclosed in note 19, all balances with the parent entity, intermediate parent entity, fellow subsidiaries and entity having significant influence over Bharti Airtel Limited are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation to the director is disclosed in note 11 to the financial statements.

## BHARTI AIRTEL (HONG KONG) LIMITED

### Notes to Financial Statements

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#### 27. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of net debt (which include borrowings as disclosed in note 19) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the director, the Company will balance its overall capital structure through raising of new share capital as well as the issue of new debts.

#### 28. Financial Instruments

##### a. Categories of financial instruments

	As of	
	March 31, 2022	March 31, 2021
<b><u>Financial assets</u></b>		
Amortised costs	47,809,275	35,231,403
<b><u>Financial liabilities</u></b>		
Amortised costs	13,243,256	16,504,672

##### b. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, trade receivables, security deposits, trade and other payables, other financial liability and borrowings from Bharti International (Singapore) Pte. Limited. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

##### Market risk

###### (i) Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to variable-rate borrowing from Bharti International (Singapore) Pte. Limited (see note 19 for details). The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Company's US\$ dominated borrowings. The Company aims at keeping borrowings at variable rates. The Company manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of interest rates on HIBOR is minimal. Accordingly, no sensitivity analysis is prepared and presented.

BHARTI AIRTEL (HONG KONG) LIMITED

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**(ii) Currency risk**

The Company has no significant exposure to foreign exchange risk arising from various currency exposures. The transactions and recognised assets and liabilities are mainly denominated in either United States dollars ("US\$") (the Company's functional currency) or HK\$. The Company does not anticipate significant movements in US\$ to HK\$ exchange rate. The Company will continuously monitor its foreign currency risk exposures in light of various market conditions to determine if any hedging arrangements are required in the future.

**Credit risk**

As of March 31, 2022 and March 31, 2021, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Company performs impairment assessment under ECL model on trade balances. In this regard, the Directors consider that the Company's credit risk is significantly reduced. The following table provides information about the exposure to credit risk and ECL for trade receivables:

**As at March 31, 2022:**

Internal Credit Rating	12-month or lifetime ECL	Gross Average loss rate	Impairment carrying amount	Loss allowance
Amounts due from related parties	12-month ECL	-	6,741,659	-
Credit impaired			114,239	114,239
			6,855,898	114,239
Categories B	Lifetime ECL	3.14%	5,812,077	182,499
Credit impaired			6,317,036	6,311,039
			12,129,113	6,493,538
			18,985,011	6,607,777

**As at March 31, 2021:**

Internal Credit Rating	12-month or lifetime ECL	Gross Average loss rate	Impairment carrying amount	Loss allowance
Amounts due from related parties	12-month ECL	-	1,911,063	-
			1,911,063	-
Categories B	Lifetime ECL	3.21%	4,253,035	138,706
Credit impaired			6,316,391	6,316,391
			10,569,426	6,455,097
			12,480,489	6,455,097

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The following tables show reconciliation of loss allowances:

	Lifetime ECL (Non-credit impaired)	Gross Credit impaired	Total
Balance as at April 01, 2020	211,848	5,092,089	5,303,937
Impairment under ECL model, net of reversal	(74,780)	1,221,869	1,147,089
Exchange difference	1,638	2,433	4,071
As at March 31, 2021	138,706	6,316,391	6,455,097
Impairment under ECL model, net of reversal	22,814	85,673	108,487
Exchange difference	20,979	23,214	44,193
As at March 31, 2022	182,499	6,425,278	6,607,777

The Company writes off a trade receivable when there is information indicating that the receivable is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

For the amounts due from related parties and security deposits, the Company measure on 12 month ECL basis as there had been no significant increase in credit risk since initial recognition. Except for one balance pertaining to related party which has been fully provided for, the Company considers there is a low risk of default and does not have any past due amounts and no loss allowance has been made on this balance as at March 31, 2022.

The Company measures the loss allowance on bank balances on 12 month ECL basis as there had been no significant increase in credit risk since initial recognition. The credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies

### Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities which are repayable on demand or in less than 1 year. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

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*Liquidity table*

	Weighted avg interest rate	On demand HK\$	Less than 3 months HK\$	Total Outflow HK\$	Carrying amount HK\$
<b>March 31, 2022</b>					
Trade and other payables	-	-	13,238,192	13,238,192	13,238,192
Borrowings	2.16%	3,765	-	3,765	3,765
Interest accrued	-	1,299	-	1,299	1,299
Dues to employees	-	-	-	-	-
<b>Total</b>		<b>5,064</b>	<b>13,238,192</b>	<b>13,243,256</b>	<b>13,243,256</b>
<b>March 31, 2021</b>					
Trade and other payables	-	-	12,969,211	12,969,211	12,969,211
Borrowings	2.23%	2,535,971	-	2,535,971	2,535,971
Interest accrued	-	955,075	-	955,075	955,075
Dues to employees	-	-	44,415	44,415	44,415
<b>Total</b>		<b>3,491,046</b>	<b>13,013,626</b>	<b>16,504,672</b>	<b>16,504,672</b>

**c. Fair value measurement of financial instruments**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

**29. Reconciliation of liabilities arising from financing activities**

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, classified in the Company's statements of cash flows as cash flows from financing activities.

	Lease Liabilities	Borrowings	Other financial liability	Total
As at April 01, 2020	49,797	2,535,971	883,851	3,469,619
Financing cash flow	(50,332)	-	-	(50,332)
Interest expense recognised	535	-	71,224	71,759
As at March 31, 2021	-	2,535,971	955,075	3,491,046
As at April 01, 2021	-	2,535,971	955,075	3,491,046
Financing cash flow	-	(2,532,206)	(964,872)	(3,497,078)
Interest expense recognised	-	-	11,096	11,096
As at March 31, 2022	-	3,765	1,299	5,064

**30. Authorisation of the financial statements**

The financial statements were authorised for issue by the Board of Directors on June 27, 2022.