BHARTI AIRTEL LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED
31 MARCH 2022

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 2022, 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 2022, 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
29 July 2022

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Bharti Airtel Lanka (Private) Limited
STATEMENT OF COMPREHENSIVE INCOME
As at 31 March 2022

	Note	2022 Rs. '000	2021 Rs. '000
Income			
Revenue	18.	10,589,566	10,731,868
Other income	19.	46,882	4,900
Finance income	20.	1,851	1,588
Expenditure			
Access charges		(1,499,774)	(1,224,373)
Personnel costs		(1,113,819)	(1,009,283)
Network expenses		(7,055,526)	(5,702,179)
Marketing expenses		(2,492,642)	(2,312,563)
Administrative expenses		(221,175)	(252,937)
Depreciation, amortisation and impairment of property, plant and equipment		(4,926,673)	(3,673,183)
Finance cost	21.	(1,832,612)	(1,266,542)
Exchange losses		(15,419,443)	(1,079,797)
Loss before tax		**(23,923,365)**	**(5,782,499)**
Income tax expense	23.	-	-
Loss for the year		**(23,923,365)**	**(5,782,499)**
Other Comprehensive Income not to be reclassified to Profit or Loss			
Actuarial gain on defined benefit obligations	13.	16,989	1,386
		16,989	1,386
Total Comprehensive Expense, Net of Tax		**(23,906,376)**	**(5,781,113)**

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

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Bharti Airtel Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note	31-Mar-2022 Rs. '000	31-Mar-2021 Rs. '000
Assets			
Non-Current Assets			
Property, plant & equipment	5	24,014,611	18,210,479
Intangible assets	6	3,526,123	3,843,745
Right to use of assets	8	2,254,556	2,456,627
Advances & prepayments	7	157,973	150,395
		29,953,263	**24,661,246**
Current Assets			
Inventories	9	27,488	9,219
Advances & prepayments	7	818,868	850,949
Trade and other receivables	10	2,347,915	1,454,438
Cash and cash equivalents	11	2,908,391	1,249,989
		6,102,662	**3,564,595**
Total Assets		**36,055,925**	**28,225,841**
Equity and Liabilities			
Equity Attributable to Equity Holders of the Parent			
Stated capital	12	54,802,587	54,802,587
Accumulated losses		(90,837,758)	(66,931,381)
Total Equity		**(36,035,171)**	**(12,128,794)**
Non-Current Liabilities			
Lease liability	8.1	1,636,134	1,992,507
Retirement benefit liability	13	103,928	113,547
Asset retirement obligation	14	388,694	394,564
Interest bearing loans and borrowings	15	45,502,322	15,268,088
		47,631,078	**17,768,706**
Current Liabilities			
Interest bearing loans and borrowings	15	2,089,828	1,306,297
Trade and other payables	16	9,396,212	8,527,976
Deferred revenue	17	816,137	828,809
Lease liability	8.1	1,040,565	733,060
Bank overdrafts	11	11,117,275	11,189,787
		24,460,017	**22,585,929**
Total Equity and Liabilities		**36,055,925**	**28,225,841**

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

....

Director & Chief Finance Officer

The board of directors are responsible for the preparation and presentation of these financial statements. Signed on behalf of the board on 25 July 2022.

.... Director

.... Director

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

Bharti Airtel Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY

As at 31 March 2022

	Stated Capital Rs. '000	Accumulated Loss Rs. '000	Total Rs. '000
As at 31 Mar 2020	54,802,587	(61,150,267)	(6,347,680)
Loss for the year	-	(5,782,500)	(5,782,500)
Other comprehensive income	-	1,386	1,386
As at 31 Mar 2021	**54,802,587**	**(66,931,381)**	**(12,128,794)**
Loss for the year	-	(23,923,365)	(23,923,365)
Other comprehensive income	-	16,989	16,989
As at 31 Mar 2022	**54,802,587**	**(90,837,758)**	**(36,035,171)**

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

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Bharti Airtel Lanka (Private) Limited
CASH FLOW STATEMENT
As at 31 March 2022

	Note	2022 Rs. '000	2021 Rs. '000
Cash Flows From / (Used in) Operating Activities			
Loss before tax from continuing operations		(23,923,365)	(5,782,499)
Adjustments for			
Deferred revenue		(7,338,656)	(7,346,210)
Depreciation	5	3,086,214	2,356,458
Amortisation	6	878,987	504,205
Depreciation ROU assets		962,962	820,540
Impairment of property, plant and equipment and CWIP		(3,400)	(8,920)
Amortisation of prepaid lease rental		(1,878)	(1,652)
Income from investments	20	(1,851)	(1,588)
Finance costs	21	1,832,612	1,266,542
Other income		(2,811)	(3,161)
(Profit) / loss on disposal of property, plant and equipment		(44,070)	(1,739)
(Profit) / loss on retirement of property, plant and equipment		9,762	1,611
Foreign currency gains / (losses)		15,419,443	1,079,797
Provision for defined benefit plans	13	17,513	23,969
Provision for / (reversal of) property, plant and equipment CWIP	5.2	(17,022)	47,635
Provision for doubtful debts		(11,615)	1,676
Operating loss before working capital changes		**(9,137,176)**	**(7,043,339)**
(Increase) / decrease in inventories		(18,269)	3,739
(Increase) in trade and other receivables		(855,481)	(262,047)
Increase / (decrease) in trade and other payables		793,376	3,380,325
Cash used in operations		**(9,217,549)**	**(3,921,322)**
Income tax paid		-	-
Gratuity paid	13	(10,143)	(7,434)
Receipts from recharge cards and reload sales		7,325,984	7,289,972
Net cash (used in) / from operations		**(1,901,709)**	**3,361,216**
Cash Flows from Investing Activities			
Acquisition of property, plant & equipment		(9,441,060)	(9,280,801)
Proceeds from disposal of property, plant and equipment		44,079	1,739
Renewal of mobile license fee		-	(750,002)
Interest received	20	1,851	1,588
Money received from sundry balances written off		2,811	3,161
Net cash flows used in investing activities		**(9,392,319)**	**(10,024,315)**
Cash Flows from Financing Activities			
Loans received during the year	15.1	20,776,297	9,362,583
Loans settled during the year	15.1	(4,491,296)	(183,084)
Interest payment on loans and borrowing	21	(1,437,315)	(999,719)
Increase / (decrease) in short term loans		783,532	191,297
Repayments on lease liability		(1,136,067)	(1,108,413)
Net cash flows from financing activities		**14,495,151**	**7,262,664**
Net Increase in Cash and Cash Equivalents		3,201,123	599,565
Effect of exchange rate difference on cash and cash equivalents		(1,470,209)	(210,263)
Cash and cash equivalents at the beginning of the year	11	(9,939,798)	(10,329,100)
Cash and cash equivalents at the end of the year	11	**(8,208,884)**	**(9,939,798)**

The accounting policies and notes from 1 to 29 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 principal activity of providing mobile telecommunication services with the launch of its services on 12 January 2009. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity and ultimate parent undertaking and controlling party is Bharti Airtel Ltd, which is incorporated in India.

1.4 Date of Authorization for Issue

The financial statements of Bharti Airtel Lanka (Private) Limited for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the board of directors on 25 July 2022.

2. General Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for Retirement benefit liability, Lease liability, Right of use Asset and Asset Retirement obligation, which are reflected in the financial statements at their present value. . The financial statements are presented in Sri Lankan Rupees and rounded to the nearest thousand unless otherwise stated.

2.2 Statement of Compliance - Basis of preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (LKAS, SLFRS), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). and per the requirements of the Companies Act No. 7 of 2007.

2.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate, merge or to cease operations. However, the Company has incurred a loss after tax of Rs 23,923 Mn for the financial year ended 31 March 2022 (2021 – Rs 5,783 Mn). As at the reporting date, the Company's accumulated loss amounted to Rs 90,838 Mn (2021 – Rs. 66,931 Mn).

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

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

- Financial and technical support from the parent entity to provide additional funding as on when required by the Company for the purpose of meeting the Company's future liabilities to enable the Company to continue as a going concern over the ensuing period of 12 months.
- Signed contract with a related party company, Bharti Airtel Lanka (Pvt) Ltd. has a facility of USD 175 Mn. Current usage is only USD153.72 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.

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2.4 Significant Accounting Estimates and Assumptions

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the statement of financial position and amounts charged to the statement of profit or loss and other comprehensive income. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant notes to the financial statements.

a) Impairment Losses on Capital Work in Progress

Management reviews capital work in progress at each month end to identify any constructions which are unlikely to be completed. An impairment loss is recognized for uncompleted sites and computer hardware & integral software based on the period lapsed since commencement of the construction and development. Refer details given in Note 5.2.

b) Asset Retirement Obligation (ARO)

The Company has recognized a provision for Asset Retirement Obligation associated with each base station constructed in leasehold assets. The determination of the obligation is based on estimates relating to discount rates, expected cost to dismantle the site and the expected timing of these costs. Refer details given in Note 14.

c) Defined Benefit Plans

The Defined Benefit Obligations and the related charges for the year are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainties. Further details are provided in Note 13.

d) Impairment of Trade Receivables

Impairment of trade receivables is based on the Company's past loss experience and is determined on management's best estimate. Refer details given in Note 10.1 and 10.2 relating to impairment of financial assets.

e) Impairment of Non-Financial Assets

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

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3. Summary of Significant Accounting Policies

3.1 Foreign Currency Translation

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss. Non monetary item that is measured in terms of historical cost in a foreign currency is translated using the exchange rate as at the date of the initial transaction.

3.2 Foreign Currency Translation

The Company presents assets and liabilities in the statement of financial position as current and non-current.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period,
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3.3 Fair Value Measurement

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

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

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

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

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3.3 Fair Value Measurement – *(Contd.)*

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

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

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

3.4 Taxation

Current Taxes

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

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

After the expiration of the aforesaid tax exemption period, the profits and income of the enterprise shall be charged at the rate of 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 is not recognized for the temporary difference, which is to be reversed during the tax holiday period.

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

3.5 Intangible Assets
An intangible asset is recognised if it is probable that benefits attributable to the asset will flow to the entity and cost of the assets can be measured reliably. Intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss.

Intangible assets with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite Life is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Licences
Licence fee paid by the Company has been recognised as an intangible asset and the same is being amortised equally over period of licence of 10 years from the date of commencement of commercial operations or renewal date.

Software
Software represents the operational, networking and other software used by the Company. Such software is amortised on a straight-line basis over a period of 1-3 years.

3.6 Inventories
Inventory is valued at the lower of cost and net realizable value. Cost includes the packing cost of SIM stock. The inventory cost is determined on first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary cause of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Financial Instruments
Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

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De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

3.8 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and at bank that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at bank net of outstanding bank overdrafts.

3.9 Property, Plant and Equipment

3.9.1 Owned Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is provided for on the basis specified in paragraph 4.10.3.

The cost of property, plant and equipment includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant & equipment have different useful Life, they are accounted for as separate items (major components) of property, plant & equipment.

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

3.9.2 Capital Work-in-Progress

The plant and equipment under construction are recognised at cost under work in progress and capitalised when such plant and equipment are available for use.

The Company recognizes an impairment loss for sites which are under construction, when there is a objective evidence of impairment.

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