BHARTI AIRTEL (JAPAN) PRIVATE LIMITED

Ind AS Financial Statements

March 2018

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Ind AS Financial Statements March 2018

Contents **Page No.**

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT
To The Board of Directors of Bharti Airtel (Japan) Private Limited.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Bharti Airtel (Japan) Private Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as Ind AS Financial Statements).

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these Ind AS financial statements in accordance with the basis of preparation referred to in Note 2.1 of the Ind AS financial statements, that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS Financial Statements give a true and fair view in conformity with the basis of accounting set out in Note 2.1, of the state of affairs of the Company as at 31st March, 2018, and its profit , total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Other Matter

The comparative financial information of the Company for the year ended 31st March, 2017 prepared in accordance with Ind AS included in these Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 27th June 2017 expressed an unmodified opinion.

Our opinion is not modified in respect of this matter.

Basis of Preparation and Restriction on Use and distribution

Without modifying our opinion, we draw attention to Note 2.1 of the Ind AS financial statements, which describes basis of preparation. These Ind AS financial Statements have been prepared solely to assist Bharti Airtel Limited - for its consolidation purpose and to comply with requirements under Companies Act 2013. Our report is intended solely for the use of management and Board of Directors for the above purpose and should not be distributed to or used by any other parties

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sd/-
Hemant M. Joshi
Partner
(Membership No. 38019)

Place: New Delhi
Date:June 26, 2018

Ind AS Financial Statements

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Balance Sheet
(All amounts are in thousands of JPY)

	Notes	As of March 31, 2018 (In Rs. '000) (Unaudited)	March 31, 2018 (Audited)	March 31, 2017 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	**5**	1,204	1,974	6,252
Financial assets				
- Security deposits		28	46	48
		1,232	**2,020**	**6,300**
Current assets				
Financial assets				
- Trade receivables	**6**	5,675	9,304	19,466
- Cash and cash equivalents	**7**	22,562	36,986	22,304
Other current assets	**8**	3,240	5,311	1,391
		31,477	**51,601**	**43,161**
Total assets		**32,709**	**53,621**	**49,461**
Equity and Liabilities				
Equity				
Share capital	**9**	31	50	50
Other equity		6,123	10,037	8,517
		6,154	**10,087**	**8,567**
Current liabilities				
Financial liabilities				
- Current maturities of long term borrowings	**10**	10,371	17,000	17,000
- Trade payables	**11**	11,544	18,926	13,289
- Others	**12**	4,563	7,481	6,234
Income tax liabilities (net)	**13**	54	89	4,237
Other current liabilities	**14**	23	38	134
Total liabilities		**26,555**	**43,534**	**40,894**
Total Equity and liabilities		**32,709**	**53,621**	**49,461**

The accompanying notes form an integral part of these financial statements.

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

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

Sd/-
Hemant M. Joshi
Partner
Membership No: 38019

Sd/-
Cledwyn Menezes
Director

Sd/-
Yasuhiko Niiro
Director

Place: New Delhi

Date: June 26, 2018

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Statement of Profit and Loss
(All amounts are in thousands of JPY; except per share data and unless stated otherwise)

	Notes	For the year ended		
		March 31, 2018	**March 31, 2018**	**March 31, 2017**
		(In Rs. '000) (Unaudited)	**(Audited)**	**(Audited)**
Income				
Revenue from operations	**16**	27,423	44,956	75,757
		27,423	**44,956**	**75,757**
Expenses				
Network operating expenses		22,724	37,252	39,472
Employee benefits expense	**17**	1,786	2,928	3,086
Other expenses	**18**	289	473	3,013
		24,799	**40,653**	**45,571**
Profit from operating activities before depreciation and amortisation		**2,624**	**4,303**	**30,186**
Depreciation and amortisation	**5**	2,536	4,158	3,866
Finance costs	**19**	1,337	2,192	4,611
Finance income	**20**	-	-	(16)
(Loss)/Profit before tax		**(1,249)**	**(2,047)**	**21,725**
Tax expense				
Current tax (credit) / expense	**13**	(2,494)	(4,088)	1,592
Profit for the year		**1,245**	**2,041**	**20,133**
Other comprehensive (loss) for the year				
Currency translation loss		(318)	(521)	(1,446)
Total comprehensive income for the year		**927**	**1,520**	**18,687**
Earnings per share (In Rs. / JPY)				
Basic and Diluted	**23**	927,479	1,520,457	18,687,171

The accompanying notes form an integral part of these financial statements.

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

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

Sd/-
Hemant M. Joshi
Partner
Membership No: 38019

Sd/-
Cledwyn Menezes
Director

Sd/-
Yasuhiko Niiro
Director

Place: New Delhi

Date: June 26, 2018

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

	Share capital		Other equity		
	No of shares	Amount	Retained earnings	Other components of equity	Total equity
As of April 1, 2016	**1**	**50**	**(10,170)**	-	(10,120)
Profit for the year	-	-	20,133	-	20,133
Other comprehensive loss	-	-	-	(1,446)	(1,446)
Total comprehensive income	-	-	**20,133**	**(1,446)**	18,687
As of March 31, 2017	**1**	**50**	**9,963**	**(1,446)**	8,567
Profit for the year	-	-	2,041	-	2,041
Other comprehensive loss	-	-	-	(521)	(521)
Total comprehensive income	-	-	**2,041**	**(521)**	**1,520**
As of March 31, 2018	**1**	**50**	**12,004**	**(1,967)**	**10,087**

The accompanying notes form an integral part of these financial statements.

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

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

Sd/-
Hemant M. Joshi
Partner
Membership No: 38019

Sd/-
Cledwyn Menezes
Director

Sd/-
Yasuhiko Niiro
Director

Place: New Delhi

Date: June 26, 2018

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Statement of Cash Flows
(All amounts are in thousands of JPY)

	For the year ended	
	March 31, 2018	**March 31, 2017**
A. Cash flow from operating activities		
(Loss) / Profit before tax	**(2,047)**	**21,725**
Adjustments for :		
Depreciation and amortisation	4,158	3,866
Finance Cost	2,192	4,611
Finance Income	-	(16)
Operating cash flow before working capital changes	**4,303**	**30,186**
Changes in working capital		
Trade receivables	9,907	(11,329)
Other current assets	(3,821)	476
Trade payables	4,970	(9,085)
Current liabilities	(94)	(494)
Net Cash generated from operations before tax	**15,265**	**9,754**
Income tax (paid) / refund	(59)	1,055
Net cash generated from operating activities [A]	**15,206**	**10,809**
B. Cash flow from investing activities		
Interest received	-	16
Net cash generated from investing activities [B]	-	**16**
C. Cash flow from financing activities		
Interest paid	(407)	(436)
Net cash used in financing activities [C]	**(407)**	**(436)**
Net increase in cash and cash equivalents [A+B+C]	**14,799**	**10,389**
Effect of exchange rate changes on cash and cash equivalents	(117)	-
Cash and cash equivalents as at the beginning of the year	22,304	11,915
Cash and cash equivalents as at the end of the year (refer Note 7)	**36,986**	**22,304**

The accompanying notes form an integral part of these financial statements.

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

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

Sd/-
Hemant M. Joshi
Partner
Membership No: 38019

Sd/-
Cledwyn Menezes
Director

Sd/-
Yasuhiko Niiro
Director

Place: New Delhi

Date: June 26, 2018

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared to comply in all material respects with the Indian Accounting Standard ('Ind AS') notified under section 133 of the Companies Act, 2013 read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 issued by the Ministry of Corporate Affairs, except additional disclosures required by the Companies Act 2013 (as the Company is not incorporated in India and these financial statements are not statutory financial statements, full compliance with the above Act is not required).

The financial statements are authorised for issue by the Company's Board of Directors on

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the Company, to all the periods presented in the said financial statements.

The preparation of the said financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas where estimates are significant to the financial statements, or areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

The financial statements are based on the classification provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Companies Act 2013. Further, for the purpose of clarity, various items are aggregated in statement of profit and loss and balance sheet. Nonetheless, these items are dis-aggregated separately in the notes to the financial statements, where applicable or required.

The functional currency of the Company is United States Dollars ('USD'). However, the presentation currency of the Company is Japanese Yen ('JPY') and therefore all the amounts included in the financial statements are reported in Japanese Yen ('JPY'), except per share data and unless stated otherwise. The translation of JPY to Rupee amounts is unaudited and is included solely for readers in India and has been calculated using the rate of JPY 1 = Rs0.61, the RBI reference rate as announced by the Reserve Bank of India (RBI) on March 31, 2018. Such translations should not be construed as representations that the Rupee amounts represent, or have been or could be converted into, United States Dollars at that or any other rate.

Previous year figures have been re-grouped, wherever necessary to conform to current year's classification.

All the amounts included in the financial statements are reported in thousands of Japanese Yen ('JPY') and are rounded to the nearest thousands, except per share data and unless stated otherwise.

2.2 Basis of measurement

The financial statements have been prepared on the accrual and going concern basis, and the historical cost convention except where the Ind AS requires a different accounting treatment.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The three levels of the fair-value-hierarchy are described below:
Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets
Level 2: Significant inputs to the fair value measurement are directly or indirectly observable
Level 3: Significant inputs to the fair value measurement are unobservable

2.3 Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined.
Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss within finance cost / finance income.

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

2.4 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.
Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

2.5 Property, plant and equipment ('PPE')

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

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of property, plant and equipment are required to be replaced in regular

intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the balance sheet and cost of the new item of PPE is recognised. Further, in case the replaced part was not being depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired.
The expenditures that are incurred after the item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit and loss in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. The Company has established the estimated range of useful lives of different categories of PPE as follows:

	Years
Plant & Equipment	3 – 10

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

The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Companies Act, 2013 and has accordingly, depreciated the asset over such useful life.

The cost of capital work-in-progress is presented separately in the balance sheet.

2.6 Impairment of non-financial assets

Property, plant and equipment

PPE with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis.

Reversal of impairment losses

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

2.7 Financial instruments

a. Recognition, classification and presentation

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

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

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

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

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

b. Measurement – Non-derivative financial instruments

I. Initial measurement

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

II. Subsequent measurement - financial assets

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

i. Financial assets measured at amortised cost

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

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

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

Impairment

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

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

III. Subsequent measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting / any transaction costs is significant).

c. Measurement – derivative financial instrument

Derivative financial instruments, including separated embedded derivatives are classified as financial instruments at fair value through profit or loss - Held for trading. Such derivative financial instruments are initially recognised at fair value. They are subsequently re-measured at their fair value, with changes in fair value being recognised in the statement of profit and loss within finance income / finance costs.

d. Derecognition

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

2.8 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease receipts / payments are recognised as an income / expense on a straight-line basis over the lease term unless the lease payments increase in line with expected general inflation.

a. Company as a lessee

Assets acquired under finance leases are capitalized at the lease inception at lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges (recognised in the statement of profit and loss) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

b. Company as a lessor

Assets leased to others under finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is recognised based on the periodic rate of return on the net investment outstanding in respect of the finance lease.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised in statement of profit and loss on a straight-line basis over the lease term.

The Company enters into 'Indefeasible right to use' arrangement wherein the assets are given on lease over the substantial part of the asset life. However, the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Company. Hence, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the balance sheet.

2.9 Taxes

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of Cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the Statement of cash flows, in addition to above items, any bank overdrafts / cash credits that are integral part of the Company's cash management, are also included as a component of Cash and cash equivalents.

2.11 Share capital

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

2.12 Employee benefits

The Company's employee benefits mainly include wages, salaries and bonuses. The employee benefits are recognised in the period in which the associated services are rendered by the Company employees.

2.13 Provisions

a. General

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

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of discount over passage of time is recognised within finance costs.

b. Contingencies

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

2.14 Revenue recognition

Revenue is recognised when it is probable that the entity will receive the economic benefits associated with the transaction and the related revenue can be measured reliably. Revenue is recognised at the fair value of the consideration received or receivable, which is generally the transaction price, net of any taxes / duties, discounts and process waivers.

Co-location Income: Income on Co-location is recognised on an accrual basis.
Point of presence (POP) services: Revenue from these services are recognised based on the capacities interconnected at each such POP and varies from time to time.

2.15 Borrowing costs

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

2.16 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS data.

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

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

2.17 Segment Reporting

The Company operates only in one business and geographical segment. Therefore, segment information as per Ind AS-108, 'Segment Reporting', has not been disclosed.

3. Critical accounting estimates, assumptions and judgements

The estimates and judgements used in the preparation of the said financial statements are continuously evaluated by the Company, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the Company believes to be reasonable under the existing circumstances. The said estimates and judgements are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates - even if the assumptions under-lying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the period in which they become known.

4. Standards issued but not yet effective up to the date of issuance of the Company's financial statements

The new significant standards, amendments to Standards that are issued but not yet effective until the date of authorisation for issuance of the said financial statements are discussed below. The Company has not early adopted these amendments and intends to adopt when they become effective.

Ind AS 115, 'Revenue from Contracts with Customers'

In March 2018, MCA has notified the Ind AS 115, Revenue from Contract with Customers. As a consequence of issuance of Ind AS 115, relevant paragraphs have been inserted / amended in various other standards.

(All amounts are in thousands of JPY; unless stated otherwise)

The Standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in Ind AS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under Ind AS. The effective date of Ind AS 115 is annual periods beginning on or after April 1, 2018. The Company does not expect that the adoption of the said standard and related amendments will have any significant impact on the financial statements per se.

5. Property Plant and equipment

Particulars	Plant and machinery
Cost	
As at April 1, 2016	**25,138**
Additions	-
Disposals	-
Currency Translation	(188)
As at March 31, 2017	**24,950**
Additions	
Disposals	
Currency Translation	(1,159)
As at March 31, 2018	**23,791**
Depreciation	
As at April 1, 2016	**14,848**
Charge for the year	3,866
Disposals	-
Currency Translation	(16)
As at March 31, 2017	**18,698**
Charge for the year	4,158
Disposals	
Currency Translation	(1,039)
As at March 31, 2018	**21,817**
Net Block	
At March 31, 2016	10,290
At March 31, 2017	6,252
At March 31, 2018	1,974

(All amounts are in thousands of JPY; unless stated otherwise)

6. Trade receivables

	As of March 31, 2018	As of March 31, 2017
Unsecured, unless stated otherwise		
Considered good (refer Note 21)	9,304	19,466
	9,304	**19,466**

7. Cash and cash equivalents

	As of March 31, 2018	As of March 31, 2017
Balance with banks		
- On current accounts	36,986	22,304
	36,986	**22,304**

8. Other current assets

	As of March 31, 2018	As of March 31, 2017
Prepaid expenses	19	187
Advance to supplier	30	-
Taxes receivable*	5,262	1,204
	5,311	**1,391**

* Taxes receivable includes consumption tax

9. Share Capital

	As of March 31, 2018	As of March 31, 2017
Authorized shares		
1 (March 31, 2017- 1) equity share of JPY 50,000	50	50
Issued, subscribed and fully paid-up shares		
1 (March 31, 2017- 1) equity share of JPY 50,000 each, fully paid-up	50	50
	50	**50**

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

Particulars	As of March 31, 2018		As of March 31, 2017	
	No. of shares	JPY	No. of shares	JPY
At the beginning of the year	1	50	1	50
Outstanding at the end of the year	**1**	**50**	**1**	**50**

b) Terms/rights attached to equity shares

The Company has one class of equity shares having par value of JPY 50,000 per share. Each shareholder of equity share is entitled to one vote per share.

(All amounts are in thousands of JPY; unless stated otherwise)

c) Shares held by holding company

Name of the shareholder	As of March 31, 2018 No. of shares	As of March 31, 2018 % holding	As of March 31, 2017 No. of shares	As of March 31, 2017 % holding
Equity shares of JPY 50,000 each fully paid Bharti International (Singapore) Pte Ltd, the holding company	1	100%	1	100%

10. Borrowings

Non-current

	As of March 31, 2018	As of March 31, 2017
Unsecured		
Loan from related party (refer note 21)	17,000	17,000
Less: Current portion (A)	(17,000)	(17,000)
	-	-
Current maturities of long-term borrowings (A)	**17,000**	**17,000**

Maturity of borrowings

	As of March 31, 2018	As of March 31, 2017
Within one year	17,000	17,000
Between one and two years	-	-
	17,000	**17,000**

The JPY fixed rate borrowings bearing an interest rate of 7.33% per annum.

11. Trade payables

	As of March 31, 2018	As of March 31, 2017
Trade creditors*	18,926	13,289
	18,926	**13,289**

* Includes amount due to related parties (refer Note 21)

(All amounts are in thousands of JPY; unless stated otherwise)

12. Other financial liabilities
Current

	As of March 31, 2018	As of March 31, 2017
Interest accrued but not due (refer note 21)	7,481	6,234
	7,481	**6,234**

13. Income Tax Liabilities (Net)

	As of March 31, 2018	As of March 31, 2017
Provision for Tax	2,537	33,548
Less :- Advance Tax	(2,448)	(29,311)
	89	**4,237**

The major components of income tax (credit) / expense are:

	For the year ended March 31, 2018	For the year ended March 31, 2017
Current income tax		
- For the year	102	1,592
- Adjustments for prior periods	(4,190)	-
	(4,088)	**1,592**

14. Other non-financial liabilities
Current

	As of March 31, 2018	As of March 31, 2017
Taxes Payable	38	134
	38	**134**

15. Commitments and contingencies

Capital commitment as of March 31, 2018 is JPY 1,690 (March 31, 2017: Nil)

16. Revenue from operations

	For the year ended March 31, 2018	For the year ended March 31, 2017
Service Revenue (refer note 21)	44,956	75,757
	44,956	**75,757**

Previous year revenue includes revenue of JPY 24,183 on account of rate actualization impact related to year ended March 31, 2016.

(All amounts are in thousands of JPY; unless stated otherwise)

17. Employee benefits expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries,wages and bonus	2,928	3,046
Recruitment & Training	-	40
	2,928	**3,086**

18. Other expenses

	For the year ended March 31, 2018	For the year ended March 31, 2017
Legal & Professional Charges	16	2,403
Rates, Fees and Taxes	71	195
Rent expenses	252	229
Miscellaneous Expenses	134	186
	473	**3,013**

19. Finance costs

	For the year ended March 31, 2018	For the year ended March 31, 2017
Net exchange loss	538	2,929
Interest Expense (refer note 21)	1,246	1,249
Other finance charges	408	433
	2,192	**4,611**

20. Finance income

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income on Sales Tax/VAT receivable	-	16
	-	**16**

21. Related Party Disclosure

In accordance of the requirements of Indian Accounting Standards (Ind AS) – 24 on Related Party Disclosures, the name of the related parties where control exists and/or with whom transactions have taken place during the year and description of the relationships are:

Name of related party and related party relationship:

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

*Ultimate controlling entity w.e.f. November 3, 2017. It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the said company.

(All amounts are in thousands of JPY; unless stated otherwise)

Related party transactions for 2017-18

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore)	Bharti Airtel (USA)	Bharti Airtel (Hong Kong)	Bharti Airtel (UK)	Total
Purchase of Services	(1,299)	-	-	-	-	**(1,299)**
Interest Expense payable to related party	-	(1,246)	-	-	-	**(1,246)**
Sale of services	26,077	8,340	-	7,026	3,513	**44,956**
Closing Balance						
Interest accrued but not due on borrowings	-	7,481	-	-	-	**7,481**
Borrowings	-	17,000	-	-	-	**17,000**
Trade Receivables / Payables	4,860	1,959	(44)	1,686	842	**9,304**
Total	**4,860**	**26,440**	**(44)**	**1,686**	**842**	**33,785**

Related party transactions for 2016-17

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore)	Bharti Airtel (USA)	Bharti Airtel (Hong Kong)	Bharti Airtel (UK)	Total
Purchase of Services	(1,498)	-	-	-	-	(1,498)
Interest Expense payable to related party	-	(1,249)	-	-	-	(1,249)
Sale of services	61,890	265	-	9,414	4,188	75,757
Closing Balance						
Interest accrued but not due on borrowings	-	(6,234)	-	-	-	(6,234)
Borrowings	-	(17,000)	-	-	-	(17,000)
Trade Receivables / Payables	9,056	271	(44)	9,422	716	19,421
Total	**9,056**	**(22,963)**	**(44)**	**9,422**	**716**	**(3,813)**

22. Leases – The Lease rentals charged during the year relating to rent of point of presence (POP) premises, power and space are as follows:

	As of March 31, 2018	As of March 31, 2017
Lease rentals	252	229
Obligations:on non cancelable leases:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**-**	**-**

23. Earnings per share (Basic and Diluted)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Profit/ (Loss) attributable to equity shareholders (i)	1,520	18,687
(b)	Weighted Average number of equity shares oustanding during the year / Total number of shares outstanding at the end of the year	0.001	0.001
(c)	Nominal value of equity shares (in JPY)	50,000	50,000
(d)	Earnings/ (Loss) per share (Basic and Diluted) (a)/(b)	1,520,457	18,687,171

(All amounts are in thousands of JPY; unless stated otherwise)

24. Auditors' Remuneration

	For the year ended March 31, 2018	March 31, 2017
Audit Fees	744	331
Reimbursement of Expenses	56	43
	800	**374**

25. Fair value of financial instruments

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

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and cash equivalents and other payables & accruals reasonably approximate their fair values because these are short term in nature and repriced regularly.

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

		March 31, 2018		March 31, 2017	
	Level	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets at amortised costs					
Security Deposits	Level 2	46	46	48	48
Trade receivables	Level 2	9,304	9,304	19,466	19,466
Cash and cash equivalents	Level 1	36,986	36,986	22,304	22,304
		46,336	**46,336**	**41,818**	**41,818**
Liabilities at amortised costs					
Other financial liabilities	Level 2	7,481	7,481	6,234	6,234
Borrowing	Level 2	17,000	17,000	17,000	17,000
Trade Payables	Level 2	18,926	18,926	13,289	13,289
		43,407	**43,407**	**36,523**	**36,523**

(All amounts are in thousands of JPY; unless stated otherwise)

26. Financial risk management objectives and policies

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

(a) *Credit risk*

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

The Company is exposed to credit risk mainly with respect to trade receivables. The trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to a number of independent customers including group entities. Revenue earned from the related parties is disclosed in note 20. The credit period provided by the Company to its customers (other than Group entities), generally ranges between 0-90 days.

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in the ordinary course of business.
Consequently, the allowance for impairment of trade receivables is created to the extent and as and when required, based upon the expected collectability of accounts receivables.
Cash and cash equivalents are placed with reputed financial banks / institutions.

	Within 1 year	Total
March 31, 2018	**In JPY**	**In JPY**
Loans and security deposit	46	46
Trade Receivable	9,304	9,304
Cash and Cash equivalents	36,986	36,986
	46,336	**46,336**

	Within 1 year	Total
March 31, 2017	**In JPY**	**In JPY**
Loans and security deposit	48	48
Trade Receivable	19,466	19,466
Cash and Cash equivalents	22,304	22,304
	41,818	**41,818**

(All amounts are in thousands of JPY; unless stated otherwise)

(b) ***Liquidity risk***

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

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

Analysis of financial instruments by remaining contractual maturities

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

	As of March 31, 2018					
	Carrying amount	On demand	Less than 6 months	6 to 12 months	> 2 years	Total
Interest bearing borrowings	17,000	17,000	-	-	-	17,000
Trade payables	18,926	-	18,926	-	-	18,926
Other financial liabilities	7,481	-	7,481	-	-	7,481
	43,407	**17,000**	**26,407**	-	-	**43,407**

	As of March 31, 2017					
	Carrying amount	On demand	Less than 6 months	6 to 12 months	> 2 years	Total
Interest bearing borrowings	17,000	17,000	-	-	-	17,000
Trade payables	13,289	-	13,289	-	-	13,289
Other financial liabilities	6,234	-	6,234	-	-	6,234
	36,523	**17,000**	**19,523**	-	-	**36,523**

(All amounts are in thousands of JPY; unless stated otherwise)

(c) *Interest rate risk*

The Company's interest rate risk arises mainly from Borrowings as follows

	Change in interest rate (basis points)	Effect on profit / (loss) before tax
March 31, 2018		
Loan from related parties	+20	34
	-20	(34)
March 31, 2017		
Loan from related parties	+20	34
	-20	(34)

(d) Foreign currency risk

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

Sensitivity analysis for foreign currency risk

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

	Change in currency exchange rate	Effect on Profit/Loss before Tax	
		March 31, 2018	March 31, 2017
JPY	+5%	(202)	(257)
JPY	-5%	202	257
INR	+5%	-	(27)
INR	-5%	-	27

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

(All amounts are in thousands of JPY; unless stated otherwise)

27. Capital Management

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

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

	As of	
	March 31, 2018	**March 31, 2017**
Loans & Borrowings	17,000	17,000
Less: Cash and Cash Equivalents	36,986	22,304
Net Debt	**(19,986)**	**(5,304)**
Equity	10,088	8,567
Total Capital	**10,088**	**8,567**
Capital and Net Debt	(9,898)	3,263
Gearing Ratio	202%	-163%