

RELIANCE JIO INFOCOMM PTE. LTD.

**Reliance Jio Infocomm Pte. Ltd.**

# Independent Auditors' Report

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**To the members of**

**RELIANCE JIO INFOCOMM PTE LTD**

## *Report on the Financial Statements*

We have audited the accompanying financial statements of Reliance Jio Infocomm Pte Ltd (the "company"), which comprise the statement of financial position of the company as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 6 to 29.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at December 31, 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date.

## *Other matters*

The financial statements of the company for the period ended from February 1, 2013 to December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated April 7, 2014.

## *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## **Deloitte & Touche LLP**

Public Accountants and  
Chartered Accountants  
Singapore

April 15, 2015

## Statement of Financial Position December 31, 2014

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		US\$	US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,437,834	35,729
Other receivables	7	771,922	171,738
Prepayments		98,975	68,827
Total current assets		3,308,731	276,294
<b>Non-current assets</b>			
Plant and equipment	8	42,562,746	13,815,840
Intangible assets	9	20,813,195	16,994,182
Capital advance for purchase of plant and equipment		2,093,214	-
Total non-current assets		65,469,155	30,810,022
<b>Total assets</b>		<b>68,777,886</b>	<b>31,086,316</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Other payables and accruals	10	3,570,082	6,266,927
Advance billing to holding company		485,000	-
Application money pending allocation	11	-	3,291,552
<b>Total current liabilities</b>		<b>4,055,082</b>	<b>9,558,479</b>
<b>Capital and reserves</b>			
Share capital	12	66,000,000	21,600,000
Accumulated losses		(1,277,196)	(72,163)
<b>Total equity</b>		<b>64,722,804</b>	<b>21,527,837</b>
<b>Total liabilities and equity</b>		<b>68,777,886</b>	<b>31,086,316</b>

See accompanying notes to financial statements.

## Statement of Profit or Loss and other Comprehensive Income year ended December 31, 2014

	Note	January 1, 2014 to December 31, 2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
		US\$	US\$
Revenue from operations		679,000	-
Other operating income	13	290	-
Depreciation and amortisation		(931,755)	-
Employee benefits expense		(82,858)	-
Other operating expenses		(869,710)	(72,163)
<b>Loss before tax</b>	14	(1,205,033)	(72,163)
Income tax	15	-	-
<b>Net Loss for the year/period, representing total comprehensive loss for the year/period</b>		(1,205,033)	(72,163)

See accompanying notes to financial statements.

## Statement of Changes in Equity year ended December 31, 2014

	Share Capital	Accumulated losses	Total
	US\$	US\$	US\$
<b>At February 1, 2013 (date of incorporation)</b>	-	-	-
Loss for the period, representing total comprehensive loss for the period	-	(72,163)	(72,163)
Shares issued during the period, representing transactions with owners recognised directly in equity	21,600,000	-	21,600,000
<b>At December 31, 2013</b>	21,600,000	(72,163)	21,527,837
Loss for the year, representing total comprehensive loss for the year	-	(1,205,033)	(1,205,033)
Shares issued during the period, representing transactions with owners recognised directly in equity	44,400,000	-	44,400,000
<b>At December 31, 2014</b>	<u>66,000,000</u>	<u>(1,277,196)</u>	<u>64,722,804</u>

See accompanying notes to financial statements.

## Statement of Cash Flows year ended December 31, 2014

	2014	For the financial period from Feb 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
<b>Cash flows from operating activities</b>		
Loss before income tax	(1,205,033)	(72,163)
Adjustment for:		
Depreciation and amortisation	931,755	-
Operating cash flows before working capital changes	(273,278)	(72,163)
Other receivables	108,431	(171,738)
Prepayments	(30,148)	(68,827)
Other payables and accruals	863,555	26,357
<b>Net cash from (used in) operating activities</b>	<b>668,560</b>	<b>(286,371)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(34,657,233)	(7,848,302)
Additions to intangible assets	(4,717,670)	(16,721,150)
<b>Net cash used in investing activities</b>	<b>(39,374,903)</b>	<b>(24,569,452)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	41,108,448	21,600,000
Proceeds from application money pending allotment received	-	3,291,552
<b>Net cash from financing activities</b>	<b>41,108,448</b>	<b>24,891,552</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,402,105</b>	<b>35,729</b>
Cash and cash equivalents at the beginning of the year/period	35,729	-
<b>Cash and cash equivalents at the end of the year/period</b>	<b>2,437,834</b>	<b>35,729</b>

See accompanying notes to financial statement.

## Notes to Financial Statements December 31, 2014

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### 1 GENERAL

The company (Registration No. 201303361N) is incorporated in the Republic of Singapore with its principal place of business and registered office at 250 North Bridge Road, # 16-01, Raffles City Tower, Singapore 179101.

The principal activities of the company is to establish international connectivity and provision of services related to international and domestic Bandwidth, IP Transit, IP Peering, Internet Exchange, Voice and Data Roaming and Dark Fibre .The Company has been granted a Licence on July 8, 2013 to provide Facilities- Based Operations (“FBO”) by the Info-Communications Development Authority of Singapore (“IDA”) and telecom services have commenced during the current year.

The financial statements of the company for the financial period ended December 31, 2014 were authorised for issue by the Board of directors on April 15, 2015.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) BASIS OF PREPARATION

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 which market participants would take 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 FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

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 prices (unadjusted) 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.

#### b) ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the company has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after January 1, 2014. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company’s accounting policies and has no material effect on the amounts reported for the current or prior year.

At the date of authorization of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the company was issued but not effective:

- FRS 109 Financial Instruments<sup>4</sup>
- FRS 115 Revenue from Contracts with Customers<sup>3</sup>
- Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative
- Improvements to Financial Reporting Standards (January 2014)<sup>1</sup>
- Improvements to Financial Reporting Standards (February 2014)<sup>1</sup>
- Improvements to FRSs (November 2014)<sup>2</sup>

## Notes to Financial Statements December 31, 2014

- <sup>1</sup> Applies to annual periods beginning on or after July 1, 2014, with early application permitted.
- <sup>2</sup> Applies to annual periods beginning on or after January 1, 2016, with early application permitted.
- <sup>3</sup> Applies to annual periods beginning on or after January 1, 2017, with early application permitted.
- <sup>4</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS that were issued but effective in future periods will not have a material impact on the financial statements of the company in the period of their initial adoption.

### c) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period.

#### **Financial assets**

##### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Loan and receivables

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loan and receivables". Loan and receivables (including other receivable, bank balance and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### De-recognition of financial assets

The company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.



## Notes to Financial Statements December 31, 2014

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### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

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

#### Other payables

Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term balances when the effect of discounting is immaterial.

#### De-recognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

### d) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Plant and equipment - 5 to 15 years

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in statement of profit or loss and other comprehensive income.

Fully depreciated assets still in use are retained in the financial statements.

### e) INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

#### Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest

## Notes to Financial Statements December 31, 2014

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group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss.

### f) 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 the 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. Where 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.

### g) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease are classified as operating leases.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### h) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivables. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised over the period services are rendered.

## Notes to Financial Statements December 31, 2014

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### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### i) INCOME TAX

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 as reported in the statement of profit or loss and comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at the end of the 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

### j) FOREIGN CURRENCY TRANSACTIONS

The financial statements of the company are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the company are presented in United States dollar, which is the functional currency of the company.

In preparing the financial statements, transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All exchange differences are recognised in profit or loss.

## 3 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgments in applying the company's accounting policies and key sources of estimation uncertainty*

Management is of the opinion that there are no critical judgments in applying the company's accounting policies that are expected to have a significant effect on the amounts recognised in the financial statements. There are no key sources of estimation uncertainty at the end of the reporting period except as discussed below.

## Notes to Financial Statements December 31, 2014

### Impairment of plant and equipment

The company assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. If an indication of impairment is identified, the carrying amounts of the plant and equipment are determined on the basis of the net recoverable amounts. The net recoverable amount is determined based on higher of fair value less cost to sell and value-in-use. The carrying amount of plant and equipment is disclosed in Note 8 to the financial statements. The management is of the view that there is no indication of impairment in the carrying amount of intangible assets.

### Impairment of intangible assets

The company assesses annually whether there is any indication of impairment for its intangible assets. If an indication of impairment is identified, the management estimates the recoverable amount using value-in-use calculation to estimate the future cash flows expected to rise and a suitable discount rate to calculate present value. The carrying amount of intangible assets is disclosed in Note 9. The management is of the view that there is no indication of impairment in the carrying amount of intangible assets.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	2014	2013
	US\$	US\$
<b>Financial assets</b>		
Loans & receivables (including cash and cash equivalent)	3,209,756	207,467
<b>Financial liabilities</b>		
Amortised cost	3,570,082	6,266,927

### (b) *Financial risk management policies and objectives*

The Company is exposed to a variety of financial risks in the normal course of its business activities. The key financial risks for the Company include interest rate risk, credit risk, and liquidity risk. The management reviews and agrees policies and procedures for the management of these risks.

#### (i) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting a loss to the company.

The company has no significant concentration of credit risk with third parties. The company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Cash is held with a reputable financial institution. The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk.

#### (ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk as the cash and cash equivalents are placed on a short-term basis and the Company does not have any financial liabilities which are subject to interest payments at any time during the financial period.

#### (iii) Foreign exchange risk management

Foreign exchange risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rates. Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of reporting period, the carrying amount of monetary assets and monetary liabilities denominated in currency other than the company's functional currency is as follow:

## Notes to Financial Statements December 31, 2014

	<u>Assets</u>		<u>Liabilities</u>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Singapore dollars	105,376	22,732	11,918	-

No sensitivity analysis is prepared as the company does not expect any material effect on the company's profit or loss and equity arising from the effects of reasonably possible changes to foreign exchange rates at the end of the reporting period.

(iv) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company, with the support of its ultimate holding company, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, other receivables, other payables and other accruals approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(vi) Capital risk management policies and objectives

The Company's ultimate holding company will provide continuous financial support so as to enable the Company to finance its capital expenditure. The Company's objectives while managing capital are to safeguard its ability to continue as a going concern. The Company is not a debt geared company and the equity is attributable to the parents of the Company. The Capital management process is determined and managed at the ultimate holding company level. The company's overall strategy remains unchanged from 2013.

### 5 HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

In 2013, the company was a subsidiary of Infotel Telecom Limited, incorporated in India. Infotel Telecom Limited was a subsidiary of Reliance Jio Infocomm Limited, also incorporated in India. With effective from September 1, 2014, Infotel Telecom Limited has been amalgamated with Reliance Jio Infocomm Limited whose ultimate holding company is Reliance Industries Limited also incorporated in India. Related parties in these financial statements refer to members of the ultimate holding company's group of companies.

Many of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand, unless otherwise stated.

The following are the related parties to the company and the transactions among them.

	2014	2013
	US\$	US\$
<u>Immediate holding company</u>		
Sale of services	679,000	-
Transfer of fixed assets	708,615	-
Commission expense	9,075	-
	<u>          </u>	<u>          </u>
<u>Related companies</u>		
Professional services received	47,335	-
Rent expense	46,927	-
	<u>          </u>	<u>          </u>

### 6 CASH AND CASH EQUIVALENTS

	2014	2013
	US\$	US\$
Cash at bank	2,437,834	35,729

## Notes to Financial Statements December 31, 2014

### 7 OTHER RECEIVABLES

	2014	2013
	US\$	US\$
Outside parties	34,911	155,724
Amount due from holding company	708,615	-
Rent deposit due from related company	12,382	-
Fixed deposits with bank	16,014	16,014
	<u>771,922</u>	<u>171,738</u>

### 8 PLANT AND EQUIPMENT

	Plant and Machinery	Construction work-in-progress	Total
	US\$	US\$	US\$
Cost:			
At February 1, 2013 (date of incorporation)			
Additions	-	13,815,840	13,815,840
At December 31, 2013	-	13,815,840	13,815,840
Addition	-	29,488,619	29,488,619
Transfers to Plant and Machinery	723,995	(723,995)	-
Transfers to holding company	-	(708,615)	(708,615)
At December 31, 2014	723,995	41,871,849	42,595,844
Accumulated depreciation:			
At February 1, 2013 (date of incorporation)	-	-	-
Charge for the period	-	-	-
At December 31, 2013	-	-	-
Charge for the year	33,098	-	33,098
At December 31, 2014	33,098	-	33,098
Carrying amount:			
At December 31, 2014	<u>690,897</u>	<u>41,871,849</u>	<u>42,562,746</u>
At December 31, 2013	<u>-</u>	<u>13,815,840</u>	<u>13,815,840</u>

The Company has participated in consortium arrangements with various telecommunication companies for joint laying of cable systems and development of network infrastructure necessary for providing telecommunication services in Singapore. The amounts paid by the Company as part of the consortium arrangements are included under 'Construction work-in-progress'.

## Notes to Financial Statements December 31, 2014

### 9 INTANGIBLE ASSETS

	Rights-to-use capacity	Intangible assets under development	Total
	US\$	US\$	US\$
Cost:			
At February 1, 2013 (date of incorporation)	-	-	-
Additions	-	16,994,182	16,994,182
At December 31, 2013	-	16,994,182	16,994,182
Addition	1,180,000	3,537,670	4,717,670
Transfers	19,531,852	(19,531,852)	-
At December 31, 2014	20,711,852	1,000,000	21,711,852
Accumulated amortisation:			
At February 1, 2013 (date of incorporation)	-	-	-
Charge for the year	-	-	-
At December 31, 2013	-	-	-
Charge for the year	898,657	-	898,657
At December 31, 2014	898,657	-	898,657
Carrying amount:			
At December 31, 2014	19,813,195	1,000,000	20,813,195
At December 31, 2013	-	16,994,182	16,994,182

The "Rights-to-use" capacity has a useful life of 15 years from the date of agreement and is amortised over the balance useful life from the commencement of usage.

### 10 OTHER PAYABLES AND ACCRUALS

	2014	2013
	US\$	US\$
Outside parties	3,032,674	3,492,827
Amount due to holding company	9,075	-
Amount due to related company	47,335	-
Accruals	480,998	2,774,100
	<u>3,570,082</u>	<u>6,266,927</u>

### 11 APPLICATION MONEY PENDING ALLOTMENT

Application money pending allotment relates to amounts received from Infotel Telecom Limited, the immediate holding company, for which allotment was pending as at December 31, 2013.

### 12 SHARE CAPITAL

	Number of ordinary shares	US\$
Issued and fully paid:		
Balance at 1 February 2013 (date of incorporation)	-	-
Shares issued during the period	21,600,000	21,600,000
Balance at 31 December 2013	21,600,000	21,600,000
Shares issued during the year	44,400,000	44,400,000
Balance at 31 December 2014	<u>66,000,000</u>	<u>66,000,000</u>

The company has one class of ordinary shares with no par value which carry no right to fixed income.

## Notes to Financial Statements December 31, 2014

### 13 OTHER OPERATING INCOME

	January 1, 2014 to December 31, 2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
Interest income	290	-

### 14 PROFIT BEFORE INCOME TAX

Profit before income tax includes the following charges:

	January 1, 2014 to December 31, 2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
Director remuneration, representing staff cost	82,858	-
Depreciation of plant and equipment	33,098	-
Amortisation of intangible assets	898,657	-
Net foreign exchange losses	9,194	352
License fees	63,349	31,171
Legal and professional fees	67,952	39,928

### 15 INCOME TAX EXPENSE

	January 1, 2014 to December 31, 2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
Income tax	-	-

The income tax expense varied from the amount of tax expense determined by applying the Singapore tax rate of 17% (2013: 17%) to loss before tax as a result of the following differences:

	January 1, 2014 to December 31, 2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
Loss before tax	(1,205,033)	(72,163)
Income tax expense at statutory rate of 17% (2013: 17%)	204,856	12,268
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(204,856)	(12,268)
Total income tax expense	-	-



## Notes to Financial Statements December 31, 2014

Subject to the agreement by the tax authorities, at the end of the reporting period, the company has unutilised tax losses and deferred capital allowances of US\$1,303,657 (2013: US\$107,819) available for offset against future profits. Deferred tax asset of US\$221,622 (2013: US\$18,329) has not been recognised in respect of this amount due to unpredictability of future profit streams.

### 16 OPERATING LEASE COMMITMENTS

	2014	For the financial period from February 1, 2013 (date of incorporation) to December 31, 2013
	US\$	US\$
Minimum lease payments paid under operating leases	<u>46,927</u>	<u>-</u>

At the end of the reporting period, there is no commitment in respect of operating leases for the lease of office building as the lease agreement was entered with the related company.

### 17 CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	2014	2013
	US\$	US\$
Commitments for the acquisition of plant and equipment	<u>50,842,452</u>	<u>32,044,070</u>

### 18 SUBSEQUENT EVENTS

With effect from 6 January 2015 Info-Communications Development Authority of Singapore (“IDA”) has approved an amendment to expand the scope of the Facilities- Based Operations (FBO) by virtue of which the company is also entitled to provide International voice and transit services.

### 19 COMPARATIVE FIGURES

The financial year covers the period of 52 weeks ended December 31, 2014. The preceding financial year covered the period of 47 weeks from February 1, 2013 to December 31, 2013.