# Sterlite Technologies Limited

# Subsidiaries Financial Statements

Financial Year 2018-19

# Speedon Networks Limited

Financial Statements for FY 2018-19

INDEPENDENT AUDITOR'S REPORT

**To the Members of Speedon Network Limited**

**Report on the audit of the financial statements**

**Opinion**

1. We have audited the accompanying financial statements of Speedon Network Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and total comprehensive income (comprising of loss and other comprehensive income), changes in equity and its cash flows for the year then ended.

**Basis for opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**Responsibilities of management and those charged with governance for the financial statements**

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

8. As a part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on other legal and regulatory requirements**

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

12. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

(f) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 35 to the financial statements;

ii. The Company has long-term contracts as at March 31, 2019 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at March 31, 2019.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated March 31, 2017 is not applicable to the Company for the year ended March 31, 2019.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Pune

**Annexure A to Independent Auditors' Report**
Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of Speedon Network Limited on the financial statements for the year ended March 31, 2019


## Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Speedon Network Limited (the "Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

## Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls over with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date:

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Speedon Network Limited on the financial statements as of and for the year ended March 31, 2019

i. (a) The Company maintains proper records showing full particulars, including quantitative details and situation, of fixed assets except for location-wise details of Optical Network Terminal devices, telecom boxes installed in societies/apartments, telecom devices lying with subscriber /customers and certain other assets.

(b) The fixed assets are physically verified by the Management according to a planned programme designed to cover all the items once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, fixed assets have been physically verified by the Management in the previous year and no material discrepancies have been noticed on such verification. Assets in the nature of Optical Network Terminal devices, telecom boxes installed in societies/ apartments and telecom devices lying with subscribers/customers are not physically verified. As informed by management these assets are under continuous operational surveillance.

(c) The Company does not own any immovable properties as disclosed in Note 3 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.

ii. The Company is in the business of rendering of services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans given by it.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of Income Tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including goods and service tax, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax and goods and service tax which have not been deposited on account of any dispute. The particulars of dues of sales tax as at March 31, 2019 which have not been deposited on account of a dispute, is as follows:

| Name of the statute | Nature of dues | Amount (Rs. In lacs) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| The Tamilnadu Value Added Act 2006 | Sales Tax | 34.86* | 2013-2014 | Appellate Deputy Commissioner (CT) (FAC) Chennai 6 |

*Amount disclosed above is net off of amount paid under protest of Rs. 8.71 lacs

viii. The Company does not have any loans or borrowings from any financial institution or bank or Government. The Company has compulsorily convertible debentures as at the balance sheet date. Therefore the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has not paid/ provided for managerial remuneration during the year, hence the provisions of Section 197 read with Schedule V to the Act is not applicable.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754N/N500016.

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date:

SPEEDON NETWORK LIMITED
BALANCE SHEET AS AT 31 MARCH 2019

| | Note | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant & equipment | 3 | 2,056.13 | 2,300.83 |
| Capital work-in progress | | 173.47 | 184.55 |
| Other intangible assets | 3A | 112.34 | 124.86 |
| Investments | 4 | 2.00 | 2.00 |
| Defered tax assets (net) | 5 | - | 24.12 |
| Loans | 6 | 12.93 | 10.61 |
| Other non-current assets | 7 | 50.07 | 28.11 |
| | | **2,406.94** | **2,675.08** |
| **Current assets** | | | |
| Financial assets | | | |
| Trade receivables | 8 | 1,291.51 | 171.34 |
| Cash and cash equivalents | 9 | 4.46 | 3.19 |
| Other bank balances | 9A | 35.84 | 35.84 |
| Other current financial assets | 10 | - | 7.49 |
| Contract Assets | 11 | 48.01 | - |
| Other current assets | 7 | 424.53 | 338.54 |
| | | **1,804.35** | **556.40** |
| **Total Assets** | | **4,211.29** | **3,231.48** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 155.00 | 155.00 |
| Other Equity | 13 | 916.06 | 877.70 |
| **Total Equity** | | **1,071.06** | **1,032.70** |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 14 | 2,961.92 | 2,051.69 |
| Contract Liabilities | 18 | 7.99 | - |
| Other non-current liabilities | 17 | - | 9.07 |
| | | **2,969.91** | **2,060.76** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | | | |
| -Total outstanding dues of micro enterprises & small enterprises | 16 | 14.24 | 3.79 |
| -Total outstanding dues of creditors other than micro enterprises & small enterprises | | 149.56 | 93.43 |
| Other financial liabilities | 15 | - | 38.84 |
| Other current liabilities | 17 | 5.44 | 1.96 |
| Contract Liabilities | 18 | 1.08 | - |
| | | **170.32** | **138.02** |
| **Total liabilities** | | **3,140.23** | **2,198.78** |
| **Total Equity & Liabilities** | | **4,211.29** | **3,231.48** |
| Summary of significant accounting policies | 2 | | |

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**For and on behalf of the Board Of Directors of Speedon Network Limited**

**Neeraj Sharma**
Partner
Membership Number :108391

**K S Rao**
Director
DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

**Alok Mahapatra**
Chief Executive Officer

**Abhishek Mandowara**
Chief Financial Officer

Place : Pune
Date :

Place : Pune
Date :

Place : Pune
Date :

SPEEDON NETWORK LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|---|
| INCOME | | | |
| Revenue from operations | 19 | 2,623.92 | 381.14 |
| Other Income | 21 | - | 6.58 |
| **Total Income (I)** | | 2,623.92 | 387.72 |
| EXPENSES | | | |
| Other expenses | 22 | 2,128.92 | 341.97 |
| **Total Expense (II)** | | 2,128.92 | 341.97 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | 495.00 | 45.75 |
| Depreciation and amortisation expense | 23 | 257.20 | 264.14 |
| Finance costs | 24 | 176.28 | 144.09 |
| Finance Income | 20 | (0.96) | (3.39) |
| **Profit before tax** | | 62.48 | (359.09) |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | | 24.12 | - |
| **Total tax expenses** | | 24.12 | - |
| **Profit for the year** | | 38.36 | (359.09) |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods :** | | | |
| Re-measurement loss defined benefits plans | | - | |
| Income tax effect | | - | |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive income for the year, net of tax** | | 38.36 | (359.09) |
| **Earnings per equity share** | 25 | | |
| **Basic** | | | |
| Computed on the basis of profit for the year (Rs) | | 2.47 | (23.17) |
| **Diluted** | | | |
| Computed on the basis of profit for the year (Rs) | | 0.08 | (23.17) |
| Summary of significant accounting policies | 2 | | |

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. (FRN 012754N/N500016)

**For and on behalf of the Board Of Directors of Speedon Network Limited**

**Neeraj Sharma**
Partner
Membership Number :108391

**K S Rao**
Director
DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

**Alok Mahapatra**
Chief Executive Officer

**Abhishek Mandowi**
Chief Financial Offic

Place : Pune
Date :

**Place : Pune**
Date :

Place : Pune
Date :

SPEEDON NETWORK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ENDED 31 MARCH 2019

**A. Equity Share Capital**

| Particulars | No. in lacs | Rs. in lacs |
|---|---|---|
| At April 01, 2017 (Refer note 12) | 15.50 | 155.00 |
| Issue during the year | - | - |
| At March 31, 2018 (Refer note 12) | **15.50** | **155.00** |
| Issue during the year | - | - |
| **At March 31, 2019** | **15.50** | **155.00** |

**B. Other Equity**

For the year ended March 31, 2019 (Rs. in lacs)

| Particulars | Securities Premium | Retained Earnings | Equity Portion of Compulsorily Convertible Debentures | Equity Contribution from Parent | Total Equity |
|---|---|---|---|---|---|
| At April 01, 2017 | 345.54 | (3,762.91) | 2,970.59 | 183.57 | **(263.21)** |
| Loss for the year | | (359.09) | - | - | **(359.09)** |
| Equity component related debentures issued during the year | | - | 1,500.00 | - | **1,500.00** |
| **At March 31, 2018** | **345.54** | **(4,122.00)** | **4,470.59** | **183.57** | **877.70** |
| Profit for the year | - | 38.36 | - | - | 38.36 |
| Equity component related debentures issued during the year | | | - | | - |
| **At March 31, 2019** | **345.54** | **(4,083.64)** | **4,470.59** | **183.57** | **916.06** |

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. (FRN 012754N/N500016)

**For and on behalf of the Board Of Directors of Speedon Network Limited**

**Neeraj Sharma**
Partner
Membership Number :108391

**K S Rao**
Director
DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

**Alok Mahapatra**
Chief Executive Officer

**Abhishek Mandowara**
Chief Financial Officer

Place : Pune
Date :

**Place : Pune**
Date :

Place : Pune
Date :

STERLITE TECHNOLOGIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | March 31, 2019 (Rs. in lacs) | March 31, 2018 (Rs. in lacs) |
|---|---|---|---|
| A. Operating activities | | | |
| **Profit before tax** | | 62.48 | (359.09) |
| Adjustments to reconcile profit before tax to net cash flows | | | |
| Depreciation and impairment of property, plant & equipment | 23 | 244.69 | 263.93 |
| Amortization & impairment of intangible assets | 23 | 12.51 | 0.21 |
| Finance costs | 24 | 176.28 | 144.09 |
| Finance income | 20 | (0.96) | (3.39) |
| | | 432.52 | 404.84 |
| **Operating profit before working capital changes** | | 495.00 | 45.76 |
| Working capital adjustments: | | | |
| Increase/(Decrease) in trade payables | 16 | 66.58 | 49.25 |
| Increase/( Decrease) in other current liabilities | 17 | 3.48 | (5.83) |
| Increase/(Decrease) in other current financial liabilities | 15 | - | (59.19) |
| Increase/(Decrease) in other contract liabilities | 18 | 1.08 | - |
| Increase/(Decrease) in other non current liabilities | 18 | (9.07) | - |
| Increase/( Decrease) in non current employee benefit obligations | | - | (1.40) |
| Increase/( Decrease) in current employee benefit obligations | | - | (1.46) |
| Increase/( Decrease) in non-current contract liabilities | 18 | 7.99 | 2.31 |
| Decrease/(increase) in contract assets | 11 | (48.01) | - |
| Decrease/(increase) in trade receivable | 8 | (1,120.17) | (125.77) |
| Decrease (increase) in current assets | 7 | (86.00) | (338.56) |
| Decrease/(increase) in other current financial assets | 10 | 7.49 | (5.76) |
| Decrease/(increase) in non-current loans | 6 | (2.32) | (4.17) |
| Decrease/(increase) in other non-current assets | 7 | (21.95) | 270.42 |
| Changes in working capital | | (1,200.90) | (220.16) |
| **Cash generated from operations** | | (705.89) | (174.41) |
| Income Taxes paid | | - | - |
| **Net cash flow from operating activities** | | (705.89) | (174.41) |
| **B. Investing activities** | | | |
| Purchase of property, plant & equipments | | (27.75) | (600.98) |
| **Net cash flow used in investing activities** | | (27.75) | (600.98) |
| **C. Financing activities** | | | |
| Proceeds of long term borrowings | | 735.29 | 765.41 |
| Bank Charges | | (1.35) | (1.20) |
| Interest received (finance income) | 20 | 0.96 | 2.60 |
| **Net cash flow used in financing activities** | | 734.91 | 766.81 |
| **Net increase/(decrease) in cash and cash equivalents** | | 1.27 | (8.58) |
| **Cash and cash equivalents as at beginning of year** | | 3.19 | 11.77 |
| **Reduction in cash and cash equivalent on account of demerger (Refer note 32)** | | - | - |
| **Cash and cash equivalents as at year end** | | 4.46 | 3.19 |
| **Components of cash and cash equivalents:** | | **March 31, 2019** | **March 31, 2018** |
| **Balances with banks:** | | | |
| On current accounts | 9 | 4.46 | 3.19 |
| On unpaid dividend account | | - | - |
| **Cash in hand** | 9 | - | - |
| **Total cash and cash equivalents** | | 4.46 | 3.19 |

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm Registration No. (FRN 012754N/N500016)

**Neeraj Sharma**
Partner
Membership Number :108391

Place: Pune
Date :

**For and on behalf of the Board Of Directors of Speedon Network Limited**

**K S Rao**
Director
DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

**Alok Mahapatra**
Chief Executive Officer

Place : Pune
Date :

**Abhishek Mandowara**
Chief Financial Officer

Place : Pune
Date :

## 1. Corporate information

Speedon Network Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is a wholly owned subsidiary of Sterlite Technologies Limited. The business of the Company is to deploy active equipment's of last mile aimed at facilitating the delivery of Voice, Video, Text, Data Services and other related telecom and media services by various service providers to business and households on payment basis.

## 2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The standalone Ind AS financial statements have been prepared on a historical cost basis.

The standalone Ind AS financial statements are presented in Indian Rupees in Lakhs, except when otherwise indicated.

**Amended standards adopted by the Company**

The company has applied Ind AS 115 for the first time for their annual reporting period starting from April 01, 2018. The impact of adoption of Ind AS 115 on the financial statements of the Company is insignificant.

**Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisitions of assets for processing and their realisation in cash and cash equivalents, the company has ascertained operating cycle of 12 months for the purpose of current and non-current classification of assets and liabilities.

**a) Foreign currency translation**

**Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**b) Revenue from contracts with customers**

Ind AS 115 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:
(i) identify contracts with customers
(ii) identify the separate performance obligation
(iii) determine the transaction price of the contract
(iv) allocate the transaction price to each of the separate performance obligations, and
(v) recognise the revenue as each performance obligation is satisfied.

**Transition**

On transition to Ind AS 115, the Company has elected to adopt the new revenue standard as per modified retrospective approach. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

**Revenue recognition policy**

The Company has following streams of revenue:

(i) Sale of services

The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies distinct performance obligations in each contract. For most of the contracts, the Company provides a service of last mile data connectivity through leasing of it's network equipment.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or
(b) The customer controls the work-in-progress, or
(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date

If none of the criteria above are met, the Company recognises revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

Due to the nature of the contracts, revenue is straight lined over the period of performance.

The Company estimates variable consideration using expected value method of probability-weighted values at an amount to which it expects to be entitled. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Contracts are modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations.

The customer pays the amount against the services provided based on the agreed price in the contract. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payment exceed the services rendered, a contract liability is recognised.

**c) Other Income**

**Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the statement of profit and loss.

**d) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are recognised in books by deducting the grant from the carrying amount of the asset.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

**e) Income Taxes**

**Current income tax**
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences between the carrying amount and tax bases of investments in subsidiaries, branch, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Current and Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### f) Property, plant and equipment

All property, plant and equipment and Capital work in progress are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such historical cost includes the cost of replacing part of the property, plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of the property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be incurred on the assets of plant and equipment.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The Company, based on technical assessments made by technical experts and management estimates, depreciates the certain items of tangible assets over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Table below provide the details of the useful life which are different from useful life prescribed under Schedule II of the Companies Act, 2013:

| **Asset Category** | **Useful Life considered** | **Useful life (Schedule II#)** |
|---|---|---|
| Plant and Machinery | 1 - 18 Years * | Continous process plant -25 Years<br><br>Others - 15 Years |
| Optical fibre cable (included in plant and machinery) | 18 Years * | 18 Years |
| Furniture and fixtures | 5 | 10 |
| Office equipments | 6 | 5 |
| Data processing equipments | 4-6 | Servers and networks 6 years and desktops and laptops 3 years |
| Electrical fittings | 5 | 10 |

* Considered on the basis of management's estimation, supported by technical advice, of the useful lives of the respective assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Leasehold Improvements are depreciated over the shorter of the asset's useful life and the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

**g) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the expenditure is recognised in the Statement of Profit and Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

The Company does not have any intangible assets with indefinite useful lives.

Gains or losses arising from derecognition 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 the statement of profit or loss when the asset is derecognised.

Duct taken on Indefeasible Right of Use (IRU) is amortized over the agreement period on a straight line basis.

Customer acquisition costs consist of payments made to obtain consents/permissions for laying of fiber cables and other telecom infrastructure in residential and commercial complexes/townships. Such cost is amortized over the period of the consent/permission on a straight line basis.

Softwares are amortised on a straight line basis over a period of five years.

### h) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly stated in the arrangement.

**Company as a lessee**
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant portion of the risk and rewards of ownership are not transferred to the Company are classified as operating lease. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payment are structured to increase inline with the expected general inflation to compensate for the lessors expected inflationary cost increases.

### j) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### k) Provisions

**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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### l) Investment and Other Financial assets

**i) Classification & Recognition:**

The company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)
- Those 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commit to purchase or sale the financial asset.

**ii) Measurement:**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

**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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

**Equity instruments**

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Equity investment in subsidiaries and joint venture are carried at historical cost as per the accounting policy choice given by IND AS 27.

The Company makes investments in certain joint ventures and associates with the objective to generate growth in the medium term and with identified exit strategies. Such investments are managed on a fair value basis. The company has elected to measure investments in such joint ventures and associates in accordance with Ind AS 109.

iii) **Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance;

b) Lease receivables under Ind AS 17

c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**iv) Derecognition of financial asset**

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

**v) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**m) Financial liabilities**

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3o days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

**n) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### o) Earnings per share

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

### p) Presentation of EBITDA

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs and tax expense

### q) Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### r) Segment Reporting

Operating segments are report in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The Board of Directors has been identified as being the CODM.

### s) Rounding of amount

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

## 2.2 Going Concern Assumption

During the year the company has earned a profit of INR 38.36 Lakhs and is carrying accumulated losses of INR 4,122.00 Lakhs pertaining to prior years. The outstanding loan has been obtained from the holding company and there is no outstanding loan to other parties.

Basis the terms of the payable balances, which requires the Company to repay only as and when it has funds to repay and the management's intention is to continue with the entity. Hence the financial statements have been prepared on going concern basis.

## 2.3 Recent accounting pronouncements

### a) Ind AS 116- Leases:

**Ind AS 116 Leases:** On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases,and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months,unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:
• Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application

The group is in the process of assessing the detailed impact of Ind AS 116. Presently, the group is not able to reasonably estimate the impact that application of Ind AS 116.

### b) Other Pronouncements

Following accounting pronouncements are not expected to have significant impact on the company's financial statements.

- **Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :**
  On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

- **Amendment to Ind AS 12 – Income taxes :**
  On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.
  The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
  The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

- **Amendment to Ind AS 19 – plan amendment, curtailment or settlement:**
  On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.
  The amendments require an entity:
  i) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  ii) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

**SPEEDON NETWORK LIMITED**
**Notes to financial statements for the year ended 31 March 2019**

## NOTE 3: PROPERTY, PLANT & EQUIPMEMT

(Rs. in Lacs)

| | Plant & machinery | Office equipments | Total |
|---|---|---|---|
| **Cost** | | | |
| **At 1 April 2017** | **3,259.67** | - | 3,259.67 |
| Additions | 150.09 | 0.35 | 150.44 |
| Disposals | | | - |
| **At 31 March 2018** | **3,409.76** | **0.35** | 3,410.11 |
| Additions | - | - | - |
| Disposals | - | - | - |
| **At 31 March 2019** | **3,409.76** | **0.35** | 3,410.11 |
| **Depreciation,amortization & Impairment** | | | |
| **At 1 April 2017** | **845.36** | - | 845.36 |
| Additions | 263.86 | 0.07 | 263.93 |
| Disposals | | | - |
| **At 31 March 2018** | **1,109.22** | **0.07** | 1,109.29 |
| Charge for the year | 244.59 | 0.10 | 244.69 |
| **At 31 March 2019** | **1,353.81** | **0.17** | 1,353.98 |
| **Net Book Value** | | | |
| **At 31 March 2019** | 2,055.95 | 0.18 | 2,056.13 |
| **At 31 March 2018** | 2,300.55 | 0.28 | 2,300.83 |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

NOTE 3A: OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

| Intangible assets | Software/ Licences | Total |
|---|---|---|
| Cost | | |
| **At 1 April 2017** | - | - |
| | | - |
| Additions | 125.07 | 125.07 |
| **As at 31 March 2018** | **125.07** | **125.07** |
| Additions | - | - |
| **As at 31 March 2019** | **125.07** | **125.07** |
| **Amortization & Impairment** | | |
| **At 1 April 2017** | - | - |
| | | - |
| Charge for the year | 0.21 | 0.21 |
| **As at 31 March 2018** | **0.21** | **0.21** |
| Charge for the year | 12.51 | 12.51 |
| **As at 31 March 2019** | **12.73** | **12.73** |
| **Net Block** | | |
| **At 31 March 2019** | 112.34 | 112.34 |
| **At 31 March 2018** | 124.86 | 124.86 |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

| NOTE 4: INVESTMENTS | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Investment in Subsidiaries** | | |
| **Equity instruments (unquoted)** | | |
| 20,000 (31 March 2018 - 20,000) Equity shares of Sterlite Telesystems Limited of Rs. 10 each fully paid up | 2.00 | 2.00 |
| **Total Investments** | 2.00 | 2.00 |
| **Total non-current investments** | | |
| Aggregate amount of unquoted investments | 2.00 | 2.00 |
| Aggregate amount of impairment in the value of investments | - | - |

| NOTE 5: DEFERRED TAX ASSET | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Deferred tax liability** | | |
| On loan from holding company | 45.48 | 22.21 |
| Others | - | 1.23 |
| **Gross deferred tax liability** | 45.48 | 23.44 |
| **Deferred tax assets** | | |
| Carry forward Losses | 1,061.75 | 1,061.42 |
| | 1,061.75 | 1,061.42 |
| Deferred tax assets recognised | 45.48 | 47.56 |
| Deferred Tax recognised on demerger | - | |
| Deferred tax assets not recognised (Refer Note Below) | 1,016.27 | 1,013.86 |
| **Net deferred tax assets** | - | 24.12 |

| Reconciliation of deferred tax asset | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Opening deferred tax asset, net | 24.12 | 24.12 |
| Deferred tax asset derecognised during the year | (24.12) | - |
| **Closing deferred tax asset, net** | - | 24.12 |

**Note:**
In the current year, the company has recognised deferred tax asset only to the extent of deferred tax liabilities. The company is not likely to generate taxable income in the forseeable future. These unused tax losses can be carried forward as per the provisions of Income Tax Act, 1961.
The tax expense is computed as per the provisions of Income Tax Act, 1961. Statutory tax rate of 26% is applicable to the company for the financial year ended 31 March 2019. Considering loss incurred during the year and lack of probability of future recovery of losses incurred, tax expense for the year is Nil.

| NOTE 6: LOANS | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non- Current** | | |
| Loans to subsidiary (Refer Note No. 29) | 12.93 | 10.61 |
| **Total non current loan** | 12.93 | 10.61 |
| **Break-up for security details** | | |
| Loans considered good - Secured | - | - |
| Loans considered good - Unsecured | 12.93 | 10.61 |
| Loans which have significant increase in credit risk | - | - |
| Loans - Credit impaired | - | - |
| **Total** | 12.93 | 10.61 |

| NOTE 7: OTHER ASSETS | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non-current** | | |
| Advance income tax, including TDS (net of provisions) | 50.07 | 27.73 |
| Others | - | 0.38 |
| **Total other non-current assets** | 50.07 | 28.11 |
| **Current** | | |
| Balances with government authorities (including amount paid under protest) | 416.35 | 331.90 |
| Prepaid expenses | - | 6.64 |
| Other Assets | 8.18 | - |
| **Total other current assets** | 424.53 | 338.54 |

| NOTE 8: TRADE RECEIVABLES | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Current** | | |
| Trade receivables | 87.10 | 33.16 |
| Receivables from related parties (Refer Note No. 31) | 1,220.44 | 140.68 |
| | 1,307.54 | 173.84 |
| **Break-up for security details** | | |
| - Secured, considered good | | |
| Trade receivables considered good - Secured | | |
| Trade receivables considered good - Unsecured | 1,291.51 | 171.34 |
| Trade receivables which have significant increase in credit risk | - | - |
| Trade receivables - Credit impaired | 16.03 | 2.50 |
| **Total** | 1,307.54 | 173.84 |
| **Less: Impairment Allowance** | 16.03 | 2.50 |
| | 1,291.51 | 171.34 |

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member.

NOTE 9: CASH AND CASH EQUIVALENTS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Balances with banks:** | | |
| On current accounts | 4.46 | 3.19 |
| | 4.46 | 3.19 |

NOTE 9A: OTHER BANK BALANCES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Deposits with original maturity for more than 3 months but less than 12 months | 35.84 | 35.84 |
| Total other bank balances | 35.84 | 35.84 |

NOTE 10: OTHER CURRENT FINANCIAL ASSETS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Current (unsecured, considered good)** | | |
| Unbilled Revenue | - | 7.49 |
| Total other current financial assets | - | 7.49 |

NOTE 11: Contract Assets

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Unbilled revenue | 48.01 | |
| | 48.01 | - |

Contract assets have increased from previous year as entity has entered into new contracts during the year for which amount is yet to be invoiced as at year end.
There is no impairment allowance for the contract assets for current year.

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SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

NOTE 12: SHARE CAPITAL

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Authorised shares<br>5,000,000 (31 March 2018: 5,000,000) Equity Shares of Rs. 10 each | 500.00 | 500.00 |
| Issued, subscribed and fully paid-up shares (no. lacs)<br>1,550,000 (31 March 2018: 1,550,000) Equity Shares of Rs. 10 each fully paid - up | 155.00 | 155.00 |
| **Total issued, subscribed and fully paid-up share capital** | 155.00 | 155.00 |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Nos in lacs | Rs. in lacs | Nos in lacs | Rs. in lacs |
| At the beginning of the year | 15.50 | 155.00 | 15.50 | 155.00 |
| Issued during the year against employee stock options | - | - | - | - |
| **Outstanding at the end of the year** | 15.50 | 155.00 | 15.50 | 155.00 |

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Shares held by holding company and their subsidiaries/associates:**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in lacs | % holding | No. in lacs | % holding |
| **Immediate holding company** | | | | |
| Sterlite Technologies Limited and its nominee shareholders | 15.50 | 100% | 15.50 | 100% |

**d. Detail of shareholders holding more than 5% of shares in the company**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in lacs | % holding | No. in lacs | % holding |
| Sterlite Technologies Limited and its nominee shareholders | 15.50 | 100% | 15.50 | 100% |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

## NOTE 13 : OTHER EQUITY

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Equity Portion of Compulsorily Convertible Debentures** | | |
| Opening balance | 4,470.59 | 2,970.59 |
| Add: Issued during the year | | 1,500.00 |
| **Equity Portion of Compulsorily Convertible Debentures** | 4,470.59 | 4,470.59 |
| **Securities premium account** | | |
| Opening balance | 345.54 | 345.54 |
| **Securities premium account** | 345.54 | 345.54 |
| **Equity Contribution from Parent** | | |
| Opening balance | 183.57 | 183.57 |
| **Equity Contribution from Parent** | 183.57 | 183.57 |
| **Retained earnings** | | |
| Opening balance | (4,122.00) | (3,762.91) |
| Add: Net profit for the year | 38.36 | (359.09) |
| **Total retained earninngs** | (4,083.64) | (4,122.00) |
| **Total other equity** | 916.06 | 877.70 |

**Nature and Purpose of reserves other than retained earnings**

**Securities premium reserve**
Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

**Equity Contribution from Parent**
This reserve is attributable to the fair value difference at inception for loan obtained from the holding company.

**Equity Portion of Compulsorily Convertible Debentures**
This reserve is created on the Compulsory Convertible Debentures issued by the company in earlier years as per the requirement of Ind AS 109.

## NOTE 14: BORROWINGS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non-current borrowings** | | |
| **Term loans** | | |
| Loan from holding Company (unsecured) (refer note below) | 2,961.92 | 2,051.69 |
| | 2,961.92 | 2,051.69 |
| **The above amount includes** | | |
| Secured borrowings | - | - |
| Unsecured borrowings | 2,961.92 | 2,051.69 |
| **Total Non-current borrowings** | 2,961.92 | 2,051.69 |

**Notes:**
The Company has obtained unsecured borrowing from holding company which carries interest at 8% p.a. (2017-18: 8% p.a.) and the same is repayable on demand based on availability of funds with the company.

## NOTE 15: OTHER FINANCIAL LIABILITIES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Current** | | |
| **Other financial liabilities at amortised cost** | | |
| Payable for purchase of Plant,Property & Equipment | - | 38.84 |
| **Total current financial liabilities** | - | 38.84 |

## NOTE 16: TRADE PAYABLES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Total outstanding dues of micro enterprises & small enterprises (refer note 30) | 14.24 | 3.79 |
| Total outstanding dues of creditors other than micro enterprises & small enterprises | 149.56 | 93.43 |
| **Total Trade Payable** | 163.80 | 97.22 |

Trade payables are non-interest bearing and are normally settled on 60-90 days terms

## NOTE 17: OTHER LIABILITIES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non-Current** | | |
| Unearned Revenue | - | 9.07 |
| **Total other current liabilities** | - | 9.07 |
| **Current** | | |
| Statutory dues payable | 5.44 | 0.89 |
| Unearned Revenue | - | 1.08 |
| **Total other current liabilities** | 5.44 | 1.96 |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

## NOTE 18: CONTRACT LIABILITIES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non-Current** | | |
| Unearned revenue | 7.99 | - |
| | 7.99 | - |
| **Current** | | |
| Unearned revenue | 1.08 | - |
| | 1.08 | - |

## NOTE 19: REVENUE FROM OPERATIONS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Revenue from Contract with Customers** | - | - |
| Sale of services | 2,623.92 | 381.14 |
| **Total revenue from Contract with Customers** | 2,623.92 | 381.14 |

Refer note 2 for accounting policy on adoption of Ind AS 115.
There is no amount of unsatisfied (or partially satisfied) performance obligations as on March 31, 2019.

## NOTE 20: FINANCE INCOME

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Interest income on** | | |
| - Bank deposits | - | 2.60 |
| - Loan to related party | 0.96 | 0.79 |
| **Total finance income** | 0.96 | 3.39 |

## NOTE 21: OTHER INCOME

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Net Exchange gain on foreign currency transactions | - | 6.58 |
| **Total other income** | - | 6.58 |

## NOTE 22: OTHER EXPENSES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Insurance | 6.64 | 2.38 |
| Legal and professional fees | 14.10 | 4.61 |
| License Fees | 226.94 | - |
| Network Maintenance Expenses | 1,477.27 | 261.78 |
| Net Exchange gain on foreign currency transactions | 0.55 | - |
| Power, fuel and water | 69.82 | 22.04 |
| Office maintenance charges | - | 0.10 |
| Provision for doubtful debts | 13.53 | - |
| Payment to auditor (refer details below) | 4.60 | 4.00 |
| Sales promotion and marketing | - | 1.92 |
| Rent | 31.73 | 29.72 |
| Rates and taxes | 23.97 | 0.47 |
| Travelling and conveyance | 0.18 | 4.94 |
| Telephone charges | 0.05 | 0.66 |
| Miscellaneous expenses | 259.54 | 9.35 |
| **Total other expenses** | 2,128.92 | 341.97 |

**Payment to auditor**

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| As auditor: | | |
| Audit fee | 3.00 | 3.00 |
| Tax audit fee | 1.00 | 1.00 |
| In other capacity: | | |
| Other services (including certification fees) | 0.60 | - |
| | 4.60 | 4.00 |

## NOTE 23: DEPRECIATION AND AMORTISATION EXPENSE

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Depreciation of tangible assets | 244.69 | 263.93 |
| Amortisation of intangible assets | 12.51 | 0.21 |
| **Total depreciation and amortisation expense** | 257.20 | 264.14 |

## NOTE 24: FINANCE COST

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| On loan from holding company | 174.93 | 142.89 |
| Bank charges | 1.35 | 1.20 |
| **Total finance cost** | 176.28 | 144.09 |

## NOTE 25: EARNINGS PER SHARE (EPS)

| The following table shows the computation of basic and diluted EPS | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **(a) Basic earnings per share** | | |
| Profit for the year | 38.36 | (359.09) |
| Weighted average number of equity shares in calculating basic EPS | 15.50 | 15.50 |
| **Total Basic earnings per share attributable to the equity holders of the company** | 2.47 | (23.17) |
| **(a) Diluted earnings per share** | | |
| Profit for the year | 38.81 | (358.79) |
| Weighted average number of equity shares in calculating diluted EPS | 462.56 | 312.56 |
| **Total diluted earnings per share attributable to the equity holders of the company** | 0.08 | (23.17) |

SPEEDON NETWORK LIMITED

Notes to financial statements for the year ended 31 March 2019

## NOTE 26 : SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates. Management also needs to exercise judgement in applying the company's accounting policies.This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

**Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## NOTE 27: LEASES

**Operating lease**

**Company as lessee:**

The Company has taken office buildings on operating lease. The lease term is for periods of three to nine years and renewable at the option of the Company.

(a) Lease payments recognised in the statement of profit and loss for the year is Rs. 31.73 Lacs (31 March 2018: Rs. 29.72 Lacs).

(b) The future minimum lease payments payable over the next one year is Rs. 37.45 Lacs (31 March 2018: Rs. 45.32 Lacs).

(c) The future minimum lease payments payable later than one year but not later than five years is Rs. 115.55 Lacs (31 March 2018: Rs. 126.77 Lacs).

(d) The future minimum lease payments payable later than five years is Rs. 59.55 Lacs (31 March 2018: Rs. 68.31Lacs).

## NOTE 28: CAPITAL AND OTHER COMMITMENTS

There is no Capital and Other Commitments during the Current year. (31 March 2018: Rs. 68.42 Lacs)

## NOTE 29: DETAILS OF LOANS AND ADVANCES GIVEN TO SUBSIDIARIES

The details are provided as required by section 186 of the Companies Act 2013.

**(Rs. in lacs)**

| Name of Subsidiary | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Outstanding Amount | Maximum Balance | Outstanding Amount | Maximum Balance |
| Sterlite Telesystems Limited | 12.93 | 12.93 | 10.61 | 10.61 |

## NOTE 30: DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MSMED ACT, 2006

| | Description | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|---|
| (i) | The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year . | | |
| | Principal amount due to micro and small enterprises | 14.24 | 3.79 |
| | Interest due on above | 0.21 | - |
| (ii) | The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year. | - | - |
| (iii) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| (iv) | The amount of interest accrued and remaining unpaid at the end of each accounting year. | 0.21 | - |
| (v) | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006 | - | - |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

## NOTE 31 : RELATED PARTY TRANSACTIONS

**Name of related party and nature of relationships:**

**Parent entity:**
Sterlite Technologies Limited ('STL') (Immediate holding company)
Twinstar Overseas Limited, Mauritius (Intermediate holding company)
Volcan Investments Limited, Bahamas (Ultimate holding company)

Other related parties with whom transactions have taken place during the year:

**Subsidiary**
Sterlite Telesystems Limited ('STSL') (Subsidiary) (incorporated on 21/09/2015)

**Key Management Personnel (KMP)**
Kattunga Srinivasa Rao (Non-Executive Director)
Anupam Jindal (Non-Executive Director)
Dharmendra Jain (Non-Executive Independent Director)
Lalit Narayan Tandon (Non-Executive Independent Director)

**Transactions with related parties during the year and outstanding balances are as follows:**

| Particulars | Transactions with STL | | Transactions with STSL | |
|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| **Transactions during the year** | | | | |
| Purchase of fixed assets (inclusive of duties and taxes) | 30.33 | 31.12 | - | - |
| Compulsorily convertible Debentures to holding company | - | 1,500.00 | - | - |
| Loans taken (principal amount) | 746.91 | 989.00 | - | - |
| Loans given (principal amount) | | - | 1.36 | |
| Repayment of loans | 11.62 | - | - | - |
| Sales (exclusive of duties and taxes): | | | | |
| (a) Services provided | 2,413.89 | 383.44 | - | - |
| Interest on loans taken | 174.93 | 142.89 | - | - |
| Interest on loans given | | - | 0.96 | 0.79 |
| **Closing balances as at year end** | **As at 31 Mar 2019** | **As at 31 Mar 2018** | **As at 31 Mar 2019** | **As at 31 Mar 2018** |
| Long term loan taken | 2,961.92 | 2,051.69 | - | - |
| Compulsorily convertible debentures | 4,470.59 | 4,470.59 | - | - |
| Investment in equity shares | - | - | 2.00 | 2.00 |
| Loans & advances receivables | - | - | 12.93 | 10.61 |
| Trade receivable | 1,220.44 | 140.68 | - | - |

## Note 32: FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations. The Company also holds investments.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All risk management activities are carried out by specialist teams that have the appropriate skills, experience and supervision. The Company reviews and agrees policies for managing each of these risks, which are summarised below

The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are approved and reviewed regularly by Board to reflect changes in market conditions and the Company's activities.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. In performing its operating, investing and financing activities, the Company is exposed to the Credit Risk, Liquidity Risk and Market risk.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

### Trade receivables and Contract Assets

Customer credit risk is managed by top management subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.
An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. During the period, the Company made no write-offs of trade receivables, it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off. As significant outstanding trade receivable are outstanding from holding company credit risk related to these receivables is considered to be low.
The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation and based on assessment performed management has concluded that impact of expected credit loss is not material and current provision made against trade receivable is adequate to cover the provision on account of expected credit loss.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year . The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2019 and 31 March 2018 is the carrying amounts of each class of financial assets.

### Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Company's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Company requires funds both for short term operational needs as well as for long term investment programs mainly in growth projects. The Company closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity. The Company obtain loan from holding company to meet its liquidity requirements.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 60 - 90 days. The other payables are with short term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Rs. in lacs

| Particulars | Less than 3 months | 3 months to 12 months | 1 year to 5 years | Total |
|---|---|---|---|---|
| **As at March 31, 2019** | | | | |
| Trade payables | 144.95 | 18.85 | - | 163.80 |
| | - | - | - | - |
| | 144.95 | 18.85 | - | 163.80 |
| **As at March 31, 2018** | | | | |
| Payable for Purchase of PPE | - | - | 38.84 | 38.84 |
| Other financial liabilities | 0.90 | - | | 0.90 |
| Trade payables | 97.22 | - | - | 97.22 |
| | - | - | - | - |
| | 98.12 | - | 38.84 | 136.96 |

SPEEDON NETWORK LIMITED
Notes to financial statements for the year ended 31 March 2019

## Note 33: CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains adequate funds to meet its obligations. The Company currently relies on loan provided by the Parent Company. The term of this loan requires the Company to repay only as and when it has adequate internal accruals for such repayment.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The The Company's policy is to keep the gearing ratio optimum. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents excluding discontinued operations.

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Net debt | 3,125.72 | 2,187.75 |
| Total Capital | 1,071.06 | 1,032.70 |
| Capital and net debt | 4,196.77 | 3,220.45 |
| Gearing ratio | 74.48% | 67.93% |

## NOTE 34: FAIR VALUE MEASUREMENTS

The management assessed that cash and cash equivalents, trade receivables, trade payables, other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. .Therefore, carrying value of these instruments is considered to be same as the fair value.

## NOTE 35: COMPULSORILY CONVERTIBLE DEBENTURES

During the previous year, the Company had issued 1,500 lacs unsecured Compulsorily Convertible Debentures ('CCDs') of Rs 10 each at a price of Rs 10 each against loan received from its holding company . These CCDs were compulsorily convertible into equity shares after 2 years from the date of allotment and convertible into equity shares at any time after allotment at the option of the holder. Interest payable on the CCDs is 0.01% per annum.Each CCD is convertible into 1 equity share of face value of Rs 10. As these debentures were compulsorily convertible carrying insignificant interest payments, entire amount was classified as equity contribution from holding company.

## NOTE 36: CONTINGENT LIABILITIES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| a) Sales tax | 34.86 | 34.86 |

## NOTE 37: SEGMENT REPORTING

The Company's operations predominately relate to provision of data services through active equipment in telecom network accordingly this is the only reportable segment as per Ind AS-108 "Operating Segments".

The significant revenue is generated from holding company which is located in India.

All non current operating assets of the Company are located in India.

## NOTE 38: NOTE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The company has opted for the exemption in accordance with paragraph 4(a) of Ind AS 110 and section 129 of Companies Act, 2013 read with Companies (Accounts) Amendment Rules, 2016 and opted to not prepare consolidated financial statements as it is a wholly owned subsidiary of Sterlite Technologies Limited ("Holding Company") which is incorporated in Aurangabad, India, under the Companies Act, 2013. The holding company's consolidated financial statements can be obtained from E-1, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India.

## NOTE 39: PREVIOUS YEAR FIGURES

Previous year figures have been reclassified to confirm to this years classification.

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**For and on behalf of the Board Of Directors of Speedon Network Limited**

**Neeraj Sharma**
Partner
Membership Number :108391

**K S Rao**
Director
DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

**Alok Mahapatra**
Chief Executive Officer

**Abhishek Mandowara**
Chief Financial Officer

Place : Pune
Date :

Place : Pune
Date :

Place : Pune
Date :

# Sterlite Telesystems Limited

## Financial Statements for FY 2018-19

INDEPENDENT AUDITOR'S REPORT

**To the Members of Sterlite Telesystems Limited**

**Report on the audit of the financial statements**

**Opinion**

1. We have audited the accompanying financial statements of Sterlite Telesystems Limited ("the Company"), which comprise the balance sheet as at March 31, 2019 and the statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and total comprehensive income (comprising of loss and other comprehensive income), changes in equity and its cash flows for the year then ended.

**Basis for opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.
   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on other legal and regulatory requirements

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

12. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts as at March 31, 2019.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 10839

Place: Pune
Date:

## Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Sterlite Telesystems Limited (the "Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

## Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisation of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls over with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date:

**Annexure B to Independent Auditors' Report**
Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Sterlite Telesystems Limited on the financial statements as of and for the year ended March 31, 2019

i. There are no fixed assets in the company, hence the requirements under paragraph 3(i) (a), (b) and (c) are not applicable to the company and not commented upon.

ii. The Company's business does not involve any inventory and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including income tax and goods and service tax (with effect from July 1, 2017), as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax and goods and service tax which have not been deposited on account of any dispute.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has not paid/provided for managerial remuneration during the year hence provisions of Section 197 read with Schedule V to the Act is not applicable.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Section 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754N/N500016
Chartered Accountants

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date:

STERLITE TELESYSTEMS LIMITED
BALANCE SHEET AS AT 31 MARCH 2019

| | Note | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets | | | |
| Other non-current financial assets | 3 | 3.60 | 3.60 |
| | | **3.60** | **3.60** |
| **Current assets** | | | |
| Financial assets | | | |
| Cash and cash equivalents | 5 | 0.64 | 0.64 |
| Other current assets | 4 | 0.40 | 0.61 |
| | | **1.04** | **1.25** |
| **Total Assets** | | 4.64 | 4.85 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 6 | 2.00 | 2.00 |
| Other Equity | | | |
| Retained earnings | 7 | (14.00) | (8.85) |
| **Total Equity** | | **(12.00)** | **(6.85)** |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 8 | 12.93 | 10.61 |
| | | **12.93** | **10.61** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Trade Payables | | | |
| -Total outstanding dues of micro enterprises & small enterprises | 9 | - | - |
| -Total outstanding dues of creditors other than micro enterprises & small enterprises | | 3.39 | 1.00 |
| Other Current Liabilities | 10 | 0.32 | 0.09 |
| | | **3.71** | **1.09** |
| | | **4.64** | **4.85** |
| **Total Equity & Liabilities** | | | |
| Summary of significant accounting policies | 2 | | |

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No: FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number: 108391

Place : Pune
Date :

**For and on behalf of the board of directors of Sterlite Telesystems Limited**

**K S Rao**
Director
DIN:00022533

Place : Pune
Date :

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date :

STERLITE TELESYSTEMS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | | - | - |
| **Total Income (I)** | | - | - |
| **EXPENSES** | | | |
| Other expense | 11 | 4.19 | 1.34 |
| **Total Expense (II)** | | 4.19 | 1.34 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | (4.19) | (1.34) |
| Finance costs | 12 | 0.96 | 0.79 |
| **Profit before tax** | | (5.15) | (2.13) |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | 13 | - | - |
| **Total tax expenses** | | - | - |
| **Loss for the year** | | (5.15) | (2.13) |
| **Other comprehensive income** | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year, net of tax** | | (5.15) | (2.13) |
| **Earnings per equity share** | | | |
| **Basic and diluted** | | | |
| Computed on the basis of profit for the year | 14 | (25.77) | (10.65) |
| Summary of significant accounting policies | 2 | | |

The accompanying notes are an integral part of the financial statements

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number :108391

Place : Pune
Date :

**For and on behalf of the board of directors of**
**Sterlite Telesystems Limited**

**K S Rao**
Director
DIN:00022533

Place : Pune
Date :

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date :

STERLITE TELESYSTEMS LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

**A. Equity share capital**

| Particulars | No. in lacs | Rs. in lacs |
|---|---|---|
| **At April 01, 2017** | 0.20 | **2.00** |
| Issue of share capital (Note 6) | - | - |
| **At March 31, 2018** | **0.20** | **2.00** |
| Issue of share capital (Note 6) | - | - |
| **At March 31, 2019** | **0.20** | **2.00** |

**B. Other equity**

(Rs. in Lacs)

| Particulars | Retained earnings |
|---|---|
| **At April 01, 2017** | **(6.72)** |
| Loss for the period | (2.13) |
| **At March 31, 2018** | **(8.85)** |
| Loss for the period | (5.15) |
| **At March 31, 2019** | **(14.00)** |

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements

As per our report of even date
**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**For and on behalf of the board of directors of Sterlite Telesystems Limited**

**Neeraj Sharma**
Partner
Membership Number :108391

Place : Pune
Date :

**K S Rao**
Director
DIN:00022533

Place : Pune
Date :

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date :

STERLITE TELESYSTEMS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | March 31, 2019 (Rs. in lacs) | March 31, 2018 (Rs. in lacs) |
|---|---|---|---|
| **A. Operating activities** | | | |
| **Profit before tax** | | (5.15) | (2.13) |
| Adjustments to reconcile profit before tax to net cash flows | | | |
| Finance costs | 12 | 0.96 | 0.79 |
| **Operating profit before working capital changes** | | (4.19) | (1.34) |
| Working capital adjustments: | | | |
| (Decrease)/increase in trade payables | 9 | 2.39 | - |
| (Decrease)/increase in other liabilities | 10 | 0.23 | - |
| (Decrease)/increase in other current financial liabilities | | - | (0.55) |
| Decrease/(increase) in other non- current financial assets | 3 | - | (0.52) |
| Decrease/(increase) in other assets | 4 | 0.21 | (0.33) |
| Change in working capital | | **2.83** | **(1.40)** |
| **Cash generated from operations** | | **(1.36)** | **(2.74)** |
| Income tax paid (net of refunds) | | - | - |
| **Net cash flow from operating activities** | | (1.36) | (2.74) |
| **B. Investing activities** | | | |
| **Net cash flow used from investing activities** | | - | - |
| **C. Financing activities** | | | |
| Proceeds from Short term borrowings from holding company | 8 | 2.32 | 2.74 |
| Interest paid | 12 | (0.96) | - |
| **Net cash flow used in financing activities** | | 1.36 | 2.74 |
| **Net increase/(decrease in) cash and cash equivalents** | | 0.00 | (0.00) |
| **Cash and cash equivalents as at beginning of year** | 5 | 0.64 | 0.64 |
| **Cash and cash equivalents as at year end** | 5 | **0.64** | **0.64** |

**Components of cash and cash equivalents:**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Balances with banks:** | | |
| On current accounts | 0.64 | 0.64 |
| **Cash in hand** | | |
| **Total cash and cash equivalents** | **0.64** | **0.64** |

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements.

As per our report of even date
**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. (FRN 012754N/N500016)

**For and on behalf of the board of directors of Sterlite Telesystems Limited**

**Neeraj Sharma**
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DIN:00022533

**Anupam Jindal**
Director
DIN: 03040078

Place: Pune
Date :

Place: Pune
Date :

Place: Pune
Date :

## 1. Corporate information

Sterlite Telesystems Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company was incorporated on 21 September 2015 and is a wholly owned subsidiary of Speedon Network Limited.

The Ind AS financial Statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Company on July 04, 2017.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The Ind AS financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March 2017 are the first the Company has prepared in accordance with Ind AS. Refer note 17 for information on how the Company adopted Ind AS.

The Ind AS financial statements have been prepared on a historical cost basis.

The Ind AS financial statements are presented in Indian Rupees Lacs, except when otherwise indicated.

### 2.2 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by the Company in preparing its Ind AS financial statements:

#### a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of business the Company has ascertained cycle of 12 months for the purpose of current and non-current classification of assets and liabilities.

#### a) Revenue from contracts with customers

Ind AS 115 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:
(i) identify contracts with customers
(ii) identify the separate performance obligation
(iii) determine the transaction price of the contract
(iv) allocate the transaction price to each of the separate performance obligations, and
(v) recognise the revenue as each performance obligation is satisfied.

**Transition**

On transition to Ind AS 115, the Company has elected to adopt the new revenue standard as per modified retrospective approach. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

**Revenue recognition policy**

The Company has following streams of revenue:

(i) Sale of services

The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies distinct performance obligations in each contract. For most of the contracts, the Company provides a service of last mile data connectivity through leasing of it's network equipment.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or
(b) The customer controls the work-in-progress, or
(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date

If none of the criteria above are met, the Company recognises revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

**b) Foreign currencies**

The Company's Ind AS financial statements are presented in INR, which is its functional currency.

**c) Taxes**

**Current income tax**
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside of profit or loss is recognised outside of profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside of profit or loss is recognised outside of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority.

**d) Provisions**

**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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**e) Financial instruments**

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

**Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**
For purposes of subsequent measurement, financial assets are classified in four categories:

i. Debt instruments at amortised cost
ii. Debt instruments at fair value through other comprehensive income (FVTOCI)
iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**
A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss. This category generally applies to trade and other receivables.

**Debt instrument at FVTOCI**
A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Debt instrument at FVTPL**
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's combined balance sheet) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., deposits and bank balance;

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Other receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**Financial liabilities**

**Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include short term borrowings and other financial liabilities.

**Subsequent measurement**
The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

**Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**Reclassification of financial assets**
The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

| Original classification | Revised Classification | Accounting Treatment |
|---|---|---|
| Amortised Cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit and loss. |
| FVTPL | Amortised Cost | Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount. |
| Amortised cost | FVTOCI | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification. |
| FVTOCI | Amortised cost | Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost. |
| FVTPL | FVTOCI | Fair value at reclassification date becomes its new carrying amount. No other adjustment is required. |
| FVTOCI | FVTPL | Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to statement of profit and loss at the reclassification date. |

**Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**f) Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise of cash at bank and in hand and short-term investments with an original maturity of three months or less.

**g) Presentation of EBITDA**

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs and tax expense.

**h) Rounding of amount**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated

**2.3 Going Concern Assumption**

During the year the company has earned a profit of INR 5.15 Lakhs and is carrying accumulated losses of INR 8.85 Lakhs pertaining to prior years. The outstanding loan has been obtained from the holding company and there is no outstanding loan to other parties.

Basis the terms of the payable balances, which requires the Company to repay only as and when it has funds to repay and the management's intention is to continue with the entity. Hence the financial statements have been prepared on going concern basis.

**2.4 Recent accounting pronouncements**

**a) Ind AS 116- Leases:**

**Ind AS 116 Leases:** On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases,and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months,unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:
• Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application

The group is in the process of assessing the detailed impact of Ind AS 116. Presently, the group is not able to reasonably estimate the impact that application of Ind AS 116.

**b) Other Pronouncements**

Following accounting pronouncements are not expected to have significant impact on the company's financial statements.

- **Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :**
  On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- **Amendment to Ind AS 12 – Income taxes :**
  On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.
  The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
  The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

- **Amendment to Ind AS 19 – plan amendment, curtailment or settlement:**
  On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.
  The amendments require an entity:
  i) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  ii) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

## NOTE 3: OTHER FINANCIAL ASSETS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non-current** | | |
| Security deposits | 0.55 | 0.55 |
| Other Receivables | 3.05 | 3.05 |
| **Total other non-current financial assets** | **3.60** | **3.60** |

## NOTE 4: OTHER ASSETS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Current** | | |
| Balances with government authorities | 0.40 | 0.61 |
| **Total other current assets** | **0.40** | **0.61** |

## NOTE 5: CASH AND CASH EQUIVALENTS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Balances with banks:** | | |
| On current accounts | 0.64 | 0.64 |
| | **0.64** | **0.64** |

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NOTE 6: SHARE CAPITAL

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Authorised shares | | |
| 50,000 (31 March 2018: 50,000) Equity Shares of Rs.10 each | **5.00** | **5.00** |
| 20,000 (31 March 2018: 20,000) Equity Shares of Rs.10 each fully paid up | 2.00 | 2.00 |
| **Total issued, subscribed and fully paid-up share capital** | **2.00** | **2.00** |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Nos in lacs | Rs. in lacs | Nos in lacs | Rs. in lacs |
| At the beginning of the year | 0.20 | 2.00 | 0.20 | 2.00 |
| Issued during the year | - | - | - | - |
| **Outstanding as at 31 March 2019** | **0.20** | **2.00** | **0.20** | **2.00** |

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Shares held by holding company and their subsidiaries/associates:**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in lacs | % holding | No. in lacs | % holding |
| Immediate holding company | | | | |
| Speedon Network Limited and its nominee shareholders | 0.20 | 100% | 0.20 | 100% |

**d. Detail of shareholders holding more than 5% of shares in the company**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in lacs | % holding | No. in lacs | % holding |
| Speedon Network Limited and its nominee shareholders | 0.20 | 100% | 0.20 | 100% |

## NOTE 7 : OTHER EQUITY

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Retained earnings** | | |
| Opening balance | (8.85) | (6.72) |
| Add: Net profit for the year | (5.15) | (2.13) |
| **Total retained earninngs** | **(14.00)** | **(8.85)** |
| **Total other equity** | **(14.00)** | **(8.85)** |

## NOTE 8: BORROWINGS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Non -Current borrowings** | | |
| Loan from related party (Refer Note No. 16) | 12.93 | 10.61 |
| | **12.93** | **10.61** |
| **The above amount includes** | | |
| Secured borrowings | - | - |
| Unsecured borrowings | 12.93 | 10.61 |
| **Net Amount** | **12.93** | **10.61** |

## NOTE 9: TRADE PAYABLES

| | | |
|---|---|---|
| Total outstanding dues of creditors other than micro enterprises & small enterprises | | |
| Total outstanding dues of micro enterprises & small enterprises (Refer note 18) | - | - |
| Total outstanding dues of creditors other than micro enterprises & small enterprises | 3.39 | 1.00 |
| | **3.39** | **1.00** |

## NOTE 10: OTHER CURRENT LIABILITIES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Current** | | |
| TDS payable | 0.32 | 0.09 |
| **Total current liabilities** | **0.32** | **0.09** |

## NOTE 11: OTHER EXPENSES

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Rates and taxes | 0.67 | 0.03 |
| Legal & professional fees | 0.35 | 0.30 |
| Payment to auditor (refer details below) | 1.00 | 1.00 |
| Other adminstration and general expenses | 2.17 | 0.01 |
| **Total other expenses** | **4.19** | **1.34** |

| **Payment to auditor** | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| As auditor: | | |
| Audit fees | 1.00 | 1.00 |
| | **1.00** | **1.00** |

## NOTE 12: FINANCE COST

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| On loan from holding company | 0.96 | 0.79 |
| **Total finance cost** | **0.96** | **0.79** |

## NOTE 13: DEFERRED TAX

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| **Deferred tax asset** | | |
| Total losses for the current period | 3.64 | 2.28 |
| Total losses for the current period on which deferred tax asset has not been recognised | (3.64) | (2.28) |
| Total | - | - |

The company is not likely to generate taxable income in the foreseeable future These unused tax losses can be carried forward as per the provisions of Income Tax Act, 1961.

The tax expense is computed as per the provisions of Income Tax Act, 1961. Statutory tax rate of 26.00% is applicable to the company for the financial year

## NOTE 14: EARNINGS PER SHARE (EPS)

The following table shows the computation of basic and diluted EPS

| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| Loss for the year | **(5.15)** | **(2.13)** |
| **Weighted average number of equity shares in calculating basic EPS** | **20,000** | **20,000** |
| Earnings per share | | |
| Basic | (25.77) | (10.65) |

## NOTE 15: Fair values

The management assessed that cash and cash equivalents, trade payables and other financials current assets approximate their carrying amounts largely due to the short-term maturities of these instruments.Therefore, carrying value of these instruments is considered to be same as the fair value.



## NOTE 16: Related party transactions

**A.Name of related party and nature of relationships:**

| | |
|---|---|
| **Related parties where control exists:** | |
| Speedon Network Limited ('SNL') | Immediate holding company |
| Sterlite Technologies Limited | Intermediate holding company |
| Twinstar Overseas Limited, Mauritius | Intermediate holding company |
| Volcan Investments Limited, Bahamas | Ultimate holding company |

**B. Transactions with related parties during the period and outstanding balances are as follows:**

| | Transactions with Speedon Network Limited | |
|---|---|---|
| | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
| **Transactions during the year** | | |
| Interest expense | 0.96 | 0.79 |
| Loans taken | 1.36 | |
| **Closing balances as at year end** | | |
| Loan payable | 12.93 | 10.61 |

**Note 17: Financial risk management objectives and policies**

The Company does not have any operations. The Company's principal financial liabilities, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's cash flow requirements. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks.
The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are approved and reviewed regularly by Board to reflect changes in market conditions and the Company's activities.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. In performing its operating, investing and financing activities, the Company is exposed to the Credit Risk, Liquidity Risk and Market risk.

All the transactions are with the financial institutions with good credit rating.The Company's maximum exposure to credit risk for the components of the balance sheet of 31 March 2019 and 31 March 2018 is the carrying amount of each class of financial assets

**Credit risk**
The company is exposed to credit risk arising from financial assets in the nature of cash and equivalents. The management manages credit risk by keeping its funds with reputed financial institutions with good credit rating.

**Liquidity Risk**

Liquidity risk is the risk that the Company may encounter difficulty in meeting in present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The company's objective is to at all times maintain optimum levels of liquidity to meet liquidity needs. The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities through obtaining funds from holding company on need basis. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:The company manages its liquidity risk through taking loan from holding company.

| Particulars | Payable on demand | Less than 3 months | Total |
|---|---|---|---|
| **As at March 31, 2019** | | | |
| Trade Payables | - | 3.39 | 3.39 |
| | - | **3.39** | **3.39** |
| **As at March 31, 2018** | | | |
| Trade Payables | - | 1.00 | 1.00 |
| | - | **1.00** | **1.00** |

**NOTE 18: DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MSMED ACT, 2006**

| Description | 31 March 2019 (Rs. in lacs) | 31 March 2018 (Rs. in lacs) |
|---|---|---|
| (i) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year . | | |
| Principal amount due to micro and small enterprises | - | - |
| Interest due on above | - | - |
| (ii) The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year. | - | - |
| (iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| (iv) The amount of interest accrued and remaining unpaid at the end of each accounting year. | - | - |
| (v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006 | - | - |

**NOTE 19: Critical estimates and judgements**

The company presently does not have any operations and therefore management has not observe any critical estimates and judgements in preparation of financial statements

**NOTE 20: Segment reporting**

The company does not have any operations and therefore there are no reportable segments.

**NOTE 21: Previous year figures**
Previous year figures have been reclassified to confirm to this years classification.

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No: FRN 012754N/N500016

**For and on behalf of the board of directors of**
**Sterlite Telesystems Limited**

**Neeraj Sharma**
Partner
Membership Number: 108391

Place : Pune
Date :

**K S Rao**
Director
DIN:00022533

Place : Pune
Date :

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date :

# Maharashtra Transmission Communication Infrastructure Ltd

## Financial Statements for FY 2018-19

**MAHARASHTRA TRANSMISSION COMMUNICATION INFRASTRUCTURE LIMITED**
**BALANCE SHEET AS AT 31 MARCH 2019**

| | Notes | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Refer Note 3) (Rs. in Millions) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 924.11 | 732.62 |
| Capital work-in-progress | 3 | 10.40 | 226.24 |
| Intangible assets | 3 | 34.06 | 36.61 |
| Financial assets | | | |
| i. Other non-current financial assets | 5 | 0.24 | 0.10 |
| Other non-current assets | 6 | 79.82 | 77.95 |
| | | **1,048.63** | **1,073.52** |
| **Current assets** | | | |
| Financial assets | | | |
| i. Trade receivables | 4 | 8.79 | 54.13 |
| ii. Cash and cash equivalent | 7 | 57.18 | 12.03 |
| iii. Other bank balances | 7A | 10.25 | 4.53 |
| iv. Other financial assets | 5 | 0.21 | 0.26 |
| Other current assets | 6 | 1.03 | 0.84 |
| | | **77.46** | **71.79** |
| **TOTAL ASSETS** | | **1,126.09** | **1,145.31** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 8 | 281.96 | 218.18 |
| Other equity | | | |
| Securities premium | 9 | 11.22 | - |
| Retained earnings | 9 | (203.12) | (124.87) |
| Other reserves | 9 | 51.00 | 51.00 |
| **Total Equity** | | **141.06** | **144.31** |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 10 | 228.35 | 326.48 |
| ii. Other financial liabilities | 13 | 4.19 | 4.63 |
| Employee benefit obligations | 14 | 1.77 | 0.57 |
| Contract Liability | 15 | 157.02 | 49.28 |
| Deferred tax liabilities (net) | 16A | - | - |
| | | **391.33** | **380.96** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 11 | 36.61 | 39.77 |
| ii. Trade payables | 12 | 1.74 | 1.47 |
| iii. Other financial liabilities | 13 | 543.49 | 559.19 |
| Employee benefit obligations | 14 | 0.42 | 0.23 |
| Contract Liability | 15 | 11.09 | 18.19 |
| Other liabilities | 16 | 0.35 | 1.19 |
| | | **593.70** | **620.04** |
| **Total Liabilities** | | **985.03** | **1,001.00** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,126.09** | **1,145.31** |

Summary of significant accounting policies 2.2

The accompanying notes are an integral part of the financial statements
As per our report of even date

**For S R B C & CO LLP**
Chartered Accountants
Firm Registration No. 324982E/E300003

**For and on behalf of the board of directors of**
**Maharashtra Transmission Communication Infrastructure Limited**

**per Paul Alvares**
Partner
Membership Number: 105754

**Nanda K. Panda**
Managing Director
DIN:07738203

**Ravindra D. Chavan**
Chairman
DIN:06537224

**Ashok Gandhi**
Chief Financial Officer

**Tanu Singh**
Company Secretary

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

**MAHARASHTRA TRANSMISSION COMMUNICATION INFRASTRUCTURE LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019**

| | Notes | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Refer Note 3) (Rs. in Millions) |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 17 | 45.22 | 20.52 |
| Other income | 18 | 0.18 | 1.69 |
| **Total income (I)** | | **45.40** | **22.21** |
| **EXPENSES** | | | |
| Purchase of traded goods | | - | 8.27 |
| Employee benefits expense | 19 | 7.30 | 6.27 |
| Other expenses | 23 | 22.95 | 3.76 |
| **Total expenses (II)** | | **30.25** | **18.30** |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | **15.15** | **3.91** |
| Depreciation and amortisation expense | 20 | 65.61 | 38.24 |
| Finance costs | 22 | 27.53 | 18.78 |
| Finance income | 21 | 0.81 | 0.07 |
| **Loss before tax** | | **(77.18)** | **(53.04)** |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| **Income tax expense** | | - | - |
| **Loss for the year** | | **(77.18)** | **(53.04)** |
| **Other comprehensive income** | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | - | - |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Re-measurement gain/(loss) on defined benefit plans | | (1.07) | 0.94 |
| **Other comprehensive income for the year** | | **(1.07)** | **0.94** |
| **Total comprehensive income for the year** | | **(78.25)** | **(52.10)** |
| **Earnings per equity share** | 24 | | |
| **Basic and diluted** | | | |
| Computed on the basis of loss for the year (Rupee per share) | | (2.76) | (2.48) |

Summary of significant accounting policies 2.2

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S R B C & CO LLP**
Chartered Accountants
Firm Registration No. 324982E/E300003

**For and on behalf of the board of directors of**
**Maharashtra Transmission Communication Infrastructure Limited**

**per Paul Alvares**
Partner
Membership Number : 105754

**Nanda K. Panda**
Managing Director
DIN:07738203

**Ravindra D. Chavan**
Chairman
DIN:06537224

**Ashok Gandhi**
Chief Financial Officer

**Tanu Singh**
Company Secretary

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

**MAHARASHTRA TRANSMISSION COMMUNICATION INFRASTRUCTURE LIMITED**
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019**

**A. EQUITY SHARE CAPITAL**

| Equity shares of Rs. 10 each issued, subscribed and fully paid | No. in Millions | Rs. in Millions |
|---|---|---|
| **At 1 April 2017** | 18.72 | 187.22 |
| Issue of share capital | 3.10 | 30.97 |
| **At 31 March 2018** | **21.82** | **218.18** |
| Issue of share capital (Note 8) | 6.38 | 63.78 |
| **At 31 March 2019** | **28.20** | **281.96** |

**B. OTHER EQUITY** (Rs. in Millions)

| | Capital Contribution (refer note 3 and 9) | Securities Premium (refer note 9) | Retained Earnings (refer note 9) |
|---|---|---|---|
| **As at 1 April 2017** | **51.00** | **21.72** | **(72.77)** |
| Loss for the year (restated, refer note 3) | - | - | (53.04) |
| Other comprehensive income | - | - | 0.94 |
| **Total comprehensive income** | **51.00** | **21.72** | **(124.87)** |
| Securities premium utilised for issue of bonus shares | - | (21.72) | - |
| **As at 31 March 2018 (restated, refer note 3)** | **51.00** | **-** | **(124.87)** |
| Loss for the year | - | - | (77.18) |
| Other comprehensive income | - | - | (1.07) |
| **Total comprehensive income** | **-** | **-** | **(78.25)** |
| Securities premium on shares issued during the year | - | 11.22 | - |
| **As at 31 March 2019** | **51.00** | **11.22** | **(203.11)** |

The accompanying notes are an integral part of the financial statements

**As per our report of even date**

**For S R B C & CO LLP**
Chartered Accountants
Firm Registration No. 324982E/E300003

**For and on behalf of the board of directors of**
**Maharashtra Transmission Communication Infrastructure Limited**

**per Paul Alvares**
Partner
Membership Number : 105754

**Nanda K. Panda**
Managing Director
DIN:07738203

**Ravindra D. Chavan**
Chairman
DIN:06537224

**Ashok Gandhi**
Chief Financial Officer

**Tanu Singh**
Company Secretary

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

**MAHARASHTRA TRANSMISSION COMMUNICATION INFRASTRUCTURE LIMITED**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Refer Note 3) (Rs. in Millions) |
|---|---|---|
| **A. Cash flow from Operating Activities** | | |
| **Loss before tax** | **(77.18)** | **(53.04)** |
| **Adjustments for:** | | |
| - Depreciation and amortization expense | 65.61 | 38.24 |
| - Finance income | (0.81) | (0.07) |
| - Finance expense | 27.53 | 18.78 |
| | **92.33** | **56.95** |
| **Operating profit before working capital changes** | **15.15** | **3.91** |
| Movements in working capital: | | |
| - (Increase) / decrease in trade receivables | 45.34 | (49.52) |
| - (Increase) / decrease in other financial assets | (0.14) | 0.41 |
| - (Increase) / decrease in other assets | 14.04 | (17.97) |
| - Increase / (decrease) in net Employee defined benefit liabilities | 0.32 | (0.02) |
| - Increase / (decrease) in trade payables | 0.27 | (2.05) |
| - Increase / (decrease) in other financial liabilities | 3.23 | 4.96 |
| - Increase / (decrease) in other liabilities | (0.84) | 6.18 |
| - Increase / (decrease) in contract liabilities | 100.64 | 51.28 |
| **Change in working capital** | **162.86** | **(6.73)** |
| **Net cash flow from / (used in) operations** | **178.01** | **(2.82)** |
| Direct taxes paid | (16.10) | (0.56) |
| **Net cash used in operating activities** | **161.91** | **(3.38)** |
| **B. Cash flow from investing activities** | | |
| Purchase of plant and equipment (including capital work in progress) | (80.10) | (143.16) |
| Short term deposits with bank | (5.72) | (4.53) |
| Income from deposits with bank | 0.86 | 0.02 |
| **Net cash used in investing activities** | **(84.96)** | **(147.67)** |
| **C. Cash flow from financing activities** | | |
| Proceeds from term loan | - | 90.72 |
| Repayment of term loan | (69.01) | - |
| Issue of 15% Non-Cumulative Redeemable Preference Shares | - | 52.24 |
| Net movement short term borrowings from related parties | (3.16) | 23.37 |
| Proceeds from issues of equity shares including securities premium | 75.00 | 9.24 |
| Finance charges paid | (34.63) | (15.53) |
| **Net cash flow from/(used in) financing activities** | **(31.80)** | **160.04** |
| **Net increase in cash and cash equivalents** | 45.15 | 8.99 |
| **Cash and cash equivalents as at the beginning of period** | 12.03 | 3.04 |
| **Cash and cash equivalent as at the end of the period** | 57.18 | 12.03 |

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Components of Cash and Cash Equivalents:** | | |
| Balance with banks on current accounts (refer note 7) | 57.18 | 12.03 |
| **Cash and cash equivalents in cash flow statement** | **57.18** | **12.03** |

Summary of significant accounting policies (refer note 2.2)

**As per our report of even date**

**For S R B C & CO LLP**
Chartered Accountants
Firm Registration No. 324982E/E300003

**per Paul Alvares**
Partner
Membership Number : 105754

Place: Mumbai
Date: May 27, 2019

**For and on behalf of the board of directors of**
**Maharashtra Transmission Communication Infrastructure Limited**

**Nanda K. Panda**
Managing Director
DIN:07738203

**Ravindra D. Chavan**
Chairman
DIN:06537224

**Ashok Gandhi**
Chief Financial Officer

**Tanu Singh**
Company Secretary

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

**MAHARASHTRA TRANSMISSION COMMUNICATION INFRASTRUCTURE LIMITED**

**Notes to financial statements for the year ended 31 March 2019**

### 1. Corporate information

Maharashtra Transmission Communication Infrastructure Limited (‘MTCIL’ or ‘the Company’) is a joint venture between Sterlite Technologies Limited ('STL’) and Maharashtra State Electricity Transmission Company Limited ('MSETCL‘). The Company was incorporated under the provisions of the Companies Act, 1956 on 9 August 2012. The registered office of the Company is located at Prakashganga, Plot No C 19, E— Block, Bandra Kurla Complex, Bandra (East), Mumbai MH 400051.

The principal commercial activity of the Company would be making available fibre capacity on lease rental to retail, wholesale and enterprise/corporate customers, drawn from Optical Power Ground Wire (OPGW) network.

The Ind AS financial Statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Company on May 27, 2019.

### 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III).

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Indian Rupees Millions, except when otherwise indicated.

### 2.2 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by the Company in preparing its Ind AS financial statements:

#### a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the 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 reporting period.

The Company classifies all other liabilities as non-current.

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has determined its operating cycle to be twelve months.

**b) Foreign currencies**

The Company's financial statements are presented in INR, which is its functional currency. The Company does not have any foreign operation.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**c) Fair value measurement**

The Company measures financial instruments at fair value at each balance sheet date.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value is unobservable.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

**d) Revenue from operations**

**Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

<u>Revenue from IRU/ARC contracts:</u>

The performance obligation is satisfied over the contract period as the services are rendered. Revenue is recognised on a straight line over the contract period.

Maintenance charges income is recognised over time and is billed to the customer on a monthly/quarterly basis.

<u>Revenue from Tapping charges:</u>

The performance obligation is satisfied at a point in time and payment is generally due upon completion of service and acceptance of the customer.

<u>Revenue from sale of traded goods:</u>

The performance obligation is satisfied at a point in time upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

**Other operating revenue**

The performance obligation is satisfied at a point in time upon completion of service and acceptance of the customer.

**Contract balances**

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its obligation under the contract.

**e) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside of profit or loss is recognised outside of profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re—assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside of profit or loss is recognised outside of profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority.

**f) Property, plant and equipment**

Capital work in progress, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be incurred on the assets of plant and equipment.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Depreciation on the item of property, plant and equipment is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management which are equal to the life prescribed under the Schedule II to the Companies Act, 2013.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**g) Intangible Assets**

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the expenditure is recognised in the Statement of Profit and Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

The Company does not have any intangible assets with indefinite useful lives.

Right of way (ROW) pertains to the right granted by Maharashtra State Electricity Transmission Company Limited to the Company to establish communication network in the state of Maharashtra. ROW is amortized on a straight line basis over a period of 20 years for which the right has been granted. 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 the statement of profit or loss when the asset is derecognised.

**h) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**i) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long—term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**j) 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**k) Retirement and other employee benefits**

Retirement benefit in the form of provident fund are defined contribution schemes. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company has a defined benefit gratuity plan in India. The benefit plan is unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re measurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non—routine settlements; and
- Net interest expense or income

**l) Financial instruments**

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

**Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by Regulation or convention in the market place (regular way trades) are recognised on the trade date i.e. the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

i. Debt instruments at amortised cost

ii. Debt instruments at fair value through other comprehensive income (FVTOCI)

iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to note 4.

**Debt instrument at FVTOCI**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit and loss. On de recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

**Derecognition**

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass—through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., deposits, trade receivables and bank balance;

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables or contract revenue receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12—month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12—month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12—month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;

- Cash flows from the sale of collateral held or other credit enhancements that: are contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head ‘other expenses’ in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit—impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables and loans and borrowings.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

**Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings. For more information refer notes 10 and 11**.**

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced 'by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such anger-k modification is treated as the derecognition of the original liability and the recognition of a difference in the respective carrying amounts is recognised in the statement of profit and loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**m) Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise of cash at bank and in hand and short—term investments with an original maturity of three months or less which are subject to an insignificant risk of change in value.

**n) Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the company by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the parent company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The company does not have any outstanding dilutive potential equity shares.

**O) Presentation of EBITDA**

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the Statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub—totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs and tax expense.

**2.3 Changes in accounting policies and disclosures**

**New and amended standards**

**Ind AS 115 Revenue from Contracts with Customers**

Ind AS 115 was issued on 28 March 2018 and supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

Ind AS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company applied Ind AS 115 for the first time using modified retrospective approach. However, there is no impact as a result of adoption of this new accounting standard.

Several other amendments and interpretations apply for the first time in March 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

**2.4 Standards issued but not yet effective:**

The standards and amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

**Ind AS 116 Leases**

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. Lessor accounting under Ind AS 116 is substantially unchanged from the accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

| | (Rs. in Millions) | (Rs. in Millions) |
|---|---|---|
| | **Property, plant and equipment** | **Intangible Asset** |
| | **Plant and Machinery** | **Right of Way (RoW)*** |
| **Cost** | | |
| **As at 1 April 2017** | 443.79 | 51.00 |
| Additions** (restated#) | 346.42 | - |
| Disposals | - | - |
| **As at 31 March 2018 (restated)** | **790.21** | **51.00** |
| Additions** | 254.55 | - |
| Disposals | - | - |
| **As at 31 March 2019** | **1,044.76** | **51.00** |
| **Depreciation and Impairment** | | |
| **As at 1 April 2017** | **20.28** | **11.84** |
| Depreciation charge/ Amortisation for the year (restated#) | 37.31 | 2.55 |
| Disposals | - | - |
| **As at 31 March 2018 (restated)** | **57.59** | **14.39** |
| Depreciation charge/ Amortisation for the year | 63.06 | 2.55 |
| Disposals | - | - |
| **As at 31 March 2019** | **120.65** | **16.94** |
| **Net Book Value** | | |
| **As at 31 March 2018 (restated)** | **732.62** | **36.61** |
| **As at 31 March 2019** | **924.11** | **34.06** |

* The Right of Way (RoW) pertains to the right granted by MSETCL to the Company for a period of 20 years to establish communication network in the state of Maharashtra. (Also refer note 9)

** Refer Note 29 for details of expenses and interest expenses capitalised

Capital Work-in -progress

Capital work in progress of Rs.10.40 million (31 March 2018: Rs.226.24 million) comprises expenditure in respect of the establishing of OPGW network in the state of Maharashtra.

#During the year, the company has identified that certain links were ready for use in the previous year and should have been capitalised then. Accordingly, the additions to Plant and Machinery and depreciation charge during the year ended March 31, 2018 have been restated and are higher by Rs. 139.06 million and Rs. 13.75 million respectively. Consequently, the gross block and net block as at March 31, 2018 are also higher by Rs. 139.06 million and Rs. 125.31 million respectively.

**NOTE 4: TRADE RECEIVABLES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Current** | | |
| Trade receivables (Unsecured, considered good) | 6.37 | 51.71 |
| Receivables from related parties (Note 32) | 2.42 | 2.42 |
| | **8.79** | **54.13** |

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are generally non-interest bearing and are generally on terms of 30 to 90 days.

There are no trade receivables which have significant increase in credit risk or which are credit impaired.

**NOTE 5: OTHER FINANCIAL ASSETS**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Non-current** | | |
| Security deposits | 0.24 | 0.10 |
| | **0.24** | **0.10** |
| **Current** | | |
| Interest accrued on deposits with banks | - | 0.05 |
| Advances recoverable in cash or kind (unsecured) | 0.21 | 0.21 |
| | **0.21** | **0.26** |

**NOTE 6: OTHER ASSETS**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Non-Current** | | |
| Balances with government authorities | 61.44 | 75.67 |
| Advance income tax, including TDS (net of provisions - nil) | 18.38 | 2.28 |
| **Total Non-current** | **79.82** | **77.95** |
| **Current** | | |
| Prepaid expenses | 1.03 | 0.84 |
| **Total Current** | **1.03** | **0.84** |

**NOTE 7: CASH AND CASH EQUIVALENT**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Balance with banks - on current accounts | 57.18 | 12.03 |
| | **57.18** | **12.03** |

**NOTE 7A: OTHER BANK BALANCES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Deposit with banks with original maturity for less than 12 months | 10.25 | 4.53 |
| | **10.25** | **4.53** |

**NOTE 8: SHARE CAPITAL**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Authorised shares (no. million) | | |
| 80 (31 March 2018: 80) Equity Shares of Rs.10 each | 800.00 | 800.00 |
| Issued, Subscribed and fully paid-up shares (no. million) | | |
| 28.20 (31 March 2018: 21.82) Equity Shares of Rs. 10 each fully paid up | 281.96 | 218.18 |
| **Total issued, subscribed and fully paid-up share capital** | **281.96** | **218.18** |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in Millions | Rs. in Millions | No. in Millions | Rs. in Millions |
| At the beginning of the period | 21.82 | 218.18 | 18.72 | 187.22 |
| Issued during the year | 6.38 | 63.78 | 3.10 | 30.97 |
| **Outstanding at the end of the year** | **28.20** | **281.96** | **21.82** | **218.18** |

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

STL and MSETCL have executed an addendum dated 28 August 2016 to the Joint Venture agreement dated 4 May 2012 which provides that capital structure ratio of the Company between STL and MSETCL would be 51:49. STL's 51% stake would comprise entirely of equity shares allotted against cash consideration. The composition of MSETCL's 49% stake would be as follows:
- 20% in Equity shares allotted against cash consideration;
- 9% in Equity shares allotted as bonus shares without consideration being received in cash;
- 20% in 15% non-cumulative redeemable preference shares allotted against cash consideration.

As a result of the above, the effective equity share capital holding ratio of the Company would be - STL: 63.75% and MSETCL: 36.25%. The effective preference share capital holding ratio of the Company would be - STL: Nil and MSETCL: 100%

**c. Shares held by holding company and their subsidiaries/associates:**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in millions | % holding | No. in millions | % holding |
| Sterlite Technologies Limited | 19.88 | 70.49% | 13.50 | 61.86% |
| | **19.88** | **70.49%** | **13.50** | **61.86%** |

**d. Details of shareholders holding more than 5 % of shares in the company:**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No. in millions | % holding | No. in millions | % holding |
| 1. Sterlite Technologies Limited | 19.88 | 70.49% | 13.50 | 61.86% |
| 2. Maharashtra State Electricity Transmission Co. Ltd. | 8.32 | 29.51% | 8.32 | 38.14% |
| | **28.20** | **100.00%** | **21.82** | **100.00%** |

**e. Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

| | 31 March 2019<br>No. in millions | 31 March 2018<br>No. in millions |
|---|---|---|
| Equity shares allotted as fully paid bonus shares by capitalization of securities premium | - | 2.17 |

## NOTE 9: OTHER EQUITY

| | 31 March 2019<br>(Rs. in Millions) | 31 March 2018<br>(Rs. in Millions) |
|---|---|---|
| **Securities premium account** | | |
| Balance as per last financial statements | - | 21.72 |
| Premium on Issue of Equity Shares | 11.22 | - |
| Less: Utilised on issue of bonus shares | - | (21.72) |
| **Closing balance** | **11.22** | - |
| | | |
| **Capital contribution*** | | |
| Balance as per last financial statements | 51.00 | 51.00 |
| **Closing balance** | **51.00** | **51.00** |
| | | |
| **Deficit in the statement of profit and loss** | | |
| Balance as per last financial statements | (124.87) | (72.77) |
| Loss for the year | (78.25) | (52.10) |
| **Net deficit in the statement of profit and loss** | **(203.12)** | **(124.87)** |

* Sterlite Technologies Limited (holding company) had paid an amount of Rs.51 million to MSETCL in respect of the Right of Way (ROW) granted by MSETCL to the Company for a period of 20 years to establish communication network in the state of Maharashtra which has been accounted for as Capital contribution from the holding company (also refer note 3)

## NOTE 10: BORROWINGS (Secured)

| | 31 March 2019<br>(Rs. in Millions) | 31 March 2018<br>(Rs. in Millions) |
|---|---|---|
| **Preference shares** | | |
| 15% Non-Cumulative Redeemable Preference Shares of Rs 10 each (refer note A below) | 52.24 | 52.24 |
| | | |
| **Term loans** | | |
| Indian rupee loans from banks (secured) (refer note B below) | 176.11 | 274.24 |
| | **228.35** | **326.48** |
| **Current Maturities** | | |
| **Term loans** | | |
| Indian rupee loans from banks (secured) (refer note B below) | 68.76 | 39.64 |
| Interest accrued and due on borrowings | 2.51 | 3.24 |
| | **71.27** | **42.88** |
| | | |
| Amount disclosed under the head 'Other current liabilities' (Refer note 13) | (71.27) | (42.88) |
| | | |
| **Net amount** | - | - |

**A Preference shares:**

| | 31 March 2019<br>(Rs. in Millions) | 31 March 2018<br>(Rs. in Millions) |
|---|---|---|
| Authorised shares (no. millions) | | |
| 20 (31 March 2018: 20) preference shares of Rs. 10 each | 200.00 | 200.00 |
| | | |
| Issued, Subscribed and fully paid-up shares (no. millions) | | |
| 5.22 (31 March 2018: 5.22) Preference shares of Rs. 10 each fully paid up | 52.24 | 52.24 |
| | | |
| **Total issued, subscribed and fully paid-up share capital** | **52.24** | **52.24** |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | **No. in Millions** | **Rs. in Millions** | **No. in Millions** | **Rs. in Millions** |
| At the beginning of the period | 5.22 | 52.24 | - | - |
| Issued during the year | - | - | 5.22 | 52.24 |
| **Outstanding at the end of the year** | **5.22** | **52.24** | **5.22** | **52.24** |

**b. Terms/rights attached to preference shares**

The Company has issued 5.22 million, 15% non-cumulative, redeemable preference shares of face value of Rs.10 each to Maharashtra State Electricity Transmission Co. Ltd. (MSETCL). The preference shares are redeemable at the end of 20 years from the date of issue and redeemable at Rs.10 per share. The dividend rights are non-cumulative. The preference shares will carry a preferential right vis-à-vis equity shares of the Company with respect to the payment of dividend and repayment of capital in the event of a liquidation.

**c. Shares held by holding company and their subsidiaries/associates:**

Nil

**d. Details of shareholders holding more than 5% of shares in the company:**

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | **No. in millions** | **% holding** | **No. in millions** | **% holding** |
| Maharashtra State Electricity Transmission Co. Ltd. | 5.22 | 100.00% | 5.22 | 100.00% |
| | **5.22** | **100.00%** | **5.22** | **100.00%** |

**B Term loan**

The company has obtained Indian rupee term loan of nominal value of Rs. 244.87 Million (31 March 2018: Rs. 313.88 Million) which carries interest at 1 year MCLR of 8.5% plus BSS of 0.3% plus CRP of 2.70% (Previous year : base rate plus 1.50% p.a) from Bank of India. The loan is being repaid at quarterly instalment of Rs.17.19 millions.

The loan is secured by the charge on entire network of OPGW telecom network facility running along the MSETCL's 2,912 kms of transmission network, including but not limited to right of way, equipment, stocks and optical fibre cables, whether installed or lying loose or at site or in transit or acquired, relating to the project or which may at any time during the continuance of the term loan facility, being installed or lying loose or in case being in or upon the borrower's premises in the state of Maharashtra, excluding machinery or equipment owned by the Company's' contractor. All the present and future book debts, outstanding, money receivables, claims, bills which are now due and owing or which may any time hereafter during continuance of this term loan facility and owing to the company in course of its business by any person, firm, company or body corporate or by any central or state government or any government body or authority or local authority. All insurance contracts/ proceeds relating to or pertaining to the project and aforementioned project assets.

**NOTE 11: CURRENT BORROWINGS**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Loan from related parties (unsecured) | 36.61 | 39.77 |
| | **36.61** | **39.77** |

**NOTE 12: TRADE PAYABLES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Current** | | |
| Trade payables (refer note 28) | 1.74 | 1.47 |
| | **1.74** | **1.47** |

Trade payables are non-interest bearing and are normally settled on 30-90 days terms.

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**NOTE 13: OTHER FINANCIAL LIABILITIES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Non Current** | | |
| Deposits from customers | 4.19 | 4.63 |
| | **4.19** | **4.63** |
| **Current** | | |
| Current maturities of long term borrowings (Refer Note 10) | 68.76 | 39.64 |
| Interest accrued but not due on borrowings | 2.51 | 3.24 |
| Retention money - vendors | 174.72 | 171.56 |
| Payables for purchase of property, plant and equipments* | 291.09 | 342.01 |
| Payable to MSETCL | 2.26 | 1.03 |
| Payable to related parties | 0.13 | 0.13 |
| Others | 4.02 | 1.58 |
| | **543.49** | **559.19** |

* Payables for purchase of property, plant and equipment are non-interest bearing and are normally settled on 90-120 days terms.

**NOTE 14: EMPLOYEE BENEFIT OBLIGATIONS**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Non current** | | |
| Provision for gratuity | 1.77 | 0.57 |
| | **1.77** | **0.57** |
| **Current** | | |
| Provision for leave benefit | 0.42 | 0.23 |
| | **0.42** | **0.23** |

**NOTE 15: CONTRACT LIABILITIES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Non- Current** | | |
| Unearned revenue on IRU/ARC contracts | 157.02 | 49.28 |
| **Current** | | |
| Unearned revenue on IRU/ARC contracts | 11.09 | 18.19 |
| | **168.11** | **67.47** |

**NOTE 16: OTHER LIABILITIES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Current** | | |
| TDS payable | 0.35 | 0.58 |
| VAT Payable | - | 0.61 |
| | **0.35** | **1.19** |

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## NOTE 16A: DEFERRED TAX LIABILITY

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Deferred tax liability** | | |
| Property plant & equipment: Impact of difference between tax depreciation and depreciation for the financial reporting | 51.37 | 35.59 |
| **Gross deferred tax liability** | **51.37** | **35.59** |
| **Deferred tax assets** | | |
| Employee benefit obligations | 0.57 | 0.21 |
| Deferred tax asset on carried forward losses and unabsorbed depreciation to the extend of deferred tax liability | 50.80 | 35.38 |
| **Net deferred tax liability** | - | - |

**Reconciliation of deferred tax assets/liability**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Opening deferred tax asset, net | - | - |
| Deferred tax credit / (charge) recorded in statement of profit and loss | - | - |
| Deferred tax credit / (charge) recorded in OCI | - | - |
| **Closing deferred tax asset, net** | - | - |

**The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are:**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Deferred tax** | | |
| Relating to origination and reversal of temporary differences | - | - |
| **Income tax expenses reported in the statement of profit or loss** | - | - |

**Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2019 and 31 March 2018:**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Accounting profit/(loss) before income tax** | (77.18) | (53.04) |
| At India's statutory income tax rate of 26% (31 March 2018: 27.82%) | (20.07) | (14.75) |
| Deferred tax asset not recognised on tax losses carried forward | 20.07 | 14.75 |
| Others | - | - |
| At the effective income tax rate | - | - |
| Income tax expense reported in the statement of profit and loss | - | - |

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## NOTE 17: REVENUE FROM OPERATIONS

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of goods and services (see note below) | 44.18 | 19.72 |
| Other operating revenue | 1.04 | 0.80 |
| **Total Revenue from operations** | **45.22** | **20.52** |

### 17.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

| Type of goods or service | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Revenue from IRU/ARC contracts | 43.91 | 7.93 |
| Revenue from Tapping charges | 0.27 | 0.63 |
| Revenue from sale of Traded goods | - | 11.16 |
| **Total revenue from contracts with customers** | **44.18** | **19.72** |
| India | 44.18 | 19.72 |
| Outside India | - | - |
| **Total revenue from contracts with customers** | **44.18** | **19.72** |
| **Timing of revenue recognition** | | |
| Revenue recognised at a point in time | 0.27 | 11.79 |
| Revenue recognised over time | 43.91 | 7.93 |
| **Total revenue from contracts with customers** | **44.18** | **19.72** |

The Company's primary business activity comprises of establishing communication network in the state of Maharashtra, India. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS -108 have not been given.

### 17.2 Contract balances

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Trade receivables | 8.79 | 54.13 |
| Contract liabilities | 168.11 | 67.47 |

The company provides fiber capacity drawn from its OPGW network to retail, wholesale and enterprise/corporate customers on indefeasible right of use or Annual rate contracts basis. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its obligation under the contract. The outstanding balances of these accounts has increased in 2018-19 due to the continuous increase in the Company's customer base.

### 17.3 Performance obligation

Information about the Company's performance obligations are summarised below:

Revenue from IRU/ARC contracts:
The performance obligation is satisfied over the contract period as the services are rendered. Revenue is recognised on a straight line over the contract period.

Maintenance charges income is recognised over time and is billed to the customer on a monthly/quarterly basis.

Revenue from Tapping charges:
The performance obligation is satisfied at a point in time and payment is generally due upon completion of service and acceptance of the customer.

Revenue from sale of traded goods:
The performance obligation is satisfied at a point in time upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

| 17.4 Revenue recognised in relation to contract liabilities | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Amount included in contract liabilities at the beginning of the year | 18.19 | 7.40 |
| **17.5 Transaction price allocated to the remaining performance obligations** | | |
| - Within one year | 11.09 | 18.19 |
| - More than one year | 157.02 | 49.28 |

**NOTE 18: OTHER INCOME**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Miscellaneous income | 0.18 | 1.69 |
| | **0.18** | **1.69** |

**NOTE 19: EMPLOYEE BENEFIT EXPENSE**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Salaries, wages and bonus | 6.81 | 5.78 |
| Contribution to provident fund | 0.19 | 0.17 |
| Gratuity expenses (refer note 26) | 0.13 | 0.19 |
| Staff welfare expenses | 0.17 | 0.14 |
| | **7.30** | **6.28** |

**NOTE 20: DEPRECIATION AND AMORTISATION EXPENSE**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Depreciation of tangible assets | 63.06 | 35.69 |
| Amortisation of intangible assets | 2.55 | 2.55 |
| | **65.61** | **38.24** |

**NOTE 21: FINANCE INCOME**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Interest income | 0.81 | 0.07 |
| | **0.81** | **0.07** |

**NOTE 22: FINANCE COST**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Interest expense on loan from banks | 27.42 | 17.94 |
| Bank charges | 0.11 | 0.84 |
| | **27.53** | **18.78** |

**NOTE 23: EXPENSES**

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Rates and taxes | 0.88 | 0.21 |
| Network repairs and maintenance charges | 11.27 | - |
| Power expenses | 1.11 | - |
| Travelling and conveyance | 0.95 | 0.50 |
| Legal and professional expenses | 2.14 | 0.66 |
| Revenue share to MSETCL | 2.26 | 1.03 |
| Payment to auditor (refer details below) | 0.45 | 0.45 |
| Insurance | 1.22 | 0.18 |
| Miscellaneous expenses | 2.67 | 0.73 |
| | **22.95** | **3.76** |
| **As auditor:** | | |
| Audit fee | 0.25 | 0.25 |
| Tax audit fee | 0.20 | 0.20 |
| **Total** | **0.45** | **0.45** |

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**NOTE 24: EARNINGS PER SHARE**

The following reflects the loss and share data used in the basic and diluted EPS computations:

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Loss for the year | (77.18) | (53.04) |
| Weighted average number of equity shares in calculating basic and diluted EPS | 27.99 | 21.41 |
| **Earning per share** | | |
| Basic and Diluted (on nominal value of Rs. 10 per share) Rupees/share | **(2.76)** | **(2.48)** |

**NOTE 25: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent of deferred tax liability considering the probability of taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

**NOTE 26: Employee Benefit obligations**

Defined contribution plans - provident fund:

Contributions are made to provident fund in India for employees at the rate of 12% basic salary as per the regulations. The contributions are made to registered provident fund administered by the Government. The obligation of the Company is limited to the amount contributed it has no further contractual nor any constructive obligation. Also refer Note 19.

Post employment benefit obligations - Gratuity

The Company has a defined benefit gratuity plan which is managed by the Holding Company. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

**Changes in the present value of the defined benefit obligation are as follows:**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Defined benefit obligation at the beginning of the year | 0.57 | 1.32 |
| Interest Cost | 0.04 | 0.10 |
| Current service cost | 0.09 | 0.09 |
| Actuarial (gain)/loss due to change in financial Assumption | 0.02 | (0.01) |
| Actuarial (gain)/loss on obligation due to Experience | 1.04 | (0.93) |
| Present Value of Benefit Obligation at the end of the Period | 1.77 | 0.57 |

**Details of defined benefit obligation**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Present value of defined benefit obligation | 1.77 | 0.57 |
| Fair value of plan assets | - | - |
| **Plan liability** | **1.77** | **0.57** |

**Net employee benefit expense recognised in the statement of profit and loss:**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Current service cost | 0.09 | 0.09 |
| Interest cost on benefit obligation | 0.04 | 0.10 |
| Expected return on plan assets | - | - |
| Contribution by employer | - | - |
| Net benefit expense | 0.13 | 0.19 |

**Expenses recognized in the Other Comprehensive Income (OCI) for Current Period**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Actuarial Gains/(Losses) on Obligation for the period | 1.07 | (0.94) |
| Return on Plan assets , Excluding Interest Income | - | - |
| Change in Asset Ceiling | - | - |
| Net (Income)/Expense for the period recognized in OCI | 1.07 | (0.94) |

**Amounts for the current and previous periods are as follows:**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Defined benefit obligation | 1.77 | 0.60 |
| Plan assets | - | - |
| Surplus / (deficit) | (1.77) | (0.60) |
| Experience adjustments on plan liabilities | 1.04 | (0.93) |
| Experience adjustments on plan assets | - | - |

**The principal assumptions used in determining defined benefit obligation are shown below:**

| **Particulars** | **31 March 2019 (Rs. in Millions)** | **31 March 2018 (Rs. in Millions)** |
|---|---|---|
| Discount rate | 7.50% | 7.80% |
| Expected rate of return on plan asset | NA | NA |
| Employee turnover | 10.00% | 10.00% |
| Expected rate of salary increase | 8.00% | 8.00% |
| Actual rate of return on plan assets | NA | NA |

The estimated future salary increase, considered in actuarial valuation, takes into account the effect of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on balance sheet date, applicable to the period over which the obligation is to be settled.

**Sensitivity Analysis**

| **Particulars** | **31 March 2019** | **31 March 2018** |
|---|---|---|
| Projected Benefit Obligation on Current Assumptions | 1.77 | 0.57 |
| Delta Effect of +1% Change in Rate of Discounting | (0.08) | (0.03) |
| Delta Effect of -1% Change in Rate of Discounting | 0.08 | 0.04 |
| Delta Effect of +1% Change in Rate of Salary Increase | 0.08 | 0.04 |
| Delta Effect of -1% Change in Rate of Salary Increase | (0.08) | (0.03) |
| Delta Effect of +1% Change in Rate of Employee Turnover* | (0.00) | (0.00) |
| Delta Effect of -1% Change in Rate of Employee Turnover* | 0.00 | 0.00 |

* Amounts below Rs. 0.01 million

**Maturity Analysis of projected benefit obligation: From the Employer**

| **Particulars** | **31 March 2019** | **31 March 2018** |
|---|---|---|
| Projected Benefits Payable in Future Years From the Date of Reporting | | |
| 1st Following Year | 0.18 | 0.04 |
| 2nd Following Year | 0.18 | 0.43 |
| 3rd Following Year | 0.17 | 0.58 |
| 4th Following Year | 0.17 | 0.56 |
| 5th Following Year | 0.16 | 0.54 |
| Sum of years 6 to 10 | 1.61 | 0.25 |
| Sum of years 11 and above | 0.11 | 0.54 |

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**NOTE 27: CAPITAL AND OTHER COMMITMENTS**

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) is Rs. Nil (31 March 2018: Rs.101.57 Millions)

**NOTE 28: DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006**

As at 31 March 2019, no supplier has intimated the company about its status as micro or small enterprises, or its registration, with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, the amount due to such suppliers has not been identified.

**NOTE 29: CAPITALISATION OF EXPENSES**

The expenditure incidental to the setting up of the project is capitalised and included in Capital Work in Progress which is apportioned to the assets on completion of the project and commencement of commercial operations.

Details of such expenses included in capital work in progress are as follows:

| | 31 March 2019 (Rs. in Millions) | 31 March 2018 (Rs. in Millions) |
|---|---|---|
| Opening balance of expenditure included in CWIP | 15.12 | 38.64 |
| Additions during the year: | | |
| Finance cost | 6.37 | 9.93 |
| | **6.37** | **9.93** |
| Less: Transferred to property, plant and equipment during the year | 21.49 | 33.45 |
| Closing balance of expenditure in CWIP | **-** | **15.12** |

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## NOTE 30: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, cash and cash equivalents, other bank balances and other financial assets that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company reviews and agrees policies for managing each of these risks, which are summarised below

The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. In performing its operating, investing and financing activities, the Company is exposed to the Credit Risk, Liquidity Risk and Market risk.

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings. The Company is not exposed to currency risk and other price risk.

The sensitivity analysis in the following sections relate to the position as at 31 March 2019 and 31 March 2018.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt are all constant as at 31 March 2019 and 31 March 2018.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and provisions.
The following assumption has been made in calculating the sensitivity analysis:

• The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.

**Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate primarily relates to the Company's long term debt obligations with floating interest rates.

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on loans and borrowings. With all the other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

**(Rs. in Millions)**

| **Particulars** | **Increase/decrease in basis points** | **Effect on profit before tax / pre-tax equity** |
|---|---|---|
| **31 March 2019** | | |
| Base Rate | +50 | 1.44 |
| Base Rate | -50 | (1.44) |
| **31 March 2018** | | |
| Base Rate | +50 | 1.35 |
| Base Rate | -50 | (1.35) |

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and balances with banks.

**Trade receivables**

Customer credit risk is managed through established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. As are 31 March 2019 and 31 March 2018, the outstanding balance relates to very few customers and management expects to collect the amount in near future.

An impairment analysis is performed at each reporting date. The calculation is based on historical data. The maximum exposure to credit risk of the components of balance sheet at the reporting date is the carrying value of each class of financial assets disclosed in note 4, 5, 7 and 7A. The Company does not hold collateral as security.

**Balances with banks**

Credit risk from balances with banks is managed by the Company’s treasury department in accordance with the Company’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company’s Board of Directors on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty’s potential failure to make payments.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Company's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Company requires funds both for short term operational needs as well as for long term investment programs mainly in projects. The Company closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 30 to 90 days. The other payables are with short term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

**(Rs. in Millions)**

| Particulars | Payable on demand | Less than 3 months | 3 months to 12 months | 1 year to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| **As at 31 March 2019** | | | | | | |
| Borrowings | 36.61 | 17.19 | 51.57 | 176.11 | 52.24 | 333.72 |
| Other financial liabilities | - | 8.92 | - | 4.19 | - | 13.11 |
| Trade payables | - | 1.74 | - | - | - | 1.74 |
| Payables for purchase of Property, plant and equipment | - | 291.09 | 174.72 | - | - | 465.81 |
| | **36.61** | **318.94** | **226.29** | **180.30** | **52.24** | **814.38** |
| **As at 31 March 2018** | | | | | | |
| Borrowings | 39.77 | 9.91 | 29.73 | 158.56 | 167.92 | 405.89 |
| Other financial liabilities | - | 5.98 | - | 4.63 | - | 10.61 |
| Trade payables | - | 1.47 | - | - | - | 1.47 |
| Payables for purchase of Property, plant and equipment | - | 342.02 | 171.56 | - | - | 513.58 |
| | **39.77** | **359.38** | **201.29** | **163.19** | **167.92** | **931.55** |

## NOTE 31: CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio optimum. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents and current investments.

| Particulars | As at 31 March 2019 (Rs. In Millions) | As at 31 March 2018 (Rs. In Millions) |
|---|---|---|
| Interest bearing loans and borrowings | 281.48 | 353.65 |
| 15% Non-Cumulative Redeemable Preference shares | 52.24 | 52.24 |
| Trade payables | 1.74 | 1.47 |
| Other financial liabilities | 478.92 | 524.18 |
| Less: Cash and cash equivalents and current investments | (67.43) | (16.56) |
| **Net debt** | **746.95** | **914.98** |
| Equity share capital | 281.96 | 218.18 |
| Other equity | (140.90) | (73.87) |
| **Total capital** | **141.06** | **144.31** |
| **Capital and net debt** | **888.01** | **1,059.29** |
| Gearing ratio | 84.11% | 86.38% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

## NOTE 32: RELATED PARTY TRANSACTIONS

**A Name of Related Party and nature of relationships**

**a. Related party where control exists:**

| Name of the related party | Nature of relationship |
|---|---|
| Sterlite Technologies Limited (STL) | Immediate Holding Company |
| Twinstar Overseas Limited, Mauritius | Intermediate Holding Company |
| Volcan Investments Limited, Bahamas | Ultimate Holding Company |

**b. Other related parties with whom transactions have taken place during the year**

| | |
|---|---|
| Sterlite Power Transmission Limited (SPTL) | Fellow subsidiary |
| Maharashtra State Electricity Transmission Company Limited (MSETCL) | Entity Exercising Significant Influence |

**B. The transactions with related parties during the year and their outstanding balances are as follows:**

**(Rs. in Millions)**

| Particulars | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | SPTL | STL | MSETCL | SPTL | STL | MSETCL |
| **Transactions during the year** | | | | | | |
| Issue of Equity shares (including bonus shares) | - | 75.00 | - | - | - | 30.97 |
| Issue of 15% Non-Cumulative, redeemable Preference shares | - | - | - | - | - | 52.24 |
| Purchase of property, plant and equipment* | 31.08 | - | - | 267.58 | - | - |
| Revenue share of MSETCL | - | - | 2.26 | - | - | 1.03 |
| Sale of traded goods | - | - | - | - | - | 11.16 |
| Short term advances received | - | 6.84 | - | - | 23.37 | - |
| Short term advances repaid | - | 10.00 | - | - | - | - |
| Reimbursement of expenses paid or payable | - | - | - | 0.13 | - | - |
| **Closing balances** | | | | | | |
| Payables* | 0.48 | 36.61 | 2.26 | 0.13 | 39.77 | 1.03 |
| Receivables | - | - | 2.42 | - | - | 2.42 |

* Purchases have been made from Consortium with KEC International Ltd as the lead partner and Sterlite Power Transmission Limited as the consortium member. As at the year end an amount of Rs.462.66 Millions (31 March 2018: Rs.472.34 Millions) in respect of the purchases made is payable to KEC International Ltd as the lead member of consortium.

[THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK]

**NOTE 33: FAIR VALUE**

There are no financial instruments which are measured or disclosed at fair value as at year end. The management assessed that the fair values of cash and cash equivalents, other bank balances, trade receivables, trade payables, other current assets and liabilities and borrowings approximate their carrying amounts.

**NOTE 34: SEGMENT DISCLOSURES**

The Company's primary business activity comprises of establishing communication network in the state of Maharashtra, India. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS -108 have not been given.

As per our report of even date

**For S R B C & CO LLP**
Chartered Accountants
Firm Registration No. 324982E/E300003

**per Paul Alvares**
Partner
Membership Number: 105754

Place: Mumbai
Date: May 27, 2019

**For and on behalf of the board of directors of**
**Maharashtra Transmission Communication Infrastructure Limited**

**Nanda K. Panda**
Managing Director
DIN:07738203

**Ravindra D. Chavan**
Chairman
DIN:06537224

**Ashok Gandhi**
Chief Financial Officer

**Tanu Singh**
Company Secretary

Place: Mumbai
Date: May 27, 2019

Place: Mumbai
Date: May 27, 2019

# Sterlite Tech Connectivity Solutions Limited

## Financial Statements for FY 2018-19

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of Sterlite Tech Connectivity Solutions Limited**

**Report on the audit of the financial statements**

### Opinion

1. We have audited the accompanying financial statements of Sterlite Tech Connectivity Solutions Limited ("the Company"), which comprise the balance sheet as at March 31, 2019 and the statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and total comprehensive income (comprising of loss and other comprehensive income), changes in equity and its cash flows for the year then ended.

### Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
FRN 012754N/N500016
Pune

## Responsibilities of management and those charged with governance for the financial statements

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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* Pune *

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on other legal and regulatory requirements**

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

12. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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FRN 012754N/N500016
Pune

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts as at March 31, 2019.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

**Annexure A to Independent Auditors' Report**
Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Sterlite Tech Connectivity Solutions Limited on the financial statements for the year ended March 31, 2019


## Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Sterlite Tech Connectivity Solutions Limited (the "Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Price Waterhouse Chartered Accountants LLP
LLPIN AAC - 5001
FRN 012754N/N500016
Pune

### Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisation of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Sterlite Tech Connectivity Solutions Limited on the financial statements as of and for the period ended March 31, 2019

i. There are no fixed assets in the company, hence the requirement under paragraph 3 (i) (a), (b) and (c) are not applicable to the company and hence have not been commented upon.

ii. As on the reporting date, the business of the company does not involve inventories and the company consequently does not hold any inventory hence the provisions of clause 3 (ii) of this order are not applicable to the company.

iii. The Company not has granted any loans secured or unsecured, to companies, firms, Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore the provisions of clause 3 (iii) (a), (b), (c) of the order are not applicable to the company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including income tax and goods and service tax and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax and goods and service tax which have not been deposited on account of any dispute.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has not paid/ provided for managerial remuneration during the period and hence the provisions of Section 197 read with Schedule V to the Act are not applicable to the company.

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FRN 012754N/N500016
Pune

# Price Waterhouse Chartered Accountants LLP



xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Section 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. Further, the Company is not required to constitute an Audit Committee under Section 177 of the Act, and accordingly, to this extent, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review[39]. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

**STERLITE TECH CONNECTIVITY SOLUTIONS LIMITED**
**BALANCE SHEET AS AT 31 MARCH 2019**

| | Note | 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Financial assets | | |
| Cash and cash equivalents | 3 | 5,00,000 |
| | | 5,00,000 |
| **Total Assets** | | 5,00,000 |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Equity share capital | 4 | 5,00,000 |
| Other Equity | | |
| Retained earnings | 5 | (1,18,000) |
| **Total Equity** | | 3,82,000 |
| **Current liabilities** | | |
| Trade payables | | |
| (A) total outstanding dues of micro enterprises and small enterprises | 6 | - |
| (B) total outstanding dues of creditors other than micro enterprises and small enterprises | 6 | 1,08,000 |
| Other liabilities | 7 | 10,000 |
| | | 1,18,000 |
| **Total Equity & Liabilities** | | 5,00,000 |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No: FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number: 108391

Place : Pune
Date : 11 June 2019

**For and on behalf of the board of directors of**
**Sterlite Tech Connectivity Solutions**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date : 11 June 2019

**STERLITE TECH CONNECTIVITY SOLUTIONS LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2019**

| | Note | From 20 December 2018 to 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **INCOME** | | |
| Revenue from operations | | - |
| **Total Income (I)** | | - |
| **EXPENSES** | | |
| Other expenses | 8 | 1,18,000 |
| **Total Expense (II)** | | **1,18,000** |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | **(1,18,000)** |
| Finance costs | | - |
| **Profit before tax** | | **(1,18,000)** |
| **Tax expense:** | | |
| Current tax | 9 | - |
| Deferred tax | | - |
| **Total tax expenses** | | - |
| **Profit for the period** | | **(1,18,000)** |
| **Other comprehensive income** | | |
| Other comprehensive income | | - |
| **Total comprehensive income for the period, net of tax** | | **(1,18,000)** |
| **Earnings per equity share** | | |
| **Basic and diluted** | | |
| Computed on the basis of profit for the period | 10 | (2.36) |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number : 108391

Place : Pune
Date : 11 June 2019

**For and on behalf of the board of directors of**
**Sterlite Tech Connectivity Solutions Limited**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date : 11 June 2019

**STERLITE TECH CONNECTIVITY SOLUTIONS LIMITED**
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

**A. Equity share capital**

| | Numbers | Amount in Rs. |
|---|---|---|
| Issue of share capital | 50,000 | 5,00,000 |
| **At 31 March 2019** | 50,000 | 5,00,000 |

**B. Other equity**

| | (Amount in Rs.) |
|---|---|
| | Retained earnings |
| Loss for the period | (1,18,000) |
| **At 31 March 2019** | (1,18,000) |

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements

As per our report of even date
**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number :108391

Place : Pune
Date : 11 June 2019

**For and on behalf of the board of directors of Sterlite Tech Connectivity Solutions Limited**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date : 11 June 2019

**STERLITE TECH CONNECTIVITY SOLUTIONS LIMITED**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019**

| | Note | 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **A. Operating activities** | | |
| **Profit before tax** | | **(1,18,000)** |
| **Operating profit before working capital changes** | | **(1,18,000)** |
| Increase in trade payables | | 1,08,000 |
| Increase in other liabilities | | 10,000 |
| **Cash generated from operations** | | - |
| Income tax paid (net of refunds) | | - |
| **Net cash flow from operating activities** | | - |
| **B. Investing activities** | | |
| **Net cash flow from investing activities** | | - |
| **C. Financing activities** | | |
| Proceeds from issue of equity shares | | 5,00,000 |
| **Net cash flow from financing activities** | | **5,00,000** |
| **Net increase cash and cash equivalents** | | **5,00,000** |
| **Cash and cash equivalents as at period end** | 3 | **5,00,000** |

**Components of cash and cash equivalents:**

| | | 31 March 2019 |
|---|---|---|
| **Balances with banks:** | | |
| On current accounts | 3 | 5,00,000 |
| **Total cash and cash equivalents** | | **5,00,000** |

The accompanying notes are an integral part of the financial statements.

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. (FRN 012754N/N500016)

**Neeraj Sharma**
Partner
Membership Number :108391

Place: Pune
Date : 11 June 2019

**For and on behalf of the board of directors of**
**Sterlite Tech Connectivity Solutions Limited**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place: Pune
Date : 11 June 2019

**Sterlite Tech Connectivity Solutions Limited**
Notes to financial statements for the period ended 31 March 2019

## 1. Corporate information

Sterlite Tech Connectivity Solutions Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company was incorporated on 20 December 2018 and is a wholly owned subsidiary of Sterlite Technologies Limited.

## 2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The standalone Ind AS financial statements have been prepared on a historical cost basis.

The standalone Ind AS financial statements are presented in Indian Rupees, except when otherwise indicated.

**Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisitions of assets for processing and their realisation in cash and cash equivalents, the company has ascertained operating cycle of 12 months for the purpose of current and non-current classification of assets and liabilities.

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### a) Foreign currency translation

**Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in Indian rupee (INR), which is company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### b) Revenue from contracts with customers

Ind AS 115 Revenue from contracts with customers has been issued with effect from April 1, 2018. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:
(i) identify contracts with customers
(ii) identify the separate performance obligation
(iii) determine the transaction price of the contract
(iv) allocate the transaction price to each of the separate performance obligations, and
(v) recognise the revenue as each performance obligation is satisfied.

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FRN 012754N/N500016
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Sterlite Tech Connectivity Solutions Limited

**Revenue recognition policy**

The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies distinct performance obligations in each contract. For most of the project contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or
(b) The customer controls the work-in-progress, or
(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date

If none of the criteria above are met, the Company recognized revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

### c) Other Income

#### 1. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the statement of profit and loss.

#### 2. Dividends

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

### d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

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FRN 012754N/N500016
Pune

Sterlite Tech Connectivity Solutions Limited

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### e) Income Taxes

**Current income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences between the carrying amount and tax bases of investments in subsidiaries, branch, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Current and Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## f) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## g) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly stated in the arrangement.

**Company as a lessee**
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant portion of the risk and rewards of ownership are not transferred to the Company are classified as operating lease. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payment are structured to increase inline with the expected general inflation to compensate for the lessors expected inflationary cost increases.

**h) Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or companys of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**i) Provisions**

**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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**j) Investment and Other Financial assets**

**i) Classification:**

The company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)
- Those 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

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012754N/N500016
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**ii) Measurement:**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

**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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

**Equity instruments**

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Equity investment in subsidiaries and joint venture are carried at historical cost as per the accounting policy choice given by IND AS 27.

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012754N/N500016
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The Company makes investments in certain joint ventures and associates with the objective to generate growth in the medium term and with identified exit strategies. Such investments are managed on a fair value basis. The company has elected to measure investments in such joint ventures and associates in accordance with Ind AS 109.

iii) **Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance;

b) Lease receivables under Ind AS 17

c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of

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those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**iv) Derecognition of financial asset**

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

**v) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**k) Financial liabilities**

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3o days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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Sterlite Tech Connectivity Solutions Limited

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

## l) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

## m) Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

## n) Presentation of EBITDA

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements.

FRN 012754N/N500016 * Pune *

when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs and tax expense

### o) Rounding of amount

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

## 2.3 Recent accounting pronouncements

### a) Ind AS 116- Leases:

**Ind AS 116 Leases:** On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months,unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

• Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or

• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application

The company is in the process of assessing the detailed impact of Ind AS 116. Presently, the company is not able to reasonably estimate the impact that application of Ind AS 116.

### b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or company of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative
effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives.

**c) Amendment to Ind AS 12 – Income taxes :**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company currently evaluating the effect of this amendment on the financial statements.

**d) Amendment to Ind AS 19 – plan amendment, curtailment or settlement:**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:
• to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
• to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment

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LLPIN AAC-5001
FRN 012754N/N500016
Pune

Sterlite Tech Connectivity Solutions Limited

## NOTE 3: CASH AND CASH EQUIVALENTS

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Balances with banks:** | |
| On current accounts | 5,00,000 |
| | **5,00,000** |

## NOTE 4: SHARE CAPITAL

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Authorised share capital** | 5,00,000 |
| 50,000 Equity Shares of Rs.10 each | **5,00,000** |
| **Issued, subscribed and fully paid-up share capital** | |
| 50,000 Equity Shares of Rs.10 each fully paid up | 5,00,000 |
| **Total issued, subscribed and fully paid-up share capital** | **5,00,000** |

**a. Movement in equity share capital**

| | Numbers | Amount in Rs. |
|---|---|---|
| Issued during the period | 50,000 | 5,00,000 |
| **Outstanding as at 31 March 2019** | **50,000** | **5,00,000** |

**b. Terms and rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

| | 31 March 2019 | |
|---|---|---|
| **Immediate holding company** | **Numbers** | **% holding** |
| Sterlite Technologies Limited and its nominee shareholders | 50,000 | 100% |

**d. Detail of shareholders holding more than 5% of shares in the company**

| | 31 March 2019 | |
|---|---|---|
| | **Numbers** | **% holding** |
| Sterlite Technologies Limited and its nominee shareholders | 50,000 | 100% |

## NOTE 5 : OTHER EQUITY

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Retained earnings** | |
| Opening balance | - |
| Add: Net loss for the period | (1,18,000) |
| **Total retained earninngs** | **(1,18,000)** |
| **Total other equity** | **(1,18,000)** |

## NOTE 6: TRADE PAYABLES

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Total outstanding dues of creditors other than micro enterprises & small enterprises (refer note 14) | - |
| Total outstanding dues of creditors other than micro & small enterprises | 1,08,000 |
| | **1,08,000** |

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FRN 012754N/N500016
Pune

Sterlite Tech Connectivity Solutions Limited

**NOTE 7: OTHER CURRENT LIABILITIES**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Current** | |
| Withholding tax payable | 10,000 |
| **Total current liabilities** | **10,000** |

**NOTE 8: OTHER EXPENSES**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Payment to auditor (refer note below) | 1,00,000 |
| Rates and taxes | 18,000 |
| **Total other expenses** | **1,18,000** |

| **Payment to auditor** | **31 March 2019 (Amount in Rs.)** |
|---|---|
| As auditor: | |
| Audit fees | 1,00,000 |
| | **1,00,000** |

**NOTE 9: DEFERRED TAX**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Deferred tax asset** | |
| Total losses for the current period | 1,18,000 |
| Total losses for the current period on which deferred tax asset has not been recognised | (1,18,000) |
| | - |

In the current period, the company has not recognised deferred tax asset on carried forward losses as the company is not likely to generate taxable income in the forseeable future. These unused tax losses can be carried forward as per the provisions of Income Tax Act, 1961.

The tax expense is computed as per the provisions of Income Tax Act, 1961. Statutory tax rate of 26% is applicable to the company for the financial year ended 31 March 2019. Considering loss incurred during the year and lack of probability of future recovery of losses incurred, tax expense for the year is Nil.

**NOTE 10: EARNINGS PER SHARE (EPS)**

Basic EPS amounts are calculated by dividing the profit/(loss) for the period attributable to equity holders by the weighted average number of Equity shares
The following tables shows the computation of basic EPS:

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Loss for the period | (1,18,000) |
| Weighted average number of equity shares in calculating basic and diluted EPS | 50,000 |
| Earnings per share | |
| Basic and diluted (on nominal value of Rs. 10 per share) Rupees/share | (2.36) |

**NOTE 11: FAIR VALUE MEASUREMENT**

All the financial instruments of the entity are classified at amortised cost. The management assessed that cash and cash equivalents and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and therefore carrying value of these instruments is considered

**NOTE 12: RELATED PARTY TRANSACTIONS**

**A.Name of related party and nature of relationships:**

| **Related parties where control exists:** | |
|---|---|
| Sterlite Technologies Limited | Intermediate holding company |
| Twinstar Overseas Limited, Mauritius | Intermediate holding company |
| Volcan Investments Limited, Bahamas | Ultimate holding company |

**Key management personnel (KMP)**
Anupam Jindal - Non executive Director
Ankit Agarwal - Non executive Director
Pramod Kumar Srivastava - Non executive Director

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LLPIN AAC - 5001
FRN 012754N/N500016
Pune

Sterlite Tech Connectivity Solutions Limited

**B. Transactions with related parties during the period and outstanding balances are as follows:**

| Transactions with Sterlite Technologies Limited | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Transactions during the period** | |
| Issuse of equity share capital | 5,00,000 |

**C. Disclosure in respect of material related party transactions during the period:**

| Particulars | Relationship | 31 March 2019 |
|---|---|---|
| Sterlite Technologies Limited | Holding Company | 5,00,000 |

## NOTE 13: FINANCIAL RISK MANAGEMENT

The Company does not have any operations. The Company's principal financial assets include cash and cash equivalents and financial liabilities in the nature of

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks.
The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are approved and reviewed regularly by Board to reflect changes in market conditions and the Company's activities. Currently the Company has adopted the risk management policies as defined by it's holding company to manage risk's relevant to it's operations. Management has overall responsibility for the establishment and oversight of the Company's risk management

The Company's maximum exposure to credit risk for the components of the balance sheet of 31 March 2019 is the carrying amount of each class of financial

**Credit risk**
The company is exposed to credit risk arising from financial assets in the nature of cash and cash equivalents. The management manages credit risk by keeping its funds with reputed financial institutions with good credit rating. The company has adopted risk management policies as defined by it's holding company to manage risks relevant to its operations.

**Liquidity Risk**

Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Company's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Company requires funds both for short term operational needs as well as for long term investment programs mainly in growth projects. The Company closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents which will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 60 - 90 days. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| Particulars | Less than 3 months | Total |
|---|---|---|
| **As at March 31, 2019** | | |
| Other financial liabilities | 1,08,000 | 1,08,000 |
| | **1,08,000** | **1,08,000** |

## NOTE 14: DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MSMED ACT, 2006

There are no Micro and Small enterprises, to whom the Company owes dues, which are outstanding as at March 31, 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been indentified on the basis of information available with the company.

Price Waterhouse Chartered Accountants LLP
LLPIN AAC - 5001
FRN 012754N/N500016
Pune

Sterlite Tech Connectivity Solutions Limited

**NOTE 15: CRITICAL ESTIMATES AND JUDGEMENTS**

The company presently does not have any operations and therefore no critical estimates and judgements are involved in preparation of financial statements.

**NOTE 16: SEGMENT REPORTING**

The company does not have any operations and therefore there are no reportable segments.

**NOTE 17: PREVIOUS PERIOD FIGURES**

This being the first year of the Company, the financial statements have been drawn for the period 20/12/2018 (date of incorporation) till March 31, 2019 and therefore no corresponding figures for the previous period have been given in the financial statements.

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No: FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number: 108391

Place : Pune
Date : 12 June 2019

**For and on behalf of the board of directors of**
**Sterlite Tech Connectivity Solutions Limited**

| | |
|---|---|
| **Ankit Agarwal** | **Anupam Jindal** |
| Director | Director |
| DIN: 03344202 | DIN: 03040078 |

Place : Pune
Date : 11 June 2019

# Sterlite Innovative Solutions Limited

## Financial Statements for FY 2018-19

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of Sterlite Innovative Solutions Limited**

**Report on the audit of the financial statements**

## Opinion

1. We have audited the accompanying financial statements of Sterlite Innovative Solutions Limited ("the Company"), which comprise the balance sheet as at March 31, 2019 and the statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and total comprehensive income (comprising of loss and other comprehensive income), changes in equity and its cash flows for the year then ended.

## Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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LLPIN AAC - 5001
FRN 012754N/N500016

**Responsibilities of management and those charged with governance for the financial statements**

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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FRN 012754N/N500016
* Pune *

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on other legal and regulatory requirements

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

12. As required by Section 143(3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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LLPIN AAC - 5001
FRN 012754N/N500016
Pune

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts as at March 31, 2019

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

## Price Waterhouse Chartered Accountants LLP

**Annexure A to Independent Auditors' Report**
Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Sterlite Innovative Solutions Limited on the financial statements for the year ended March 31, 2019


### Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Sterlite Innovative Solutions Limited (the "Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal financial control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

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FRN 012754N/N500016
Pune

**Annexure A to Independent Auditors' Report**
Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Sterlite Innovative Solutions Limited on the financial statements for the year ended March 31, 2019


## Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisation of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal financial control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Sterlite Innovative Solutions Limited on the financial statements as of and for the period ended March 31, 2019

i. There are no fixed assets in the company, hence the requirement under paragraph 3 (i) (a), (b) and (c) are not applicable to the company and hence have not been commented upon.

ii. As on the reporting date, the business of the company does not involve inventories and the company consequently does not hold any inventory hence the provisions of clause 3 (ii) of this order are not applicable to the company.

iii. The Company not has granted any loans secured or unsecured, to companies, firms, Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore the provisions of clause 3 (iii) (a), (b), (c) of the order are not applicable to the company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including income tax and goods and service tax and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax and goods and service tax which have not been deposited on account of any dispute.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has not paid/ provided for managerial remuneration during the period and hence the provisions of Section 197 read with Schedule V to the Act are not applicable to the company.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

Price Waterhouse Chartered Accountants LLP
LLPIN AAC - 5001
FRN 012754N/N500016
Pune

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Sterlite Innovative Solutions Limited on the financial statements for the year ended March 31, 2019



xiii. The Company has entered into transactions with related parties in compliance with the provisions of Section 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. Further, the Company is not required to constitute an Audit Committee under Section 177 of the Act, and accordingly, to this extent, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391

Place: Pune
Date: June 22, 2019

**STERLITE INNOVATIVE SOLUTIONS LIMITED**
**BALANCE SHEET AS AT 31 MARCH 2019**

| | Note | 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Financial assets | | |
| Cash and cash equivalents | 3 | 4,98,230 |
| | | 4,98,230 |
| **Total Assets** | | 4,98,230 |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Equity share capital | 4 | 5,00,000 |
| Other Equity | | |
| Retained earnings | 5 | (2,37,770) |
| **Total Equity** | | 2,62,230 |
| **Current liabilities** | | |
| Financial liabilities | | |
| Trade payables | | |
| (A) total outstanding dues of micro enterprises and small enterprises (Refer Note 15) | 6 | - |
| (B) total outstanding dues of creditors other than micro enterprises and small enterprises | 6 | 2,16,000 |
| Other current liabilities | 7 | 20,000 |
| | | 2,36,000 |
| **Total Equity & Liabilities** | | 4,98,230 |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No: FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number: 108391

Place : Pune
Date : 11 June 2019

**For and on behalf of the board of directors**
**Sterlite Innovative Solutions Limited**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place : Pune
Date : 11 June 2019

**STERLITE INNOVATIVE SOLUTIONS LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2019**

| | Note | From 1 June 2018 to 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **INCOME** | | |
| Revenue from operations | | - |
| **Total Income (I)** | | - |
| | | |
| **EXPENSES** | | |
| Other expenses | 8 | 2,36,000 |
| **Total Expense (II)** | | 2,36,000 |
| | | |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | (2,36,000) |
| | | |
| Finance costs | 9 | 1,770 |
| **Profit before tax** | | (2,37,770) |
| | | |
| **Tax expense:** | | |
| Current tax | | - |
| Deferred tax | 10 | - |
| **Total tax expenses** | | - |
| | | |
| **Profit for the period** | | (2,37,770) |
| | | |
| Other comprehensive income | | |
| Other comprehensive income | | - |
| **Total comprehensive income for the period, net of tax** | | (2,37,770) |
| | | |
| **Earnings per equity share** | | |
| **Basic and diluted** | | |
| Computed on the basis of profit for the period | | (4.76) |
| | | |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**Neeraj Sharma**
Partner
Membership Number :108391

**Place : Pune**
**Date : 12 June 2019**

**For and on behalf of the board of directors of**
**Sterlite Innovative Solutions Limited**

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

**Place : Pune**
**Date : 11 June 2019**

**STERLITE INNOVATIVE SOLUTIONS LIMITED**
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

**A. Equity share capital**

| | Numbers | Amount in Rs. |
|---|---|---|
| Issue of share capital | 50,000 | 5,00,000 |
| **At March 31, 2019** | **50,000** | **5,00,000** |

**B. Other equity**

| | (Amount in Rs.) Retained earnings |
|---|---|
| Loss for the period | (2,37,770) |
| **At 31 March 2019** | **(2,37,770)** |

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements

As per our report of even date
**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No. FRN 012754N/N500016

**Neeraj Sharma**
**Partner**
**Membership Number :108391**

**Place : Pune**
**Date : 11 June 2019**

**For and on behalf of the board of directors of**
**Sterlite Innovative Solutions Limited**

**Ankit Agarwal**
**Director**
**DIN: 03344202**

**Anupam Jindal**
Director
DIN: 03040078

**Place : Pune**
**Date : 11 June 2019**

**STERLITE INNOVATIVE SOLUTIONS LIMITED**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019**

| | Note | 31 March 2019 (Amount in Rs.) |
|---|---|---|
| **A. Operating activities** | | |
| Profit before tax | | (2,37,770) |
| Adjustments to reconcile profit before tax to net cash flows | | |
| Finance costs | | 1,770 |
| **Operating profit before working capital changes** | | (2,36,000) |
| Increase in trade payables | | 2,16,000 |
| Increase in other liabilities | | 20,000 |
| **Cash generated from operations** | | - |
| Income tax paid (net of refunds) | | - |
| **Net cash flow from operating activities** | | - |
| **B. Investing activities** | | |
| **Net cash flow from investing activities** | | - |
| **C. Financing activities** | | |
| Proceeds from issue of equity shares | | 5,00,000 |
| Bank charges | | (1,770) |
| **Net cash flow from financing activities** | | 4,98,230 |
| **Net increase/(decrease in) cash and cash equivalents** | | 4,98,230 |
| **Cash and cash equivalents as at beginning of period** | 3 | - |
| **Cash and cash equivalents as at period end** | 3 | 4,98,230 |

**Components of cash and cash equivalents:**

| | 31 March 2019 |
|---|---|
| **Balances with banks:** | |
| On current accounts | 4,98,230 |
| **Total cash and cash equivalents** | 4,98,230 |

The accompanying notes are an integral part of the financial statements

**For Price Waterhouse Chartered Accountants LLP**
Firm Registration No (FRN 012754N/N500016)

**Neeraj Sharma**
Partner
Membership Number : 108391

Place: Pune
Date : 11 June 2019

**For and on behalf of the board of directors of**
Sterlite Innovative Solutions Limited

**Ankit Agarwal**
Director
DIN: 03344202

**Anupam Jindal**
Director
DIN: 03040078

Place: Pune
Date : 11 June 2019

## 1. Corporate information

Sterlite Innovative Solutions Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company was incorporated on 01 June 2018 and is a wholly owned subsidiary of Sterlite Technologies Limited.

## 2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The standalone Ind AS financial statements have been prepared on a historical cost basis.

The standalone Ind AS financial statements are presented in Indian Rupees, except when otherwise indicated.

**Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisitions of assets for processing and their realisation in cash and cash equivalents, the company has ascertained operating cycle of 12 months for the purpose of current and non-current classification of assets and liabilities.

**a) Foreign currency translation**

**Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in Indian rupee (INR), which is company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**b) Revenue from contracts with customers**

Ind AS 115 Revenue from contracts with customers has been issued with effect from April 1, 2018. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:
(i) identify contracts with customers
(ii) identify the separate performance obligation
(iii) determine the transaction price of the contract
(iv) allocate the transaction price to each of the separate performance obligations, and
(v) recognise the revenue as each performance obligation is satisfied.

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PIN AAC-5001
FRN 012754N/N500016
Pune

Sterlite Innovative Solutions Limited

**Revenue recognition policy**

The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies distinct performance obligations in each contract. For most of the project contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or
(b) The customer controls the work-in-progress, or
(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date

If none of the criteria above are met, the Company recognized revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

**c) Other Income**

**1. Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the statement of profit and loss.

**2. Dividends**

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

**d) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

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Sterlite Innovative Solutions Limited

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

**e) Income Taxes**

**Current income tax**
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**
Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences between the carrying amount and tax bases of investments in subsidiaries, branch, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

FRN 012754N/N500016
Pune

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Current and Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**f) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**g) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly stated in the arrangement.

**Company as a lessee**
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant portion of the risk and rewards of ownership are not transferred to the Company are classified as operating lease. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payment are structured to increase inline with the expected general inflation to compensate for the lessors expected inflationary cost increases.

**h) Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or companys of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**i) Provisions**

**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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**j) Investment and Other Financial assets**

**i) Classification:**

The company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)
- Those 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

**ii) Measurement:**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

**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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

**Equity instruments**

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Equity investment in subsidiaries and joint venture are carried at historical cost as per the accounting policy choice given by IND AS 27.

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The Company makes investments in certain joint ventures and associates with the objective to generate growth in the medium term and with identified exit strategies. Such investments are managed on a fair value basis. The company has elected to measure investments in such joint ventures and associates in accordance with Ind AS 109.

iii) **Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance;

b) Lease receivables under Ind AS 17

c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of

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FRN 012754N/N500016
Pune

those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**iv) Derecognition of financial asset**

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

**v) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**k) Financial liabilities**

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3o days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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FRN 012754N/N500016
Pune

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

**l) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**m) Earnings per share**

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

**n) Presentation of EBITDA**

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements

Price Waterhouse Chartered Accountants LLP FRN 012754N/N500016 Pune

Sterlite Innovative Solutions Limited

when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs and tax expense

**o) Rounding of amount**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

**2.3 Recent accounting pronouncements**

a) **Ind AS 116- Leases:**

**Ind AS 116 Leases:** On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months,unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

• Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or

• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application

The company is in the process of assessing the detailed impact of Ind AS 116. Presently, the company is not able to reasonably estimate the impact that application of Ind AS 116.

**b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :**

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or company of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to

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compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative
effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives.

**c) Amendment to Ind AS 12 – Income taxes :**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company currently evaluating the effect of this amendment on the financial statements.

**d) Amendment to Ind AS 19 – plan amendment, curtailment or settlement:**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:
• to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
• to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment

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LLPIN AAC - 5001
FRN 012754N/N500016
Pune

Sterlite Innovative Solutions Limited

**NOTE 3: CASH AND CASH EQUIVALENTS**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Balances with banks:** | |
| On current accounts | 4,98,230 |
| | **4,98,230** |

**NOTE 4: SHARE CAPITAL**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Authorised share capital** | |
| 50,000 Equity Shares of Rs 10 each | 5,00,000 |
| | **5,00,000** |
| **Issued, subscribed and fully paid-up share capital** | |
| 50,000 Equity Shares of Rs 10 each fully paid up | 5,00,000 |
| **Total issued, subscribed and fully paid-up share capital** | **5,00,000** |

**a. Movement in equity share capital**

| | Number of shares | Amount in Rs |
|---|---|---|
| Issued during the period | 50,000 | 5,00,000 |
| **Outstanding as at 31 March 2019** | **50,000** | **5,00,000** |

**b. Terms and rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

| | 31 March 2019 | |
|---|---|---|
| **Immediate holding company** | **Numbers** | **% holding** |
| Sterlite Technologies Limited and its nominee shareholders | 50,000 | 100% |

**d. Detail of shareholders holding more than 5% of shares in the company**

| | 31 March 2019 | |
|---|---|---|
| | **Numbers** | **% holding** |
| Sterlite Technologies Limited and its nominee shareholders | 50,000 | 100% |

**NOTE 5 : OTHER EQUITY**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Retained earnings** | |
| Net loss for the period | (2,37,770) |
| **Total retained earninngs** | **(2,37,770)** |
| **Total other equity** | **(2,37,770)** |

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LLPIN AAC-5001
FRN 012754N/N500016
Pune

Sterlite Innovative Solutions Limited

**NOTE 6 : TRADE PAYABLE**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Total outstanding dues of creditors other than micro enterprises & small enterprises | - |
| Total outstanding dues of creditors other than micro & small enterprises | 2,16,000 |
| **Total Trade Payable** | **2,16,000** |

**NOTE 7 : OTHER CURRENT LIABILITY**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Withholding tax payable | 20,000 |
| **Total Other Current Liability** | **20,000** |

**NOTE 8: OTHER EXPENSES**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Payment to auditor (refer note below) | 2,00,000 |
| Rates & Taxes | 36,000 |
| | **2,36,000** |

| **Payment to auditor** | 31 March 2019 (Amount in Rs.) |
|---|---|
| As auditor: | |
| Audit fee | 2,00,000 |
| | **2,00,000** |

**NOTE 9: FINANCE COST**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Bank charges | 1,770 |
| | **1,770** |

**NOTE 10: DEFERRED TAX**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Deferred tax asset** | |
| Total losses for the current period | 2,37,770 |
| Total losses for the current period on which deferred tax asset has not been recognised | (2,37,770) |
| | - |

In the current period, the company has not recognised deferred tax asset on carried forward losses as the company is not likely to generate taxable income in the forseeable future. These unused tax losses can be carried forward as per the provisions of Income Tax Act, 1961.

The tax expense is computed as per the provisions of Income Tax Act, 1961. Statutory tax rate of 26% is applicable to the company for the financial year ended 31 March 2019. Considering loss incurred during the year and lack of probability of future recovery of losses incurred, tax expense for the year is Nil.

**NOTE 11: EARNINGS PER SHARE (EPS)**

Basic EPS amounts are calculated by dividing the profit/(loss) for the period attributable to equity holders by the weighted average number of Equity shares outstanding during the period. The following shows the computation of basic EPS.

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| Loss for the period | (2,37,770) |
| Weighted average number of equity shares in calculating basic and diluted EPS | 50,000 |
| Earnings per share | |
| Basic and diluted (on nominal value of Rs. 10 per share) Rupees/share | (4.76) |

**NOTE 12: FAIR VALUE MEASUREMENT**

All the financial instruments of the entity are classified at amortised cost. The management assessed that cash and cash equivalents and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and therefore carrying value of these instruments is considered to be the same as fair value.

**NOTE 13: RELATED PARTY TRANSACTIONS**

**A.Name of related party and nature of relationships:**

| **Related parties where control exists:** | |
|---|---|
| Sterlite Technologies Limited | Intermediate holding company |
| Twinstar Overseas Limited, Mauritius | Intermediate holding company |
| Volcan Investments Limited, Bahamas | Ultimate holding company |

**Key management personnel (KMP)**
Anupam Jindal - Non executive Director
Ankit Agrawal
Shweta Agarwal

**B. Transactions with related parties during the period and outstanding balances are as follows:**

| | 31 March 2019 (Amount in Rs.) |
|---|---|
| **Transactions during the period** | |
| **Transactions with Sterlite Technologies Limited** | |
| Issuse of equity share capital | 5,00,000 |

**C. Disclosure in respect of material related party transactions during the period:**
**Issue of equity share capital**

| Particulars | Relationship | 31 March 2019 |
|---|---|---|
| Sterlite Technologies Limited | Holding Company | 5,00,000 |

Sterlite Innovative Solutions Limited

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
FRN 012754N/N500016
Pune

**Note 14: FINANCIAL RISK MANAGEMENT**

The Company does not have any operations The Company's principal financial assets include cash and cash equivalents and financial liabilities in the nature of trade payables

The Company is exposed to credit risk and liquidity risk The Company's senior management oversees the management of these risks
The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits Risk management policies and systems are approved and reviewed regularly by Board to reflect changes in market conditions and the Company's activities Currently the Company has adopted the risk management policies as defined by it's holding company to manage risk's relevant to it's operations Management has overall responsibility for the establishment and oversight of the Company's risk management framework

The Company's maximum exposure to credit risk for the components of the balance sheet of 31 March 2019 is the carrying amount of each class of financial assets

**Credit risk**
The company is exposed to credit risk arising from financial assets in the nature of cash and cash equivalents The management manages credit risk by keeping its funds with reputed financial institutions with good credit rating The company has adopted risk management policies as defined by it's holding company to manage risks relevant to its operations

**Liquidity Risk**
Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset The Company's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations The Company requires funds both for short term operational needs as well as for long term investment programs mainly in growth projects The Company closely monitors its liquidity position and deploys a robust cash management system It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents which will provide liquidity

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities The average credit period taken to settle trade payables is about 60 - 90 days The carrying amounts are assumed to be reasonable approximation of fair value The table below summerises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| Particulars | Less than 3 months | Total |
|---|---|---|
| As at March 31, 2019 | | |
| Trade Payable | 2,16,000 | 2,16,000 |
| | 2,16,000 | 2,16,000 |

**Note 15: DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MSMED ACT, 2006**
**Description**

There are no Micro and Small enterprises, to whom the Company owes dues, which are outstanding as at March 31, 2019 This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been indentified on the basis of information available with the company

**Note 16: CRITICAL ESTIMATES AND JUDGEMENTS**

The company presently does not have any operations and therefore no critical estimates and judgements are involved in preparation of financial statements.

**Note 17: SEGMENT REPORTING**

The company does not have any operations and therefore there are no reportable segments

**Note 18: PREVIOUS PERIOD FIGURES**
This being the first year of the Company , the financial statements have been drawn for the period 02 June 2018 (date of incorporation) till March 31,2019 and therefore no corresponding figures for the previous period have been given in the financial statements

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**
**Firm Registration No: FRN 012754N/N500016**

**Neeraj Sharma**
**Partner**
**Membership Number: 108391**

**Place : Pune**
**Date : 11 June 2019**

**For and on behalf of the board of directors of**
**Sterlite Innovative Solutions Limited**

| | |
|---|---|
| **Ankit Agarwal** | **Anupam Jindal** |
| **Director** | **Director** |
| **DIN: 03344202** | **DIN: 03040078** |

**Place : Pune**
**Date : 11 June 2019**

# Sterlite Technologies S.p.A (Italy)

## Financial Statements as on December 31, 2018

# *Independent auditor's report*

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010*

To the sole shareholder of Sterlite Technologies SpA

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Sterlite Technologies SpA (the Company), which comprise the balance sheet as of 31 December 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Aspects*

As required by law, the Company has included in the explanatory notes the essential data of the last financial statements of the company that exercises the management and coordination activity on it. Our opinion on Sterlite Technologies SpA's financial statements does not extend to such data.

### *Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

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

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

## *Report on Compliance with other Laws and Regulations*

### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10*

The directors of Sterlite Technologies SpA are responsible for preparing a report on operations of Sterlite Technologies SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Sterlite Technologies SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Sterlite Technologies SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Brescia, 07 June2019

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

# Independent auditor's report

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010*

To the sole shareholder of Sterlite Technologies Spa

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Sterlite Technologies Group (the Group), which comprise the balance sheet as of 31 december 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 december 2018, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the criteria for their preparation.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Sterlite Technologies SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Aspects

As required by law, the Company has included in the explanatory notes the essential data of the last financial statements of the company that exercises the management and coordination activity on it. Our opinion on Sterlite Technologies SpA's financial statements does not extend to such data.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sterlite Technologies SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

## *Report on Compliance with other Laws and Regulations*

### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10*

The directors of Stelite Technologies SpA are responsible for preparing a report on operations of the Sterlite Technologies Group as of 31 december 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Sterlite Technologies Group as of 31 december 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Sterlite Technologies Group as of 31 december and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Brescia, 07 June 2019

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

**General information about the company**

Name and id code

| | |
|---|---|
| Company name: | STERLITE TECHNOLOGIES S.P.A. |
| Company site: | VIA DEL VECCHIO POLITECNICO 9 MILANO MI |
| Share capital: | 5.050.000,00 |
| Fully paid-in share capital: | Yes |
| Registration Authority id code: | MI |
| VAT number: | 10309460961 |
| Fiscal code: | 10309460961 |
| Registration number: | 2521369 |
| Legal form: | SOCIETA' PER AZIONI |
| Activity Code: | 701000 |
| Company being wound up: | No |
| Company with a single shareholder: | Yes |
| Company subject to the management and coordination of others: | Yes |
| belonging to a group: | Yes |
| Name of the controlling entity: | STERLITE TECHNOLOGIES LIMITED |
| Country of the controlling entity: | INDIA |

# Financial statements as at 31/12/2018

## Ordinary balance sheet

| | 31/12/2018 |
|---|---|
| **Assets** | |
| **B) Fixed assets** | |
| III - Financial fixed assets | - |
| 1) equity investments | - |
| a) subsidiary companies | 46.866.534 |
| *Total equity investments* | *46.866.534* |
| *Total financial fixed assets* | *46.866.534* |
| *Total fixed assets (B)* | *46.866.534* |
| **C) Current assets** | |

| | 31/12/2018 |
|---|---|
| II - Receivables | - |
| 2) due from subsidiary companies | 950.000 |
| due within the following year | 950.000 |
| 5-bis) due from tax authorities | 32.234 |
| due within the following year | 32.234 |
| 5-quater) due from third parties | 3.438 |
| due within the following year | 3.438 |
| *Total receivables* | *985.672* |
| IV - Liquid funds | - |
| 1) bank and post office deposits | 78.756 |
| *Total liquid funds* | *78.756* |
| *Total current assets (C)* | *1.064.428* |
| *Total assets* | *47.930.962* |
| **Liabilities and shareholders' equity** | |
| **A) Shareholders' equity** | **4.392.223** |
| I - Share capital | 5.050.000 |
| IX - Profit (loss) for the year | (657.777) |
| Total Shareholders' Equity | 4.392.223 |
| **D) Payables** | |
| 4) due to banks | 43.277.935 |
| due within the following year | 164.191 |
| due beyond the following year | 43.113.744 |
| 7) trade accounts | 160.804 |
| due within the following year | 160.804 |
| 9) due to subsidiary companies | 100.000 |
| due within the following year | 100.000 |
| *Total payables (D)* | *43.538.739* |
| *Total liabilities and shareholders' equity* | *47.930.962* |

# Ordinary P&L account

| | 31/12/2018 |
|---|---|
| **A) Value of production** | |
| 5) Other income and revenues | - |
| other | 150.000 |
| *Total Other income and revenues* | *150.000* |
| *Total value of production* | *150.000* |
| **B) Cost of production** | |
| 7) Services | 200.318 |
| *Total cost of production* | *200.318* |
| **Difference between value and cost of production (A - B)** | **(50.318)** |
| **C) Financial income and expense** | |
| 17) Interest and other financial expense | - |
| other | 607.459 |
| *Total interest and other financial expense* | *607.459* |
| *Total financial income and expense (15 + 16 - 17 + - 17-bis)* | *(607.459)* |
| **Profit before taxes (A - B + - C + - D)** | **(657.777)** |
| **21) Net profit (loss) for the year** | **(657.777)** |

# Statement of cash flows, indirect method

| | Amount as at 31/12/2018 |
|---|---|
| **A) Financial flow from operations (indirect method)** | |
| Net profit (loss) for the year | (657.777) |
| Interest expenses/(income) | 607.459 |
| *1) Profit (loss) for the fiscal year before income taxes, dividends and capital gains/losses from disposals* | *(50.318)* |
| *2) Financial flow before changes to the net working capital* | *(50.318)* |
| Changes in net working capital | |
| Increase/(Decrease) in payables due to suppliers | 160.804 |
| Other decreases/(Other increases) of net working capital | (885.672) |
| *Total changes in net working capital* | *(724.868)* |
| *3) Financial flow after changes to the net working capital* | *(775.186)* |
| Other adjustments | |
| Interest collected/(paid) | (607.459) |
| *Total other adjustments* | *(607.459)* |
| ***Financial flow from operations (A)*** | ***(1.382.645)*** |
| **B) Financial flow from investing activities** | |
| Financial fixed assets | |
| (Investments) | (46.866.534) |
| ***Cash flow from investing activities (B)*** | ***(46.866.534)*** |
| **C) Financial flow from financing activities** | |
| Loan capital | |
| Increase/(Decrease) in short-term payables due to banks | 164.191 |
| New loans | 43.113.744 |
| Equity | |
| Increase in paid share capital | 5.050.000 |
| ***Cash flow from financing activities (C)*** | ***48.327.935*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***78.756*** |
| Cash and cash equivalents at the fiscal year end | |
| bank and post office deposits | 78.756 |
| Total cash and cash equivalents at the end of the fiscal year | 78.756 |

# Information at the end of the statement of cash flows

STERLITE TECHNOLOGIES S.P.A., installed on April 9th, 2018, carry on the activity of investment's mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade. This Financial Statements is the first Financial Statements of STERLITE TECHNOLOGIES S.P.A.

The sole shareholder is STERLITE TECHNOLOGIES LIMITED, resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra; the sole shareholder carry on the activity of production and sale of telecomunication product, integrated optical fiber included and other telecomunication product, as optical fiber cables, telecomunication clables in copper, etc.

We point out that during the fiscal year 2018, and exactly on July 20th, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

# Explanatory notes, initial part

Dear Shareholders: these explanatory notes to the financial statements are integral part of the financial statements to 31/12/2018.

We point out that according to Article 2364 of the Italian Civil Code and according to Article 14.1 of the Company By-Law, the Shareholders' meeting for the approving of the Financial Statements as at December 31st, 2018 has been held within the longer period of 180 days.

The financial statements comply with the requirements of articles 2423 and following of the Italian Civil Code and with the national accounting standards published by the Italian Accounting Board; therefore, they describe, clearly, truthfully, and accurately the assets and financial situation of the company and the economic outcome for the fiscal year.

The contents of the balance sheet and income statement are those required by articles 2424 and 2425 of the Italian Civil Code, while the statement of the financial position was prepared in accordance with art. 2425-ter.

The explanatory notes to the financial statements, written in accordance with art. 2427 of the Italian Civil Code, also contain all information useful to provide a correct interpretation of the financial statements.

In accordance with art. 27 par. 3 of Legislative Decree 127/91, the company STERLITE TECHNOLOGIES S.P.A. is exempted from the obligation to prepare the consolidated financial statements because it is itself a subsidiary whose parent company holds at least 95% of the shares or quotas of the subsidiary or, if the above condition is not satisfied, the preparation of the consolidated financial statements was not requested by shareholders representing at least 5% of the share capital. However, according to art. 27 c.4 of Legislative Decree 127/91, the exemption is applicable only when the parent company is resident in a Member State of the European Union. The company STERLITE TECHNOLOGIES S.P.A. is not controlled by a EU Company and so it is not exempted from the obligation to prepare the consolidated financial statements.

## Basis of preparation

### Financial Statement preparation

The information contained in this document is reported based on the order of the items in the balance sheet and P&L account.

In reference to the indications in the introduction to these Explanatory Notes, we declare that, in accordance with article 2423, 3rd paragraph of the Italian Civil Code, if the disclosures required by specific legal provisions are not sufficient for giving a truthful and fair representation of the company's situation, additional disclosures are provided considered necessary for this purpose.

The financial statements, as well as these explanatory notes to the financial statements were written in units of Euros.

## Publishing principles

The financial statement items were valued in accordance with the principles of prudence and materiality and on the assumption that the business is a going concern. Pursuant to Article 2423-bis(1)(1-bis) of the Italian Civil Code, the items were recorded and presented taking into account the substance of the transaction or the contract. When preparing the financial statements the income and expenses were recorded on the basis of the accrual principle, regardless of the actual date of payment and only profits made at the year-end date were stated. Account was also taken of the risks and losses pertaining to the year, even if they came to light after year end.

### Structure and contents of the financial statement

The balance sheet, income statement, statement of cash flows, and accounting information found in these explanatory notes are consistent with the accounting entries, from which they were directly derived.

The Balance Sheet and P&L Account do not contain groupings of items preceded by Arabic numeral, as instead optionally allowed by article 2423 ter of the Italian Civil Code.

In accordance with article 2424 of the Italian Civil Code, it should be noted that there are no asset and liability elements which are under more than one item in the financial statement schedule.

## Exceptional cases pursuant to art. 2423, fifth paragraph, of the Civil Code

There were no exceptional cases requiring use of the derogations referred to in Article 2423(4) and (5) of the Italian Civil Code.

## Changed accounting principles

There were no exceptional cases requiring use of the derogations referred to in Article 2423-bis(2) of the Italian Civil Code.

## Applied evaluation criteria

In accordance with article 2427, paragraph 1, n° 1 of the Italian Civil Code, the most significant valuation criteria adopted in observance of the provisions of art. 2426 of the Italian Civil Code are shown, with special reference to the balance sheet items for which the law allows several valuation and adjustment criteria or for which no specific criteria are provided.

The accounting amounts expressed in foreign currency were entered after conversion into euro according to the exchange rate existing at the time of their assessment or at the exchange rate on the fiscal year's closing date based on the indications of OIC accounting standard no. 26.

### Financial fixed assets

*Equity investments*

All of the equity investments entered in the financial statements were measured with the cost method, where cost is considered as the charge incurred for the purchase, regardless of the payment method, including any incidental charges (bank fees and expenses, revenue stamps, bank intermediation, etc.).

The company applies the amortised cost and discounting rules. However long-term equity investments for which payment is deferred under conditions that differ from those normally practised on the market, for similar or comparable transactions, were recorded in the financial statements at the current value of the future contractual payments determined pursuant to OIC 19, plus additional charges.

### Receivables included among current assets

The credits entered among the current assets were recognized in the financial statements in accordance with the depreciated cost criterion, as defined by art. 2426, par. 2 of the Italian Civil Code, taking into account the time factor and the presumable realization value, in accordance with the provisions of art. 2426, paragraph 1, N° 8 of the Italian Civil Code.

Credits for which the depreciated cost method and/or the discounting to current value are not applicable were entered at their presumable realization value, in order to provide a truthful and accurate representation of the balance sheet and income statement situation. This situation occurred, for example, in the case of debts with a maturity of less than twelve months or, with reference to the depreciated cost method, in the case in which the transaction costs, commissions, and any other differences between initial value and value at maturity are negligible or, also, in the case of discounting to current value, when the interest rate inferable from the contractual conditions does not differ significantly from the market interest rate.

### Cash and cash equivalents

Cash and cash equivalents are measured at nominal value.

### Shareholders' equity

The items are entered in the financial statements at their accounting amount based on the indications contained in OIC accounting standard no. 28.

### Payables

The debts were recognized in the financial statements in accordance with the depreciated cost criterion, as defined by art. 2426 of the Italian Civil Code, taking into account the time factor, in accordance with the terms of art. 2426, paragraph 1, N° 8 of the Italian Civil Code. Debts for which the depreciated cost method and/or the discounting to current value are not applicable were entered at their nominal value, in order to provide a truthful and accurate representation of the balance sheet and income statement situation. This situation occurred, for example, in the case of debts with a maturity of less than twelve months or, with reference to the depreciated cost method, in the case in which the transaction costs, commissions, and any other differences between initial value and value at maturity are negligible or, also, in the case of discounting to current value, when the interest rate inferable from the contractual conditions does not differ significantly from the market interest rate.

## Other information

### Transactions with grant back obligation

In accordance with art. 2427, n° 6-ter, the company certifies that, during the fiscal year, the company did not perform any transaction subject to the grant back obligation.

# Explanatory notes, assets

A detailed analysis is provided below of the changes in the individual financial statement items, in accordance with the provisions of current legislation.

## Fixed assets

### Finance leases operations

The company had no finance lease contracts in progress at the fiscal year's closing date.

### Financial fixed assets

We point out that during the fiscal year 2018, and exactly on July 20$^{th}$, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

#### Movements in investments, other securities, and noncurrent financial asset derivative instruments

The table below shows the movements in the assets in question.

#### Details on noncurrent investments in subsidiaries

The following schedule indicates the investments related to subsidiaries, as well as additional information requested by art. 2427 of the Italian Civil Code.

| Company name | City, if in Italy, or foreign country | Tax code (for Italian companies) | Capital in Euros | Shares held in Euros | Share possessed in % |
|---|---|---|---|---|---|
| METALLURGICA BRESCIANA SPA a socio unico | DELLO (BS) | 02132320173 | 7.000.000 | 7.000.000 | 100,000 |

#### Value of financial assets

The financial assets shown in the financial statements were not entered at a value greater than their fair value.

## Current assets

### Receivables included among current assets

#### Changes and due date of the credits entered in the current assets

The table below shows the information on the changes in receivables entered in current assets as well as information on their due dates, if significant.

| | Change during the year | Year closing balance | Portion due within fiscal year |
|---|---|---|---|
| subsidiary companies | 950.000 | 950.000 | 950.000 |
| due from tax authorities | 32.234 | 32.234 | 32.234 |
| due from third parties | 3.438 | 3.438 | 3.438 |

| | Change during the year | Year closing balance | Portion due within fiscal year |
|---|---|---|---|
| **Total** | **985.672** | **985.672** | **985.672** |

The Receivables included among current assets have a value of Euro 985,672; we point out that has not been accounte a credit risk provision. In particular we point out that the receivables included among current assets may be broke down as follow:

- Receivables due to subsidiary companies – Euro 950,000: this receivable for Euro 800,000 refers to a interest bearing shareholder loan contract, as following reported:
  - Amount: Euro 10,000,000
  - Signed date: Sept 17th, 2018
  - Duration: 3 + 1 years
  - Interest rate: EURIBOR+1.50%

  The receivables due to subsidiary companies for interest bearing shareholder loan contract are equal to Euro 800,000 as at December 31st, 2018.

  Other receivables due to subsidiary companies of Euro 100,000 referes to management fees.
- Receivables due from tax authorities – Euro 32.234: this credit refers a VAT tax credit;
- Receivables due from third parties – Euro 3,438: this credit refers to a receivables vs bank.

### Breakdown of receivables included among current assets by geographic area

The following table shows the distribution by geographical area of the credits entered among the current assets.

| Geographic area | Receivables due from subsidiary companies included among current assets | Tax receivables included among current assets | Other receivables included among current assets | Total receivables included among current assets |
|---|---|---|---|---|
| Italy | 950.000 | 32.234 | 3.438 | 985.672 |
| **Total** | **950.000** | **32.234** | **3.438** | **985.672** |

### Cash and cash equivalents

The table below provides information on the changes in cash and cash equivalents

| | Changes during the year | Year closing balance |
|---|---|---|
| bank and post office deposits | 78.756 | 78.756 |
| *Total* | *78.756* | *78.756* |

## Capitalized financial assets

All of the interests and other financial expenses have been entirely expensed during the fiscal year. We declare that no capitalization of financial expenses exists for the purposes of article 2427, paragraph 1 of the Italian Civil Code.

# Explanatory notes, liabilities and shareholders' equity

A detailed analysis is provided below of the changes in the individual financial statement items, in accordance with the provisions of current legislation.

## Shareholders' equity

We point out that this financial statements represent the first fiscal year of STERLITE TECHNOLOGIES S.P.A.

### Changes in shareholders' equity

In reference to the closing fiscal year, the tables below show the changes of the individual shareholders’ equity, as well as the details of other reserves, if present in the financial statements.

| | Other changes - Increases | Results for the fiscal year | Year closing balance |
|---|---|---|---|
| Share capital | 5.050.000 | - | 5.050.000 |
| Net profit (loss) for the year | - | (657.777) | (657.777) |
| **Total** | **5.050.000** | **(657.777)** | **4.392.223** |

All subscribed shares are entirely paid in.

### Use of shareholders' equity

The following schedules indicate the items of the equity investment, specifying their origin, possible utilization and distribution, as well as their utilization during the previous three fiscal years.

| Description | Amount | Origin / nature | Possibility of use |
|---|---|---|---|
| Share capital | 5.050.000 | Share capital | |
| **Total** | **5.050.000** | | |
| **LEGEND: A: increase of share capital; B: coverage of losses; C: distribution to shareholders; D: for other obligations imposed by the article of association; E: other** | | | |

## Payables

### Payables changes and due date

The table below shows the information on changes in payables and any information related to their due dates.

| | Change during the year | Year closing balance | Portion due within fiscal year | Portion due beyond fiscal year |
|---|---|---|---|---|
| due to banks | 43.277.935 | 43.277.935 | 164.191 | 43.113.744 |
| trade accounts | 160.804 | 160.804 | 160.804 | - |
| due to subsidiary companies | 100.000 | 100.000 | 100.000 | - |
| **Total** | **43.538.739** | **43.538.739** | **424.995** | **43.113.744** |

The payables are equal to Euro 43,538,739 and they may be broke down as follow:

- Payables due to banks – Euro 43,277,935: this payable refers to a portion due within the following year related to passive interest due to banks for a loan (Euro 164,191) and a portion due beyond the following year related to a contract loan (Euro 43,113,744).

  We point out that the amount of Euro 438,739 is connected to passive interests;
- Payables due for trade accounts – Euro 160,804: this payable refers to a quota total due within the following year;
- Payables due to subsidiary companies – Euro 100,000: this payable refers to a quota total due within the following year.

*Payables due to banks*

The following table shows the subdivision of the item “Debts to banks”.

| Entry | Rounding | Total |
|---|---|---|
| 4) | 43.277.935 | 43.277.935 |

## Breakdown of payables by geographic area

The following table shows the distribution by geographical area of the debts.

| Geographic area | due to banks | trade accounts | due to subsidiary companies | Payables |
|---|---|---|---|---|
| Italy | 20.183.633 | 120.804 | 100.000 | 20.404.437 |
| UE | 23.094.302 | 40.000 | - | 23.134.302 |
| **Total** | **43.277.935** | **160.804** | **100.000** | **43.538.739** |

## Payables covered by real guarantees on social assets

Pursuant to article 2427, paragraph 1, no. 6 of the Italian Civil Code, we declare that there are no company payables secured by collateral.

## Loans by shareholders

The company did not receive any loans from shareholders.

# Explanatory notes, P&L account

The income statement shows the economic outcome for the fiscal year.

It shows the operating activities through a summary of the revenue and cost components of the income that contributed to the economic outcome. The revenue and cost components of the income, entered in the financial statements as required by article 2425-bis of the Italian Civil Code, are grouped in a way that provides meaningful intermediate results and are distinguished depending on the various operations to which they belong: ordinary, accessory, and financial.

The ordinary activity identifies the income components generated by operations that are performed continuously and in the sector pertinent to the performance of the operation, which identify and qualify the specific and distinctive part of the economic activity carried out by the company and which is the company’s business purpose.

The financial activity consists of transactions that generate revenues and expenses of financial nature.

Finally, the accessory activity consists of the operations that generate income components that are part of the ongoing activity, but do not fall into the ordinary and financial activity.

## VALUE OF PRODUCTION

Revenues are entered in the financial statements on accrual basis of accounting, net of returns, allowances, discounts, and bonuses, as well as of the taxes directly linked to them.

### Breakdown of net revenue by business category

We point out that the Value of Production refers only to other income and revenues for an amount of Euro 150,000 as at December 31st, 2018; this revenues are connected to the cost of labour and to other costs paid by STERLITE TECHNOLOGIES S.P.A. but property of METALLURGICA BRESCIANA S.P.A. and so invoiced to the latter.

## Cost of production

The costs and charges are attributed on accrual basis of accounting and according to their nature, net of returns, allowances, discounts, and premiums, in compliance with the principle of correlation with the revenues; they are entered in the respective items as required by accounting standard OIC 12. The costs incurred to purchase goods are entered when the substantive, not the formal transfer of the ownership title occurs; the reference parameter for the substantive transfer is the transfer of the risks and benefits. When services are purchased, the related costs are entered when the service is received, that is when the service has been performed; in the case of ongoing services, the related costs are entered for the portion accrued.

## Financial income and charges

Financial income and charges are entered on accrual basis of accounting based on the portion accrued during the fiscal year.

### Composition of share income

There is no income from equity investments as per article 2425 no. 15 of the Italian Civil Code.

### Breakdown of interest and other financial liabilities by payables type

The schedule below shows the interest expenses and other financial expenses as per article 2425, no. 17 of the Italian Civil Code, with specific division between those related to debenture bonds, payables due to banks and other types.

| | due to banks | Other | Total |
|---|---|---|---|
| Interest and other financial expense | 368.636 | 238.823 | 607.459 |

The interest and other financial expense accounted in the P&L may be broke down as follow:

- due to banks – Euro 368,636: this costs are connected to passive interests to pay to bank for contract of financing;
- other – Euro 238,823: this debts represent the cost paid by STERLITE TECHNOLOGIES S.P.A. for STERLITE TECHNOLOGIES LIMITED for bank garanties offered by the latter.

## Amount and nature of the individual revenue/expense items of exceptional magnitude or impact

No revenues or other positive components derived from events of exceptional magnitude or impact were recognized during the current fiscal year.

No costs derived from events of exceptional magnitude or impact were recognized during the current fiscal year.

## Income taxes for the fiscal year, current, deferred, and prepaid

The company has set aside a provision for taxes for the year in accordance with current tax laws. Current taxes refer to taxes for the year as stated in the tax returns; taxes relating to previous years include direct taxes for previous years, inclusive of interest and penalties and also refer to the positive (or negative difference) between the amount due following the definition of a dispute or an assessment compared to the value of the provision set aside in previous years. Lastly, deferred and prepaid taxes concern positive or negative income components to be taxed or deducted, respectively, in different years to the one in which they were recorded for statutory accounting purposes.

### Deferred tax assets and liabilities

This item includes the impact of deferred taxes on these financial statements. It can be traced back to the temporary differences between the value attributed to an asset or liability in accordance with statutory criteria and the corresponding value recognized for these elements for tax purposes.

The company determined the deferred taxation exclusively for the IRES, as there were no temporary changes of IRAP.

The information requested by art. 2427, n° 14 of the Italian Civil Code is shown below:

- the description of the temporary differences that involved the recognition of the deferred and prepaid taxes, specifying the rate applied and the changes compared to the previous fiscal year, the amounts credited or debited to the income statement or to the shareholders' equity;
- the amount of the prepaid taxes posted to the financial statements, pertaining to the losses for the fiscal year or for prior fiscal years and the reasons for the entering; the amount not yet posted and the reasons for the failure to post it;
- the items excluded from the calculation and the related reasons.

We point out that the company could account deferred tax asset on tax losses of the year and on non-deductible passive interests of the year. Following the trend of the fiscal year the company, with approval of the Board of the Statutory Auditor, has prudently decided to not account deferred tax asset as at December 31st, 2018.

# Explanatory notes, statement of cash flows

The company prepared the statement of cash flows, which is the summary document linking the changes in the company’s balance sheet that occurred during the fiscal year with the changes in financial position; said statement shows the value of the financial resources that the company needed during the fiscal year and the uses of said resources.

With regard to the method used, it is specified that, in accordance with the provision of OIC 10, the company utilized the indirect method, on the basis of which the cash flow is reconstructed by adjusting the fiscal year income/loss results of the non-monetary components.

# Explanatory notes, other information

The other information requested by the Italian Civil Code is shown below.

## Employment data

The company did not have any existing employees during the fiscal year.

## Remunerations, advances, and credits granted to directors and statutory auditors, as well as commitments assumed on their behalf

The following schedule shows the information requested by art. 2427, n° 16 of the Italian Civil Code.

| | Auditors |
|---|---|
| Remunerations | 5.000 |

## Remunerations to the official auditor or external auditors

The following table shows the remunerations payable to the auditing firm, subdivided by the types of services provided.

| | Legal audit of annual accounts | Total remuneration due to the legal auditor or audit firm |
|---|---|---|
| Value | 9.000 | 9.000 |

## Category of shares issued by the company

The schedule below shows the number and nominal value of company's shares, as well as any changes occurring during the fiscal year.

| | Shares underwritten during the year, number | Shares underwritten during the year, face value | Final amount, number | Final amount, face value |
|---|---|---|---|---|
| Azioni ordinarie | 5.050.000 | 5.050.000 | 5.050.000 | 5.050.000 |
| **Total** | **5.050.000** | **5.050.000** | **5.050.000** | **5.050.000** |

We point out that the company has issued a numer of 5,050,000 shares of a nominal value of Euro 1 as at December 31$^{st}$, 2018; the total shares has been subscribed by the sole shareholder STERLITE TECHNOLOGIES LIMITED.

## Securities issued by the company

The company did not issue securities.

## Details on other financial instruments issued by the company

The company did not issue other financial instruments in accordance with article 2346, paragraph 6, of the Italian Civil Code.

## Commitments, guarantees, and potential liabilities that do not appear in the balance sheet

There are not any commitments, guarantees, or potential liabilities that do not appear in the balance sheet.

## Information on assets and financing intended for a specific business transaction

### Assets destined to a specific business

It is certified that, at the date of closing of the financial statements, there are no assets dedicated to a specific business transaction as per n° 20 of art. 2427 of the Italian Civil Code.

### Financing destined to a specific business

It is certified that, at the date of closing of the financial statements, there are no loans dedicated to a specific business transaction as per n° 21 of art. 2427 of the Italian Civil Code.

## Information on transactions with related parties

Transactions with related parties were conducted during the fiscal year. These transactions were concluded at market conditions; therefore, in accordance with the legislation in effect, no additional information is provided.

## Information on agreements that do not appear in the balance sheet

No agreements not entered on the Balance Sheet were undertaken during the fiscal year.

## Information on significant events that occurred after the fiscal year's end

With regard to point 22-quater of art. 2427 of the Italian Civil Code, no significant events occurred after the fiscal year's closing date that significantly impacted on the balance sheet, financial position, and income statement.

## Companies that prepare the financial statements of the broader/narrower group of companies of which the company is part as a subsidiary

In accordance with art. 2427, numbers 22-quinquies and 22-sexies of the Italian Civil Code, the following schedule shows the name and registered office of the company that writes the consolidated financial statements of the larger or smaller group of companies to which the company belongs as a consolidated company.

In addition, said schedule indicates where the copy of the consolidated financial statement is available.

| | |
|---|---|
| Name of the Company | STERLITE TECHNOLOGIES LIMITED |
| Country of residence | INDIA |
| Address | E1, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra |

## Information concerning the derivative financial instruments as per art. 2427-bis of the Italian Civil Code

It is certified that no derivative financial instruments were subscribed.

## Summary of balance sheet of the company excercising management and coordination activities

It is communicated that the company belongs to the group STERLITE and is subject to management and coordination activity by the company STERLITE TECHNOLOGIES LIMITED.

The following summary schedules provide the essential data of the latest approved financial statements of the above mentioned company that exercised management and coordination.

### Summary of balance sheet of the company excercising management and coordination activities (overview)

| | Mar '18 | Mar '17 |
|---|---|---|
| | 12 mths | 12 mths |
| **Sources Of Funds** | | |
| Total Share Capital | 80.20 | 79.66 |
| Equity Share Capital | 80.20 | 79.66 |
| Reserves | 989.79 | 791.51 |
| **Networth** | **1,069.99** | **871.17** |
| Secured Loans | 910.97 | 773.29 |
| Unsecured Loans | 167.99 | 220.00 |
| **Total Debt** | **1,078.96** | **993.29** |
| **Total Liabilities** | **2,148.95** | **1,864.46** |
| **Application Of Funds** | | |
| Gross Block | 2,090.96 | 2,013.95 |
| Less: Accum. Depreciation | 1,011.44 | 891.65 |
| **Net Block** | **1,079.52** | **1,122.30** |
| Capital Work in Progress | 234.72 | 27.03 |
| **Investments** | **275.98** | **155.35** |
| Inventories | 306.04 | 309.31 |
| Sundry Debtors | 862.46 | 694.79 |
| Cash and Bank Balance | 75.42 | 79.05 |
| Total Current Assets | 1,243.92 | 1,083.15 |
| Loans and Advances | 549.71 | 362.15 |
| Total CA, Loans & Advances | 1,793.63 | 1,445.30 |
| Current Liabilities | 1,183.11 | 848.87 |
| Provisions | 51.79 | 36.65 |
| Total CL & Provisions | 1,234.90 | 885.52 |
| **Net Current Assets** | **558.73** | **559.78** |
| **Total Assets** | **2,148.95** | **1,864.46** |
| Contingent Liabilities | 2,862.66 | 861.48 |
| Book Value (Rs) | 26.68 | 21.87 |
| **INCOME** | | |
| **Revenue From Operations [Gross]** | **2,825.57** | **2,359.05** |
| Less: Excise/Sevice Tax/Other Levies | 28.46 | 144.80 |
| **Revenue From Operations [Net]** | **2,797.11** | **2,214.25** |

| | | |
|---|---|---|
| Other Operating Revenues | 68.00 | 41.60 |
| **Total Operating Revenues** | **2,865.11** | **2,255.85** |
| Other Income | 22.19 | 10.90 |
| **Total Revenue** | **2,887.30** | **2,266.75** |
| **EXPENSES** | | |
| Cost Of Materials Consumed | 1,131.10 | 1,006.09 |
| Purchase Of Stock-In Trade | 32.99 | 40.68 |
| Changes In Inventories Of FG,WIP And Stock-In Trade | 16.68 | -102.27 |
| Employee Benefit Expenses | 316.10 | 271.11 |
| Finance Costs | 87.84 | 104.62 |
| Depreciation And Amortisation Expenses | 170.14 | 145.17 |
| Other Expenses | 765.21 | 619.08 |
| **Total Expenses** | **2,520.06** | **2,084.48** |
| **Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax** | **367.24** | **182.27** |
| **Profit/Loss Before Tax** | **367.24** | **182.27** |
| **Tax Expenses-Continued Operations** | | |
| Current Tax | 113.68 | 54.77 |
| Deferred Tax | -1.12 | -28.43 |
| Tax For Earlier Years | 0.00 | 0.00 |
| **Total Tax Expenses** | **112.56** | **26.34** |
| **Profit/Loss After Tax And Before ExtraOrdinary Items** | **254.68** | **155.93** |
| **Profit/Loss From Continuing Operations** | **254.68** | **155.93** |
| **Profit/Loss For The Period** | **254.68** | **155.93** |

* Additional information: Public company

* Source: Dion Global Solutions Limited

## Proposed destination of profit or coverage of losses

Dear Shareholders: in view of the discussion above, the administrative body proposes to carry forward the fiscal year’s loss of Euro 657,777.

# Explanatory notes, final part

Dear Shareholders: we confirm that these financial statements, consisting of the balance sheet, income statement, statement of cash flows, and explanatory notes describe truthfully and accurately the balance sheet and financial position of the company, as well as the economic outcome for the fiscal year and that said financial statements correspond to the accounting records. Therefore, we ask you to approve the draft financial statements to 31/12/2018 together with the proposed destination of the fiscal year income/loss, as set forth by the administrative body.

The financial statements are true and real and correspond to accounting records

Milan, 03/05/2019

The sole Director

# STERLITE TECHNOLOGIES S.P.A.

Registered office: VIA DEL VECCHIO POLITECNICO 9 MILANO (MI)
Registered with the Registry of Companies of CCIAA DI MILANO MONZA BRIANZA LODI
Tax Registration Number: 10309460961
Registered with the REA of CCIAA DI MILANO MONZA BRIANZA LODI no. 2521369
Subscribed share capital € 5.050.000,00 Fully paid
VAT registration number: 10309460961
Direzione e coordinamento: STERLITE TECHNOLOGIES LIMITED

# Report on Management

*Ordinary financial statements as at 31/12/2018*

Dear Shareholders,
the Financial Statements for the business year which we are submitting for your approval faithfully reflects the position of the Company and closes with a loss of € 657,777 including, interest and other financial expense for Euro 607,459.

## The macroeconomic framework

STERLITE TECHNOLOGIES S.P.A., carries on the activity of investment's mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade.

The global economy has continued to grow in recent months, but signs have emerged of a deterioration in cyclical conditions in many advanced and emerging economies. The prospects for world trade continued to weaken after the slowdown in the first part of last year. The uncertainties over economic conditions have had repercussions on the international financial markets, lowering long-term interest rates and share prices. The risk factors weighing on global economic prospects include the possible repercussions of a negative outcome to the trade negotiations between the United States and China, the worsening of financial tensions in the emerging economies and the arrangements for the United Kingdom's withdrawal from the European Union.

In the Euro area, economic activity grew at a slower pace; in November industrial production fell sharply in Germany, France and Italy. Inflation decreased as a result of the deceleration in energy prices, though it was still firmly in positive territory. The ECB Governing Council confirmed its intention to maintain ample monetary stimulus for an extended period of time.

In Italy, the available cyclical indicators point to a possible decline in economic activity in the last three months of the year after the interruption in growth in the third quarter. The decline in the summer months was partly attributable to the fall in domestic demand, especially investment, and to a slight reduction in household spending. The survey carried out by the Bank of Italy in collaboration with Il Sole 24 Ore points to a slowdown in investments planned by industrial and service firms owing to the uncertainty surrounding political and economic factors and trade tensions.

Consumer price inflation fell to 1.2 per cent in December, largely on account of slower growth in energy prices. Core inflation remained weak, standing at 0.5 per cent. Firms revised downwards their inflation expectations.

In addition to the global factors fuelling uncertainty, downside risks to growth also stem from the possibility of renewed increases in interest rates on government bonds, of a faster deterioration in private sector borrowing conditions and of a sharper drop in firms' propensity to invest. On the other hand, the growth rate might actually exceed this projected scenario if sovereign spreads diminish further.

# Information on the company

## The Company

STERLITE TECHNOLOGIES S.P.A., installed on April 9th, 2018, carry on the activity of investment's mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade. This Financial Statements is the first Financial Statements of STERLITE TECHNOLOGIES S.P.A.

The sole shareholder is STERLITE TECHNOLOGIES LIMITED, resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra; the sole shareholder carry on the activity of production and sale of telecomunication product, integrated optical fiber included and other telecomunication product, as optical fiber cables, telecomunication clables in copper, etc.

We point out that during the fiscal year 2018, and exactly on July 20th, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

## The sector

STERLITE TECHNOLOGIES S.P.A. held the 100% of METALLURGICA BRESCIANA S.P.A., company working in the metallurgical sector and in the sector of the metallurgical manufacturing.
The acquisition of METALLURGICA BRESCIANA S.P.A. by the Group controlled by STERLITE TECHNOLOGIES LIMITED, one of the world leader company in the data networks and telecommunications sector, open new important opportunities in the Italian and European market for METALLURGICA BRESCIANA S.P.A.

## The positioning of the Company in the sector and its operations

STERLITE TECHNOLOGY S.p.A. is controlled by STERLITE TECHNOLOGIES LIMITED resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra; the sole shareholder carry on the activity of production and sale of telecomunication product, integrated optical fiber included and other telecomunication product, as optical fiber cables, telecomunication clables in copper, etc.

The STERLITE Group is one of the world leader company in the data networks and telecommunications sector.

During the first few months of 2019, Telecom Italia's continued decline in demand for optical cables, due to political instability and the unclear situation regarding the future of the optical network and the possible merger with Openfiber.

How ever the current position in Openfiber should allow us to consolidate the relationship for future activities.

Several tenders are scheduled within the first half of the year. The Italian market welcomed that Metallurgica Bresciana has the possibility of making us more competitive and having a greater production capacity and better service.

For the copper market We foreseen a stable situation for both our main market railways and military.

## Management and coordination activity

According to Article 2497-bis, paragraph 5, of the Italian Civil Code we point out that STERLITE TECHNOLOGIES S.p.A. belongs to the group STERLITE and it is subject to management and coordination activity by the company STERLITE TECHNOLOGIES LIMITED.

The management and coordination activity has not produced effect on the activity of the Company of on his results.

## Significant event

We point out that, on July 20th, 2018, STERLITE TECHNOLOGIES S.p.A. has totally acquired the shareholder equity of the METALLURGICA BRESCIA S.p.A. by COMPAGNIA BRESCIANA INVESTIMENTI S.p.A.

# Assets and financial situation

For a better understanding of the assets and financial situation, we represent here below the Balance Sheet reclassification charts:

## Assets

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **WORKING CAPITAL** | **1.064.428** | **2,22 %** |
| **Quick ratio** | **78.756** | **0,16 %** |
| Cash and cash equivalents | 78.756 | 0,16 % |
| **Deferred cash** | **985.672** | **2,06 %** |
| Due from shareholders | | |
| Short-term receivables in current assets | 985.672 | 2,06 % |
| Short-term noncurrent receivables | | |
| Financial assets | | |
| Accrued income and prepaid expenses | | |
| **Inventories** | | |
| **Fixed assets** | **46.866.534** | **97,78 %** |
| Intangible fixed assets | | |
| Tangible fixed assets | | |
| Financial fixed assets | 46.866.534 | 97,78 % |
| Medium/long-term receivables in current assets | | |
| **TOTAL USES** | **47.930.962** | **100,00 %** |

## Liabilities

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **MINORITY INTEREST SHARE CAPITAL** | **43.538.739** | **90,84 %** |
| **Current liabilities** | **424.995** | **0,89 %** |
| Short-term payables | 424.995 | 0,89 % |
| Accrued liabilities and deferred income | | |
| **Consolidated liabilities** | **43.113.744** | **89,95 %** |
| Medium/long-term payables | 43.113.744 | 89,95 % |
| Reserves for contingencies and other charges | | |
| TFR | | |
| **EQUITY** | **4.392.223** | **9,16 %** |
| Share capital | 5.050.000 | 10,54 % |
| Reserves | | |
| Retained earnings (accumulated losses) | | |

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| Net profit (loss) for the year | (657.777) | (1,37) % |
| **TOTAL SOURCES** | **47.930.962** | **100,00 %** |

## Main indicators of the assets and financial situation

Based on the previous Balance Sheet reclassification charts, we calculate the following Balance Sheet indicators:

| INDEX | Fiscal Year 2018 |
|---|---|
| Fixed assets coverage | |
| = A) Shareholders' equity / B) Fixed assets | 9,37 % |
| The ratio is used to assess the balance between equity and company fixed investments | |
| Bank loans/working capital | |
| = D.4) Bank payables / C) Current assets | 4.065,84 % |
| The ratio measures the degree of the working capital coverage through the use of bank financing sources | |
| Leverage/Borrowing | |
| = [ TOT. LIABILITIES - A) Shareholders' equity ] / A) Shareholders' equity | 9,91 |
| This expresses the ratio between the capital of minority interests and the total of own capital | |
| Debt long-term interest bearing/equity | |
| = [ D.1) Bonds and debenture loans + D.2) Convertible bonds and debenture bonds + D.3) Payables due to shareholders for loans' + D.4) Payables due to banks + D.5) Payables due to other lenders + D.8) Secured payables + D.9) Payables due to subsidiaries + D.10) Payables due to associated companies + D.11) Payables due to parent companies ] / A) Shareholders' equity | 9,88 |
| The index measures the ratio between the resort to financing capital (third parties' capital obtained against payment and subject to restitution) and the resort to the company equity | |
| Equity/invested capital | |
| = A) Shareholders' equity / TOT. ASSETS | 9,16 % |
| The ratio measures the degree of company capitalization and consequently its financial independence from financing from third parties | |
| **Financial expenses/turnover** | |
| = C.17) Interests and other financial expenses (ordinary quote) / A.1) Revenue from sales and services (ordinary quote) | |
| This expresses the ratio between financial expenses and the company turnover | |
| **Current assets/liabilities** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C) Current assets - C.II) Receivables (after the next fiscal year) + D) Deferrals and accruals - Assets ] / [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 250,46 % |
| The ratio measures the ability of the company to face current payables with current receivables intended in a broad sense (thus including the inventory) | |
| **Fixed asset/equity capital margin** | |

| INDEX | Fiscal Year 2018 |
|---|---|
| = [ A) Shareholders' equity - ( B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ) ] | (42.474.311,00) |
| It is formed by the difference between Net Share Capital and net fixed assets. It expresses, in absolute value, the company's ability to cover investments in fixed assets with its own equity. | |
| **Primary hedge ratio** | |
| = [ A) Shareholders' equity ] / [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 0,09 |
| It is formed by the ratio between Net Share Capital and net fixed assets. It expresses, in absolute value, the portion of fixed assets covered by company equity. | |
| **Fixed asset/equity capital and medium-long term debt margin** | |
| = [ A) Shareholders' equity + B) Provisions for risks and charges + C) Post-employment benefits + D) Payables (after the next fiscal year) ] - [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 639.433,00 |
| It is formed by the difference between Consolidated Capital (Net Share Capital plus long-term payables) and fixed assets. It expresses, in absolute value, the company's ability to cover investments in fixed assets with consolidated resources. | |
| **Secondary hedge ratio** | |
| = [ A) Shareholders' equity + B) Provisions for risks and charges + C) Post-employment benefits + D) Payables (after the next fiscal year) ] / [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 1,01 |
| It is formed by the ratio between Consolidated Capital and net fixed assets. It expresses, in absolute value, the portion of fixed assets covered with consolidated resources. | |
| **Net working capital** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C.I) Inventory + C.II) Receivables (within the next fiscal year) + C.III) Current financial assets + C.IV) Cash and cash equivalents + D) Deferrals and accruals - Assets ] - [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 639.433,00 |
| It is formed by the difference between gross working capital and current liabilities. It expresses, in absolute value, the company's ability to face short-term commitments with the available funds. | |
| **Primary treasury ratio** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C.II) Receivables (within the next fiscal year) + C.III) Current financial assets + C.IV) Cash and cash equivalents + D) Deferrals and accruals - Assets ] - [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 639.433,00 |
| It is formed by the difference, in absolute value, between cash and cash equivalents and current liabilities. It expresses the company's ability to face current obligations with its own cash. | |
| **Primary treasury ratio** | |
| = [ A) Receivables from shareholders for payments still due + C.II) Receivables collectable (within the next fiscal year) + C.III) Financial assets that do not represent fixed assets + C.IV) Cash and cash equivalents + D) Accruals and deferrals ] / [ D) Payables due (within the next fiscal year) + E) Accruals and deferrals ] | 250,46 % |
| The ratio measures the ability of the company to face current payables with cash and cash equivalents represented by cash resources or short-term receivables | |

# Economic situation

For a better understanding of the economic situation, we represent here below the Profit & Loss account reclassification chart:

## Profit and loss account

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **Value of production** | **150.000** | **100,00 %** |
| - Consumption of raw materials | | |
| - General expenses | 200.318 | 133,55 % |
| **VALUE ADDED** | **(50.318)** | **(33,55) %** |
| - Other revenue | 150.000 | 100,00 % |
| - Employees costs | | |
| - Provisions | | |
| **GROSS OPERATING PROFIT** | **(200.318)** | **(133,55) %** |
| - Depreciation and writedown | | |
| **OPERATING INCOME FROM ORDINARY ACTIVITIES (Net Operating Profit)** | **(200.318)** | **(133,55) %** |
| + Other revenue and income | 150.000 | 100,00 % |
| - Other operating expenses | | |
| **INCOME BEFORE OPERATIONS** | **(50.318)** | **(33,55) %** |
| + Financial income | | |
| + Gains and losses on foreign exchange | | |
| **OPERATING INCOME (Current Margin before financial expenses** | **(50.318)** | **(33,55) %** |
| + Financial expenses | (607.459) | (404,97) % |
| **INCOME BEFORE EXTRAORDINARY OPERATIONS (Current Margin)** | **(657.777)** | **(438,52) %** |
| + Value adjustments of financial assets | | |
| + Extraordinary income and expenses | | |
| **INCOME BEFORE TAXES** | **(657.777)** | **(438,52) %** |
| - Income taxes | | |
| **Net income** | **(657.777)** | **(438,52) %** |

## Main indicators of the financial situation

Based on the previous Profit & Loss account reclassification chart, we calculate the following Profit & Loss indicators:

| INDEX | Fiscal Year 2018 |
|---|---|
| R.O.E. | |
| = 23) Profit (loss) in the fiscal year / A) Shareholders' equity | (14,98) % |
| The ratio measures the profitability of the equity invested in the company | |

| INDEX | Fiscal Year 2018 |
|---|---|
| R.O.I. | |
| = [ A) Operating revenue (ordinary quote) - A.5) Other revenue and income (ordinary quote) - B) Operating costs (ordinary quote) + B.14) Various operating costs (ordinary quote) ] / TOT. ASSETS | (0,42) % |
| The ratio measures the profitability and the efficiency of the invested capital compared to the operating income from ordinary activities | |
| **R.O.S.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) ] / A.1) Revenue from sales and services (ordinary quote) | |
| The ratio measures the company's income ability to generate profits from sales, i.e. the operating income realized for each return unit | |
| **R.O.A.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) ] / TOT. ASSETS | (0,10) % |
| The ratio measures the profitability of the invested capital with reference to EBIT | |
| **Normalized EBIT.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) + C.15) Income from equity investments (ordinary quote) + C.16) Other financial income (ordinary quote) + C.17a) Gains and losses on foreign exchange (ordinary quote) + D) Adjustments to the value of financial assets (ordinary quote) ] | (50.318,00) |
| It is the profit ratio that measures the fiscal year's result, without taking into account extraordinary components and financial expenses. It includes the result of ancillary activities and financial activities, net of financial expenses. | |
| **Stated EBIT.** | |
| = [ A) Operating revenue - B) Operating costs + C.15) Income from equity investments + C.16) Other financial income + C.17a) Gains and losses on foreign exchange + D) Adjustments to the value of financial assets + E) Extraordinary income and expenses ] | (50.318,00) |
| It is the profit ratio that measures the fiscal year's result, taking into account the result of ancillary activities, financial activities (except financial expenses) and extraordinary activities. | |

# Information as per art. 2428 C.C.

Legally, the company is not involved in disputes that could give rise to hypothetical significant legal risks or other risks.

It must be assumed that the financial assets of the Company have good credit quality; the financial assets recorded under current assets have been valued at fair value with an impact on the income statement of the results as of Decembre 31, 2018.

## Main non-financial indicators

Pursuant to the second paragraph of the art. 2428 of the Civil Code, we certify that, for the specific activity carried out and for a better understanding of the situation of the company, of the performance and of the operating result, the exposure of non-financial indicators is not considered relevant.

## Information on the environment

The Company has not carry on particular environment activities because them was not necessary.

## Information on personnel

The company has not personnel.

## 1) Research and development

Pursuant to point 1) of the third paragraph of the art. 2428 of the Italian Civil Code, the Company has not carry on research and development activities during fiscal year 2018.

## 2) Transactions with associated, subsidiary and parent companies

With regard to the provisions of point 2) of the third paragraph of the art. 2428 of the Civil Code, it should be noted that the company holds equity investments as reported in the Explanatory Notes, to which reference should be made for further details. In particular, it should be noted that at the balance sheet date the existing relationships with the aforementioned companies can be summarized:

### Receivables from controlled companies entered in the Current Assets

| Description | Fiscal Year 2018 |
|---|---|
| to parent companies | 950.000 |
| *Total* | *950.000* |

### Payables versus controlled companies entered in the Current Assets

| Description | Fiscal Year 2018 |
|---|---|
| to parent companies | 100.000 |
| *Total* | *100.000* |

## 3) Treasury shares

In accordance with articles 2435bis and 2428 of the Italian Civil Code, it should be noted that the company did not possess treasury shares at the fiscal year’s closing date.

## 4) Shares of the parent company

In accordance with art. 2435-bis and art. 2428, paragraph 3, numbers 3 and 4 of the Italian Civil Code, it is specified that, during the fiscal year, the company did not hold shares or shareholdings in the parent company.

## 5) Significant events occurring after the closure of the fiscal year

After the closure of the fiscal year no significant events occurred such as to change the equity, economioc and financial situation of the Company resulting from the financial statements submitted for the approval by the Shareholders’ Meeting.

## 6) Business outlook

In accordance with Article 2428, paragraph 3, point 6, of the Italian Civil Code, it is specified that, in line with the management politics of the previous years ed in prevision of the consolidation of the clients and of the acquisition of new markets, the investments and the developments keep going.

## 6bis) Use of financial instruments significant for evaluating the assets and financial situation and result for the fiscal year

In accordance with Article 2428, paragraph 3, point 6-bis), of the Italian Civil Code, it is specified that, during the fiscal year, the company did not hold use significant financial instruments for evaluating the assets and financial situation and result for the fiscal year.

# Conclusions

We propose to the Shareholders' Meeting to approve the Financial Statements as of 31.12.2018, with the Notes to the Financial Statements and this Report, which presents a loss of Euro 657,777; the administrative body proposes to carry forward the fiscal year’s loss of Euro 657,777.

Milan, 03/05/2019

The sole Director

**General information about the company**

Name and id code

| | |
|---|---|
| Company name: | STERLITE TECHNOLOGIES S.P.A. |
| Company site: | VIA DEL VECCHIO POLITECNICO 9 MILANO MI |
| Share capital: | 5.050.000,00 |
| Fully paid-in share capital: | Yes |
| Registration Authority id code: | MI |
| VAT number: | 10309460961 |
| Fiscal code: | 10309460961 |
| Registration number: | 2521369 |
| Legal form: | SOCIETA' PER AZIONI |
| Activity Code: | 701000 |
| Company being wound up: | No |
| Company with a single shareholder: | Yes |
| Company subject to the management and coordination of others: | Yes |
| belonging to a group: | Yes |
| Name of the controlling entity: | STERLITE TECHNOLOGIES LIMITED |
| Country of the controlling entity: | INDIA |

# Consolidated Financial statements as at 31/12/2018

# Balance sheet (mandatory scheme)

| | 31-12-2018 |
|---|---|
| Balance sheet (mandatory scheme) | |
| Assets | |
| B) Fixed assets | |
| I - Intangible fixed assets | |
| 5) goodwill | 11.349.739 |
| Total intangible fixed assets | 11.349.739 |
| II - Tangible fixed assets | |
| 1) land and buildings | 12.870.398 |
| 2) plant and machinery | 4.717.755 |
| 3) industrial and commercial equipment | 44.761 |
| 4) other assets | 58.824 |
| 5) assets under construction and payments on account | 1.360.553 |
| Total tangible fixed assets | 19.052.291 |
| III - Financial fixed assets | |
| 1) equity investments | |
| b) associated companies | 1.603.013 |
| d-b) other companies | 3.710 |
| Total equity investments | 1.606.723 |
| 2) receivables due from | |
| d-b) due from others | |
| due within the following year | 18.311 |
| Total receivables due from third parties | 18.311 |
| Total receivables | 18.311 |
| Total financial fixed assets | 1.625.034 |
| Total fixed assets (B) | 32.027.064 |
| C) Current assets | |
| I - Inventories | |
| 1) raw, ancillary and consumable materials | 6.211.373 |
| 2) work in progress and semi-finished products | 4.146.223 |
| 4) finished products and goods for resale | 2.744.383 |
| Total inventories | 13.101.979 |
| II - Receivables | |
| 1) trade accounts | |
| due within the following year | 20.663.196 |
| Total trade accounts | 20.663.196 |
| 3) due from associated companies | |
| due within the following year | 6.820.078 |
| Total receivables due from associated companies | 6.820.078 |
| 5-b) tax receivables | |
| due within the following year | 242.691 |
| Total receivables due from tax authorities | 242.691 |
| 5-c) prepaid tax | 438.185 |
| 5-d) other receivables | |
| due within the following year | 625.661 |
| Total receivables due from third parties | 625.661 |
| Total receivables | 28.789.811 |
| IV - Liquid funds | |

| | |
|---|---|
| 1) bank and post office deposits | 649.159 |
| 3) cash and equivalents on hand | 768 |
| Total liquid funds | 649.927 |
| Total current assets (C) | 42.541.717 |
| D) Accrued income and prepayments | 304.914 |
| Total assets | 74.873.695 |
| Liabilities and shareholders' equity | |
| A) Shareholders' equity | |
| I - Share capital | 5.050.000 |
| VI - Other reserves, indicated separately | |
| Miscellaneous other reserves | (1) |
| Total other reserves | (1) |
| IX - Net profit (loss) for the year | (409.345) |
| Total shareholders' equity | 4.640.654 |
| B) Reserves for contingencies and other charges | |
| 1) pension and similar commitments | 209.286 |
| 2) taxation | 2.567.032 |
| 3) passive derivative financial instruments | 17.688 |
| 4) other | 30.000 |
| Total reserves for contingencies and other charges | 2.824.006 |
| Total reserve for severance indemnities (TFR) | 798.221 |
| D) Payables | |
| 4) due to banks | |
| due within the following year | 8.939.050 |
| due beyond the following year | 45.487.077 |
| Total payables due to banks | 54.426.127 |
| 6) advances | |
| due within the following year | 9.119 |
| Total advances | 9.119 |
| 7) trade accounts | |
| due within the following year | 7.299.980 |
| Total trade accounts | 7.299.980 |
| 11) due to parent companies | |
| due within the following year | 2.910.120 |
| Total payables due to parent companies | 2.910.120 |
| 12) due to tax authorities | |
| due within the following year | 247.143 |
| Total payables due to tax authorities | 247.143 |
| 13) due to social security and welfare institutions | |
| due within the following year | 357.362 |
| Total payables due to social security and welfare institutions | 357.362 |
| 14) other payables | |
| due within the following year | 1.063.873 |
| Total other payables | 1.063.873 |
| Total payables (D) | 66.313.724 |
| E) Accrued liabilities and deferred income | 297.090 |
| Total liabilities and shareholders' equity | 74.873.695 |

# Income statement (value and cost of production)

| | 31-12-2018 |
|---|---|
| Income statement (value and cost of production) | |
| A) Value of production | |
| 1) Revenues from sales and services | 22.156.838 |
| 2) Change in work in progress, semi-finished and finished products | (2.360.127) |
| 5) Other income and revenues | |
| operating grants | 64.985 |
| other | 58.522 |
| Total Other income and revenues | 123.507 |
| Total value of production | 19.920.218 |
| B) Costs of production | |
| 6) Raw, ancillary and consumable materials and goods for resale | 13.020.519 |
| 7) Services | 2.011.280 |
| 8) Use of third party assets | 153.315 |
| 9) personnel | |
| a) wages and salaries | 1.781.658 |
| b) related salaries | 518.894 |
| c) severance | 149.831 |
| e) other costs | 325.740 |
| Total payroll and related costs | 2.776.123 |
| 10) depreciation, amortisation and write downs | |
| a) amortisation of intangible fixed assets | 383.883 |
| b) depreciation of tangible fixed assets | 604.994 |
| d) write-downs of accounts included among current assets | 303.471 |
| Total Amortisation, depreciation and write-downs | 1.292.348 |
| 11) Changes in inventories of raw, ancillary and consumable materials and goods for resale | (741.556) |
| 12) Provisions for contingencies and other charges | 11.855 |
| 13) Other provisions | 515.000 |
| 14) Other operating expenses | 406.397 |
| Total cost of production | 19.445.281 |
| Difference between value and cost of production (A - B) | 474.937 |
| C) Financial income and charges | |
| 16) other financial income | |
| d) income other than the above | |
| associated companies | 628 |
| Total income other than the above | 628 |
| Total other financial income | 628 |
| 17) Interest and other financial expense | |
| other | 674.891 |
| Total interest and other financial expense | 674.891 |
| 17-bis) Currency gains and losses | (15.015) |
| Total financial income and expense (15 + 16 - 17 + - 17-bis) | (689.278) |
| Pre-tax result (A - B + - C + - D) | (214.341) |
| 20) Income tax for the year, current, deferred and prepaid | |
| Current taxes | 662.671 |
| deferred and prepaid tax | (467.667) |
| Total taxes on the income for the year | 195.004 |
| 21) Profit (loss) for the year | (409.345) |

# Financial statement, indirect method

| | 31-12-2018 | |
|---|---|---|
| Financial statement, indirect method | | |
| A) Cash flows from current activities (indirect method) | | |
| Profit (loss) for the year | (409.345) | - |
| Income tax | 195.004 | - |
| Payable (receivable) interest | 674.263 | - |
| 1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from conveyances. | 459.922 | - |
| Adjustments to non monetary items that were not offset in the net working capital. | | |
| Allocations to preserves | 2.806.318 | - |
| Fixed asset depreciation/amortisation | 988.877 | - |
| Other adjustments to increase/(decrease) non-monetary items | 149.831 | - |
| total adjustments for non-monetary items that were not offset in the net working capital | 3.945.026 | - |
| 2) Cash flow before changing net working capital | 4.404.948 | - |
| Changes to the net working capital | | |
| Decrease/(increase) in inventory | (13.101.979) | - |
| Decrease/(increase) in payables to customers | (20.663.196) | - |
| Increase/(decrease) in trade payables | 7.299.980 | - |
| Increase/(decrease) from prepayments and accrued income | (304.914) | - |
| Increase/(decrease) from accruals and deferred income | 297.090 | - |
| Other decreases/(other increases) in net working capital | (3.538.998) | - |
| Total changes to net working capital | (30.012.017) | - |
| 3) Cash flow after changes to net working capital | (25.607.069) | - |
| Other adjustments | | |
| Interest received/(paid) | (674.263) | - |
| (Income tax paid) | (195.004) | - |
| Other collections/(payments) | (648.390) | - |
| Total other adjustments | (1.517.657) | - |
| Cash flow from current activities | (27.124.726) | - |
| B) Cash flows from investments | | |
| Tangible fixed assets | | |
| (Investments) | (19.657.285) | - |
| Intangible fixed assets | | |
| (Investments) | (11.733.622) | - |
| Financial fixed assets | | |
| (Investments) | (1.625.034) | - |
| Cash flows from investments (B) | (33.015.941) | - |
| C) Cash flows from financing activities | | |
| Loan capital | | |
| Increase/(decrease) in short term bank loans | 8.939.050 | - |
| New loans | 45.487.077 | - |
| Equity | | |
| Capital increase payments | 5.050.000 | - |
| Cash flows from financing activities ( C) | 59.476.127 | - |
| Increase (decrease) in liquid assets (A ± B ± C) | (664.540) | - |
| Liquid assets at the end of the year | | |
| Bank and post office deposits | 649.159 | - |
| Cash and valuables in hand | 768 | - |
| Total liquid assets at the end of the year | 649.927 | - |

# STERLITE TECHNOLOGIES S.P.A.

Registered office: VIA DEL VECCHIO POLITECNICO 9 MILANO (MI)
Registered with the Registry of Companies of CCIAA DI MILANO MONZA BRIANZA LODI
Tax Registration Number: 10309460961
Registered with the REA of CCIAA DI MILANO MONZA BRIANZA LODI no. 2521369
Subscribed share capital € 5.050.000,00 Fully paid
VAT registration number: 10309460961
Direzione e coordinamento: STERLITE TECHNOLOGIES LIMITED

# Report on Management

*Consolidated financial statements as at 31/12/2018*

Dear Shareholders,

the Consolidated financial statements have been drafted in accordance with the provisions of the Legislative Decree no. 127/91, chapter III, implementing the VII CEE directive on the consolidated financial statements and refers to the financial year of our company closed on 31/12/2018. The Consolidated financial statements is made up of Balance Sheet (prepared according to Articles 2424 and 2424-Bis of the Italian Civil Code), P&L (prepared in accordance to Articles 2425 and 2425 Bis of the Italian Civil Code), Cash Flow Statement and Explenatory Notes.

The latter constitutes an integral part of the Financial Statements and has the function of providing illustration, analysis and in some cases completion of the balance sheet and P&L of the year and generally contains all the information required by Article 2427 of the Italian Civil Code.

All the additional information is also highlighted, even if not required by specific regulatory provisions, but still considered necessary in order to provide a correct representation of the overall situation of the Group.

We point out that during the fiscal year 2018, and exactly on July 20th, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

## The consolidation area

The consolidated financial statements of the Group STERLITE TECHNOLOGIES S.p.A. includes, in addition to the financial statements of the parent company, the financial statements of all the companies in which the parent company holds, directly or indirectly, a quota/share of more than 50% of the Share Capital or a sufficient number of votes to exercise control or a dominant influence in the ordinary shareholders' meeting.

The "full consolidation" method was adopted for these companies.

## Presentation criteria of the Financial Statements

The Consolidated financial statements have been made up on the basis of the financial statements as at December 31$^{th}$, 2018 drafted by the BoD or, if already available, approved by the Shareholders' Meetings of the respective consolidated companies, adjusted, where necessary, in order to align them with the classification criteria and to the accounting principles of the group.

In the case of companies acquired or established during the year, the respective income statements were assumed for their consolidation based on the period of group ownership.

The accounting principles adopted for the preparation of the consolidated financial statements are mainly those adopted by the parent company for the preparation of its stand-alone financial statements.

The closing date of the consolidated financial statements corresponds to that of the financial statements of the parent company.

## The Consolidation principles

The Consolidation is carried out using the method of the “global integration”, according to Articles 31, 32 and 33 of Legislative Decree no. 127/91.

The criteria adopted for the application of this method are the following:

- the consolidating company STERLITE TECHNOLOGIES S.p.A. proceeded to calculate the consolidation differences, as the difference between the book value of the investment and the portion of the shareholders’ equity of the Company subject to consolidation at the acquisition date of July 20th, 2018;
- the book value of the investments is delated against the related shareholders’ equity against the assumption of the assets and liabilities of the partecipationg companies; the difference is attributed to the asset and liability items, or to consolidation differences, if negative, to the consolidation reserve for the part attributable to the share of capital and reserves of shareholders / minority shareholders of the subsidiaries included in the consolidation, accounted to a special shareholders’ equity item;
- the capital transactions for debts and credits and for costs and revenues, intercompany dividends and all the other transactions of relevant amount between the companies consolidated, including any intercompany profits not realized towards third parties, have been eliminated and then accounted the related deferred taxes if necessary;
- significant profits and losses associated with the main transactions between the consolidated companies are delated;
- value adjustments, possibly made in the financial statements of consolidated companies exclusively in application of tax laws, have been delated and then accounted the related deferred taxes if necessary;
- any portion of minority interests in the consolidated economic result is shown in the separately P&L;
- the portions of shareholders' equity of the third shareholders are accounted in a specific item in the balance sheet. The portion of the result related to third parties is shown separately in the P&L.
- the criteria adopted for the conversion in Euro of the financial statements made up in a foreign currency are the following: balance sheet balances are converted at the exchange rates recorded on the last day of the year, the shareholders’ equity are converted at the historical exchange rates, the balances of the P&Ls are converted at the average exchange rates for the year. The differences arising from the conversion of balance sheet balances and P&Ls balances have been accounted in a specific shareholders' equity reserve so called "reserve da differenze di traduzione".

## The valutation criteria

The criteria used in the preparation of the consolidated financial statements are those referring to the financial statements of the parent company that prepares the consolidated financial statements.

The valuation of the items in the financial statements was carried out according to Article 35 of Legislative Decree 127/91 as permitted by Articles 2423 and following of the Civil Code. For each item of the balance sheet and P&L have been indicated the related amount.

The preparation of the consolidated financial statements and the valuation criteria adopted are fully in line with and compliant with the provisions of Legislative Decree 139/15 which implemented Directive 2013/34.

## The macroeconomic context

We point out that the Parent Company STERLITE TECHNOLOGIES S.p.A. carry on the activity of investment’s mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade.

The global economy has continued to grow in recent months, but signs have emerged of a deterioration in cyclical conditions in many advanced and emerging economies. The prospects for world trade continued to weaken after the slowdown in the first part of last year. The uncertainties over economic conditions have had repercussions on the international financial markets, lowering long-term interest rates and share prices. The risk factors weighing on global economic prospects include the possible repercussions of a negative outcome to the trade negotiations between the United States and China, the worsening of financial tensions in the emerging economies and the arrangements for the United Kingdom's withdrawal from the European Union.

In the Euro area, economic activity grew at a slower pace; in November industrial production fell sharply in Germany, France and Italy. Inflation decreased as a result of the deceleration in energy prices, though it was still firmly in positive territory. The ECB Governing Council confirmed its intention to maintain ample monetary stimulus for an extended period of time.

In Italy, the available cyclical indicators point to a possible decline in economic activity in the last three months of the year after the interruption in growth in the third quarter. The decline in the summer months was partly attributable to the fall in domestic demand, especially investment, and to a slight reduction in household spending. The survey carried out by the Bank of Italy in collaboration with Il Sole 24 Ore points to a slowdown in investments planned by industrial and service firms owing to the uncertainty surrounding political and economic factors and trade tensions.

Consumer price inflation fell to 1.2 per cent in December, largely on account of slower growth in energy prices. Core inflation remained weak, standing at 0.5 per cent. Firms revised downwards their inflation expectations.

In addition to the global factors fuelling uncertainty, downside risks to growth also stem from the possibility of renewed increases in interest rates on government bonds, of a faster deterioration in private sector borrowing conditions and of a sharper drop in firms' propensity to invest. On the other hand, the growth rate might actually exceed this projected scenario if sovereign spreads diminish further.

***

## Outline of the Group and its activity

STERLITE TECHNOLOGIES S.p.A., parent company and holding of the companies related to “STERLITE” (hereafter the “**Group**”) drafted the 2018 Consolidated Financial Statements.

The Company totally consolidated in the Group is METALLURGICA BRESCIANA S.p.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173). We point out that during the fiscal year 2018, and exactly on July 20th, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

The acquisition of METALLURGICA BRESCIANA S.P.A. has involved the acquisition of the share of “MB MAANSHAN SPECIAL CABLES CO. LTD”, indirected connected company and held through METALLURGICA BRESCIANA S.P.A.

STERLITE TECHNOLOGIES S.P.A., installed on April 9th, 2018, carry on the activity of investment’s mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade. This Financial Statements is the first Financial Statements of STERLITE TECHNOLOGIES S.P.A. The 2018 Financial Statements is the first fiscal year of STERLITE TECHNOLOGIES S.P.A. The sole shareholder is STERLITE TECHNOLOGIES LIMITED resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra.

## The sector of business

STERLITE TECHNOLOGIES S.p.A., held the 100% of METALLURGICA BRESCIANA S.P.A., company working in the metallurgical sector and in the sector of the metallurgical manufacturing.

STERLITE TECHNOLOGIES LTD, world leader in the telecomunication sector, may open new important opportunity in Italy and Europe for METALLURGICA BRESCIANA S.P.A.

## Market position

STERLITE TECHNOLOGIES S.p.A. is controlled by STERLITE TECHNOLOGIES LTD.

., carries on the activity of investment’s mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade.

The global economy has continued to grow in recent months, but signs have emerged of a deterioration in cyclical conditions in many advanced and emerging economies. The prospects for world trade continued to weaken after the slowdown in the first part of last year. The uncertainties over economic conditions have had repercussions on the international financial markets, lowering long-term interest rates and share prices. The risk factors weighing on global economic prospects include the possible repercussions of a negative outcome to the trade negotiations between the United States and China, the worsening of financial tensions in the emerging economies and the arrangements for the United Kingdom's withdrawal from the European Union.

In the Euro area, economic activity grew at a slower pace; in November industrial production fell sharply in Germany, France and Italy. Inflation decreased as a result of the deceleration in energy prices, though it was still firmly in positive territory. The ECB Governing Council confirmed its intention to maintain ample monetary stimulus for an extended period of time.

In Italy, the available cyclical indicators point to a possible decline in economic activity in the last three months of the year after the interruption in growth in the third quarter. The decline in the summer months was partly attributable to the fall in domestic demand, especially investment, and to a slight reduction in household spending. The survey carried out by the Bank of Italy in collaboration with Il Sole 24 Ore points to a slowdown in investments planned by industrial and service firms owing to the uncertainty surrounding political and economic factors and trade tensions.

Consumer price inflation fell to 1.2 per cent in December, largely on account of slower growth in energy prices. Core inflation remained weak, standing at 0.5 per cent. Firms revised downwards their inflation expectations.

In addition to the global factors fuelling uncertainty, downside risks to growth also stem from the possibility of renewed increases in interest rates on government bonds, of a faster deterioration in private sector borrowing conditions and of a sharper drop in firms' propensity to invest. On the other hand, the growth rate might actually exceed this projected scenario if sovereign spreads diminish further.

# Information on the company

## The Company

STERLITE TECHNOLOGIES S.P.A., installed on April 9th, 2018, carry on the activity of investment’s mangement (Holding) in other companies working in the metallurgical sector and in the sector of the metallurgical manufacturing, production and/or trade. This Financial Statements is the first Financial Statements of STERLITE TECHNOLOGIES S.P.A.

The sole shareholder is STERLITE TECHNOLOGIES LIMITED, resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra; the sole shareholder carry on the activity of production and sale of telecomunication product, integrated optical fiber included and other telecomunication product, as optical fiber cables, telecomunication clables in copper, etc.

We point out that during the fiscal year 2018, and exactly on July 20th, 2018, STERLITE TECHNOLOGIES S.P.A. has acquired by COMPAGNIA BRESCIANA INVESTIMENTI S.P.A. (Brescia, Via Antonio Calligari 4, Chambre of Commerce of Brescia and Fiscal Code nr. 01341140174) the toal shares in METALLURGICA BRESCIANA S.P.A. (Dello (BS), Via G. Marconi 31, Commerce of Brescia and Fiscal Code nr.02132320173) becominf the sole shareholder of the latter.

## The sector

STERLITE TECHNOLOGIES S.P.A. held the 100% of METALLURGICA BRESCIANA S.P.A., company working in the metallurgical sector and in the sector of the metallurgical manufacturing.
The acquisition of METALLURGICA BRESCIANA S.P.A. by the Group controlled by STERLITE TECHNOLOGIES LIMITED, one of the world leader company in the data networks and telecommunications sector, open new important opportunities in the Italian and European market for METALLURGICA BRESCIANA S.P.A.

## The positioning of the Company in the sector and its operations

STERLITE TECHNOLOGY S.p.A. is controlled by STERLITE TECHNOLOGIES LIMITED resident in India, E1, MIDC Industrial Area, Waluj Aurangabad, Maharashtra; the sole shareholder carry on the activity of production and sale of telecomunication product, integrated optical fiber included and other telecomunication product, as optical fiber cables, telecomunication clables in copper, etc.

The STERLITE Group is one of the world leader company in the data networks and telecommunications sector.

During the first few months of 2019, Telecom Italia's continued decline in demand for optical cables, due to political instability and the unclear situation regarding the future of the optical network and the possible merger with Openfiber.

How ever the current position in Openfiber should allow us to consolidate the relationship for future activities.

Several tenders are scheduled within the first half of the year. The Italian market welcomed that Metallurgica Bresciana has the possibility of making us more competitive and having a greater production capacity and better service.

For the copper market We foreseen a stable situation for both our main market railways and military.

## Management and coordination activity

According to Article 2497-bis, paragraph 5, of the Italian Civil Code we point out that STERLITE TECHNOLOGIES S.p.A. belongs to the group STERLITE and it is subject to management and coordination activity by the company STERLITE TECHNOLOGIES LIMITED.

The management and coordination activity has not produced effect on the activity of the Company of on his results.

## Significant event

We point out that, on July 20th, 2018, STERLITE TECHNOLOGIES S.p.A. has totally acquired the shareholder equity of the METALLURGICA BRESCIA S.p.A. by COMPAGNIA BRESCIANA INVESTIMENTI S.p.A.

## Other information on the consolidated companies

Regarding to the intercompany transactions between the Parent Company and the consolidated company, subject to elision at the time of preparing the consolidated financial statements, these were mainly characterized, albeit in compliance with the respective managerial autonomy, by the exchange of financial disbursements that took place during use. of the resources available at the level of intragroup treasury, for the support and achievement of their respective social goals.

Transactions with related parties were conducted during the fiscal year. These transactions were concluded at market conditions; the business conditions are properly indicated in the contracts.

## Comment to the Financial Statements items

Regarding to the performance of the Group, we provide a detail of the final consolidated financial statements data.

The consolidated financial statements of the Group closed with a loss of Euro 409,345.

For a better understanding of the assets and financial situation, we represent here below the Balance Sheet reclassification charts:

## Assets

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **WORKING CAPITAL** | **42.426.757** | **56,66 %** |
| **Quick ratio** | **649.927** | **0,87 %** |
| Cash and cash equivalents | 649.927 | 0,87 % |
| **Deferred cash** | **28.674.851** | **38,30 %** |
| Due from shareholders | 28.351.626 | 37,87 % |
| Short-term receivables in current assets | 18.311 | 0,02 % |
| Short-term noncurrent receivables | 304.914 | 0,41 % |
| Financial assets | 13.101.979 | 17,50 % |
| Accrued income and prepaid expenses | **32.446.938** | **43,34 %** |

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **Inventories** | 11.349.739 | 15,16 % |
| **Fixed assets** | 19.052.291 | 25,45 % |
| Intangible fixed assets | 1.606.723 | 2,15 % |
| Tangible fixed assets | 438.185 | 0,59 % |
| Financial fixed assets | **74.873.695** | **100,00 %** |
| Medium/long-term receivables in current assets | **42.426.757** | **56,66 %** |
| **TOTAL USES** | **649.927** | **0,87 %** |

## Liabilities

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **MINORITY INTEREST SHARE CAPITAL** | **70.233.041** | **93,80 %** |
| **Current liabilities** | **21.123.737** | **28,21 %** |
| Short-term payables | 20.826.647 | 27,82 % |
| Accrued liabilities and deferred income | 297.090 | 0,40 % |
| **Consolidated liabilities** | **49.109.304** | **65,59 %** |
| Medium/long-term payables | 45.487.077 | 60,75 % |
| Reserves for contingencies and other charges | 2.824.006 | 3,77 % |
| TFR | 798.221 | 1,07 % |
| **EQUITY** | **4.640.654** | **6,20 %** |
| Share capital | 5.050.000 | 6,74 % |
| Reserves | (1) | |
| Retained earnings (accumulated losses) | (409.345) | (0,55) % |
| Net profit (loss) for the year | **74.873.695** | **100,00 %** |
| **TOTAL SOURCES** | **70.233.041** | **93,80 %** |

## Main indicators of the assets and financial situation

Based on the previous Balance Sheet reclassification charts, we calculate the following Balance Sheet indicators:

| INDEX | Fiscal Year 2018 |
|---|---|
| Fixed assets coverage | |
| = A) Shareholders' equity / B) Fixed assets | 14,49 % |
| The ratio is used to assess the balance between equity and company fixed investments | |
| Bank loans/working capital | |
| = D.4) Bank payables / C) Current assets | 127,94 % |
| The ratio measures the degree of the working capital coverage through the use of bank financing sources | |

| INDEX | Fiscal Year 2018 |
|---|---|
| Leverage/Borrowing | |
| = [ TOT. LIABILITIES - A) Shareholders' equity ] / A) Shareholders' equity | 15,13 |
| This expresses the ratio between the capital of minority interests and the total of own capital | |
| Debt long-term interest bearing/equity | |
| = [ D.1) Bonds and debenture loans + D.2) Convertible bonds and debenture bonds + D.3) Payables due to shareholders for loans' + D.4) Payables due to banks + D.5) Payables due to other lenders + D.8) Secured payables + D.9) Payables due to subsidiaries + D.10) Payables due to associated companies + D.11) Payables due to parent companies ] / A) Shareholders' equity | 12,36 |
| The index measures the ratio between the resort to financing capital (third parties' capital obtained against payment and subject to restitution) and the resort to the company equity | |
| Equity/invested capital | |
| = A) Shareholders' equity / TOT. ASSETS | 6,20 % |
| The ratio measures the degree of company capitalization and consequently its financial independence from financing from third parties | |
| **Financial expenses/turnover** | |
| = C.17) Interests and other financial expenses (ordinary quote) / A.1) Revenue from sales and services (ordinary quote) | 3,05 % |
| This expresses the ratio between financial expenses and the company turnover | |
| **Current assets/liabilities** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C) Current assets - C.II) Receivables (after the next fiscal year) + D) Deferrals and accruals - Assets ] / [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 200,85 % |
| The ratio measures the ability of the company to face current payables with current receivables intended in a broad sense (thus including the inventory) | |
| **Fixed asset/equity capital margin** | |
| = [ A) Shareholders' equity - ( B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ) ] | (27.368.099,00) |
| It is formed by the difference between Net Share Capital and net fixed assets. It expresses, in absolute value, the company's ability to cover investments in fixed assets with its own equity. | |
| **Primary hedge ratio** | |
| = [ A) Shareholders' equity ] / [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 0,14 |
| It is formed by the ratio between Net Share Capital and net fixed assets. It expresses, in absolute value, the portion of fixed assets covered by company equity. | |
| **Fixed asset/equity capital and medium-long term debt margin** | |
| = [ A) Shareholders' equity + B) Provisions for risks and charges + C) Post-employment benefits + D) Payables (after the next fiscal year) ] - [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 21.741.205,00 |
| It is formed by the difference between Consolidated Capital (Net Share Capital plus long-term payables) and fixed assets. It expresses, in absolute value, the company's ability to cover investments in fixed assets with consolidated resources. | |
| **Secondary hedge ratio** | |

| INDEX | Fiscal Year 2018 |
|---|---|
| = [ A) Shareholders' equity + B) Provisions for risks and charges + C) Post-employment benefits + D) Payables (after the next fiscal year) ] / [ B) Fixed assets - B.III.2) Receivables (within the next fiscal year) ] | 1,68 |
| It is formed by the ratio between Consolidated Capital and net fixed assets. It expresses, in absolute value, the portion of fixed assets covered with consolidated resources. | |
| **Net working capital** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C.I) Inventory + C.II) Receivables (within the next fiscal year) + C.III) Current financial assets + C.IV) Cash and cash equivalents + D) Deferrals and accruals - Assets ] - [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 21.303.020,00 |
| It is formed by the difference between gross working capital and current liabilities. It expresses, in absolute value, the company's ability to face short-term commitments with the available funds. | |
| **Primary treasury ratio** | |
| = [ A) Due from shareholders for outstanding payments + B.III.2) Receivables (within the next fiscal year) + C.II) Receivables (within the next fiscal year) + C.III) Current financial assets + C.IV) Cash and cash equivalents + D) Deferrals and accruals - Assets ] - [ D) Payables (within the next fiscal year) + E) Deferrals and accruals - Liabilities ] | 8.201.041,00 |
| It is formed by the difference, in absolute value, between cash and cash equivalents and current liabilities. It expresses the company's ability to face current obligations with its own cash. | |
| **Primary treasury ratio** | |
| = [ A) Receivables from shareholders for payments still due + C.II) Receivables collectable (within the next fiscal year) + C.III) Financial assets that do not represent fixed assets + C.IV) Cash and cash equivalents + D) Accruals and deferrals ] / [ D) Payables due (within the next fiscal year) + E) Accruals and deferrals ] | 138,82 % |
| The ratio measures the ability of the company to face current payables with cash and cash equivalents represented by cash resources or short-term receivables | |

# Economic situation

For a better understanding of the economic situation, we represent here below the Profit & Loss account reclassification chart:

## Profit and loss account

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **Value of production** | **150.000** | **100,00 %** |
| - Consumption of raw materials | | |
| - General expenses | 200.318 | 133,55 % |
| **VALUE ADDED** | **(50.318)** | **(33,55) %** |
| - Other revenue | 150.000 | 100,00 % |
| - Employees costs | | |
| - Provisions | | |

| Entry | Fiscal Year 2018 | % |
|---|---|---|
| **GROSS OPERATING PROFIT** | **19.920.218** | **100,00 %** |
| - Depreciation and writedown | 12.278.963 | 61,64 % |
| **OPERATING INCOME FROM ORDINARY ACTIVITIES (Net Operating Profit)** | 2.164.595 | 10,87 % |
| + Other revenue and income | **5.476.660** | **27,49 %** |
| - Other operating expenses | 123.507 | 0,62 % |
| **INCOME BEFORE OPERATIONS** | 2.776.123 | 13,94 % |
| + Financial income | 526.855 | 2,64 % |
| + Gains and losses on foreign exchange | **2.050.175** | **10,29 %** |
| **OPERATING INCOME (Current Margin before financial expenses** | 1.292.348 | 6,49 % |
| + Financial expenses | **757.827** | **3,80 %** |
| **INCOME BEFORE EXTRAORDINARY OPERATIONS (Current Margin)** | 123.507 | 0,62 % |
| + Value adjustments of financial assets | 406.397 | 2,04 % |
| + Extraordinary income and expenses | **474.937** | **2,38 %** |
| **INCOME BEFORE TAXES** | 628 | |
| - Income taxes | (15.015) | (0,08) % |
| **Net income** | **460.550** | **2,31 %** |

## Main indicators of the financial situation

Based on the previous Profit & Loss account reclassification chart, we calculate the following Profit & Loss indicators:

| INDEX | Fiscal Year 2018 |
|---|---|
| R.O.E. | |
| = 23) Profit (loss) in the fiscal year / A) Shareholders' equity | (8,82) % |
| The ratio measures the profitability of the equity invested in the company | |
| R.O.I. | |
| = [ A) Operating revenue (ordinary quote) - A.5) Other revenue and income (ordinary quote) - B) Operating costs (ordinary quote) + B.14) Various operating costs (ordinary quote) ] / TOT. ASSETS | 1,01 % |
| The ratio measures the profitability and the efficiency of the invested capital compared to the operating income from ordinary activities | |
| **R.O.S.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) ] / A.1) Revenue from sales and services (ordinary quote) | 2,14 % |
| The ratio measures the company's income ability to generate profits from sales, i.e. the operating income realized for each return unit | |
| **R.O.A.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) ] / TOT. ASSETS | 0,63 % |
| The ratio measures the profitability of the invested capital with reference to EBIT | |

| INDEX | Fiscal Year 2018 |
|---|---|
| **Normalized EBIT.** | |
| = [ A) Operating revenue (ordinary quote) - B) Operating costs (ordinary quote) + C.15) Income from equity investments (ordinary quote) + C.16) Other financial income (ordinary quote) + C.17a) Gains and losses on foreign exchange (ordinary quote) + D) Adjustments to the value of financial assets (ordinary quote) ] | 460.550,00 |
| It is the profit ratio that measures the fiscal year's result, without taking into account extraordinary components and financial expenses. It includes the result of ancillary activities and financial activities, net of financial expenses. | |
| **Stated EBIT.** | |
| = [ A) Operating revenue - B) Operating costs + C.15) Income from equity investments + C.16) Other financial income + C.17a) Gains and losses on foreign exchange + D) Adjustments to the value of financial assets + E) Extraordinary income and expenses ] | 460.550,00 |
| It is the profit ratio that measures the fiscal year's result, taking into account the result of ancillary activities, financial activities (except financial expenses) and extraordinary activities. | |

# Information as per art. 2428 C.C.

Legally, the company is not involved in disputes that could give rise to hypothetical significant legal risks or other risks.

It must be assumed that the financial assets of the Company have good credit quality; the financial assets recorded under current assets have been valued at fair value with an impact on the income statement of the results as of Decembre 31, 2018.

## Main non-financial indicators

Pursuant to the second paragraph of the art. 2428 of the Civil Code, we certify that, for the specific activity carried out and for a better understanding of the situation of the company, of the performance and of the operating result, the exposure of non-financial indicators is not considered relevant.

## Information on the environment

The Company has not carry on particular environment activities because them was not necessary.

## Information on personnel

In order to better understand the situation of the company and the performance of the management, some informations regarding the management of personnel are provided.

STERLITE TECHNOLOGIES SPA has not personnel.

About METALLURGICA BRESCIANA SPA, we point out that in the 2018 financial year went from 130 employees (2 manager; 10 middle managers; 28 office workers; 90 workers) at the beginning of the year, to the 125 work units (2 managers; 9 middle managers; 27 office workers; 87 workers) at the end of the year , with a decrease of 3.84%.

As in the previous years, the Integration Fund or other forms of social safety nets were not used.

The average number of employees during the year was 123,5 employees, a decrease compared to 128.08 employees in the previous year, by 3.58%.

The “pro-capite” value of revenues was approximately Euro 392,485.81 with an increase compared to the value of the previous year of Euro 378,817.49, of approximately 3.61%.

No injuries occurred during the year.

Total hours worked decreased compared to the previous year and amounted to 209,497 hours.

The Result Bonus for 2017 benefits, paid in 2018 calculated on the basis of the second level agreement renewed on June 23, 2014, was disbursed for a total of Euro 191,511.

Metallurgica Bresciana adheres to the contractual provisions of the Italian “CCNL Gomma-Plastica”.

## Research and development

Pursuant to point 1) of the third paragraph of the art. 2428 of the Italian Civil Code, it was noted that the following research and development costs were incurred during the year, which were fully expensed during the year without having made the related capitalization: relative to personnel services and relative to contracts of research.

According to the company policy of continuous improvement of products and processes, a considerable number of activities have been unbdertaken to enlarge the range of certified products both in the railway and fiber optic cables sectors.

In order to satisfy (and when possible to prevent) the requests for new products and materials, a continuous activity of the market requests’ analysis has been carried out all over the year. The aim of this activity is to guarantee customers compliance with the requirements.

As far as the railway sector is concerned, we carried out all the mandatory activities to obtain the customers’ technical conformity related to the cables which have to be compliant with the requirements of the new technical specifications. In addition, the new CRCC certification has been achieved for on-board train cables in accordance with the requirements of the Chinese market, both for EN standards cables and for data transmission cables.

In the field of fiber optic cables, homologation activities were carried out for some types of telecommunications cables in accordance with the specifications of customers which need new technical and construction requirements.

Besides, cables for railway applications and fiber optic cables have been manufactured and certified, by third party bodies, in order to meet the requirements of the European Directive 305/2011 (CPR). For the manufacturing of these CPR cables new materials have been studied and tested in order to achieve the required fire behavior performances. In order to carry out all the tests at our laboratory, the relevant complete equipment was studied and implemented.

Regarding the Quality System, both ISO and IRIS certifications have been obtained in accordance with the new revisions of these two Standards.

## Shares of the parent company

In accordance with art. 2435-bis and art. 2428, paragraph 3, numbers 3 and 4 of the Italian Civil Code, it is specified that, during the fiscal year, the company did not hold shares or shareholdings in the parent company.

## Significant events occurring after the closure of the fiscal year

After the closure of the fiscal year no significant events occurred such as to change the equity, economioc and financial situation of the Group.

## Business outlook

Based on the investments made, the Group attends an increase of the revenues and its presence in new markets in the next year.

# Conclusions

We believe to have illustrated, also by the way of the Financial Statements, the Explanatory Notes and the Statement of cash flows, a truly situation of the Group and its future business outlook.

Milan, 03/05/2019

The sole Director

# Metallurgica Bresciana S.p.A (Italy)

## Financial Statements as on December 31, 2018

Dhara G. Shah
CHARTERED ACCOUNTANTS
(Membership No. - 125832)

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF METALLURGICA BRESCIANA S.P.A**

**Report on the Special PurposeFinancial Statements of Metallurgica Bresciana S.P.A**

1. I have audited the accompanying special purpose financial statements of Metallurgica Bresciana S.P.A("the Company"), which comprise the Special Purpose Balance Sheet as at December 31, 2018, the Special Purpose Statement of Profit and Loss (including Other Comprehensive Income), the Special Purpose Cash Flow Statement and the Special Purpose Statement of Changes in Equity for the period then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Special Purpose Financial Statements**

2. The Company's Board of Directors is responsible for the preparation of these special purpose financialstatements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flowsand changes in equity of the Company in accordance with the accounting principles generally accepted in India, including theIndian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015. The Company's Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and forpreventing and detecting frauds and other irregularities and selection and application of appropriateaccounting policies.
   In preparing the financial statements, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

**Auditors' Responsibility**

3. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

4. I have taken into account the accounting and auditing standards andother matters, which are required to be included in the audit report.

5. I conducted the audit of the special purpose financial statements in accordance with the Standards on Auditing specified and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that I comply with ethical requirements and plan and perform theaudit to obtain reasonable assurance about whether the special purpose financial statements are free from materialmisstatement.

DHARA G. SHAH
MEMBERSHIP NO. 125832

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

Dhara G. Shah

6. An audit involves performing procedures to obtain audit evidence about the amounts and thedisclosures in the special purpose financial statements;obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The procedures selected also depends on the auditors' judgment,including the assessment of the risks of material misstatement of the special purpose financial statements, whether dueto fraud or error. An audit also includes evaluatingthe appropriateness of the accounting policies used and the reasonableness of the accounting estimatesmade by the Company's Directors, as well as evaluating the overall presentation of the special purpose financialstatements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis formy audit opinion on the special purpose financial statements.

**Opinion**

8. In my opinion and to the best of my information and according to the explanations given to me, theaforesaid special purpose financial statements give a true and fair view in conformity with the accounting principles generally accepted inIndia, of the state of affairs of the Company as at December 31, 2018, and its total comprehensive income (comprising of profit/ loss and other comprehensive income), its cash flowsand the changes in equity for the period ended on that date.

For Dhara G Shah
Chartered Accountants

Dhara G. Shah.

Dhara G. Shah
Proprietor
Membership Number 125832

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

Pune
April 23, 2019

METALLURGICA BRESCIANA S.P.A

SPECIAL PURPOSE BALANCE SHEET AS AT 31 DECEMBER 2018

(All amounts are in Rs. crore, unless otherwise stated)

| | Note | 31 December 2018 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant & equipment | 4 | 89.61 |
| Capital work-in progress | 4 | 2.62 |
| Other intangible assets | 5 | 0.02 |
| Financial assets | | |
| Investments | 6 | 12.44 |
| Other non-current assets | 7 | 3.80 |
| | | **108.49** |
| **Current assets** | | |
| Inventories | 8 | 105.65 |
| Financial assets | | |
| Investments | 9 | 0.17 |
| Trade receivables | 10 | 216.49 |
| Cash and cash equivalents | 11 | 4.43 |
| Other current assets | 7 | 15.99 |
| | | **342.73** |
| **Total Assets** | | **451.22** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Equity share capital | 12 | 56.18 |
| Other equity | 13 | 200.83 |
| **Total Equity** | | **257.01** |
| **Non-current liabilities** | | |
| Financial liabilities | | |
| Borrowings | 14 | 8.05 |
| | | **8.05** |
| **Current liabilities** | | |
| Financial liabilities | | |
| Borrowings | 14 | 85.06 |
| Trade payables | 15 | 78.37 |
| Other current liabilities | 16 | 14.54 |
| Employee benefit obligations | 17 | 7.82 |
| Provisions | 18 | 0.37 |
| | | **186.16** |
| **Total liabilities** | | **194.21** |
| **Total Equity & Liabilities** | | **451.22** |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the special purpose financial statements.

As per our report of even date

**For Dhara G Shah**
Chartered Accountants

Dhara G. Shah

**Dhara G. Shah**
Proprietor
Membership Number : 125832

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

Place : Pune
Date : 23 April 2019

DHARA G. SHAH
MEMBERSHIP NO. 125832

**For and on behalf of the board of directors of Metallurgica Bresciana S.P.A.**

**Anupam Jindal**
Director
Fiscal Code : JNDNPM75L21Z222E

Place : Pune
Date : 23 April 2019

METALLURGICA BRESCIANA S.P.A

SPECIAL PURPOSE STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 DECEMBER 2018

(All amounts are in Rs. crore, unless otherwise stated)

| | Note | 21 July 2018 To 31 December 2018 |
|---|---|---|
| **INCOME** | | |
| Revenue from operations | 19 | 169.14 |
| Other income | 20 | 0.89 |
| **Total Income (I)** | | **170.03** |
| | | |
| **EXPENSES** | | |
| Cost of raw material and components consumed | 22 | 85.28 |
| (Increase) / decrease in inventories of finished goods and work-in-progress | 22 | 23.05 |
| Employee benefits expense | 23 | 22.98 |
| Other expense | 24 | 18.54 |
| **Total Expense (II)** | | **149.85** |
| | | |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)** | | **20.18** |
| Depreciation and amortisation expense | 25 | 4.91 |
| Finance costs | 26 | 0.56 |
| Finance Income | 21 | 0.01 |
| **Profit before tax** | | **14.72** |
| | | |
| **Tax expense:** | | |
| Current tax | 27 | 5.36 |
| Deferred tax | 27 | (1.62) |
| **Total tax expenses** | | **3.74** |
| | | |
| **Profit for the year** | | **10.98** |
| | | |
| Other comprehensive income | | |
| **Other comprehensive income for the year, net of tax** | | - |
| **Total comprehensive income for the year, net of tax** | | **10.98** |
| **Earnings per equity share** | 28 | |
| **Basic** | | |
| Computed on the basis of profit for the year (Rs) | | **15.69** |
| **Diluted** | | |
| Computed on the basis of profit for the year (Rs) | | **15.69** |
| Summary of significant accounting policies | 2 | |

The accompanying notes are an integral part of the special purpose financial statements.

As per our report of even date

**For Dhara G Shah**
Chartered Accountants

Dhara G. Shah

**Dhara G. Shah**
Proprietor
Membership Number : 125832

Place : Pune
Date : 23 April 2019

**For and on behalf of the board of directors of Metallurgica Bresciana S.P.A.**

**Anupam Jindal**
Director
Fiscal Code : JNDNPM75L21Z222E

Place : Pune
Date : 23 April 2019

DHARA G. SHAH ✦ CHARTERED ACCOUNTANTS ✦ No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

**METALLURGICA BRESCIANA S.P.A**
**SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY**
(All amounts are in Rs. crore, unless otherwise stated)

## A. EQUITY SHARE CPITAL

| | Note | No. in EURO crore | Amount in Rs. crore |
|---|---|---|---|
| Equity shares of Euro 1 each issued, subscribed and fully paid | | | |
| **At 20 July 2018** | | **0.70** | **56.18** |
| Changes in equity share capital | 12 | - | - |
| **At 31 December 2018** | | **0.70** | **56.18** |

During the year, 70,00,000 shares of EURO 1 each of the company has been purchased by Sterlite Technologies S.P.A from Compagnia Bresciana Investimenti S.P.A. through share purchase agreement dated July 06, 2018. Effective date of purchase is July 20, 2018

## B. OTHER EQUITY

| | Revaluation Reserve | Foreign currency translation reserve | Retained Earnings | Total |
|---|---|---|---|---|
| **As at 20 July 2018** | **48.83** | - | **149.94** | **198.76** |
| Profit for the period | - | - | 10.98 | **10.98** |
| Addition during the period | - | (8.92) | - | **(8.92)** |
| **As at 31 December 2018** | **48.83** | **(8.92)** | **160.92** | **200.83** |

The accompanying notes are an integral part of the special purpose financial statements.
As per our report of even date

**For Dhara G Shah**
Chartered Accountants

Dhara G. Shah

**Dhara G. Shah**
Proprietor
Membership Number : 125832

Place : Pune
Date : 23 April 2019

DHARA G. SHAH ◆ CHARTERED ACCOUNTANTS ◆ No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

**For and on behalf of the board of directors of Metallurgica Bresciana S.P.A.**

**Anupam Jindal**
Vice Chairman and whole-time Director
Fiscal Code : JNDNPM75L21Z222E

Place : Pune
Date : 23 April 2019

**METALLURGICA BRESCIANA S.P.A**
**SPECIAL PURPOSE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018**
(All amounts are in Rs. crore, unless otherwise stated)

| | 31 December 2018 |
|---|---|
| **A. Operating activities** | |
| **Profit before tax** | **14.72** |
| Adjustments to reconcile profit before tax to net cash flows | |
| Depreciation and impairment of property, plant & equipment | 4.89 |
| Amortization & impairment of intangible assets | 0.02 |
| Provision for doubtful debts and advances | 2.45 |
| Gain on sale of plant and equipment, net | (0.47) |
| Finance costs | 0.56 |
| Finance income | (0.01) |
| **Operating profit before working capital changes** | **22.16** |
| Working capital adjustments: | |
| Increase/(decrease) in trade payables | 41.47 |
| Increase/(decrease) in employee benefit obligations | (0.92) |
| Increase/(decrease) in other current liabilities | (8.39) |
| Decrease /(increase) in current trade receivable | (45.09) |
| Decrease /(increase) in inventories | 16.56 |
| Decrease /(increase) in other current assets | (1.30) |
| Change in working capital | **2.33** |
| **Cash generated from operations** | **24.49** |
| Income tax paid (net of refunds) | (5.69) |
| **Net cash flow from operating activities** | **18.80** |
| **B. Investing activities** | |
| Purchase of property, plant and equipment | (19.51) |
| Purchase of current investments | (0.14) |
| Net movement in loans to subsidiary | 0.15 |
| Interest received (finance income) | 0.01 |
| **Net cash flow used in investing activities** | **(19.50)** |
| **C. Financing activities** | |
| Repayment of long term borrowings | (9.90) |
| Proceeds/(repayment) of short term borrowings (net) | 8.77 |
| Interest paid | (0.56) |
| **Net cash flow used in financing activities** | **(1.69)** |
| **Net increase/decrease in cash and cash equivalents** | **(2.39)** |
| **Foreign exchange relating to cash and cash equivalents in foreign currency** | (0.23) |
| **Cash and cash equivalents as at beginning of period** | 7.05 |
| **Cash and cash equivalents as at period end** | **4.43** |

| **Components of cash and cash equivalents:** | **31 December 2018** |
|---|---|
| Balances with banks | 4.42 |
| Cash in hand | 0.01 |
| **Total cash and cash equivalents** | **4.43** |

The accompanying notes are an integral part of the special purpose financial statements
As per our report of even date

**For Dhara G Shah**
Chartered Accountants

Dhara G. Shah

**Dhara G. Shah**
Proprietor
Membership Number : 125832

Place : Pune
Date : 23 April 2019

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO. 125832

**For and on behalf of the board of directors of Metallurgica Bresciana S.P.A.**

**Anupam Jindal**
Vice Chairman and whole-time Director
Fiscal Code : JNDNPM75L21Z222E

Place : Pune
Date : 23 April 2019

 Dhara G.Shah.
DHARA G. SHAH
MEMBERSHIP NO. 125832
DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

## 1. Corporate information

The special purpose financial statements comprise financial statements of MetallurgicaBresciana S.P.A. for the period ended 31 December 2018. Thecompany is primarily engaged in the business of Connectivity Solutions.

Connectivity Solutions mainly include integrated optical fiber, fiber optical cables and implementation and maintenance of Optical Fiber Cable (OFC) Network.

## 2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

These special purpose financial statement are prepared by the company for the purpose of consolidation of ultimate holding company i.e. Sterlite Technologies Limited under relevant accounting standards.

The Special purpose financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).
- Share Based Payments
- Defined benefit plans- plan assets measured at fair value
- Asset held for sale – measured at fair value less cost to sale.

The special purpose financial statements are presented in Indian Rupees Crores, except when otherwise indicated.

### 2.2 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by theCompanyin preparing its Special purposefinancial statements:

#### a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by the Company and fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred; amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in other comprehensive income and accumulated in equity as capital reserve provided there is clear evidence of the underlying reasons for

Dhara G. Shah
DHARA G. SHAH
MEMBERSHIP NO. 125832
DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

classifying the business combination as a bargain purchase. In other cases, the bargain purchase gain is recognised directly in equity as capital reserve.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

**b) Current versus non-current classification**

The Companypresents assets and liabilities in the balance sheet based on current/non-current classification.An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the 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.

TheCompanyclassifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle of the Companyis the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisitions of assets for processing and their realisation in cash and cash equivalents, the company has ascertained operating cycle of 12 months for the purpose of current and non-current classification of assets and liabilities.

**c) Foreign currency translation**

**Functional and presentation currency**

Items included in the special purpose financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The special purposefinancial statements are presented in Indian rupee (INR), which is Company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G Shah

from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of profit and loss on the basis of underlying transactions.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**d) Revenue from contracts with customers**

Ind AS 115 Revenue from contracts with customers has been issued with effect from April 1, 2018. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of special purposefinancial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:
- (i) identify contracts with customers
- (ii) identify the separate performance obligation
- (iii) determine the transaction price of the contract
- (iv) allocate the transaction price to each of the separate performance obligations, and
- (v) recognise the revenue as each performance obligation is satisfied.

**Revenue recognition policy**

The Company has following streams of revenue:
- (i) Sale of goods

The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies distinct performance obligations in each contract. For most of the project contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation.

However, the Company may promise to provide distinct goods or services within a contract, for example when a contract covers multiple promises (e.g., construction of network with its maintenance and support), in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

promised in the contract. Where standalone selling price is not observable, the Company uses cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or
(b) The customer controls the work-in-progress, or
(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date

If none of the criteria above are met, the Company recognized revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

The Company uses input method to measure the progress for contracts because it best depicts the transfer of control to the customer which occurs as it incurs costs on contracts. Under the input method measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Revenue in respect of operation and maintenance contracts is recognized on a time proportion basis.

Due to the nature of the work required to be performed on performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. It is common for project contracts to contain liquidated damages on delay in completion/performance, bonus on early completion, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion.

The Company estimates variable consideration using expected value method of probability-weighted values at an amount to which it expects to be entitled. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Contracts are modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

When estimates of total costs to be incurred exceed total estimates of revenue to be earned on a performance obligation related to a contract, a provision for the entire loss on the performance obligation is recognized in the period.

For fixed price contracts, the customer pays the fixed amount based on the payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payment exceed the services rendered, a contract liability is recognised.

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.shah

All the qualitative and quantitative information related to significant changes in contract asset and contract liability balances such as impairment of contract asset, changes due to business combination, change in the timeframe for a performance obligation to be satisfied are disclosed by the Company at every reporting period.

**Revenue recognised at a point-in-time**

For sale of products, revenue is recognized at point in time when control of goods is transferred to the customer - based on delivery terms, payment terms, customer acceptance and other indicators of control as mentioned above.

### e) Other Income

1. **Interest income**
   Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the statement of profit and loss.

2. **Dividends**
   Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

3. **Rental income**
   Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit and loss.

### f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are recognised in books by deducting the grant from the carrying amount of the asset.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### g) Taxes

**Current income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

Deferred tax is provided in full using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences between the carrying amount and tax bases ofinvestments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences differencesbetween the carrying amount and tax bases ofinvestments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Current and Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority and intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

### h) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such historical cost includes the cost of replacing part of the property, plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of the property, plant and equipment are required to be replaced at intervals, the Companydepreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be in [illegible] assets of plant and equipment.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Table below provide the details of the useful life :

| **Asset Category** | **Useful Life considered** |
|---|---|
| Plant and Machinery | 3 - 20 Periods * |
| Furniture and fixtures | 7.5 - 10 Periods * |
| Data processing equipments | 3 - 5 Periods * |
| Office equipment | 4 - 5 Periods * |
| Electric fittings | 4 - 10 Periods * |
| Vehicles | 4 - 5 Periods *# |

* Considered on the basis of management's estimation, supported by technical advice, of the useful lives of the respective assets.

# Residual value considered as 15% on the basis of management's estimation, supported by technical advice.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

The Company depreciates building using straight line method over 30 to 60 periods from the date of original purchase.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

The asset residual values and useful lives are reviewed at each financial period end and adjusted, if appropriate, at the end of each reporting period.

DHARA G. SHAH
MEMBERSHIP NO. 125832

Dhara G shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

### i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The Company depreciates building component of investment property using straight line method over 60periods from the date of original purchase.

The Company, based on technical assessment made by technical expert and management estimate, depreciates the building over estimated useful life. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

### j) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the expenditure is recognised in the Statement of Profit and Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

The Companydoes not have any intangible assets with indefinite useful lives.

Gains or losses arising from derecognition 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 the statement of profit or loss when the asset is derecognised.

Customer acquisition costs consist of payments made to obtain consents/permissions for laying of fiber cables and other telecom infrastructure in residential and commercial complexes/townships. Such cost is amortized over the period of the consent/permission on a straight line basis.

Softwares are amortised on a straight line basis over a period of five to six periods.

All other intangible assets are amortised on a straight line basis over a period of five to six periods.

Goodwill on amalgamation is amortised on a straight line basis over a period of five periods from the date of amalgamation as per the Court Order.

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

Customer relationships recognised as a part of business combination are amortised over period of [illegible] periods.

Research costs are expensed as incurred.

### k) Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.All other borrowing costs are expensed in the period in which they occur.Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly stated in the arrangement.

**Company as a lessee**
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant portion of the risk and rewards of ownership are not transferred to the company are classified as operating lease. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payment are structured to increase in line with the expected general inflation to compensate for the lessors expected inflationary cost increases.

**Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. unless the receipts are structured to increase inline with the expected general inflation to compensate for the expected inflationary cost increases.Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

The respective leased assets are included in the balance sheet based on their nature.

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.Shah
DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

## m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## n) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or companys of assets (cash-generating units). Non¬financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## o) Provisions

### 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

DHARA G. SHAH
MEMBERSHIP NO. 125832

The Company operates the following post-employment schemes:

(a) Defined benefit plans in the nature of gratuity and

Dhara G. Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

(b) Defined contribution plans such as provident fund.

**Gratuity obligations**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

**Defined contribution plans**

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**q) Share-based payments**

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g., the entity's share price)
- Excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

- Including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

**r) Investments and Other Financial assets**

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

**i) Classification& Recognition:**

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)
- Those 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commit to purchase or sale the financial asset.

**ii) Measurement:**

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

**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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

**Equity instruments**

The Company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Equity investment in subsidiaries and joint venture are carried at historical cost as per the accounting policy choice given by IND AS 27.

The Company makes investments in certain joint ventures and associates with the objective to generate growth in the medium term and with identified exit strategies. Such investments are managed on a fair value basis. The Company has elected to measure investments in such joint ventures and associates in accordance with Ind AS 109.

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

**iii) Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance;

b) Lease receivables under Ind AS 17

c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 115.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**iv) De-recognition of financial asset**

A financial asset is derecognised only when the company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractualobligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks andrewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the company hasnot transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is notderecognised.

Where the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the company has not retained control of thefinancial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to theextent of continuing involvement in the financial asset.

**v) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah
DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**s) Financial liabilities**

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

**Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**t) Offsetting of financial instruments**

DHARA G. SHAH
MEMBERSHIP NO 125832
Dhara G. shah
DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

**u) Derivatives and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Company designates their derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions and variable interest rate risk associated with borrowings (cash flow hedges). The Company documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**Cash flow hedges that qualify for hedge accounting**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Company designate the full change in fair value of the forward contract as the hedging instrument. The gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When the hedged forecast transaction results in the recognition of a non-financial asset (for example inventory), the amounts accumulated in equity are transferred to profit or loss as follows:

- With respect to gain or loss relating to the effective portion of the of forward contracts, the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss within other gains/(losses). If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

**Derivatives that are not designated as hedges**

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

The Company enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss and are included in statement of profit and loss.

**Embedded derivatives**

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

**v) Financial Guarantee Contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected credit loss model as per Ind AS 109 and (ii) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the priciples of Ind AS 115.

The fair value of financial guarantees is determined based on the present value of the difference between the cash flows between the contractual payments required under the debt instrument and the payments that would be without the guarantee, or the estimated amount that would be payable to the third party for assuming the obligations.

Where the guarantees in relation to the loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

**w) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts if they are considered an integral part of the Company's cash management.

**x) Dividends**

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**y) Earnings per share**

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of equity shares outstanding during the financial period, adjusted for bonus elements in equity shares issued during the period and excluding treasury shares.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**z) Presentation of EBITDA**

The Company presents Earnings before interest, tax, depreciation and amortisation ('EBITDA') in the statement of profit or loss; this is not specifically required by Ind AS 1. The term EBITDA is not defined in Ind AS. Ind AS compliant Schedule III allows companies to present line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the special purposefinancial statements when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the Company has elected to present EBITDA as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance income, finance costs, share of profit/ loss from joint ventures and tax expense.

**aa) Trade receivable**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value. Trade receivables are recognised initially at the amount of consideration that is unconditional unless there are significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

**bb) Segment Reporting**

Operating segments are report in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The Board of Directors has been identified as being the CODM. Refer note 56 for segment information presented.

**cc) Non-current assets (or disposal companys) held for sale and discontinued operations**

Non-current assets (or disposal companys) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal company) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal company), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal company) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal company) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

**dd) Rounding of amount**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

**2.3 Recent accounting pronouncements**

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

a) **Ind AS 116- Leases**:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases,and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months,unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate andthe right of use asset either as:
• Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application

The company is in the process of assessing the detailed impact of Ind AS 116.

b) **Ind AS 12 Income taxes - Appendix C, Uncertainty over Income Tax Treatments** : On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or company of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reportingperiod presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulativeeffect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019.The Company currently evaluating the effect of this amendment on the financial statements.

c) **Amendment to Ind AS 12 – Income taxes -Amendments related to income tax consequences of dividend** :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connectionwith accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company currently evaluating the effect of this amendment on thefinancial statements.

d) **Amendment to Ind AS 19 – plan amendment, curtailment or settlement:** On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'EmployeeBenefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:
• to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
• to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because ofthe impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. Currently the Company does not have any impact on account of this amendment.

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G.Shah

## NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates. Management also needs to exercise judgement in applying the company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is described below.

**Defined benefit plans**

The cost of the post-employment benefits (Employees living entitlement) and the present value of such obligation are determined taking into consideration local regulations (article 2120 of the Italian Civil Code), specific features of the contracts. These include the determination of the discount rate, future salary increase, employee turnover and expected return on planned assets. The outstanding amount is shown net of advances paid and amount used for outgoing employees during the reporting period.

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO 125832
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

**Notes to special purpose financial statements for the period ended 31 December 2018**

**NOTE 4: PROPERTY, PLANT & EQUIPMENT**

(Amounts Rs. crore)

| | Freehold land | Buildings# | Plant & machinery | Vehicles | Total |
|---|---|---|---|---|---|
| **Balance as at 20 July 2018** | **26.77** | **55.57** | **65.78** | **3.59** | **151.71** |
| Additions | - | 0.04 | 9.67 | - | 9.71 |
| Foreing currency translation adjustment | (0.89) | (1.87) | (2.38) | (0.12) | (5.26) |
| **At 31 December 2018** | **25.88** | **53.74** | **73.07** | **3.47** | **156.16** |
| **Depreciation,amortization & Impairment** | | | | | |
| **Balance as at 20 July 2018** | - | **28.76** | **31.78** | **3.29** | **63.83** |
| Additions | - | 0.90 | 3.92 | 0.07 | 4.89 |
| Foreing currency translation adjustment | - | (0.98) | (1.07) | (0.11) | (2.16) |
| **At 31 December 2018** | - | **28.68** | **34.63** | **3.25** | **66.55** |
| **Net Book Value** | | | | | |
| At 31 December 2018 | 25.88 | 25.06 | 38.44 | 0.22 | **89.61** |
| At 20 July 2018 | 26.77 | 26.81 | 34.00 | 0.30 | **87.88** |

| | |
|---|---|
| **Movement in Capital work in progress** | |
| **Opening balance as at 20 July 2018** | **0.13** |
| Additions during the period | 12.20 |
| Transfers during the period | (9.71) |
| **Closing balance as at 31 December 2018** | **2.62** |

DHARA G. SHAH ◆ CHARTERED ACCOUNTANTS ◆ No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

**Notes to special purpose financial statements for the period ended 31 December 2018**

NOTE 5: INTANGIBLE ASSETS

(Amounts Rs. crore)

| | Software/ licenses | Patents | Total |
|---|---|---|---|
| **Balance as at 20 July 2018** | **1.79** | **0.09** | **1.88** |
| Additions | - | - | - |
| **At 31 December 2018** | **1.79** | **0.09** | **1.88** |
| | | | |
| **Amortization & Impairment** | | | |
| **Balance as at 20 July 2018** | **1.76** | **0.08** | **1.84** |
| Additions | 0.02 | 0.00 | 0.02 |
| **At 31 December 2018** | **1.78** | **0.08** | **1.86** |
| | | | |
| **Net Book Value** | | | |
| At 31 December 2018 | 0.01 | 0.01 | 0.02 |
| At 20 July 2018 | 0.03 | 0.01 | 0.04 |

DHARA G. SHAH
CHARTERED ACCOUNTANTS
No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

Dhara G. Shah

METALLURGICA BRESCIANA S.P.A
**Notes to special purpose financial statements for the period ended 31 December 2018**

## NOTE 6: INVESTMENTS

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Non-current investments in equity instruments (fully paid up) (unquoted)** | |
| **Investment in Joint Venture** | |
| **Equity investments at cost** | |
| Investment in MB Maanshan Special Cable Limited | 12.44 |
| **Total Investment** | **12.44** |

## NOTE 7: OTHER ASSETS

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Non-current** | |
| Advance income tax, including TDS (net of provisions) | 3.80 |
| **Total other non-current assets** | **3.80** |
| **Current** | |
| Capital advances (unsecured, considered good) | 7.94 |
| Prepaid expenses | 2.37 |
| Other advances | 5.68 |
| **Toal other current assets** | **15.99** |

## NOTE 8: INVENTORIES

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Raw materials and components | 48.20 |
| Work-in-progress | 32.17 |
| Finished goods | 25.28 |
| **Total** | **105.65** |

## NOTE 9: CURRENT INVESTMENTS

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Investment in liquid funds | 0.17 |
| **Total** | **0.17** |

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

**Notes to special purpose financial statements for the period ended 31 December 2018**

## NOTE 10: TRADE RECEIVABLES

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Current** | |
| Trade receivables | 163.57 |
| Receivables from related parties (refer note 35) | 52.92 |
| | **216.49** |
| **Break-up for security details** | |
| Trade receivables considered good - Secured | - |
| Trade receivables considered good - Unsecured | 216.49 |
| Trade receivables which have significant increase in credit risk | - |
| Trade receivables - Credit impaired | 7.76 |
| **Total** | **224.25** |
| Less: Impairment Allowance | 7.76 |
| **Total Current trade receivables** | **216.49** |

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member.

## NOTE 11: CASH AND CASH EQUIVALENTS

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Balances with banks:** | |
| In current accounts | 4.42 |
| Cash in hand | 0.01 |
| | **4.43** |

There are no repatriation restrictions with regards to cash and cash equivalents.

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO 125832

Dhara G. Shah

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METALLURGICA BRESCIANA S.P.A

Notes to special purpose financial statements for the period ended 31 December 2018

NOTE 12: SHARE CAPITAL

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Authorised equity share capital | |
| 70,00,000 equity shares of Euro 1 each | 56.18 |
| Issued, subscribed and fully paid-up shares (no. crores) | |
| 70,00,000 equity shares of Euro 1 each fully paid up | 56.18 |
| **Total issued, subscribed and fully paid-up share capital** | **56.18** |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| | 31 December 2018 | |
|---|---|---|
| | No. in crore | Rs. in crore |
| At the date of acquisition 20 July 2018 | 0.70 | 56.18 |
| Movement during the period | - | - |
| **Outstanding at the end of the period** | **0.70** | **56.18** |

**b. Shares held by holding company and their subsidiaries/associates:**

| | 31 December 2018 | |
|---|---|---|
| | No. in crore | % holding |
| **Immediate holding company** | | |
| Sterlite Technologies S.P.A | 0.70 | 100.00% |

**c. Detail of shareholders holding more than 5 % of shares in the company**

| | 31 December 2018 | |
|---|---|---|
| | No. in crore | % holding |
| Sterlite Technologies S.P.A | 0.70 | 100.00% |

DHARA G. SHAH ✦ No. 125832 ✦ CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

## NOTE 13 : OTHER EQUITY

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Revaluation Reserve** | 48.83 |
| | |
| **Foreign currency translation reserve** | |
| Opening balance | - |
| Addition during the period | (8.92) |
| **Total foreign currency translation reserve** | **(8.92)** |
| | |
| **Retained earnings** | |
| Opening balance | 149.94 |
| Net profit for the period | 10.98 |
| **Total retained earnings** | **160.92** |
| | |
| **Total other equity** | **200.83** |

**Nature and Purpose of reserves other than retained earnings**
**Revaluation reserve**
Revaluation reserve is created at the time of revaluation of property, plant & equipments.

## NOTE 14: BORROWINGS

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Non-current borrowings** | |
| | |
| **Term loans** | |
| Loan from related parties (unsecured) | 6.21 |
| Foreign currency loan from banks (unsecured) | 1.84 |
| | **8.05** |
| **The above amount includes** | |
| Secured borrowings | - |
| Unsecured borrowings | 8.05 |
| | |
| **Total Non-current borrowings** | **8.05** |

**Notes:**
a) Foreign currency term loan from bank of Rs. 1.84 crores carries interest of 1.25% p.a. Loan amount is repayable on half yearly basis beginning from financial year 2020-21.
b) Loan from related parties of Rs. 6.21 crores carries interest of Euribor + 1.5% p.a. Loan amount is repayable over a period 3+1 year.

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Current borrowings** | |
| Foreign currency loan from banks (unsecured) | 85.06 |
| | **85.06** |
| **The above amount includes** | |
| Unsecured borrowings | 85.06 |
| **Net Amount** | **85.06** |

Foreign currency term loan from bank of Rs. 85.06 crores carries interest @ 0.75% - 1.05% p.a.

DHARA G. SHAH
No. 125832
CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

**Notes to special purpose financial statements for the period ended 31 December 2018**

**Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| Particulars | 31 December 2018 (Rs. in crore) |
|---|---|
| Cash and cash equivalents | 4.43 |
| Current investments | 0.17 |
| Current Borrowings | (85.06) |
| Non-current borrowings | (8.05) |
| **Net Debt** | **(88.51)** |

**NOTE 15: TRADE PAYABLES**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Trade payable to related parties **(refer note 35)** | 22.89 |
| Others | 55.48 |
| **Total Trade Payable** | **78.37** |

**NOTE 16: OTHER CURRENT LIABILITIES**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Current** | |
| Withholding taxes (TDS) payable | 1.53 |
| Advance from customers | 0.07 |
| Others | 12.94 |
| **Total other current liabilities** | **14.54** |

**NOTE 17: EMPLOYEE BENEFITS OBLIGATIONS**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Current** | |
| Retirement benefits payables | 7.82 |
| **Total employee benefits obligations** | **7.82** |

The provision for the retirement benefits payable (staff leaving indemnity) were calculated in accordance with the terms of article 2120 of the italian civil code taking into account legal provisions and the specific nature of the contracts and professional categories, and includes the annual amounts accrued and revaluations performed based on ISTAT coefficients

The amount of the provision is assessed net of advances paid and the amounts used for terminations of employment occuring during the fiscal year and represents the certain payable due to the employees on the fiscal year's closing rate.

**NOTE 18: PROVISIONS**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Current** | |
| Others | 0.37 |
| **Total current provision** | **0.37** |

DHARA G. SHAH No. 125832 CHARTERED ACCOUNTANTS

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A
**Notes to special purpose financial statements for the period ended 31 December 2018**

**NOTE 19: REVENUE FROM OPERATIONS**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Revenue from contracts with customers** | |
| **Sale of products** | |
| - Finished goods | 169.14 |
| **Revenue from operation** | **169.14** |

The total contract price of revenue recognised is Rs. 169.14 Crores.
Refer note 2 for accounting policy of Ind AS 115.

**NOTE 20: OTHER INCOME**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Miscellaneous Income | 0.89 |
| **Total other income** | **0.89** |

**NOTE 21: FINANCE INCOME**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Interest income on** | |
| - Bank deposits | 0.01 |
| **Total finance income** | **0.01** |

**NOTE 22: COST OF RAW MATERIAL AND COMPONENTS CONSUMED**

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Inventory at the beginning of the period | 30.91 |
| Add : Purchases | 102.57 |
| Less : Inventory at the end of the period | 48.20 |
| **Cost of raw material and components consumed** | **85.28** |
| **(Increase)/ decrease in inventories** | |
| **Opening inventories** | |
| work-in-progress | 46.41 |
| Finished goods | 34.09 |
| | **80.50** |
| **Closing inventories** | |
| Work-in-progress | 32.17 |
| Finished goods | 25.28 |
| | **57.45** |
| **(Increase)/Decrease in inventories** | **23.05** |

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

**DHARA G. SHAH**
**MEMBERSHIP NO. 125832**
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

Notes to special purpose financial statements for the period ended 31 December 2018

## NOTE 23: EMPLOYEE BENEFITS EXPENSE

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Salaries, wages and bonus | 17.65 |
| Contribution to social security funds | 2.72 |
| Retirement benefits expenses | 2.61 |
| **Total Employee benefits expense** | **22.98** |

## NOTE 24: OTHER EXPENSES

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Consumption of stores and spares | 1.54 |
| Power, fuel and water | 1.96 |
| Repairs and maintenance | - |
| Building | 0.23 |
| Machinery | 0.96 |
| Others | 0.80 |
| Sales commission (other than sole selling agent) | 3.35 |
| Sales promotion | 0.54 |
| Carriage outwards | 0.23 |
| Rent | 0.90 |
| Insurance | 0.27 |
| Legal and professional fees | 2.49 |
| Rates and taxes | 0.07 |
| Travelling and conveyance | 0.25 |
| Loss on sale of assets | (0.47) |
| Provision for doubtful debts / advances | 2.45 |
| Directors sitting fee and commission | 0.49 |
| Payment to auditor (refer note below) | 0.38 |
| Miscellaneous expenses | 2.09 |
| **Total other expenses** | **18.54** |

| | 31 December 2018 (Rs. in crore) |
|---|---|
| **Payment to auditor** | |
| As auditor - Audit fee | 0.38 |
| | **0.38** |

## NOTE 25: DEPRECIATION AND AMORTISATION EXPENSE

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Depreciation of tangible assets | 4.89 |
| Amortisation of intangible assets | 0.02 |
| **Total depreciation and amortisation expense** | **4.91** |

## NOTE 26: FINANCE COST

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Interest on financial liabilities measured at amortised cost | 0.56 |
| **Total finance cost** | **0.56** |

## NOTE 27: TAX EXPENSES

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Current tax | 5.36 |
| Deferred tax | (1.62) |
| **Total tax expenses** | **3.74** |

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

Dhara G. Shah

## NOTE 28: EARNINGS PER SHARE (EPS)

The following table shows the computation of basic and diluted EPS.

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Profit for the period | 10.98 |
| **Weighted average number of equity shares in calculating basic EPS** | 0.70 |
| **Weighted average number of equity shares in calculating diluted EPS** | 0.70 |
| Earnings per share | |
| Basic | **15.69** |
| Diluted | **15.69** |

## NOTE 29: LEASES

**Operating lease**

The company has taken office buildings and premises on operating lease. The lease term is for periods of eleven years and renewable at the option of the company.

(Rs. in crore)

| Particulars | 31 December 2018 |
|---|---|
| Lease payments recognised in the statement of profit and loss (refer note 24) | 0.90 |
| The future minimum lease payments payable over the next one year | - |
| The future minimum lease payments payable later than one year but not later than five years | - |

**Finance lease**

The company does not have any significant finance lease as at March 31, 2019.

## NOTE 30: CAPITAL AND OTHER COMMITMENTS

a] Estimated amount of contracts remaining to be executed on capital account and not recognised for (net of advances) are Rs. 24.86 crores.

b] For commitments relating to lease arrangements please refer note 29.

## NOTE 31: CONTINGENT LIABILITIES

The company does not have any significant contingent liabilities as on 31 December 2018.

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

## NOTE 32: FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and bank balances and other financial assets that derive directly from its operations.

The Company's activities expose it to market risk, credit risk and liquidity risk. The Company's senior management oversees the activities to manage these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes should be undertaken.

The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are approved and reviewed regularly by the Board to reflect changes in market conditions and the Company's activities.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The risks to which Company is exposed and related risk management policies are summarised below -

**(a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk, such as equity price risk. Financial instruments affected by market risk include loans given and borrowings, financial assets and liabilities in foreign currency and investments in quoted instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2018.

The sensitivity analysis have been prepared on the basis that the amount of debt, the ratio of fixed to floating interest rates of the debt are all constant.

**Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company's exposure to the risk of changes in interest rate primarily relates to the Company's debt obligations with floating interest rates.

The Company is marginally exposed to the interest rate fluctuation in borrowing as at 31 December 2018, approximately 93% of the Company's borrowings are at a fixed rate of interest.

The exposure of the company's borrowing to interest rate changes at the end of the reporting period are as follows:

| | 31 December 2018 (Rs. in crore) |
|---|---|
| Variable rate borrowings | 6.21 |
| Fixed rate borrowings | 86.90 |
| **Total borrowings** | **93.11** |

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on borrowings at variable interest rate. With all the other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

(Rs. in crore)

| **Particulars** | **Increase/Decrease in Basis Points** | **Effect on profit before tax** |
|---|---|---|
| **31 December 2018** | | |
| Base Rate | +50 | 0.03 |
| Base Rate | -50 | (0.03) |

**Foreign currency risk**

The company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions.

The Company has a policy to keep minimum forex exposure on the books that are likely to occur within a 12-month period for hedges of forecasted sales and purchases.

The Company exposure to foreign currency risk at the end of the period expressed in INR are as follows

| 31 December 2018 | Rs. in Crore |
|---|---|
| **Financial Assets** | **EUR** |
| Trade receivable | 216.49 |
| Bank Balances | 4.43 |
| Net Exposure to foreign currency risk (Assets) | 220.92 |

| 31 December 2018 | Rs. in crore |
|---|---|
| **Financial Liabilities** | **EUR** |
| Foreign currency | |
| Bank Loan (including deferred payment liabilities) | 93.11 |
| Trade Payables | 78.37 |
| Net Exposure to foreign currency risk (Liabilities) | 171.48 |

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

## NOTE 32: FINANCIAL RISK MANAGEMENT

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. With all the other variable held constant, the Company's profit before tax is affected through the impact on change of foreign currency rate as follows-

| | | Rs. in crore |
|---|---|---|
| | Change in EURO rate | Effect on profit before tax |
| 31 December 2018 | +5% | 2.47 |
| | -5% | (2.47) |

**Price risk**

The Company's non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.
At the reporting date, the exposure to unlisted equity securities (other than investments in subsidiaries) at fair value was Rs. 12.44 crore.
The Company also invests into highly liquid mutual funds which are subject to price risk changes. These investments are generally for short duration and therefore impact of price changes is generally not significant. Investment in these funds are made as a part of treasury management activities.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**Trade receivables**

Customer credit risk is managed by company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on credit rating and individual credit limits are defined in accordance with credit assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit assurance.
An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The assessment is based on historical information of defaults. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

The Company's customer profile includes trade receivables with general payment terms with a credit period ranging from 45 to 90 days and certain retention money to be released at the end of the purchase orders. In some cases retentions are substituted with bank/corporate guarantees.
The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation and based on assessment performed management has concluded that impact of expected credit loss is not material and current provision made against trade receivable is adequate to cover the provision on account of expected credit loss.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the period. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Other financial assets that are potentially subject to credit risk consists of inter corporate loans. The company assesses the recoverability from these financial assets on regular basis. Factors such as business and financial performance of counterparty, their ability to repay, regulatory changes and overall economic conditions are considered to assess future recoverability. The company charges interest on such loans at arms length rate considering countparty's credit rating. Based on the assessment performed, the company considers all the outstanding balances of such financial assets to be recoverable as on balance sheet date and no provision for impairment is considered necessary.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 December 2018 is the carrying amounts of each class of financial assets.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Company's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Company requires funds both for short term operational needs as well as for long term investment programs mainly in growth projects. The Company closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities which will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 60 - 90 days. The other payables are with short term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

(Rs. in crore)

| Particulars | Payable on demand | Less than 3 months | 3 months to 12 months | 1 year to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| As at 31 December 2018 | | | | | | |
| Borrowings | - | 0.86 | 84.20 | 1.84 | 6.21 | 93.11 |
| Trade payables | - | 78.37 | - | - | - | 78.37 |
| | - | 79.23 | 84.19 | 1.84 | 6.21 | 171.48 |

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO 125832
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A
**Notes to special purpose financial statements for the period ended 31 December 2018**

**NOTE 33: CAPITAL MANAGEMENT**

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the shareholders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return on capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio optimum. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents excluding discontinued operations.

| **Particulars** | **As at December 31, 2018 (Rs. in crore)** |
|---|---|
| Interest Bearing Loans and borrowings | 93.11 |
| Trade Payables | 78.37 |
| Less: Cash and Cash equivalents & current investment | (4.60) |
| **Net debt** | **166.88** |
| Equity share capital | 56.18 |
| Other equity | 200.83 |
| Total capital | 257.01 |
| **Capital and net debt** | 423.89 |
| Gearing ratio | 39.37% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the period ended December 31, 2018.

DHARA G. SHAH ◆ CHARTERED ACCOUNTANTS ◆ No. 125832

DHARA G. SHAH
MEMBERSHIP NO 125832

Dhara G. shah

## NOTE 34: FAIR VALUES

### a) Financial Instruments by Category

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as of December 31, 2018:

| | 31 December 2019 | | |
|---|---|---|---|
| | FVPL | FVOCI | Amortised Cost |
| **Financial assets** | | | |
| Investments | | | |
| Equity instruments | 12.44 | - | - |
| Liquid funds | 0.17 | - | - |
| Trade receivables | - | - | 216.49 |
| Cash and cash equivalents | - | - | 4.43 |
| **Total financial assets** | **12.61** | **-** | **220.92** |
| **Financial liabilities** | | | |
| Borrowings | - | - | 93.11 |
| Trade Payables | - | - | 78.37 |
| **Total financial liabilities** | **-** | **-** | **171.48** |

### b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Amount | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets and liabilities measured at fair value - recurring fair value measurements** | | | | |
| **Investments in Equity Shares of joint venture** | | | | |
| As at December 31, 2018 | 12.44 | - | - | 12.44 |
| **Investments in Liquid Funds** | | | | |
| As at December 31, 2018 | 0.17 | 0.17 | - | - |

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers among Level 1, Level 2 and Level 3.

### c) Valuation technique used to determine fair value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the quoted liquid funds are based on quoted price at the reporting date.

The fair values of the unquoted equity shares and debentures have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast of cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

DHARA G. SHAH CHARTERED ACCOUNTANTS No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

METALLURGICA BRESCIANA S.P.A

**Notes to special purpose financial statements for the period ended 31 December 2018**

NOTE 34: FAIR VALUES

**d) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items for the periods ended December 31, 2018:

| **Particulars** | **Rs. in crore**<br>**Investments in Equity Shares of JV** |
|---|---|
| **As at July 20, 2018** | **12.44** |
| Acquisitions | - |
| Changes in Fair value | - |
| **As at December 31, 2018** | **12.44** |

**e) Valuation inputs and relationships to fair value**

There is no major change in value of investment due to changes in the significant unobservable inputs used in level 3 fair value measurements. Thus, the impacts have not been disclosed seperately.

**f) Valuation processes**

The finance department of the company includes a team that oversees the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The company has derived the fair value of the investment based on reasonable inputs. The company has analysed the effect of change in the circumstances at the end of each reporting date in the fair value. At there is no major change as on the reporting period, company has not disclosed further information.

DHARA G. SHAH
CHARTERED ACCOUNTANTS
No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832
Dhara G. Shah

METALLURGICA BRESCIANA S.P.A

Notes to special purpose financial statements for the period ended 31 December 2018

## NOTE 35: RELATED PARTY TRANSACTIONS

(A) **Name of related party and nature of its relationship:**

**(a) Related parties where control exists**

**(i) Holding company**

Sterlite Technologies S.P.A. (Holding Company)
Sterlite Technologies Limited (Intermediate Holding Company)
Twin Star Overseas Limited (Intermediate Holding Company)
Volcan Investments Limited, Bahamas (Ultimate holding company)

**(ii) Joint Ventures**

Metallurgica Bresciana (Maanshan) Special Cables Co. Limited (40:60 joint venture between Metallurgica Brescina SPA & M.B Maanshaan Special Cables Co. Ltd)

**(b) Other related parties under IND AS-24 "Related party disclosures" with whom transactions have taken place during the period**

**(i) Key management personnel (KMP)**

| | |
|---|---|
| Aldo Santus | Director & CEO |
| Ankit Agrawal | Director |
| Anupam Jindal | Director |

(B) **The transactions with related parties during the period and their outstanding balances are as follows:-**

**(Rs. in crore)**

| S. No. | Particulars | Metallurgica Bresciana (Maanshan) Special Cables Co. Limited | Sterlite Technologies Limited | Sterlite Technologies S.P.A. | Aldo Santus |
|---|---|---|---|---|---|
| | | From July 20, 2018 to 31 December 2018 | From July 20, 2018 to 31 December 2018 | From July 20, 2018 to 31 December 2018 | From July 20, 2018 to 31 December 2018 |
| | **Transactions** | | | | |
| 1 | Remuneration | - | - | - | 0.49 |
| 2 | Sitting Fees | - | - | - | 0.79 |
| 3 | Loans and advances received (net) | - | - | 8.09 | - |
| 4 | Repayment of loans | - | | 1.88 | - |
| 5 | Purchase of goods & services | - | 64.21 | 1.16 | - |
| 6 | Sale of goods & services | 8.17 | - | - | - |
| | | | | | |
| | | 31 December 2018 | 31 December 2018 | 31 December 2018 | 31 December 2018 |
| | **Outstanding Balances (Unsecured)** | | | | |
| 1 | Loans/advance payables## | - | - | 6.21 | - |
| 2 | Trade receivables | 52.92 | - | - | - |
| 3 | Trade payables | - | 22.89 | - | - |
| 4 | Investment in equity shares | 12.44 | - | - | - |

DHARA G. SHAH ♦ CHARTERED ACCOUNTANTS ♦ No. 125832

DHARA G. SHAH
MEMBERSHIP NO 125832
Dhara G. Shah

## NOTE 36: SEGMENT REPORTING

The Company has only one operating segment which is Connectivity Solutions. Accordingly, separate segment information is not required to be disclosed.

**Geographical Information**

| Particulars | 31 December 2018 (Rs. in crores) |
|---|---|
| **(1) Revenue from external customers** | |
| - Within India | - |
| - Outside India | 169.14 |
| **Total revenue per statement of profit and loss** | **169.14** |

The revenue information above is based on the locations of the customers

| Particulars | 31 December 2018 (Rs. in crores) |
|---|---|
| **(2) Non-current operating assets** | |
| - Within India | - |
| - Outside India | 92.26 |
| **Total** | **92.26** |

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress and intangible assets.

**(3) Revenue from external customers**

There is no customer in India to which the company sell the products.

## NOTE 37: PREVIOUS PERIOD FIGURES

During the period, 70,00,000 shares of EURO 1 each of the company has been purchased by Sterlite Technologies S.P.A from Compagnia Bresciana Investimenti S.P.A. through share purchase agreement dated July 06, 2018. Effective date of purchase is July 20, 2018. This is a special purpose financial statement prepared by the company for the consolidation purpose of ultimate holding company i.e. Sterlite Technologies Limited. Thus, comparative numbers have not been presented in the FS.

As per our report of even date

| | |
|---|---|
| **For Dhara G Shah** | **For and on behalf of the board of directors of** |
| Chartered Accountants | **Metallurgica Bresciana S.P.A.** |
| Dhara G. Shah | |
| **Dhara G. Shah** | **Anupam Jindal** |
| Proprietor | Director |
| Membership Number : 125832 | Fiscal Code : JNDNPM75L21Z222E |
| Place : Pune | Place : Pune |
| Date : 23 April 2019 | Date : 23 April 2019 |

DHARA G. SHAH
CHARTERED ACCOUNTANTS
No. 125832

DHARA G. SHAH
MEMBERSHIP NO. 125832

# STHI-STERLITE TECH HOLDINGS, INC.

## FINANCIAL STATEMENTS
## MARCH 31, 2019 AND 2018

STHI-STERLITE TECH HOLDINGS, INC.

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
STHI-Sterlite Tech Holdings, Inc.

We have audited the accompanying financial statements of STHI-Sterlite Tech Holdings, Inc., which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of operations, changes in accumulated deficit, and cash flows for the year ended March 31, 2019 and for the period from inception (May 2, 2017) to March 31, 2018, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STHI-Sterlite Tech Holdings, Inc. as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended March 31, 2019 and for the period from inception (May 2, 2017) to March 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Aprio, LLP

Atlanta, Georgia

May 3, 2019

STHI-STERLITE TECH HOLDINGS, INC.
BALANCE SHEETS
MARCH 31,

ASSETS

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Current assets | | | | |
| Cash | $ | 20,970 | $ | 404,970 |
| Due from related party | | 2,369,663 | | 845,000 |
| Total current assets | | 2,390,633 | | 1,249,970 |
| Total assets | $ | 2,390,633 | $ | 1,249,970 |

LIABILITIES AND ACCUMULATED DEFICIT

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Current liabilities | | | | |
| Accounts payable | $ | 7,500 | $ | 5,000 |
| Accrued interest | | 52,499 | | 7,661 |
| Due to related party | | 2,407,661 | | 1,250,000 |
| Total current liabilities | | 2,467,660 | | 1,262,661 |
| Total liabilities | | 2,467,660 | | 1,262,661 |
| Accumulated deficit | | | | |
| Total accumulated deficit | | (77,027) | | (12,691) |
| Total liabilities and accumulated deficit | $ | 2,390,633 | $ | 1,249,970 |

See accompanying notes to financial statements

STHI-STERLITE TECH HOLDINGS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION (MAY 2, 2017) TO MARCH 31, 2018

| | 2019 | 2018 |
|---|---|---|
| Net sales | $ - | $ 0 |
| Operating expenses | | |
| Accounting fees | 11,837 | 5,000 |
| Bank service charges | 0 | 30 |
| Loss from operations | (11,837) | (5,030) |
| Other income (expense) | | |
| Interest expense | (52,499) | (7,661) |
| Total other expense | (52,499) | (7,661) |
| Provision for income taxes | 0 | 0 |
| Net loss | $ (64,336) | $ (12,691) |

See accompanying notes to financial statements

STHI-STERLITE TECH HOLDINGS, INC.
STATEMENTS OF CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION
(MAY 2, 2017) TO MARCH 31, 2018

| | |
|---|---|
| Balance at May 2, 2017 | $ 0 |
| Net Loss | (12,691) |
| Balance at March 31, 2018 | (12,691) |
| Net Loss | (64,336) |
| Balance at March 31, 2019 | $ (77,027) |

See accompanying notes to financial statements

STHI-STERLITE TECH HOLDINGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION
(MAY 2, 2017) TO MARCH 31, 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (64,336) | $ (12,691) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Change in operating assets and liabilities: | | |
| Accounts payable | 2,500 | 5,000 |
| Accrued interest | 52,499 | 7,661 |
| Cash used by operating activities | (9,337) | (30) |
| Cash flows from investing activities | | |
| Loans to related party | (1,524,663) | (845,000) |
| Cash used by investing activities | (1,524,663) | (845,000) |
| Cash flows from financing activities | | |
| Proceeds from related party | 1,150,000 | 1,250,000 |
| Cash provided by financing activities | 1,150,000 | 1,250,000 |
| Net increase (decrease) in cash | (384,000) | 404,970 |
| Cash, beginning of period | 404,970 | 0 |
| Cash, end of period | $ 20,970 | $ 404,970 |

SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS

For the year ended March 31, 2019, the addition of interest to due to related party totaled $7,661.

See accompanying notes to financial statements

**Note A**
**Business**

Nature of Operations:

STHI-Sterlite Tech Holdings, Inc. (the "Corporation"), was formed on May 2, 2017. The Corporation sells optic fibers, telecommunication cables and power transmission conductors in North America primarily to the power and telecom industries.

**Note B**
**Summary of Significant Accounting Policies**

Basis of Accounting:

The accompanying financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements have been prepared on the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Corporation maintains its cash in a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash.

**Note B**
**Summary of Significant Accounting Policies (Continued)**

Income Taxes:

The Corporation accounts for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Corporation records valuation allowances against deferred tax assets as deemed necessary.

The Corporation accounts for the uncertainty in income taxes as prescribed by the minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

**Note C**
**Common Stock**

In May 2017, the board of directors of the Corporation authorized and directed that a certificate representing 1,000 shares of common stock of the Corporation be issued to Sterlite Technologies Limited and that such shares shall be validly issued, fully paid and non-assessable shares of common stock of the Corporation. The initial issuance of the Corporation's common stock shall be $0.0001 per share.

**Note D**
**Related Party Transactions**

Due from Affiliate:

As of March 31, 2019 and 2018, the Corporation loaned $2,369,663 and $845,000, respectively, to Sterlite Technologies, Inc. There is no formal agreement associated with the loan.

**Note D**
**Related Party Transactions (Continued)**

Due to Affiliate:

The Corporation entered into multiple revolving line of credit agreements with a related party, Sterlite Tech Holdings, Inc. as of March 31, 2019. The maximum permitted in total on all lines may not exceed $2,500,000. All loans are unsecured and incur interest at the 1-month LIBOR (at the time of issuance) plus 0.85% or 1-month LIBOR plus 1.5% if the tenure is more than a year.

The first agreement entered in June 2017 provides for a principal amount of $200,000, accrues interest at 2.7% and the remaining principal balance together with any accrued interest is due on June 15, 2019.

The second agreement entered in September 2017 provides for a principal amount of $350,000, accrues interest at 2.7% and the remaining principal balance together with any accrued interest is due on September 19, 2019.

The third agreement entered in January 2018 provides for a principal amount of $350,000, accrues interest at 2.9% and the remaining principal balance together with any accrued interest is due on January 10, 2020.

The fourth agreement entered in March 2018 provides for a principal amount of $350,000, accrues interest at 3.0% and the remaining principal balance together with any accrued interest is due on March 13, 2020.

The fifth agreement entered in June 2018 provides for a principal amount of $500,000, accrues interest at 2.8% and the remaining principal balance together with any accrued interest is due on July 23, 2019.

The sixth agreement entered in September 201, provides for a principal amount of $300,000, accrues interest at 2.8% and the remaining principal balance together with any accrued interest is due on September 28, 2019.

The seventh agreement entered in December 201, provides for a principal amount of $350,000, accrues interest at 3.1% and the remaining principal balance together with any accrued interest is due on December 24, 2019.

As of March 31, 2019, the outstanding principal balance on the revolving line of credit agreements including the capitalized unpaid interest as of March 31, 2018, totaled $2,407,661 which includes capitalized interest of $7,661, and accrued interest on the line of credit agreements totaled $52,499.

As of March 31, 2018, the outstanding principal balance on the revolving line of credit agreements totaled $1,250,000 and accrued interest on the line of credit agreements totaled $7,661.

**Note E**
**Subsequent Events**

The Corporation evaluated subsequent events through May 3, 2019, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to the issuance of this report, that would have an material impact on the financial statements.

# REPORT OF THE DIRECTORS AND

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

# FOR

# STERLITE TECHNOLOGIES UK VENTURES LTD

## CONTENTS OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2019

STERLITE TECHNOLOGIES UK VENTURES LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

| | |
|---|---|
| **DIRECTORS:** | A Agarwal<br>K S Rao |
| **REGISTERED OFFICE:** | Third Floor<br>126-134 Baker Street<br>London<br>W1U 6UE |
| **REGISTERED NUMBER:** | 08550019 (England and Wales) |
| **AUDITORS:** | Butler & Co LLP<br>Chartered Accountants<br>& Statutory Auditor<br>Third Floor<br>126-134 Baker Street<br>London<br>W1U 6UE |

# STERLITE TECHNOLOGIES UK VENTURES LTD

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

### PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of an investment company.

### REVIEW OF BUSINESS
The Company has invested £2,041,571 in Sterlite Conduspar Industrial LTDA, a 58% Joint Venture in Brazil. The Brazilian company is a manufacturer and trader of Optical Fibre Cables.

### DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

A Agarwal
K S Rao

### DIRECTORS' RESPONSIBILITIES STATEMENT
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### AUDITORS
The auditors, Butler & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**

A Agarwal - Director

2 May 2019

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STERLITE TECHNOLOGIES UK VENTURES LTD

**Opinion**
We have audited the financial statements of Sterlite Technologies UK Ventures Ltd (the 'company') for the year ended 31 March 2019 which comprise the Income Statement, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**
The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STERLITE TECHNOLOGIES UK VENTURES LTD

**Responsibilities of directors**
As explained more fully in the Directors' Responsibilities Statement set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Use of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjeev Phadke (Senior Statutory Auditor)
for and on behalf of Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126-134 Baker Street
London
W1U 6UE

2 May 2019

## STERLITE TECHNOLOGIES UK VENTURES LTD

## INCOME STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|---|---|---|---|
| **TURNOVER** | | - | - |
| Administrative expenses | | 3,350 | 1,188 |
| **OPERATING LOSS** | | (3,350) | (1,188) |
| Interest payable and similar expenses | | 33,667 | 26,587 |
| **LOSS BEFORE TAXATION** | | (37,017) | (27,775) |
| Tax on loss | | - | - |
| **LOSS FOR THE FINANCIAL YEAR** | | (37,017) | (27,775) |

The notes form part of these financial statements

## STERLITE TECHNOLOGIES UK VENTURES LTD (REGISTERED NUMBER: 08550019)

### BALANCE SHEET
### 31 MARCH 2019

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Notes | £ | £ | £ | £ |
| **FIXED ASSETS** | | | | | |
| Investments | 3 | | 2,041,571 | | 2,009,903 |
| **CURRENT ASSETS** | | | | | |
| Cash at bank | | 1,965 | | 1,965 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 4 | 3,350 | | - | |
| NET CURRENT (LIABILITIES)/ASSETS | | | (1,385) | | 1,965 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 2,040,186 | | 2,011,868 |
| **CREDITORS** | | | | | |
| Amounts falling due after more than one year | 5 | | 2,181,502 | | 2,116,167 |
| NET LIABILITIES | | | (141,316) | | (104,299) |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | | | 3,150 | | 3,150 |
| Retained earnings | | | (144,466) | | (107,449) |
| SHAREHOLDERS' FUNDS | | | (141,316) | | (104,299) |

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were authorised for issue by the Board of Directors on 2 May 2019 and were signed on its behalf by:

A Agarwal - Director

The notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2019

1. STATUTORY INFORMATION

Sterlite Technologies UK Ventures Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

**Basis of preparing the financial statements**
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Investments in subsidiaries**
Investments in subsidiary undertakings are recognised at cost.

**Taxation**
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Going concern:**
The financial statements have been prepared on a going concern basis. The parent company will provide the necessary support to maintain the company as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

3. FIXED ASSET INVESTMENTS

| | Shares in group undertakings £ |
|---|---|
| **COST** | |
| At 1 April 2018 | 2,009,903 |
| Additions | 31,668 |
| At 31 March 2019 | 2,041,571 |
| **NET BOOK VALUE** | |
| At 31 March 2019 | 2,041,571 |
| At 31 March 2018 | 2,009,903 |

The above investment represents a 58% holding in Sterlite Conduspar Industrial LTDA, a company incorporated in Brazil.

These financial statements contain information about Sterlite Technologies UK Ventures Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 as the company itself is a subsidiary undertaking and its parent undertaking is not established under the law of an EEA state. The company is included in consolidated accounts of its parent company.



continued...

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Other creditors | 3,350 | - |

5. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Amounts owed to group undertakings | 2,181,502 | 2,116,167 |

The parent company has provided a line of credit of $ 3,500,000. As at the year end a sum of £2,181,502 (2018: £2,116,167) has been drawn. Interest is payable in quarterly instalments at the rate of LIBOR+0.75%.

The amount drawn is repayable on demand. However, the lender has confirmed that the amount outstanding will not be recalled within the next 12 months.

6. RELATED PARTY DISCLOSURES

As at 31 March 2019 the company owed a sum of £2,181,502 (2018: £2,116,167) to Sterlite Technologies Ltd (the ultimate parent company). Interest payable on this loan was £33,667 (2018: £26,587).

## DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Income** | | - | | - |
| **Expenditure** | | | | |
| Legal and Professional fees | - | | 188 | |
| Auditors' remuneration | 3,350 | | 1,000 | |
| | | 3,350 | | 1,188 |
| | | (3,350) | | (1,188) |
| **Finance costs** | | | | |
| Other interest | | 33,667 | | 26,587 |
| NET LOSS | | (37,017) | | (27,775) |

This page does not form part of the statutory financial statements

# Sterlite (Shanghai) Trading Company Limited

Financial Statements for FY 2018-19

上海宏大东亚会计师事务所有限公司
SHANGHAI HDDY CERTIFIED PUBLIC ACCOUNTANTS CO.,LTD.
地址：中国 上海 四川中路681号6楼 邮编：200002 电话：33011277转 传真：63567207

# Independent Auditors' Report

HUHONGKUAISHIBAOZI（2019）NO. HFD-d0263

**To the Board of directors:**

## 1. Our opinion

We have audited the financial statements of STERLITE (SHANGHAI) TRADING COMPANY LIMITED (the "Company"),which comprise the balance sheet as at 31 March 2019, the statement of comprehensive income, statement of changes in owners' equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as of March 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Chinese Enterprise Accounting Standards and Enterprise Accounting Principles.

## 2. Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with Chinese Code of Professional Conduct and Ethics for Certified Public Accountants and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. Responsibility of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Chinese Enterprise Accounting Standards and Enterprise Accounting Principles, and for devising, implementing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## 4. Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Chinese Certified Public Accountants Standards of Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainly exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

中国注册会计师 陶勇

Shanghai HDDY
Certified Public Accountants Co., Ltd

Certified Public Accountant

Shanghai • China

Certified Public Accountant

中国注册会计师 朱洁荣

April 9, 2019

# Sterlite (Shanghai) Trading Company Limited
## Balance Sheet

31-Mar-19

Unit: Yuan

| Item | Ending balance | Beginning balance | Item | Ending balance | Beginning balance |
|---|---|---|---|---|---|
| **Current assets:** | — | — | **Current liabilities:** | — | — |
| Monetary funds | 909,392.86 | 990,925.52 | Short-term borrowing | | |
| Financial assets measured at fair value and with changes recorded in current gains and losses | | | Financial liabilities measured at fair value and with changes recorded in current gains and losses | | |
| Derivative financial assets | | | Derivative financial liabilities | | |
| Notes receivable and Accounts receivable | 777,157.05 | 276,561.74 | Notes payable and Accounts payable | 230,091.99 | |
| Advances to suppliers | 49,207.72 | 93,929.96 | Advances from customers | | |
| Other receivables | 164,150.00 | 189,150.00 | Accrued Employee compensation | 650,000.00 | 500,000.00 |
| Inventories | | | Taxes and charges payable | 29,421.73 | 83,230.23 |
| Assets held for sale | | | Other payables | | |
| Other current assets | | | Liabilities held for sale | | |
| **TOTAL CURRENT ASSETS** | 1,899,907.63 | 1,550,567.22 | Other current liabilities | | |
| **Non-current assets:** | — | — | **TOTAL CURRENT LIABILITIES** | 909,513.72 | 583,230.23 |
| Monetary assets available for selling | | | **Non-current liabilities:** | — | — |
| Investment from holding till maturity | | | Long-term loans | | |
| Long term receivables | | | Bonds payable | | |
| Long-term equity investments | | | including:Preference shares | | |
| Investment real estate | | | Perpetual debts | | |
| Fixed assets | 4,911.23 | 11,494.80 | Long-term payables | | |
| Construction in progress | | | Estimated liabilities | | |
| Productive biological assets | | | Deferred income | | |
| Oil and gas assets | | | Deferred tax liabilities | | |
| Intagible property | | | Other non-current liabilities | | |
| Development payout | | | **TOTAL NON-CURRENT LIABILITIES** | - | - |
| Goodwill | | | **TOTAL LIABILITIES** | 909,513.72 | 583,230.23 |
| Long Term Unamortised Expenditure | | | **Owners' equity (Shareholders' equity):** | — | — |
| Deferred tax debit | | | Paid-in capital(Stock) | 1,486,672.40 | 1,486,672.40 |
| Other current assets | | | Other equity instruments | | |
| **TOTAL NON-CURRENT ASSETS** | 4,911.23 | 11,494.80 | including:Preference shares | | |
| | | | Perpetual debts | | |
| | | | Capital reserve | | |
| | | | Less:Treasury stock | | |
| | | | Other comprehensive income | | |
| | | | Surplus reserve | - | - |
| | | | Undistributed profit | -491,367.26 | -507,840.61 |
| | | | **TOTAL OWNERS' EQUITY** | 995,305.14 | 978,831.79 |
| **TOTAL ASSETS** | 1,904,818.86 | 1,562,062.02 | **TOTAL LIABILITIES AND OWNERS' EQUITY** | 1,904,818.86 | 1,562,062.02 |

# Sterlite (Shanghai) Trading Company Limited

## Statement of Profit

Period:2018.4-2019.3

Unit: Yuan

| Item | Ending balance | Beginning balance |
|---|---|---|
| **1. Operation revenue** | 7,114,567.58 | 23,578,687.37 |
| Less:Operation cost | 723,255.73 | 17,293,903.71 |
| Taxes and added-ons | 38,817.88 | 42,722.63 |
| Operating expenses | | 7,259.77 |
| General and administrative expenses | 6,335,173.08 | 6,516,653.49 |
| Research and development expenses | | |
| Financial expenses | -8,218.06 | -7,582.35 |
| Including:Interest expense | | |
| Interest revenue | | |
| Loss for impairment of assets | | |
| Add: Other Income | | |
| Investment income("-" means loss) | | |
| Including:Share of profit associates and jointly controlled entities | | |
| Income of changes of fair value("-" means loss) | | |
| Proceeds from disposal of assets("-" means loss) | | |
| **2. Operation profitFill in "-" if it's loss** | 25,538.95 | -274,269.88 |
| Add: Non-operation revenue | | 0.08 |
| Less: Non-operation expense | | 52.01 |
| **3. Income before tax ("-" means loss)** | 25,538.95 | -274,321.81 |
| Less: Income tax | 9,065.60 | |
| **4. Net profit ("-" means net loss)** | 16,473.35 | -274,321.81 |
| (1) Net profit from continuing operations | | |
| (2) Net profit from discontinued operations | | |
| **5. Other comprehensive income after tax,net** | - | - |
| (1) Items not to be reclassified into profit or less in subsequent periods | - | - |
| A.Changes arising from remeasurement of net liabilities or assets of defined benefit plan | | |
| B.Share of other comprehensive income of the investee not to be reclassified into profit or less under the equity method | | |
| (2) Items to be reclassified into profit or less in subsequent periods | - | - |
| A.Share of other comprehensive income of the investee to be reclassified into profit or less under the equity method | | |
| B.Gains or losses from changes in fair value of available for sale financial assets | | |
| C.Gains or losses on reclassification of held-to-maturity investments as available for sale financial assets | | |
| D.The effective portion of gains or losses from cash flow hedges | | |
| E.Differences on translation of foreign currency financial statements | | |
| **6. Other comprehensive income** | 16,473.35 | -274,321.81 |
| **7. Earnings per share** | | |
| (1) Basic earnings per share | | |
| (2) Diluted earnings per share | | |

# Sterlite (Shanghai) Trading Company Limited

## Statement of Cash Flow

Period:2018.4-2019.3 Unit: Yuan

| Item | Ending balance | Beginning balance |
|---|---|---|
| **1.Cash Flows from Operating Activities** | — | — |
| Cash received from sales of goods or rendering of services | 7,123,437.12 | 23,631,743.06 |
| Taxes and levies refunded | | |
| Other cash received relating to operating activities | 481,955.82 | 46,310.94 |
| Sub-total of cash inflows | 7,605,392.94 | 23,678,054.00 |
| Cash paid for goods and services | 1,215,365.48 | 17,387,833.67 |
| Cash paid to and on behalf of employees | 4,345,051.00 | 3,452,500.45 |
| Taxes and levies refunded | 1,624,075.34 | 392,445.48 |
| Other cash paid relating to operating activities | 502,433.78 | 2,165,256.08 |
| Sub-total of cash outflows | 7,686,925.60 | 23,398,035.68 |
| Net cash flows from operating activities | -81,532.66 | 280,018.32 |
| **2.Cash Flows from Investing Activities** | — | — |
| Cash received from return of investments | | |
| Cash received from investments income | | |
| Net cash flows from disposal of fixed assets, intangible assets and other long-term assets | | |
| Net cash flows from disposal of a subsidiary and other company | | |
| Other cash paid relating to investing activities | | |
| Sub-total of cash inflows | - | - |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | - |
| Cash for investments | | |
| Cash paid to acquire a subsidiary and other company | | |
| Other cash paid relating to investing activities | | |
| Sub-total of cash outflows | - | - |
| Net cash flows from investing activities | - | |
| **3.Cash Flows from Financing Activities** | — | — |
| Proceeds from absorbing investments | | |
| Proceeds from borrowings | | |
| Other proceeds relating to financing activities | | |
| Sub-total of cash inflows | - | - |
| Cash repayments of amounts borrowed | | |
| Cash payments for distribution of dividends, profits and interest expenses | | |
| Other cash payments relating to financing activities | | |
| Sub-total of cash outflows | - | - |
| Net Cash Flows from Financing Activities | - | - |
| **4.Effect of Foreign Exchange Rate Changes on Cash** | | |
| **5.Net Increase in Cash and Cash Equivalents** | -81,532.66 | 280,018.32 |
| Add: Cash equivalents at the beginning of the period | 990,925.52 | 710,907.20 |
| **7.Cash equivalents at the end of the period** | 909,392.86 | 990,925.52 |

# Sterlite (Shanghai) Trading Company Limited
# Statement of Changes in Owners' (Stockholders') Equity

Period:2018.4-2019.3

Unit: Yuan

| Item | Line No. | Amount of Current year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Owners' equity belong to the parent company | | | | | | | | Minority interest | Total amount of Owners' equity |
| | | Paid-in capital(or stock) | Captial surplus | Decrease: stock | Surplus reserves | Provision for normal risk | Undistributed profit | Others | Sub - total | | |
| Line No. | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1.Ending balance of prior year | 1 | 1,486,672.40 | - | - | - | - | -507,840.61 | - | 978,831.79 | - | 978,831.79 |
| Increase:changes in accounting policy | 2 | | | | | | — | | | | |
| corrections of accounting errors of prior periods | 3 | | | | | | — | | | | |
| others | | | | | | | | | | | - |
| 2.Beginning balance in the current year | 4 | 1,486,672.40 | - | - | - | | -507,840.61 | - | 978,831.79 | - | 978,831.79 |
| 3.Changes in the current year | 5 | | | | - | | 16,473.35 | - | 16,473.35 | - | 16,473.35 |
| (1)Other comprehensive income | 7 | | | | - | | 16,473.35 | | 16,473.35 | | 16,473.35 |
| (2) Investments by owners' equity and decreased capital | 13 | - | | | - | - | - | - | | - | - |
| a.Capital invested by owners' equity | 14 | | | | | | | | | | - |
| b.Investment of other equity instrument owners | | | | | | | | | | | |
| c.Payment by sotck included as owners' equtiy | 15 | | | | | | | | | | |
| d.Others | 16 | | | | | | | | | | |
| (3)Extraction and use of special reserves | | | | | | | | | | | |
| a.Extraction of special reserves | | | | | | | | | | | |
| b.Use of special reserves | | | | | | | | | | | |
| (4)Profit distribution | 17 | | | | - | - | - | - | | - | - |
| a.Appropriation of surplus reserve | 18 | | | | - | | - | | | | |
| b.Distribution for owners' equity | 19 | | | | | | | | | | |
| Including:Profit(stock dividend of state stock and stock interest) handed of state-owned enterprise | 20 | | | | | | | | | | |
| Stock dividend of common stock | 21 | | | | | | | | | | |
| Stock dividend of common stock converted into stock(capital) | 22 | | | | | | | | | | |
| c.Others | 23 | | | | | | | | | | |
| (5)Changes in inner owners' equity | 24 | | | | - | - | - | - | | - | - |
| a.Conversion of capital surplus into capital(stock) | 25 | | | | | | | | | | |
| b.Conversion ofl surplus reserve into capital(stock) | 26 | | | | | | | | | | |
| c.Recovery of losses by surplus reserves | 27 | | | | | | | | | | |
| d.Carryover the changes in net debt or net assets from remeasured benet plans | | | | | | | | | | | |
| d.Others | 28 | | | | | | | | | | |
| 4.Ending balance in the current year | 29 | 1,486,672.40 | - | - | - | - | -491,367.26 | - | 995,305.14 | - | 995,305.14 |

## Sterlite (Shanghai) Trading Company Limited
## Statement of Changes in Owners' (Stockholders') Equity - Continued

Period:2018.4-2019.3

Unit: Yuan

| Item | Line No. | Amount of Last year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Owners' equity belong to the parent company | | | | | | | | Minority interest | Total amount of Owners' equity |
| | | Paid-in capital(or stock) | Captial surplus | Decrease: stock | Surplus reserves | Provision for normal risk | Undistributed profit | Others | Sub - total | | |
| Line No. | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | 8 | 9 |
| 1.Ending balance of prior year | 1 | 1,486,672.40 | - | - | - | - | -233,518.80 | - | 1,253,153.60 | - | 1,253,153.60 |
| Increase:changes in accounting policy | 2 | | | | | | | | | | |
| corrections of accounting errors of prior periods | 3 | | | | | | — | | | | - |
| others | | | | | | | — | | - | | - |
| 2.Beginning balance in the current year | 4 | 1,486,672.40 | - | - | - | | -233,518.80 | - | 1,253,153.60 | - | 1,253,153.60 |
| 3.Changes in the current year | 5 | | | | - | | -274,321.81 | - | -274,321.81 | - | -274,321.81 |
| (1)Other comprehensive income | 7 | | | | - | | -274,321.81 | | -274,321.81 | | -274,321.81 |
| (2) Investments by owners' equity and decreased capital | 13 | - | | | - | - | - | - | | - | - |
| a.Capital invested by owners' equity | 14 | | | | | | | | | | - |
| b.Investment of other equity instrument owners | | | | | | | | | | | |
| c.Payment by sotck included as owners' equtiy | 15 | | | | | | | | | | |
| d.Others | 16 | | | | | | | | | | |
| (3)Extraction and use of special reserves | | | | | | | | | | | |
| a.Extraction of special reserves | | | | | | | | | | | |
| b.Use of special reserves | | | | | | | | | | | |
| (4)Profit distribution | 17 | | | | - | - | - | - | | - | - |
| a.Appropriation of surplus reserve | 18 | | | | - | | - | | | | |
| b.Distribution for owners' equity | 19 | | | | | | | | | | |
| Including:Profit(stock dividend of state stock and stock interest) handed of state-owned enterprise | 20 | | | | | | | | | | |
| Stock dividend of common stock | 21 | | | | | | | | | | |
| Stock dividend of common stock converted into stock(capital) | 22 | | | | | | | | | | |
| c.Others | 23 | | | | | | | | | | |
| (5)Changes in inner owners' equity | 24 | | | | - | - | - | - | | - | - |
| a.Conversion of capital surplus into capital(stock) | 25 | | | | | | | | | | |
| b.Conversion ofl surplus reserve into capital(stock) | 26 | | | | | | | | | | |
| c.Recovery of losses by surplus reserves | 27 | | | | | | | | | | |
| d.Carryover the changes in net debt or net assets from remeasured benet plans | | | | | | | | | | | |
| d.Others | 28 | | | | | | | | | | |
| 4.Ending balance in the current year | 29 | 1,486,672.40 | - | - | - | - | -507,840.61 | - | 978,831.79 | - | 978,831.79 |

## I. Company profile

Sterlite (Shanghai) Trading Company Limited(the "company" ),as a wholly foreign-owned enterprise ,was established on May 28,2015 invested by STERLITE TECHNOLOGIES LIMITED .Obtaining the business license of the legal entity which No 91310000329521792L.The registered capital is RMB5,000,000.00 and the operation period is 30 years.

The business scope is wholesaling electronic products and components, optical fiber, metal materials and products (except precious metals, steel, aluminum oxide).The company provides the commission agency (excluding auction),importing and exporting agency. And the company also provides the related after-sales service, technical advisory services and other supporting business (Not related to the state-run trade management, involving quota and license administration of goods, shall be dealt with in accordance with the relevant provisions of the state to apply),(The business which is related to admitted business do business in accordance with the admitted license).

## II. Basis for financial statements

The company's accounting statements are issued based the historical cost and on an accrual basis for accounting principles.

## III. Address for enterprise Accounting System

The Company implement the Enterprise Accounting Principles and "Accounting System for Enterprises", the preparation of financial statements in line with the Accounting Standard for Enterprises and "Enterprise Accounting System," and reflecting the financial position, operating results and cash flow information.

## IV. Important accounting policies

### 1 Accounting system

The company implements Enterprise Accounting Standards and Accounting System.

### 2 Reporting period

The Company has adopted year from April 1 to in the prior year to March 31 in the current year as its accounting year.

### 3 Basis of accounting and cost model

The company adopts accrual basis of accounting and historical cost model.

### 4 Bookkeeping base currency & foreign currency translation

The recording currency of the company is RMB. Transactions denominated in foreign currencies

(currencies other than the recording currency) are translated into RMB at the exchange rates of the transaction date quoted by the People' s Bank of China. Foreign currency-denominated monetary assets and liabilities are translated into RMB at the exchange rates prevailing at the date of the balance sheet. Foreign exchange differences deriving from these currency translations were booked into "long-term deferred expenses – organization costs" in the preliminary period and the others as "financial expenses – exchange gains and losses" in current period.

**5 Standard of cash equivalents**

Cash equivalents represent those investments with short duration period, high fluidity and low risk in fair value change but can be easily convertible to cash with already known amount.
Cash and cash equivalents of this company include: cash in hands, cash in bank, other monetary assets and the short-term investments due within three months.

**6 Short term Investment accounting method**

The company's short-term investments are mainly Equity investment and debt investments with historical cost accounting method which is also applicable to sales of investment.
The lower of cost or market valuation method will be applicable to cost of ending period of the investment.

**7 Bad debts accounting method**

The bad debt losses of the company will adopt "allowance method" for accounting and will be proportioned based on the recoverability of the balance of the receivable account at year end. The company will conduct specific analysis to the receivable accounts for drawing bad debts provisions of the receivable account according to previous experiences, financial position and flow of the debtor as well as other information concerned.

a) Under the circumstance that the debtor dies, the receivable is qualified as not collectable as the debtor does not transfer the debt;
b) Under the circumstance that debtor does not fulfill its obligation over a period of 3 years with evidence that money still could not be received.

**8 Inventory**

The inventory is mainly comprised raw materials, semi products, self-produced semi products, finished goods and low value consumables
The inventories is calculated on actual cost
The weight average methodology is applied to daily inventories movement
The ending inventory will be computed based on the lower pricing between cost and net realized value, when the net realized value is lower the cost, the inventory provisions for the impairment loss will be recognized based on the difference

## 9 Fixed assets & depreciation

Fixed assets are referring to a long-term tangible property that a firm owns and uses in the production of its goods, service provision, lease and operation management and is not expected to be consumed or converted into cash any sooner than at least one year's time.

The fixed assets will be measured at historical cost and the depreciation will be accounted by linear method by categories

| Category of fixed assets | Economic use limit | Annual depreciation rate | Net residual value rate |
|---|---|---|---|
| Electronic equipments etc. | 3 years | 30% | 10% |

## 10 Fixed assets provision for impairment losses

Where the recoverable amount is lower than the carrying amount (book net value) based on individual item, the difference should be recognized as provision for impairment loss on fixed assets in the following circumstances:

a) Fixed assets that are not in use for a long time and won' t be used in the excepted future, as well as without transfer value
b) Fixed assets that can' t be used any more due to technology advance
c) Fixed assets that can be used but lead to production with inferior quality
d) Fixed assets with no more use value and transfer value after damage
e) Other fixed assets that 're literally unable to bring economic interests to the enterprises

For those fixed assets that are already accrued for provision for impairment loss in full amount, the provision of depreciation doesn' t apply any more.

## 11 Long term prepaid and deferred expense

Occurred during the start-up organization: In addition to purchase of fixed assets, all the other expense occurred in organization period will be accounted into "Long term prepaid and deferred expense" firstly which will be accounted it as expense dated from production and operations period. Other long-term prepaid expenses will be amortized in benefit period averagely according to the actual amount of accounting.

## 12 Sales revenue

**Goods sales can be recognized under following conditions:**

a) The main risks and rewards of the ownership of goods has been transferred to the buyer;
b) It will not be retained management associated with ownership of the right usually and no control for the goods sold;
c) Economic benefits for the transactions related will inflow into the company;
d) Revenues and costs related to reliable measurement.

**Services sales can be recognized under the following conditions:**

a) Total revenue and total cost can be measured reliably;

b) Economic benefits for the transactions related will inflow into company;

c) Invoice issued or with the evidence of recognition of income

## 13 Corporate Income Tax

The company adopts tax payable method for the calculation of corporate income tax

## 14 Tax item

| Tax category | Tax rate | Tax base |
|---|---|---|
| Value added tax | 6%,16% | Service revenue ,Goods sold |
| Corporate income tax | 20% | Taxable profit |

## V. Explanation for the change of accounting policy and evaluation & the correction of previous errors

NONE

## VI. Notes the financial statements of the main items

In addition to special description in the following currencies stated are RMB

### 1.Cash and cash equivalents

| Item | 2019.3.31 | 2018.3.31 |
|---|---|---|
| Cash | 0.00 | 0.00 |
| Cash in bank | 409,392.86 | 140,925.52 |
| Other cash equivalency | 500,000.00 | 850,000.00 |
| Grand total | 909,392.86 | 990,925.52 |

### 2. Notes receivable and Accounts receivable

| Aging | 2019.3.31 | | 2018.3.31 | |
|---|---|---|---|---|
| | Accounts receivables | % | Accounts receivables | % |
| In 1 year | 777,157.05 | 100.00% | 276,561.74 | 100.00% |
| Grand total | 777,157.05 | 100.00% | 276,561.74 | 100.00% |

### 3.Advances to supplier

| Aging | 2019.3.31 | | 2018.3.31 | |
|---|---|---|---|---|
| | Advances to supplier | % | Advances to supplier | % |
| In 1 year | 49,207.72 | 100.00% | 93,929.96 | 100.00% |
| Grand total | 49,207.72 | 100.00% | 93,929.96 | 100.00% |

### 4.Other accounts receivables

| Aging | 2019.3.31 | | 2018.3.31 | |
|---|---|---|---|---|
| | Other accounts receivables | % | Other accounts receivables | % |
| In 1 year | 164,150.00 | 100.00% | 189,150.00 | 100.00% |
| Grand total | 164,150.00 | 100.00% | 189,150.00 | 100.00% |

### 5.Fixed assets

| Item | 2018.3.31 | Addition | Disposal | 2019.3.31 |
|---|---|---|---|---|
| **Original cost** | 30,241.45 | 2,564.1 | | 32,805.55 |
| Office equipment | 30,241.45 | 2,564.1 | | 32,805.55 |
| **Accumulated depreciation** | 18,746.65 | 9,147.67 | | 27,894.32 |
| Office equipment | 18,746.65 | 9,147.67 | | 27,894.32 |
| **Net value** | 11,494.80 | -9,147.67 | | 4,911.23 |
| Office equipment | 11,494.80 | -9,147.67 | | 4,911.23 |

### 6. Notes payable and Accounts payable

| Aging | 2019.3.31 | | 2018.3.31 | |
|---|---|---|---|---|
| | Other accounts receivables | % | Other accounts receivables | % |
| In 1 year | 230,091.99 | 100.00% | 0.00 | 0.00% |
| Grand total | 230,091.99 | 100.00% | 0.00 | 0.00% |

### 7.Accrued wages and welfare

| Item | 2019.3.31 | 2018.3.31 |
|---|---|---|
| Accrued wages | 650,000.00 | 500,000.00 |
| Grand total | 650,000.00 | 500,000.00 |

**8. Taxes and charges payable**

| Item | 2019.3.31 | 2018.3.31 |
|---|---|---|
| Value added tax | 26,506.07 | 79,990.19 |
| City construction tax | 1,855.42 | 1,890.03 |
| Additional tax of education | 795.18 | 1,350.01 |
| Additional tax of local education | 265.06 | 0.00 |
| Grand total | 29,421.73 | 83,230.23 |

**9.Paid-in capital**

| Name of Shareholder | 2018.3.31 | Increase of current year | Decrease of current year | 2019.3.31 | Percentage % |
|---|---|---|---|---|---|
| STERLITE TECHNOLOGIES LIMITED | 1,486,672.40 | | | 1,486,672.40 | 100.00% |
| Grand total | 1,486,672.40 | | | 1,486,672.40 | 100.00% |

The company received $226,875.90 capital contribution from STERLITE TECHNOLOGIES LIMITED, according to the current rate of 100:655.28, is equivalent to RMB 1,486,672.40.

**10. Retained Earnings**

| Item | 2019.3.31 | 2018.3.31 |
|---|---|---|
| Opening balance of Retained Earnings | -507,840.61 | -233,518.80 |
| Add:Net profit for the current year | 16,473.35 | -274,321.81 |
| Closing balance of Undistributed profit | -491,367.26 | -507,840.61 |

**11.Total operation revenue**

| Item | Amount of current year | Amount of last year |
|---|---|---|
| Revenue from main operations | 7,114,567.68 | 23,578,687.37 |
| Revenue from other operations | | |

**12.Total operation cost**

| Item | Amount of current year | Amount of last year |
|---|---|---|
| Operation cost | 723,255.73 | 17,293,903.71 |
| Operation tax and surcharge | 38,817.88 | 42,722.63 |

| | | |
|---|---|---|
| Operating expenses | 0.00 | 7,259.77 |
| General and administration expense | 6,335,173.08 | 6,516,653.49 |
| Financial expenses | -8,218.06 | -7,582.35 |

**13.** Non-operating income & expenses

| Item | Amount of current year | Amount of last year |
|---|---|---|
| Non-operating income | 0.00 | 0.08 |
| Non-operating expenses | 0.00 | 52.01 |

## VII. Subsequent events

NONE

STERLITE (SHANGHAI) TRADING COMPANY LIMITED
April 9, 2019

Company No: 1152215 - W

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## REPORTS AND FINANCIAL STATEMENTS

## 31 MARCH 2019

**GRANT THORNTON MALAYSIA**
**CHARTERED ACCOUNTANTS**
Member of Grant Thornton International Ltd

Company No: 1152215 - W

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

**CONTENTS** **PAGES**

# ELITECORE TECHNOLOGIES SDN. BHD.
(Incorporated in Malaysia)

## CORPORATE INFORMATION

| | |
|---|---|
| **DIRECTORS** | Khadijah Binti Sood<br>Navin Ashok Kumar Sharma<br>Zaiton Binti Sutor @ Sitor<br>(Appointed on 7 May 2018)<br>Anshoo Gaur (Appointed on 2 May 2019)<br>G Vijaya Kumar A/L Gopal<br>(Resigned on 7 May 2018)<br>Vaibhav Mehta (Resigned on 3 May 2019) |
| **SECRETARIES** | Zaiton Binti Sutor @ Sitor<br>Fauziah Binti Mohamed<br>(Appointed on 6 September 2018)<br>Lee Kian Hu (Resigned on 6 September 2018) |
| **AUDITORS** | Grant Thornton Malaysia<br>(Member of Grant Thornton International Ltd.)<br>Chartered Accountants<br>Level 11, Sheraton Imperial Court<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur |
| **REGISTERED OFFICE** | Level 2, No 11, Jalan PJU 1A/41B<br>NZX Commercial Centre<br>Ara Jaya, 47301 Petaling Jaya<br>Selangor Darul Ehsan |
| **PRINCIPAL PLACE OF BUSINESS** | Block 6, Magnet Corporate Park<br>Nr. Sola Flyover, Thaltej<br>380059 Ahmedabad, India |
| **BANKER** | OCBC Bank Berhad |

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2019.

### PRINCIPAL ACTIVITY

The Company is principally engaged in provide global IT products and services by undertaking projects on turnkey basis, providing hardware, software, technology business solutions, infrastructure development, service for system development, installations, maintenance, support, consulting, outsourcing, contracting activities in information technology telecommunication and network security sectors.

There have been no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULT

| | RM |
|---|---|
| Loss for the financial year | 188,690 |

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

### DIVIDENDS

There were no dividends proposed, paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

### DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Khadijah Binti Sood
Navin Ashok Kumar Sharma
Zaiton Binti Sutor @ Sitor (Appointed on 7 May 2018)
Anshoo Gaur (Appointed on 2 May 2019)
G Vijaya Kumar A/L Gopal (Resigned on 7 May 2018)
Vaibhav Mehta (Resigned on 3 May 2019)

## DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Directors is a member, or with a company in which the Directors has a substantial financial interest.

There was no indemnity coverage and insurance paid for Directors and officers of the Company during the financial year.

## ISSUE OF SHARE AND DEBENTURES

There were no changes in the issued and paid-up capital and no debentures were issued during the financial year.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, there is no Director who is in office at the end of the financial year held any interest in the shares or debentures of the Company and its related corporations.

## OTHER STATUTORY INFORMATION

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

## OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances (cont'd):-

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due;

(b) the results of operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

## ULTIMATE HOLDING COMPANY

The Directors regard Sterlite Technologies Limited, a company incorporated in India and listed on the National Stock Exchange of India, as the ultimate holding company.

## AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company for the financial year ended 31 March 2019 amounted to RM35,000.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

| | | |
|---|---|---|
| .............................................................. | ) | |
| NAVIN ASHOK KUMAR SHARMA | ) | |
| | ) | DIRECTORS |
| .............................................................. | ) | |
| ANSHOO GAUR | ) | |

India

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 45 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

| | |
|---|---|
| ............................................................... | ............................................................... |
| NAVIN ASHOK KUMAR SHARMA | ANSHOO GAUR |

India

## STATUTORY DECLARATION

I, Navin Ashok Kumar Sharma, being the Director primarily responsible for the financial management of Elitecore Technologies Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 45 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed at India )
)
) ...............................................................

NAVIN ASHOK KUMAR SHARMA

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBER OF

# ELITECORE TECHNOLOGIES SDN. BHD.
(Incorporated in Malaysia)
**Company No: 1152215 - W**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Elitecore Technologies Sdn. Bhd. ("the Company"), which comprise the statement of financial position as at 31 March 2019 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements Section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Company No: 1152215 - W

**Report on the Audit of the Financial Statements (cont'd)**

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

**Company No: 1152215 - W**

**Report on the Audit of the Financial Statements (cont'd)**

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Company No: 1152215 - W**

**Other Matters**

1. This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

2. The financial statements of the Company as at 31 March 2018 were audited by another firm of Chartered Accountants whose auditors' report dated 28 September 2018 expressed an unqualified opinion on those financial statements.

| | |
|---|---|
| GRANT THORNTON MALAYSIA<br>(NO. AF: 0737)<br>CHARTERED ACCOUNTANTS | KISHAN NARENDRA JASANI<br>(NO: 03223/12/2019(J))<br>CHARTERED ACCOUNTANT |

Kuala Lumpur

Company No: 1152215 - W

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Deferred tax assets | 5 | 17,831 | 17,831 |
| Total non-current asset | | 17,831 | 17,831 |
| **Current assets** | | | |
| Trade receivables | 6 | 1,807,903 | 3,852,889 |
| Other receivables | 7 | 101,617 | 99,352 |
| Tax recoverable | | 90,772 | - |
| Cash and bank balances | | 1,655,906 | 1,376,836 |
| Total current assets | | 3,656,198 | 5,329,077 |
| **TOTAL ASSETS** | | 3,674,029 | 5,346,908 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| **Equity attributable to owner of the Company** | | | |
| Share capital | 8 | 100 | 100 |
| Retained earnings | | 1,139,224 | 1,327,914 |
| Total equity | | 1,139,324 | 1,328,014 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | 9 | 1,215,000 | 1,215,000 |
| Other payables | 10 | 266,041 | 1,344,257 |
| Amount due to holding company | 11 | 1,053,664 | 1,380,606 |
| Tax payable | | - | 79,031 |
| Total current liabilities/Total liabilities | | 2,534,705 | 4,018,894 |
| **TOTAL EQUITY AND LIABILITIES** | | 3,674,029 | 5,346,908 |

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

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Revenue | 12 | 4,553,171 | 7,326,706 |
| Cost of sales | | (4,207,367) | (6,019,962) |
| Gross profit | | 345,804 | 1,306,744 |
| Other income | | - | 12,319 |
| Administration expenses | | (507,773) | (507,851) |
| (Loss)/Profit before tax | 13 | (161,969) | 811,212 |
| Tax expense | 14 | (26,721) | (428,991) |
| Net (loss)/profit for the financial year | | (188,690) | 382,221 |
| Other comprehensive (loss)/income for the financial year | | - | - |
| Total comprehensive (loss)/income for the financial year | | (188,690) | 382,221 |

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

Company No: 1152215 -W

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Share capital RM | Retained earnings RM | Total RM |
|---|---|---|---|
| Balance at 1 April 2017 | 100 | 945,693 | 945,793 |
| Total comprehensive income for the financial year | - | 382,221 | 382,221 |
| Balance at 31 March 2018 | 100 | 1,327,914 | 1,328,014 |
| Total comprehensive loss for the financial year | - | (188,690) | (188,690) |
| Balance at 31 March 2019 | 100 | 1,139,224 | 1,139,324 |

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

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| (Loss)/Profit before tax | | (161,969) | 811,212 |
| | | | |
| **Adjustment for:-** | | | |
| Unrealised loss/(gain) on foreign exchange | | 1,054 | (12,319) |
| | | | |
| Operating (loss)/profit before working capital changes | | (160,915) | 798,893 |
| | | | |
| Changes in working capital:- | | | |
| Receivables | | 2,042,721 | (1,608,105) |
| Payables | | (1,078,216) | 343,187 |
| Amount due to ultimate holding company | | (327,996) | 1,178,149 |
| | | | |
| Cash generated from operations | | 475,594 | 712,124 |
| | | | |
| Tax paid | | (196,524) | (494,277) |
| | | | |
| Net cash from operating activities | | 279,070 | 217,847 |
| | | | |
| **CASH AND CASH EQUIVALENTS** | | | |
| Net changes | | 279,070 | 217,847 |
| Brought forward | | 1,376,836 | 1,158,989 |
| | | | |
| Carried forward | | 1,655,906 | 1,376,836 |

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

# ELITECORE TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

## 1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 2, No 11, Jalan PJU 1A/41B, NZX Commercial Centre, Ara Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Block 6, Magnet Corporate Park, Nr. Sola Flyover, Thaltej, 380059 Ahmedabad, India.

The Directors regard Sterlite Technologies Limited, a company incorporated in India and listed on the National Stock Exchange of India, as the ultimate holding company.

The Company is principally engaged in provide global IT products and services by undertaking projects on turnkey basis, providing hardware, software, technology business solutions, infrastructure development, service for system development, installations, maintenance, support, consulting, outsourcing, contracting activities in information technology telecommunication and network security sectors.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on **O/S**.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 2016 in Malaysia.

### 2.2 Basis of measurement

The financial statements of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

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

### 2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 MFRSs

#### 2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Company except as those explanations as disclosed in Note 4 to the Financial Statements.

Several other amendments are effective for the first time in financial year ended 31 March 2019. However, they do not have any impact to the financial statements of the Company.

#### 2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective and have not been early adopted by the Company.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Company except as mentioned below.

**MFRS 16 Leases**

MFRS 16, *Leases* becomes mandatory with annual periods beginning on or after 1 January 2019. The new Standard replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving The Legal Form of a Lease.*

Essentially, the new Standard requires all lease arrangements ("right of use assets") to be recognised on the statement of financial position. The structure of the statement of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right of use assets and the interest expense on the corresponding lease liability. The related cash flows will be divided into a repayment of the lease liability and interest portion, thus changing the structure of the cash flows.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 MFRSs (cont'd)

### 2.4.2 Standards issued but not yet effective (cont'd)

**MFRS 16 Leases (cont'd)**

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. Based on the initial assessment on the adoption of MFRS 16, the Company expects that MFRS 16 will gross up its statement of financial position and change in statement of profit or loss and other comprehensive income and statement of cash flows presentation. Rent expense will be replaced by depreciation and interest expense in profit or loss (similar to finance leases under MFRS 117). This results in a front-loaded lease expenses, which for some might decrease earnings and equity immediately after entering into a lease compared to an operating lease under MFRS 117.

As at 31 March 2019, the Company does not have any non-cancellable operating lease commitments in its financial statements.

### 2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.5.1 Estimation uncertainty

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

**Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed tax credits to the extent that it is probable that taxable profit will be available against which all deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits generated from operations.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Significant accounting estimates and judgements (cont'd)**

2.5.1 Estimation uncertainty (cont'd)

**Deferred tax assets (cont'd)**

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budget or forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of deductible temporary differences, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

**Provision for expected credit losses ("ECL") of receivables under MFRS 9 financial instruments**

Credit losses are the differences between all contractual cash flows of the Company is due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Company's judgement. The expected credit losses are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating and other forms of credit insurance.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Company's receivables at the end of the reporting date are disclosed in Notes 6 and 7 to the Financial Statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

**Impairment of loans and receivables under MFRS 139 Financial instruments: Recognition and measurement**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the Company's receivables at the end of the reporting date are disclosed in Notes 6 and 7 to the Financial Statements.

**Income taxes**

Significant estimation is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

2.5.2 Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

**Leases**

In applying the classification of leases in MFRS 117, management considers some of its lease as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred in accordance with MFRS 117 Leases.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

2.5.2 Significant management judgements (cont'd)

**Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that future taxable profits will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying value of deferred tax assets of the Company at the reporting date was RM17,831 (2018: RM17,831) as disclosed in Note 5 to the Financial Statements. If the taxable profits differ by 1% due to the change in estimated future results from operating activities, the Company's deferred tax assets will vary by RM1,783 (2018: RM1,783).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Company applies the significant accounting policies as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

### 3.1 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

#### 3.1.1 Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### 3.2 Financial instruments - MFRS 9 and MFRS 139

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments – MFRS 9 and MFRS 139 (cont'd)

### 3.2.1 Financial assets under MFRS 9 Financial instruments

#### 3.2.1.1 Initial recognition and categorisation

At initial recognition, financial assets are classified and subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profir or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Company has not designated any financial assets at FVTOCI and FVTPL. The Company carries only financial assets measured at amortised cost on its statement of financial position.

Financial assets at amortised cost

Financial assets measures at amortised cost if both of the conditions are met:-

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

#### 3.2.1.2 Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables, most of the other receivables and cash and cash equivalents.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments – MFRS 9 and MFRS 139 (cont'd)

### 3.2.2 Financial assets under MFRS 139 Financial instruments

#### 3.2.2.1 Initial recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are measured initially at fair value plus transaction costs, except for financial assets carried at FVTPL, which are measured initially at fair value. Financial assets are measured subsequently as described below.

#### 3.2.2.2 Categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

a) financial assets at FVTPL;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised, when and only when, the contractual rights to the cash flows from the financial asset expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Company carries only loans and receivables on its statement of financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 **Financial instruments – MFRS 9 and MFRS 139 (cont'd)**

3.2.2 **Financial assets under MFRS 139 Financial instruments (cont'd)**

3.2.2.2 **Categorisation and subsequent measurement (cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognitions, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Company's trade and most of the other receivables and cash and cash equivalents fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

3.2.3 **Impairment of financial assets under MFRS 9 Financial instruments**

The Company assesses on a forward looking basis the expected credit losses ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension grant) over which the Company is exposed to credit risk.

ECLs are measured on either of the following bases:-

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms, irrespective of the timing of the default to which ECL model applies.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments – MFRS 9 and MFRS 139 (cont'd)

#### 3.2.3 Impairment of financial assets under MFRS 9 Financial instruments (cont'd)

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

#### 3.2.4 Impairment of financial assets under MFRS 139 Financial instruments

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 3.2 Financial instruments – MFRS 9 and MFRS 139 (cont'd)

### 3.2.4 Impairment of financial assets under MFRS 139 Financial instruments (cont'd)

Loans and receivables (cont'd)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

### 3.2.5 Financial liabilities under MFRS 9 and MFRS 139 financial instruments

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Company's financial liabilities was not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

At the reporting date, the Company has not designated any financial liabilities at FVTPL. The Company carries only other financial liabilities measured at amortised cost on its statement of financial position.

Other liabilities measured at amortised cost

The Company's other financial liabilities include amount due to holding company, trade and most of the other payables.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments – MFRS 9 and MFRS 139 (cont'd)

#### 3.2.6 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset have expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred assets, the Company continues to recognises the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Company derecognises a financial liability when their contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### 3.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.3 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.4 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Retained earnings include all current losses and prior financial year profit.

All transactions with owner of the Company are recorded separately within equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.6 Employee benefits

#### 3.6.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

#### 3.6.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, the Company makes such contributions to the Employee Provident Fund ("EPF").

### 3.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Revenue recognition (cont'd)

Revenue from rendering of services is recognised net of taxes and discounts upon performance of services rendered.

### 3.7.1 MFRS 15 Revenue from contracts with customers

The Company applied five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 April 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, but has no material financial impact from the MFRS 118 Revenue applied previously.

The Company recognises revenue from contracts with customers for goods or services based on the five-step model as set out in this standards:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
iii. Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocates transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
v. Recognise revenue when (or as) the Company satisfies a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Company satisfies a performance obligation and recognise revenue over time if the Company's performance:-

i. Does not create an asset with an alternative use to the Company and has an enforceable right to payment for performance completed to-date; or
ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii. Provides benefits that the customer simultaneously receives and consumes as the Company perform.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Revenue recognition (cont'd)

### 3.7.1 MFRS 15 Revenue from contracts with customers (cont'd)

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

#### 3.7.1.1 Sales of goods and rendering of services

The Company provide global IT products and services. Revenue from providing services is recognised at over time, which is typically on services rendered. The revenue is recognised net of any related rebates, discounts and tax. The Company shall disaggregate revenue recognised from contracts with customer into categories that depict how the nature, amounting, timing and uncertainty of revenue and cash flows are effected by economic factors.

### 3.8 Income tax

### 3.8.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

### 3.8.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Income tax (cont'd)

#### 3.8.2 Deferred tax (cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted as at the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.9 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### 3.10 Indirect tax

Supply of goods and services in Malaysia and other jurisdiction is subject to Goods and Services Tax ("GST").

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statement of financial position. Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, such taxes incurred are recognised as part of the cost of acquisition of the asset.

During the financial year, GST reset at standard rated of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
- (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

## 4. CHANGES IN ACCOUNTING POLICIES

### 4.1 MFRS 9 Financial instruments

### 4.1.1 Classification and measurement of financial instruments

The Company has adopted MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this standard are not relevant to the Company.

The Company has applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

The effects of adoption of MFRS 9 financial instruments are as follows:-

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification above depends the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Company as at 1 April 2018 are reclassified to the following categories and remeasured accordingly:-

| | | Measurement category | | Carrying amount as at 1 April 2018 | |
|---|---|---|---|---|---|
| | Note | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) RM | New (MFRS 9) RM |
| **Financial assets:** | | | | | |
| Trade receivables | (1) | LAR* | Amortised cost | 3,852,889 | 3,852,889 |
| Other receivables | (1) | LAR* | Amortised cost | 72,876 | 72,876 |
| Cash and bank balances | (1) | LAR* | Amortised cost | 1,376,836 | 1,376,836 |

* LAR - Loans and receivables

Note:-

(1) Trade receivables, other receivables and cash and bank balances that were previously classified as loans and receivables are now reclassified to amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

## 4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

### 4.1 MFRS 9 Financial instruments (cont'd)

### 4.1.1 Classification and measurement of financial instruments (cont'd)

The effects of adoption of MFRS 9 financial instruments are as follows (cont'd):-

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

The Company's assessment did not identify any requirements to reclassify financial liabilities at 1 April 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

### 4.1.2 Impairment of financial assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger to have occurred before credit losses are recognised.

There is no impairment of financial assets on adopting MFRS 9 as at 1 April 2018 and 31 March 2019.

### 4.2 MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company issues bill to customers based on the service performed required by the customers. The Company also enters into a variety of arrangements with customers, including pricing arrangements and master supply arrangements which outline the terms under which the Company does businesses with specific customers.

## 4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

### 4.2 MFRS 15 Revenue from contracts with customers (cont'd)

Revenue is recognised for these arrangements over time or at a point in time depending on the Company's evaluation of when the customer obtains control of the promised products or services. The Company has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised over time, which is typically on delivery or render of services. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Company to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Company remain generally unaltered. No adjustment to the opening balance of retained earnings has been made as there are no changes in timing of the revenue recognition.

## 5. DEFERRED TAX ASSETS

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Brought forward | 17,831 | 16,297 |
| Recognised in profit or loss (Note 14) | - | 1,534 |
| Carried forward | 17,831 | 17,831 |

Deferred tax assets are made up of temporary differences arising from:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Unutilised tax losses | 17,831 | 17,831 |

## 6. TRADE RECEIVABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Trade receivables | 1,515,517 | 1,656,802 |
| Contract assets | 300,000 | 2,203,701 |
| Less: Allowances for impairment losses | (7,614) | (7,614) |
| | 1,807,903 | 3,852,889 |

## 6. TRADE RECEIVABLES (CONT'D)

6.1 Trade receivables are unsecured, non-interest bearing and the normal trade credit terms ranged from 30 to 60 (2018: 30 to 60) days are granted for certain customers, of which short-term credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amount which represent their fair values on initial recognition. Information on financial risk of trade receivables is disclosed in Note 16 to the Financial Statements.

6.2 An impairment analysis performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

The expected credit loss (ECL) as at 31 March 2018 and 31 March 2019 were determined as follows:-

| | | Days past due | | | | |
|---|---|---|---|---|---|---|
| | Current | 1 to 30 days | 31 to 60 days | 61 to 90 days | More than 90 days | Total |
| | RM | RM | RM | RM | RM | RM |
| 2019 | | | | | | |
| Expected credit loss rate | Nil | Nil | Nil | Nil | Nil | |
| Gross carrying amount | 1,507,874 | - | - | - | 7,643 | 1,515,517 |
| Gross carrying amount (excluding individual impaired) | 1,507,874 | - | - | - | 29 | 1,507,903 |
| Expected credit loss (collective) | - | - | - | - | - | - |
| Expected credit loss (individual) | - | - | - | - | 7,614 | 7,614 |
| 2018 | | | | | | |
| Expected credit loss rate | Nil | Nil | Nil | Nil | Nil | |
| Gross carrying amount | 1,649,188 | - | - | - | 7,614 | 1,656,802 |
| Gross carrying amount (excluding individual impaired) | 1,649,188 | - | - | - | - | 1,649,188 |
| Expected credit loss (collective) | - | - | - | - | - | - |
| Expected credit loss (individual) | - | - | - | - | 7,614 | 7,614 |

The provision rates are Nil because there are no historical credit losses for the past and there has not been a significant change in credit quality, the amounts past due are still considered recoverable.

## 7. OTHER RECEIVABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Prepayments | 30,159 | 6,704 |
| Deposits | 44,697 | 57,147 |
| Non-trade receivables | 26,581 | 15,729 |
| GST receivable | 180 | 19,772 |
| | 101,617 | 99,352 |

## 8. SHARE CAPITAL

| | Number of ordinary shares<br>Unit | Amount<br>RM |
|---|---|---|
| **Issued and fully paid-up:-** | | |
| At 1 April 2017/31 March 2018/31 March 2019 | 100 | 100 |

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## 9. TRADE PAYABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Contract liabilities | 1,215,000 | 1,215,000 |

## 10. OTHER PAYABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Non-trade payables | 266,041 | 1,344,257 |

## 11. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is trade in-nature, unsecured, non-interest bearing and repayable on demand.

## 12. REVENUE

Revenue comprises the value of services rendered.

The Company's revenue disaggregated by pattern of revenue recognition is as follows:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Services rendered at over time | 4,553,171 | 7,326,706 |

## 13. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been determined after charging/(crediting) amongst others, the following items:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Rental expenses | 46,354 | 243,749 |
| Unrealised loss/(gain) on foreign exchange | 1,054 | (12,319) |
| Realised loss on foreign exchange | 81,427 | 17,324 |
| Allowance for impairment losses on | | |
| - trade receivables | - | 7,614 |

## 14. TAX EXPENSE

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Income tax | | |
| - current financial year | 5,000 | 180,121 |
| - under provision in prior financial year | 21,721 | 250,404 |
| Deferred tax assets (Note 5) | | |
| - originated and reversal of temporary differences | - | 38,066 |
| - over provision in prior financial year | - | (39,600) |
| | 26,721 | 428,991 |

## 14. TAX EXPENSE (CONT'D)

A reconciliation of tax expense applicable to (loss)/profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Company is as follows:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| (Loss)/Profit before tax | (161,969) | 811,212 |
| Tax at Malaysian statutory tax rate of 24% | (38,873) | 194,691 |
| Tax effects in respect of:- | | |
| Expenses not deductible for tax purposes | 43,873 | 23,496 |
| Under provision of tax expenses in prior financial year | 21,721 | 250,404 |
| Over provision of deferred tax in prior financial year | - | (39,600) |
| | 26,721 | 428,991 |

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

## 15. RELATED PARTY

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Operating expenses recharge by holding company | 833,912 | 2,510,865 |

(b) Information regarding outstanding balances arising from related party transactions are disclosed in Note 11 to the Financial Statements.

(c) Key management personnel is defined as the person having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The Company has no other members of key management personnel other than the Board of Directors.

## 16. FINANCIAL INSTRUMENTS

**Categories of financial instruments under MFRS 9 Financial Instruments**

The table below provides an analysis of financial instruments categorised as follows:-

i. Financial assets measured at amortised cost ("FA"); and
ii. Other financial liabilities measured at amortised cost ("OFL").

| | Carrying amount RM | FA RM | OFL RM |
|---|---|---|---|
| 2019 | | | |
| **Financial assets** | | | |
| Trade receivables | 1,807,903 | 1,807,903 | - |
| Other receivables | 71,278 | 71,278 | - |
| Cash and bank balances | 1,655,906 | 1,655,906 | - |
| | 3,535,087 | 3,535,087 | - |
| **Financial liabilities** | | | |
| Trade payables | 1,215,000 | - | 1,215,000 |
| Other payables | 266,041 | - | 266,041 |
| Amount due to holding company | 1,053,664 | - | 1,053,664 |
| | 2,534,705 | - | 2,534,705 |

**Categories of financial instruments under MFRS 139 Financial Instruments: Recognition and measurement**

The table below provides an analysis of financial instruments categorised as follows:-

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("AC").

| | Carrying amount RM | L&R RM | AC RM |
|---|---|---|---|
| 2018 | | | |
| **Financial assets** | | | |
| Trade receivables | 3,852,889 | 3,852,889 | - |
| Other receivables | 72,876 | 72,876 | - |
| Cash and bank balances | 1,376,836 | 1,376,836 | - |
| | 5,302,601 | 5,302,601 | - |
| **Financial liabilities** | | | |
| Trade payables | 1,215,000 | - | 1,215,000 |
| Other payables | 1,344,257 | - | 1,344,257 |
| Amount due to holding company | 1,380,606 | - | 1,380,606 |
| | 3,939,863 | - | 3,939,863 |

## 16. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies

### Financial risks

The Company is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Company's business whilst managing its risks. The Company operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Company. The Company adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts. For other financial assets, the Company adopts the policy of dealing with reputable institutions.

Exposure to credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount of financial assets recognised at the reporting date, as summarised below:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Classes of financial assets:-** | | |
| Trade receivables | 1,807,903 | 3,852,889 |
| Other receivables | 71,278 | 72,876 |
| Cash and bank balances | 1,655,906 | 1,376,836 |
| Carrying amount | 3,535,087 | 5,302,601 |

The credit risk for bank balances are considered negligible, since the counterparties are reputable licensed financial institutions with high quality external credit ratings.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

16. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Company's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

**Receivables**

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

In respect of trade receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except for 100% (2018: 89%) of total Company's trade receivables was due from 1 (2018: 1) major customer.

In respect of other receivables, the Company is not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 6 and 7 to the Financial Statements.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company does not offer credit terms without the approval of the head of credit control.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

## 16. FINANCIAL INSTRUMENTS (CONT'D)

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables and amount due to holding company, the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Company aims at maintaining a balance of sufficient cash and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

| | Current | ← Non-current | → | |
|---|---|---|---|---|
| | Less than 1 year RM | 2-5 years RM | More than 5 years RM | Total RM |
| 2019 | | | | |
| **Non-derivative financial liabilities** | | | | |
| Trade payables | 1,215,000 | - | - | 1,215,000 |
| Other payables | 266,041 | - | - | 266,041 |
| Amount due to holding company | 1,053,664 | - | - | 1,053,664 |
| Total undiscounted financial liabilities | 2,534,705 | - | - | 2,534,705 |
| 2018 | | | | |
| **Non-derivative financial liabilities** | | | | |
| Trade payables | 1,215,000 | - | - | 1,215,000 |
| Other payables | 1,344,257 | - | - | 1,344,257 |
| Amount due to holding company | 1,380,606 | - | - | 1,380,606 |
| Total undiscounted financial liabilities | 3,939,863 | - | - | 3,939,863 |

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities as at the reporting date.

## 16. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies (cont'd)

### Financial risks (cont'd)

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on amount due to holding company that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily USD.

Carrying amounts of the Company's exposure to foreign currency risk are as follows:-

| | USD<br>RM |
|---|---|
| 2019 | |
| Amount due to holding company | 1,053,664 |
| Net exposure | 1,053,664 |
| 2018 | |
| Amount due to holding company | 1,380,606 |
| Net exposure | 1,380,606 |

The following table illustrates the sensitivity of the Company's profit to a reasonable possible change in RM/USD exchange rate which 'all other things being equal'.

Foreign currency sensitivity analysis

It assumes a +/- 1% (2018: 1%) change of the RM/USD exchange rate for the financial years ended is deemed possible. The percentage has been determined based on average market volatility in exchange rates in previous 12 months. The sensitivity analysis is based on the Company's foreign currency profile.

If the RM had strengthened against the USD, then the impact would be as follows:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Effect on profit for the financial year<br>- USD | 10,537 | 13,806 |

16. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Foreign currency risk (cont'd)**

Foreign currency sensitivity analysis (cont'd)

If RM had weakened against the USD, then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rate vary during the financial year depending on the amount outstanding. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

17. **CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Company's approach to capital management during the financial years ended 31 March 2019 and 31 March 2018.

18. **COMPARATIVE INFORMATION**

The comparative information was not audited by Grant Thornton Malaysia. Certain comparative figures in the financial statements have been reclassified on the face of the statement of financial position to confirm with current financial year presentation.

| | As reclassified RM | As previously stated RM |
|---|---|---|
| Statement of Financial Position | | |
| Trade receivables | 3,852,889 | - |
| Other receivables | 99,352 | - |
| Trade and other receivables | - | 3,952,241 |
| Trade payables | 1,215,000 | - |
| Other payables | 1,344,257 | - |
| Trade and other payables | - | 2,559,257 |

# STERLITE TECHNOLOGIES, INC.

# FINANCIAL STATEMENTS
# MARCH 31, 2019 AND 2018

STERLITE TECHNOLOGIES, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sterlite Technologies, Inc.

We have audited the accompanying financial statements of Sterlite Technologies, Inc., which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of operations, changes in accumulated deficit, and cash flows for the year ended March 31, 2019, and for the period from inception (May 2, 2017) to March 31, 2018, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sterlite Technologies, Inc. as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended March 31, 2019, and for the period from inception (May 2, 2017) to March 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Aprio, LLP

Atlanta, Georgia

May 3, 2019

STERLITE TECHNOLOGIES, INC.
BALANCE SHEETS
MARCH 31,

## ASSETS

| | 2019 | 2018 |
|---|---|---|
| Current assets | | |
| Cash | $ 68,150 | $ 43,031 |
| Management fees receivable | 1,969,422 | 0 |
| Employee advances | 16,975 | 54,037 |
| Total current assets | 2,054,547 | 97,068 |
| Total assets | $ 2,054,547 | $ 97,068 |

## LIABILITIES AND ACCUMULATED DEFICIT

| | 2019 | 2018 |
|---|---|---|
| Current liabilities | | |
| Accrued expenses | $ 41,500 | $ 15,997 |
| Due to related party | 2,369,663 | 845,000 |
| Total current liabilities | 2,411,163 | 860,997 |
| Total liabilities | 2,411,163 | 860,997 |
| Accumulated deficit | | |
| Total accumulated deficit | (356,616) | (763,929) |
| Total liabilities and accumulated deficit | $ 2,054,547 | $ 97,068 |

See accompanying notes to financial statements

STERLITE TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION
(MAY 2, 2017) TO MARCH 31, 2018

| | 2019 | 2018 |
|---|---|---|
| Revenue | | |
| Management fees | $ 1,969,422 | $ 0 |
| Total revenue | 1,969,422 | 0 |
| Operating expenses | | |
| Payroll | 1,087,955 | 498,751 |
| Contributions | 0 | 100,000 |
| Health insurance and medical reimbursements | 99,134 | 28,259 |
| Travel and lodging | 122,350 | 98,740 |
| Professional fees | 157,683 | 20,344 |
| Office expenses | 34,371 | 10,432 |
| Telephone expenses | 6,596 | 3,502 |
| Bank service charges | 2,489 | 3,901 |
| Testing charges | 50,461 | 0 |
| Miscellaneous | 1,070 | 0 |
| Total operating expenses | 1,562,109 | 763,929 |
| Income (loss) from operations | 407,313 | (763,929) |
| Provision for income taxes | 0 | 0 |
| Net income (loss) | $ 407,313 | $ (763,929) |

See accompanying notes to financial statements

STERLITE TECHNOLOGIES, INC.
STATEMENTS OF CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION
(MAY 2, 2017) TO MARCH 31, 2018

| | |
|---|---|
| Balance at May 2, 2017 | $ 0 |
| Net loss | (763,929) |
| Balance at March 31, 2018 | (763,929) |
| Net income | 407,313 |
| Balance at March 31, 2019 | $ (356,616) |

See accompanying notes to financial statements

STERLITE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND FOR THE PERIOD FROM INCEPTION (MAY 2, 2017) TO MARCH 31, 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | $ 407,313 | $ (763,929) |
| Adjustments to reconcile net income (loss) to net cash used by operating activities: | | |
| Change in operating assets and liabilities: | | |
| Management fees receivable | (1,969,422) | 0 |
| Employee advances | 37,062 | (54,037) |
| Accrued expenses | 25,503 | 15,997 |
| Total adjustments | (1,906,857) | (38,040) |
| Cash used by operating activities | (1,499,544) | (801,969) |
| Cash flows from financing activities | | |
| Proceeds from due to related party | 1,524,663 | 845,000 |
| Cash provided by financing activities | 1,524,663 | 845,000 |
| Net increase in cash | 25,119 | 43,031 |
| Cash, beginning of the period | 43,031 | 0 |
| Cash, end of the period | $ 68,150 | $ 43,031 |

See accompanying notes to financial statements

**Note A**
**Business**

Nature of Operations:

Sterlite Technologies, Inc. (the "Corporation"), was formed on May 2, 2017. The Corporation sells optic fibers, telecommunication cables and power transmission conductors in North America primarily to the power and telecom industries.

**Note B**
**Summary of Significant Accounting Policies**

Basis of Accounting:

The accompanying financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements have been prepared on the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Corporation maintains its cash in a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash.

**Note B**
**Summary of Significant Accounting Policies (Continued)**

Income Taxes:

The Corporation accounts for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Corporation records valuation allowances against deferred tax assets as deemed necessary.

The Corporation accounts for the uncertainty in income taxes as prescribed by the minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

**Note C**
**Common Stock**

In May 2017, the board of directors of the Corporation authorized and directed that a certificate representing 1,000 shares of common stock of the Corporation be issued to Sterlite Technologies Limited and that such shares shall be validly issued, fully paid and non-assessable shares of common stock of the Corporation. The initial issuance of the Corporation's common stock shall be $0.0001 per share.

**Note D**
**Operating Lease**

The Corporation leases office space under a month-to-month operating lease agreement. The rent expense for the year ended March 31, 2019, and for the period from inception May 2, 2017 to March 31, 2018, totaled approximately $27,000 and $5,000, respectively, and it is included under office expenses in the accompanying statements of operations.

**Note E**
**Related Party Transactions**

Due to Affiliate:

As of March 31, 2019 and 2018, the Corporation secured loan totaling $2,369,663 and $845,000, respectively, from STHI-Sterlite Tech Holdings, Inc. There is no formal agreement associated with the loan.

Management fee:

As of March 31, 2019, the Parent Company owed the Corporation a total of $1,969,422 relating to management fees for services performed on behalf of Parent Company. These services included product and market development. The Parent Company calculates the management fee payable to the Company based on actual expenses plus a certain mark-up. The management fee is expected to be collected within the current period.

**Note F**
**Subsequent Events**

The Corporation evaluated subsequent events through May 2, 2019, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to the issuance of this report, that would have an material impact on the financial statements.

**STERLITE CONDUSPAR INDUSTRIAL LTDA**
**CNPJ/MF: 17.819.305/0001-22**
**BALANCETE DE VERIFICAÇÃO**
**ENCERRADO EM 31 de Dezembro de 2018**

(Valores expressos em milhares de reais - R$)

| ATIVO | | PASSIVO E PATRIMONIO LIQUIDO | |
|---|---|---|---|
| **ATIVO CIRCULANTE** | | **PASSIVO CIRCULANTE** | |
| **DISPONÍVEL** | **392** | **EXIGÍVEL A CURTO PRAZO** | **26.860** |
| Disponibilidades | 392 | Fornecedores | 15.852 |
| | | Impostos e Contribuições | 1.479 |
| | | Emprest / Financiamentos | 1.800 |
| | | Salários e Encargos | 61 |
| **CRÉDITOS** | **21.682** | Provisões | 160 |
| Clientes a Receber | 9.388 | Outras Obrigações | 0 |
| Tributos a Recuperar | 815 | Partes Relacionadas | 4.946 |
| Adiantamentos | 3.333 | Adiantamentos Clientes | 2.562 |
| Estoques | 8.146 | Operações Hedge | 0 |
| Mútuos | 0 | | |
| Operações Hedge | 0 | | |
| Outros Ativos | 0 | | |
| **Total do ATIVO CIRCULANTE** | **22.074** | **Total do PASSIVO CIRCULANTE** | **26.860** |
| **NÃO CIRCULANTE** | | **NÃO CIRCULANTE** | |
| **REALIZÁVEL A LONGO PRAZO** | **0** | | |
| Tributos a Recuperar | 0 | **OBRIGAÇÕES A LONGO PRAZO** | **1.747** |
| Mútuos | 0 | Fornecedores | 0 |
| Partes Relacionadas | 0 | Empréstimos /Financiamentos | 0 |
| Depósitos Judiciais | 0 | | |
| Créditos Fiscais Diferidos | 0 | Parcelamentos Tributários | 1.747 |
| | | Provisões para contingências | 0 |
| **INVESTIMENTOS** | **0** | | |
| Sterlite Conduspar Industrial Ltda. | 0 | | |
| | | **DIFERIDO** | **0** |
| | | Débitos Fiscais Diferidos | 0 |
| **IMOBILIZADO** | **7.694** | | |
| Bens em Operação | 10.446 | | |
| (-) Depreciações | (2.752) | | |
| Imobilizado em Andamento | 0 | | |
| **INTANGÍVEL** | **0** | | |
| Bens Intangíveis | 0 | | |
| (-) Amortizações | 0 | | |
| **Total do ATIVO NÃO CIRCULANTE** | **7.694** | **Total do Passivo NÃO CIRCULANTE** | **1.747** |
| | | **Total do PASSIVO** | **28.607** |
| | | **PATRIMÔNIO LÍQUIDO** | |
| | | **CAPITAL SOCIAL** | **12.814** |
| | | Capital Social Integralizado | 12.814 |
| | | **RESERVAS** | **(11.655)** |
| | | Reserva de Lucros | (10.507) |
| | | Reserva Legal | 0 |
| | | Resultado Exercício | (1.148) |
| | | Ajuste Avaliação Patrimonial | 0 |
| | | Lucros Distribuídos | 0 |
| | | Ajuste a Valor Presente | 0 |
| | | **Total do PATRIMÔNIO LÍQUIDO** | **1.159** |
| **Total do ATIVO** | **29.768** | **Total do PASSIVO + PATRIM. LIQUIDO** | **29.768** |

Reconhecemos a exatidão do presente Balancete de Verificação com base na documentação apresentada, encerrado em **31 de Dezembro de 2018** somando tanto em seu ATIVO como no PASSIVO, a importância supra de **R$ 29.768** ************ (Vinte e Nove Milhões e Setecentos e Sessenta e Oito Mil reais) ******
*****************************************************************************************

André Rauen Abage
Diretor
CPF 961.591.209-30

Eduardo Vitale
Contador
PR-064653/O-7
CPF 133.532.718-56

**STERLITE CONDUSPAR INDUSTRIAL LTDA**

**CNPJ/MF: 17.819.305/0001-22**

**DEMONSTRAÇÃO DO RESULTADO DO EXERCICIO**

**PERÍODO: 01 de Dezembro 2018 A 31 de Dezembro de 2018**

(Valores expressos em milhares de reais - R$)

| | dezembro-18 | Acumulado - 2018 |
|---|---|---|
| **RECEITA OPERACIONAL BRUTA** | **4.452** | **44.856** |
| Receitas de Vendas | 4.452 | 44.856 |
| (-)Cut-Off | - | - |
| **( - ) DEDUÇÕES DA RECEITA** | **(1.566)** | **(13.596)** |
| Impostos Incidentes Sobre Faturamento | (1.036) | (11.287) |
| Devoluções de Vendas | (530) | (2.309) |
| (-) Cut - Off Impostos s/Receita | - | - |
| **OUTRAS RECEITAS OPERACIONAIS** | **-** | **-** |
| Receitas Operacionais Diversas | - | - |
| **RECEITA OPERACIONAL LÍQUIDA** | **2.886** | **31.260** |
| **CUSTOS** | **(2.160)** | **(25.791)** |
| Custo dos Produtos Vendidos | (2.160) | (25.791) |
| (-)Cut-Off | - | - |
| Custo Total Produção | - | - |
| **LUCRO BRUTO OPERACIONAL** | **726** | **5.469** |
| **( - ) DESPESAS OPERACIONAIS** | | |
| **DESPESAS OPERACIONAIS** | **(739)** | **(5.868)** |
| Despesas com Folha de Pagamento | (32) | (178) |
| Impostos e Taxas | (5) | (27) |
| Despesas Administrativas Diversas | (702) | (5.663) |
| **DESPESAS E RECEITAS FINANCEIRAS** | **(158)** | **(1.030)** |
| **DESPESAS FINANCEIRAS** | **(166)** | **(1.707)** |
| Juros Pagos ou Incorridos | (35) | (276) |
| Outras despesas financeiras | (77) | (244) |
| Variações Monetárias | (54) | (1.187) |
| **RECEITAS FINANCEIRAS** | **8** | **677** |
| Juros e Rendimentos Auferidos | 5 | 134 |
| Variações Monetárias | 3 | 543 |
| **RESULTADO LÍQUIDO OPERACIONAL** | **(171)** | **(1.429)** |
| **EBTIDA** | **(66)** | **(1.026)** |
| **RESULTADOS NÃO OPERACIONAIS** | **111** | **281** |
| Despesas Indedutíveis | - | - |
| Outras Receitas e Despesas | - | - |
| Outros Resultados Positivos | 111 | 281 |
| **RESULTADO LIQUIDO** | **(60)** | **(1.148)** |
| **PROVISOES TRIBUTOS** | | |
| Impostos sobre o Lucro | - | - |
| **RESULTADO LÍQUIDO DO EXERCÍCIO** | **(60)** | **(1.148)** |

André Rauen Abage
Diretor
CPF 961.591.209-30

Eduardo Vitale
Contador
PR-064653/O-7
CPF 133.532.718-56

05132019040002238022
报告文号：苏公T[2019]E4005号

# Jiangsu Sterlite Tongguang Fiber Co., Ltd

## Report of the Auditors and Financial Statements

For the year ended 31st, March, 2019

江苏公证天业会计师事务所(特殊普通合伙)南通分所
Nantong Branch, Jiangsu Gongzheng Tianye Certified Public Accountants, SGP
中国．江苏．南通 Nantong．Jiangsu．China
电话：86（513）55018131 Tel：86（513）55018131
传真：86（513）55018133 Fax：86（513）55018133

# AUDIT REPORT

**SUGONG T(2019) No.E4005**

**To the shareholders of Jiangsu Sterlite Tongguang Fiber Co., Ltd.**

## Ⅰ. Audit opinion

We have audited the financial statements prepared by Jiangsu Sterlite Tongguang Fiber Co., Ltd., comprising the balance sheet as at March 31, 2019, and the income statement, owner's equity changes statement and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements of the Company present fairly, in all material respects the financial position of the Company as of 31 March 2019, and its operation results & cash flows for the year then ended in accordance with the Accounting Standards for Enterprise of the People's Republic of China.

## Ⅱ. Basis for audit opinion

We conducted our audit in accordance with Independent Audit Standards promulgated by the Chinese Institute of Certified Public Accountants. In the paragraph "Responsibility of CPA", we shall detailed explain the corresponding responsibilities under the standards. We are independent with the engaged client, and fully abide by professional ethics during our job.

## Ⅲ. Responsibility of company's management

The preparation and fairly disclosure of the financial statements are the responsibility of the company's management. These responsibilities include: preparing & fairly disclosing the financial statements in accordance with Accounting Standard for Business Enterprises of the People's Republic of China; Designing, implementing & maintaining of the internal control system related with the preparation of the financial statements to avoid any frauds & misstatement.

The management is responsible for the assessing & disclosure of the going –concern issue assumption of the company, unless the liquidation of the company is determined by no other choice.

The government level is responsible for the supervising of the whole reporting process.

## Ⅳ.Responsibility of CPA

Our target is to express an opinion on the financial statement based on our audit. Those standards require that we plan and perform the audit to ensure there is no misstatement materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the applicable financial reporting of framework and are detected with reasonable assurance. But the reasonable assurance is not ensure that all the material misstatements could be fully identified by our audit procedure. If the individual misstatement (maybe from fraud or errors) aggregated materially affect the financial statement or economic decision, then, the misstatement should be identified.

During our audit process, the professional judgment and suspects shall be held. The details can be found as followings:

(1). Identify & assess the material misstatements which are resulted from fraud & error , design and conduct the corresponding audit procedures to collect complete and appropriate evidence as the opinion basis. Due to the fraud may involve with collaboration , forgery , knowingly omissions , false statement or override of internal control system, the potential risk from fraud is higher than the risk resulted from the errors;

(2). Understanding the related internal control system and taken into account in the determination of appropriate audit process, but the purpose is not to give the opinion on the effectiveness of the internal control system;

(3). Assessing the appropriateness of the accounting policy applied by the management and evaluating the rationality of the accounting estimates & disclosure;

(4). Conclusion of the appropriateness for the going concern assumption provided by the management. Audit evidence shall be collected for the possible material uncertainty issues or may affect the going-concern conclusion of the company. If the uncertainty conclusion reached, the corresponding disclosure should be brought for the attention to the report users; otherwise, the modified opinion shall be expressed if the disclosure is not sufficient. Our audit conclusion is based on the information collected end at the reporting date, but the future items or events may affect the going concern assumption of the company.

(5). Evaluating the overall presentation of the financial statement, including the structure & contents (disclosure) and the judgment whether the related transactions and business activities are fairly presented.

Communications with governance have been conducted, including the audit scope, time plan, audit findings and the defects & weaknesses of the internal control system identified during our audit.

**Nantong Branch,Jiangsu Gongzheng Tianye Certified Public Accountants Co., SGP**

**Certified Public Accountant of China CPA Yu Dong**

**Certified Public Accountant of China CPA Chen xi yun**

**China · Nantong**

**12 April , 2019**

Appendix Ⅰ

# BALANCE SHEET

Prepared by: Jiangsu Sterlite Tongguang Fiber Co., Ltd. Mar. 31, 2019 Monetary Unit: RMB Yuan

| ASSETS | REMAINING AT END OF YEAR | REMAINING AT BEG. OF YEAR | LIABILITIES AND OWNER'S EQUITY | REMAINING AT END OF YEAR | REMAINING AT BEG. OF YEAR |
|---|---|---|---|---|---|
| **CIRCULATING ASSETS:** | | | **CIRCULATING LIABILITIES** | | |
| Monetary funds | 63,105,535.11 | 49,960,380.76 | Short-term loans | 97,355,554.26 | |
| Trading financial debt | | | Trading financial debt | 492,224.84 | |
| Notes receivable | 7,280,000.00 | | Notes payable | 10,265,794.12 | |
| Accounts receivable | 33,500,707.70 | 11,766,732.36 | Accounts payable | 165,259,177.91 | 31,375,061.38 |
| Accounts prepayments | 7,704,169.07 | 1,640,389.29 | Advance receivable | 12,697.48 | 831,941.05 |
| Interest receivable | | | Accrued staff's payroll | 1,933,702.29 | 802,813.37 |
| Dividends receivable | | | Taxes and expenses payable | 189,718.00 | 5,641,153.68 |
| Other receivable | 67,930.00 | 58,515.41 | Interest payable | 461,017.58 | |
| Inventories | 108,236,382.02 | 32,692,340.43 | Dividends payable | 850,000.00 | |
| Un-circulating assets maturing within one year | | | Amount other accrued payable | 13,819.37 | |
| Other circulating assets | 31,811,865.50 | 6,333,189.20 | Un-circulating liabilities due within one year | | |
| **TOTAL CIRCULATING ASSETS** | **251,706,589.40** | **102,451,547.45** | Other circulating liabilities | | |
| **UN-CIRCULATING ASSETS:** | | | **TOTAL CIRCULATING LIABILITIES** | **276,833,705.85** | **38,650,969.48** |
| Financial assets of sales supply-able | | | **UN-CIRCULATING LIABILITIES:** | | |
| Investment from keeping to maturity | | | Long-term loans | 17,120,000.00 | 13,840,000.00 |
| Long-term receivable | | | Bond payable | | |
| Long-term investment in stock ownership | | | Long-term payables | 2,550,000.00 | |
| Investment real estate | | | Related payable | | |
| Fixed assets | 394,060,303.41 | 119,688,218.96 | Estimated liabilities | | |
| Construction in progress | 1,794,882.32 | 125,032,464.62 | Deferral income-tax debt | | |
| Engineering material | | | Other un-circulating liabilities | | |
| Liquidation of the fixed assets | | | **TOTAL UN-CIRCULATING LIABILITIES** | **19,670,000.00** | **13,840,000.00** |
| Productive living things assets | | | **TOTAL LIABILITIES** | **296,503,705.85** | **52,490,969.48** |
| Oil and gas assets | | | | | |
| Intangible assets | 10,342,605.98 | 5,127,859.95 | **OWNER'S EQUTIY** | | |
| Development expenditure | | | Paid-in capital | 168,436,015.19 | 103,836,015.19 |
| Business reputation | | | Capital surplus | | |
| Long-term prepaid expense | | | Less: Shares in stock | | |
| Assets in deferred-income-tax | | | Surplus reserves | 27,202,610.23 | 17,127,313.80 |
| Other Un-circulating assets | | | Undistributed profit | 165,762,049.84 | 178,845,792.51 |
| **TOTAL UN-CIRCULATING ASSETS** | **406,197,791.71** | **249,848,543.53** | **TOTAL OWNER'S EQUITY** | **361,400,675.26** | **299,809,121.50** |
| **SUM TOTAL ASSETS** | **657,904,381.11** | **352,300,090.98** | **SUM TOTAL LIABILITIES AND OWNER'S EQUT** | **657,904,381.11** | **352,300,090.98** |

Appendix II

# Income Statements

Prepared by: Jiangsu Sterlite Tongguang Fiber Co., Ltd.    April 2018 to March 2019    Monetary Unit: RMB Yuan

| ITEM | AMOUNT OF CURRENT YEAR | AMOUNT OF LAST YEAR |
|---|---|---|
| **I. TOTAL OPERATING INCOME** | **443,079,077.96** | **378,933,478.44** |
| Including: Operating income | 443,079,077.96 | 378,933,478.44 |
| Including: Income from main operation | 442,220,321.45 | 377,518,234.78 |
| Income from other operation | 858,756.51 | 1,415,243.66 |
| Interest income | | |
| Earned from insurance charge | | |
| Payment for service charge and commission fee | | |
| **II. TOTAL OPERATION COST** | **368,337,345.34** | **231,676,338.68** |
| Including: Operation cost | 313,545,363.91 | 195,307,744.45 |
| Including: Cost of main operation | 313,545,363.91 | 195,307,744.45 |
| Other business payment | | |
| Main operation tax & additional expenses | 772,758.01 | 2,705,558.82 |
| Sales expense | 5,031,350.51 | 4,109,011.88 |
| General & administrative expense | 37,053,815.87 | 28,906,764.27 |
| Financial expense | 3,861,744.62 | 647,259.26 |
| Losses from depreciation of assets | 8,072,312.42 | |
| Others | | |
| Add: Gain form fair value charge ( deficit, using "-") | -492,224.84 | |
| Investment income ( deficit, using "-") | 467,518.97 | 2,052,198.82 |
| Remittance gain and loss ( deficit, using "-") | | |
| **III. OPERATING PROFITS ( deficit, using "-")** | **74,717,026.75** | **147,257,139.76** |
| Add: Non-operating income | 3,405,370.70 | 2,557,780.11 |
| Less: Non-operating expenditure | 1,755,750.11 | 40,978.95 |
| Including: Disposal loss from un-circulating assets | | |
| **IV. SUM OF PROFIT ( deficit, using "-")** | **76,366,647.34** | **149,773,940.92** |
| Less: Expenses for income tax | 11,375,093.58 | 22,133,494.97 |
| **V. NET PROFIT ( deficit, using "-")** | **64,991,553.76** | **127,640,445.95** |

Appendix III

# Cash Flow Sheet

Prepared by: Jiangsu Sterlite Tongguang Fiber Co., Ltd. April 2018 to March 2019 Monetary Unit: RMB Yuan

江苏公证天业会计师事务所(特殊普通合伙)南通分所 审验专用章

| ITEM | SUM |
|---|---|
| **Ⅰ. CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Cash received from sale of goods or rendering of services | 441,796,171.81 |
| Refunds of taxes | 36,968,980.80 |
| Other cash received relating to the operating activities | 3,539,812.63 |
| **Sub-Total Cash Inflows of Operating Activities** | **482,304,965.24** |
| Cash paid for goods and services | 378,305,032.23 |
| Cash paid to and on behalf of employees | 35,739,573.77 |
| Paid all types of taxes | 18,447,149.81 |
| Other cash paid to relating to operating activities | 25,289,044.92 |
| **Sub-Total Cash Outflows of Operating Activities** | **457,780,800.73** |
| **Net Cash Flows from Operating Activities** | **24,524,164.51** |
| **Ⅱ. CASH FLOWS FROM INVESTMENT ACTIVITIES** | |
| Cash received from return of investments | |
| Cash received from earning of investments | 467,518.97 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | |
| Net cash received from disposal of sub-company and other operating body | |
| Other cash received relating to investment activities | |
| **Sub-Total of Cash Inflows of Investing Activities** | **467,518.97** |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 102,681,594.56 |
| Cash paid to investments | 5,000,000.00 |
| Net cash received from sub-company and other operating body | |
| Other cash paid relating to investing activities | |
| **Sub-Total of Cash Outflows of Investing Activities** | **107,681,594.56** |
| **Net cash flows from investing activities** | **-107,214,075.59** |
| **Ⅲ.CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Cash received from the absorption of investments | |
| Cash received from borrowing | 273,077,546.42 |
| Other cash received relating to financing activities | |
| **Sub-Total Cash Inflows of Financing Activities** | **273,077,546.42** |
| Cash repayments Of amounts borrowed | 172,441,992.16 |
| Cash paid for distribution of dividends, profits or interests | 3,219,879.88 |
| Other cash paid relating to the financing activities | |
| **Sub-Total Cash Outflows of Financing Activities** | **175,661,872.04** |
| **Net cash flows from financing activities** | **97,415,674.38** |
| **Ⅳ. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALEN** | **-1,580,608.95** |
| **Ⅴ. NET INCEASE IN CASH AND CASH EQUIVALENTS** | **13,145,154.35** |
| Add: Cash & remaining of cash equivalents at beginning of the period | **49,960,380.76** |
| **Ⅵ. CASH & CASH EQUIVALENTS REMAINING AT END FO THE PERIOD** | **63,105,535.11** |

Appendix Ⅳ

# Owner's Equity Changes Statement

Prepared by: Jiangsu Sterlite Tongguang Fiber Co., Ltd.

April 2018 to March 2019



Monetary Unit: RMB Yuan

| ITEM | Paid-in capital | Capital surplus | Less: Shares in stock | Surplus reserves | Undistributed profit | AMOUNT |
|---|---|---|---|---|---|---|
| **Ⅰ. REMAINING AT END OF LAST YEAR** | **103,836,015.19** | | | **17,127,313.80** | **178,845,792.51** | **299,809,121.50** |
| Add: Changes in accounting policy | | | | | | |
| Correct to last period | | | | | | |
| **Ⅱ. REMAINTING AT BEGINNING OF CURRENT YEAR** | **103,836,015.19** | | | **17,127,313.80** | **178,845,792.51** | **299,809,121.50** |
| **Ⅲ.AMOUNT CHANGES OF CURRENT YEAR ( decrement, using "-")** | **64,600,000.00** | | | **10,075,296.43** | **-13,083,742.67** | **61,591,553.76** |
| ( Ⅰ ). NET INCOME | | | | | 64,991,553.76 | 64,991,553.76 |
| ( Ⅱ ). GAIN AND LOSS OF DIRECTLY INTO OWNER'S EQUITY | | | | | | |
| Fair value charges net amount from the financial assets of sales supply-able | | | | | | |
| Amount influence from other owner's equity of the investee under equity method | | | | | | |
| Amount of income-tax influence charged into owner's equity | | | | | | |
| Others | | | | | | |
| (Ⅲ). INCREASE OR DECREASE CAPITAL BY OWNERS | 64,600,000.00 | | | | -68,000,000.00 | -3,400,000.00 |
| Owner's capital | 64,600,000.00 | | | | | |
| Amount of shares payment into owner's equity | | | | | -68,000,000.00 | |
| Others | | | | | | |
| (Ⅳ). PROFIT DISTRIBUTION | | | | 10,075,296.43 | -10,075,296.43 | |
| Withdrew surplus | | | | 10,075,296.43 | -10,075,296.43 | |
| Profit distributed to owners ( or stock holder ) | | | | | | |
| Other | | | | | | |
| ( Ⅴ ). INTERNAL TRANSFERING OF OWNER'S EQUITY | | | | | | |
| Capital surplus splitting capital ( or capital stock ) | | | | | | |
| Surplus splitting capital ( or capital stock ) | | | | | | |
| Deficit coverage by surplus | | | | | | |
| Other | | | | | | |
| **Ⅳ. REMAINING AT END OF THE CURRENT YEAR** | **168,436,015.19** | - | - | **27,202,610.23** | **165,762,049.84** | **361,400,675.26** |

Appendix V

# Jiangsu Sterlite Tongguang Fiber Co., Ltd.

# Notes to the Financial Statements

# For the Year Ended 31st March, 2019

# (All Amounts are in RMB unless otherwise stated)

## Ⅰ. GENERAL INFORMATION

Jiangsu Sterlite Tongguang Fiber Co., Ltd. (the "Company" hereafter) is a Joint Venture Company set up by M/s Sterlite Global Ventures (Mauritius) Ltd., a wholly owned subsidiary of M/s Sterlite Technologies Ltd, India and M/s Jiangsu Tongguang Communication Co. Ltd., China according to the approval letter [2011] No 8384 issued by the People's Government of Jiangsu Province. The Company was registered with Nantong Haimen Administration Bureau of Industry and Commerce on January 19th, 2011 with the business license numbered 320684400011561. On March 15, 2016 it got the business license of a unified social code 91320684567766496K changed and issued by Haimen Administrative Approval Bureau .The Company's Legal Representative is Mr.Ankit Agarwal. The Company's approved business scope includes optical fiber technology consulting, development, design, manufacturing of optical fibers and optical fiber related products and sale of self-manufactured products.Optical fiber, optical fiber preform, and fiber optic cable products, wholesale, import and export and commission agency (excluding auction) of optical fiber, optical fiber preform, optical fiber cable and related products. The registered capital of the Company is USD 16.50 Million ( i.e. RMB 103.84 million ) same as the actual capital. M/s Sterlite Global Ventures (Mauritius) Ltd. has contributed USD 12.375 Million, accounting for 75% of the capital infused till now and M/s Jiangsu Tongguang Communication Co. Ltd has contributed USD 4.125 Million, accounting for 25% of the capital infused till now. On 20th March 2014,Company changed the registered capital as RMB 103,836,015.19 equaled with USD 16.50 Million.

According to the resolution of the board of directors of the company on March 28, 2018, the registered capital of the company is increased by undistributed profits of RMB 64,600.00 yuan, of which RMB 48.45 million yuan is invested by Sterlite Global Ventures(Mauritius)Ltd., and RMB 16.15 million yuan is invested by Jiangsu Tongguang

Communication Co. Ltd. The registered capital and paid-in capital after that are RMB 168,436,015.19 yuan.

## Ⅱ. BASIS OF PREPARATION

The Financial Statement is prepared on the basis of the Going Concern Principle.

## Ⅲ. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### Accounting System and Accounting Standards Adopted

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the People's Republic of China and other supplementary regulations.

### Accounting Year

The Company has adopted the calendar year as its accounting year, i.e. from April 1 to March 31,it is special purpose financial statement prepared for period Apr to Mar.

### Recording Currency

The recording currency of the Company is the Renminbi (RMB).

### Basis of Accounting and Principle of Measurement

The Company has adopted the accrual basis of accounting and uses the historical cost convention as the principle of measurement.

### Foreign Currency Translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are converted into Renminbi at the applicable rate of exchange ("market exchange rate") prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted in to Renminbi at the market exchange rate prevailing at the balance sheet date. Exchange gains or losses are dealt with as finance costs, except for those attributable to foreign currency borrowings that have been used specifically for the construction of fixed assets before the assets are ready for their intended use, which are capitalized as part of the fixed asset costs.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Accounts receivable and bad debt reserves

The provision method of bad debts:

The company's bad debt losses is using allowance method of accounting. When bad debt losses are occurred, the corresponding provision for bad debts is written off with approval of Board and relevant management authorities.

The provision for bad debts method and ratio:

The provision for bad debts is made based on a combination of specific identification of assessments of probability and extent of loss referring to special accounts receivable, and the company should make provision of bad debts respectively. Specific accrual ratios are as follows:

| Term overdue | Proportion of bad debt preparation for accounts receivable（%） | Proportion of bad debt preparation for other receivable（%） |
|---|---|---|
| Within 1 year | - | - |
| 1-2years | 10 | 10 |
| 2-3years | 20 | 20 |
| 3-5years | 50 | 50 |
| More than 5 years | 100 | 100 |

## Inventories

(1)Inventory category: inventories include raw materials, inventory of goods, work in progress, finished goods and so on. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

(2) The valuation method of acquisition and use: inventories are recorded by using the standard costing method when acquiring inventories. The cost of products includes standard costing and the differences between the standard costing and actual cost.

(3) The inventory system：the company is using the perpetual inventory system.

(4) Provisions for deduction of the inventories value and methods: the inventory is valued at the lower of its cost or its net realizable value. The inventory cost is higher than its net realizable value and provision for decline in value of inventory is credited to current profit and loss.

(5) Work-in-progress and finished goods are valued at lower of cost and net realizable value. cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
(6) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## Fixed Assets and Depreciation

(1) Criteria of fixed assets

Fixed assets are the tangible assets in higher unit value. They are defined as the production of goods, the provision of services and the lease or management used for more than one year.

(2) Measurement of fixed assets

Fixed assets are recorded at cost on acquisition. The acquisition cost includes purchase price, import taxes, transportation costs, insurance costs and other related costs that are necessary for the fixed assets being ready for their intended use.

(3) Depreciation of fixed assets

Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are put into use, using the straight-line method. The estimated residual value, useful life and annual depreciation rate of each category of fixed assets are as follows:

| Category of fixed assets | Residual value | Useful life | Annual depreciation rate |
|---|---|---|---|
| Electronic Equipment | 10% | 5 years | 18% |
| Houses and buildings | 10% | 20years | 4.5% |
| Machinery | 10% | 10-15years | 9%-6% |
| Office furniture | 10% | 5 years | 18% |
| tool of production | 10% | 5 years | 18% |

(4) Measurement of subsequent expenditures on fixed assets

Subsequent expenditures on fixed assets for major reconstruction, expansion, improvement and renovation are capitalized as a part of fixed assets cost when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Company, such as extension of the useful lives of the fixed assets, substantial improvement of product quality, or substantial reduction in product cost. Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using the straight-line method over the remaining useful lives of the fixed assets. The increased cost of the fixed assets is limited to their recoverable amount.

Subsequent expenditures on fixed assets except for the aforementioned are expensed as incurred. Capitalized expenditures arising from the renovation of fixed assets are depreciated on a reasonable basis over the shorter period of interval between the current renovation to the next and the expected remaining useful life of the renovated fixed assets.

(5) Measurement of fixed assets at the balance sheet date and impairment provision

Fixed assets are measured at the lower of carrying amount and recoverable amount at the balance sheet date. When the recoverable amount of fixed assets is lower than the carrying amount, due to factors such as continuous decline in market price, technological obsolescence, damages or long-time idleness, impairment provision for fixed assets is determined on an item-by-item basis at the excessive part of the carrying amount over the recoverable amount. For fixed assets that meet the conditions for full impairment provision, the impairment provision is determined at the full carrying amount of fixed assets on an item-by-item basis.

## Construction in progress

(1)Construction in progress is measured at actual cost. The actual cost is determined specifically as follows:

A. Contracted projects under construction are recorded at the sum of construction price, installation cost, and capitalized interest expense, amortization of premium or discount, and foreign currency exchange differences that are relating to specific borrowings for financing the construction.

B. Self-built projects under construction are recorded at the sum of construction materials used, raw materials used and related non-deductible input value-added taxes，goods in stock used and related taxes and levies, cost of various services provided by the Company's auxiliary production departments, and capitalized interest expense, amortization of premium or discount, and foreign currency exchange differences that are relating to specific borrowings for financing the construction.

(2)Construction in progress is measured at the lower of the carrying amount and the recoverable amount. Impairment provision is made for construction in progress if there exists evidence that the value of construction in progress has declined.

## Borrowing costs

(1) Recognition of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized. The other costs are charged to the Profit & Loss Account. Borrowing costs include interests, ancillary costs, and foreign currency exchange differences incurred in connection with borrowing. Except borrowing costs relating to specific borrowings obtained for the acquisition or construction of fixed assets are capitalized as costs of the fixed assets as certain conditions are met, other borrowing costs are expensed as incurred.

(2) Capitalization period of borrowing costs

A. The capitalization of borrowing costs commences as the following three conditions are met: (a) the capital expenditures are incurred; (b) the borrowing costs are incurred; (c) the acquisition or construction activities have commenced to enable the assets to be ready for their intended use.

B. The capitalization of borrowing costs should be suspended during the periods when the acquisition or construction activities are abnormally interrupted and the interruption period is more than three consecutive months; the borrowing costs are incurred during the period until the acquisition or construction activities are resumed.

C. The capitalization of borrowing costs ceases when the assets being acquired or constructed are ready for their intended use. Borrowing costs incurred thereafter should be recognized as expense in the period in which they are incurred.

(3) Capitalization amount of borrowing costs

The capitalized borrowing costs for each accounting period are determined by using the weighted average amount of accumulated expenditures incurred in that period for the acquisition or construction of fixed assets and the capitalization rate of the borrowings. The procedures are in accordance with the Accounting Standards for Business Enterprises—Borrowing Costs.

Enterprise and local income taxes

The Company uses the taxes payable method to account for the enterprise and local income taxes. On October 10, 2015, the company obtained the certificate of high tech enterprise, enjoying the preferential policy of enterprise income tax rate of 15%. It has been approved as the first batch of high-tech enterprises to be recognized in Jiangsu province in 2018.

## Ⅳ. THE ACCOMPANYING NOTES ARE PART OF THE FINANCIAL STATEMENTS

## 1) MONETARY FUNDS

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Cash at Hand | 899.00 | 20,317.00 |
| Cash on Bank | 53,979,432.66 | 20,370,583.86 |
| Others | 9,125,203.45 | 29,569,479.90 |
| Total | **63,105,535.11** | **49,960,380.76** |

## 2) NOTES RECEIVABLE

| ITEMS | 31/03/2019 | | | 01/04/2018 | | |
|---|---|---|---|---|---|---|
| | Amount | Proportion | Bad Debt Provision | Amount | Proportion | Bad Debt Provision |
| | RMB | % | RMB | RMB | % | RMB |
| Relevant party notes eceivable | 7,280,000.00 | 100.00 | - | - | - | - |
| Total | **7,280,000.00** | **100.00** | - | - | - | - |

## 3) ACCOUNTS RECEIVABLE

| ITEMS | 31/03/2019 | | | 01/04/2018 | | |
|---|---|---|---|---|---|---|
| | Amount | Proportion | Bad Debt Provision | Amount | Proportion | Bad Debt Provision |
| | RMB | % | RMB | RMB | % | RMB |
| Within 1 year | 33,500,707.70 | 100.00 | - | 11,766,732.36 | 100.00 | - |
| Total | **33,500,707.70** | **100.00** | - | **11,766,732.36** | **100.00** | - |

Major items of accounts receivable:

| Customer names | Ending balance | Character |
|---|---|---|
| Sterlite Technologies Limited | 20,803,447.11 | Payment for goods |
| Sterlite Technologies Limited-Dadra | 5,158,737.36 | Payment for goods |
| ACOME | 3,822,691.78 | Payment for goods |
| JIANGSU TONGGUANG OPTICAL | 1,792,996.22 | Payment for goods |

## 4) ACCOUNTS PREPAYMENTS

| ITEMS | 31/03/2019 | | | 01/04/2018 | | |
|---|---|---|---|---|---|---|
| | Amount | Proportion | Bad Debt Provision | Amount | Proportion | Bad Debt Provision |
| | RMB | % | RMB | RMB | % | RMB |
| Within 1 year | 7,704,169.07 | 100.00 | - | 1,640,389.29 | 100.00 | - |
| 1-2years | - | - | - | - | - | - |
| Total | **7,704,169.07** | **100.00** | - | **1,640,389.29** | **100.00** | - |

Within the aforesaid balance, there is no amount due from shareholders that hold 5% or more of the Company's voting shares.

## 5) OTHER RECEIVABLES

| ITEMS | 31/03/2019 | | | 01/04/2018 | | |
|---|---|---|---|---|---|---|
| | Amount | Proportion | Bad Debt Provision | Amount | Proportion | Bad Debt Provision |
| | RMB | % | RMB | RMB | % | RMB |
| Within1year | 67,930.00 | 100.00 | - | 58,515.41 | 100.00 | - |
| 1-2years | - | - | - | - | - | - |
| 2-3years | - | - | - | - | - | - |
| Total | **67,930.00** | **100.00** | - | **58,515.41** | **100.00** | - |

Within the aforesaid balance, there is no amount due from shareholders that hold 5% or more of the Company's voting shares.

## 6) INVENTORIES

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Raw materials | 39,653,267.05 | 16,883,256.33 |
| Goods in Transit | 56,467.47 | 1,489,796.64 |
| waste | 311,896.50 | |
| Goods in Process | 4,216,142.76 | 4,684,783.83 |
| Finished Goods | 50,151,257.15 | 2,188,258.65 |
| Packing | 65,047.97 | 44,907.66 |
| Stores and Spares | 15,276,942.74 | 7,401,337.32 |
| Provision for Inventory | -8,072,312.42 | |
| Total | **108,236,382.02** | **32,692,340.43** |

## 7) FIXED ASSETS

| ITEMS | Houses and buildings | Machinery | Electronic Equipment | Office furniture | tool of production | Total |
|---|---|---|---|---|---|---|
| | RMB | RMB | RMB | RMB | RMB | RMB |
| **Cost** | | | | | | |
| 1st April 2018 | 35,656,046.01 | 118,049,453.94 | 1,194,399.59 | 392,988.91 | 944,889.58 | 156,237,778.03 |
| Additions | 39,468,547.45 | 247,972,201.54 | 593,806.12 | 272,538.08 | 1,442,793.12 | 289,749,886.31 |
| Disposals | - | - | - | - | - | - |
| 31st March 2019 | 75,124,593.46 | 366,021,655.48 | 1,788,205.71 | 665,526.99 | 2,387,682.70 | 445,987,664.34 |
| **Accumulated Depreciation** | | | | | | |
| 1st April 2018 | 6,526,232.15 | 28,759,585.62 | 603,362.31 | 246,883.16 | 413,495.83 | 36,549,559.07 |
| Add | 2,343,495.76 | 12,561,124.78 | 138,375.67 | 32,736.55 | 302,069.10 | 15,377,801.86 |
| Less | - | - | - | | - | - |
| 31st March 2019 | 8,869,727.91 | 41,320,710.40 | 741,737.98 | 279,619.71 | 715,564.93 | 51,927,360.93 |
| **Net book value** | | | | | | |
| 1st April 2018 | 29,129,813.86 | 89,289,868.32 | 591,037.28 | 146,105.75 | 531,393.75 | 119,688,218.96 |
| 31st March 2019 | 66,254,865.55 | 324,700,945.08 | 1,046,467.73 | 385,907.28 | 1,672,117.77 | 394,060,303.41 |

江苏公证天业会计师事务所(特殊普通合伙)南通分所 审验专用章

## 8) CONSTRUCTION IN PROGRESS

| Items | 01/04/2018 | Additions | Amortization | 31/03/2019 |
|---|---|---|---|---|
| | RMB | RMB | RMB | RMB |
| Machinery equipment | 1,593,305.36 | 1,794,882.32 | 1,593,305.36 | 1,794,882.32 |
| The first phase of the project（Machinery equipment） | 485,470.09 | - | 485,470.09 | - |
| The second phase of the project（Machinery equipment） | 854,557.07 | - | 854,557.07 | - |
| The third phase of the project | 116,215,052.55 | 32,588,274.50 | 148,803,327.05 | - |
| The fourth phase of the project | 5,884,079.55 | 119,006,356.04 | 124,890,435.59 | - |
| A2 project | - | 13,122,791.15 | 13,122,791.15 | - |
| Total | **125,032,464.62** | **166,512,304.01** | **289,749,886.31** | **1,794,882.32** |

## 9) INTANGIBLE ASSETS

| Items | 01/04/2018 | Additions | Amortization | 31/03/2019 |
|---|---|---|---|---|
| | RMB | RMB | RMB | RMB |
| Land-use right | 4,388,132.67 | 4,928,913.30 | 199,842.87 | 9,117,203.10 |
| Software | 739,727.28 | 855,494.92 | 369,819.32 | 1,225,402.88 |
| Total | **5,127,859.95** | **5,784,408.22** | **569,662.19** | **10,342,605.98** |

## 10) SHORT-TERM BORROWINGS

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Industrial and Commercial Bank of China | 88,716,715.81 | - |
| China Merchants Bank | 8,638,838.45 | - |
| Total | **97,355,554.26** | - |

## 11) TRADING FINANCIAL DEBT

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Derivative financial liabilities | 492,224.84 | - |
| Total | **492,224.84** | - |

## 12) NOTES PAYABLE

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Bank Acceptance Bill | 10,265,794.12 | - |
| Total | **10,265,794.12** | - |

## 13) ACCOUNTS PAYABLE

| ITEMS | 31/03/2019 | | 01/04/2018 | |
|---|---|---|---|---|
| | Amount | Proportion | Amount | Proportion |
| | RMB | % | RMB | % |
| Within 1 year | 163,627,880.82 | 99.01 | 31,185,071.38 | 99.39 |
| 1-2 year | 1,610,437.09 | 0.98 | 189,990.00 | 0.61 |

| ITEMS | 31/03/2019 | | 01/04/2018 | |
|---|---|---|---|---|
| | Amount | Proportion | Amount | Proportion |
| | RMB | % | RMB | % |
| 2-3 year | 20,860.00 | 0.01 | | |
| Total | **165,259,177.91** | **100.00** | **31,375,061.38** | **100.00** |

Major items of accounts payable:

| Customer names | Ending balance | Character |
|---|---|---|
| STI CO LTD | USD9,635,112.80 | Payment for equipment |
| JIANGSU HENGTONG FIBER TECHNOLOY | 27,168,181.96 | Payment for goods |

## 14) RECEIVED IN ADVANCE

| ITEMS | 31/03/2019 | | 01/04/2018 | |
|---|---|---|---|---|
| | Amount | Proportion | Amount | Proportion |
| | RMB | % | RMB | % |
| Within 1 year | 12,697.48 | 100.00 | 820,194.04 | 98.59 |
| 1-2 year | - | - | 11,747.01 | 1.41 |
| Total | **12,697.48** | **100.00** | **831,941.05** | **100.00** |

Major items of received in advance:

| Customer names | Ending balance | Character |
|---|---|---|
| HANGZHOU JINLONG | 10,548.05 | received in advance for goods |

## 15) ACCRUED STAFF'S PAYROLL

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Wages | 855,060.80 | 802,813.37 |
| Termination benefits | 1,078,641.49 | - |
| Total | **1,933,702.29** | **802,813.37** |

## 16) TAXES AND EXPENSES PAYABLE

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Individual income tax | 9,249.86 | 124,829.50 |
| Land use tax | 49,347.50 | 25,000.00 |

| ITEMS | 31/03/2019 RMB | 01/04/2018 RMB |
|---|---|---|
| Property tax | 123,901.94 | 66,029.12 |
| Business income taxes | - | 5,417,641.46 |
| Other | 7,218.70 | 7,653.60 |
| Total | **189,718.00** | **5,641,153.68** |

## 17) INTEREST PAYABLE

| ITEMS | 31/03/2019 RMB | 01/04/2018 RMB |
|---|---|---|
| Loan interest | 461,017.58 | - |
| Total | **461,017.58** | - |

## 18) DIVIDENDS PAYABLE

| ITEMS | 31/03/2019 RMB | 01/04/2018 RMB |
|---|---|---|
| Tongguang Communication | 850,000.00 | - |
| Total | **850,000.00** | - |

## 19) AMOUNT OTHER ACCRUED PAYABLE

| ITEMS | 31/03/2019 | | 01/04/2018 | |
|---|---|---|---|---|
| | Amount RMB | Proportion % | Amount RMB | Proportion % |
| Within 1 year | 13,819.37 | 100.00 | - | - |
| Total | **13,819.37** | **100.00** | - | - |

Within the aforesaid balance, there is no amount due from shareholders that hold 5% or more of the Company's voting shares.

## 20) LONG-TERM LOANS

| ITEMS | 31/03/2019 RMB | 01/04/2018 RMB |
|---|---|---|
| China Merchants Bank | 17,120,000.00 | 13,840,000.00 |
| Total | **17,120,000.00** | **13,840,000.00** |

## 21) LONG-TERM PAYABLES

| ITEMS | 31/03/2019 | 01/04/2018 |
|---|---|---|
| | RMB | RMB |
| Advance income tax | 2,550,000.00 | - |
| Total | **2,550,000.00** | - |

## 22) PAID-IN CAPITAL

| Name of owners | 01/04/2018 In recording currency RMB | % | Add RMB | Less RMB | 31/03/2019 In recording currency RMB | % |
|---|---|---|---|---|---|---|
| Jiangsu Tongguang Communication Co. Ltd. | 25,960,410.05 | 25.00 | 16,150,000.00 | - | 42,110,410.05 | 25.00 |
| Sterlite Global Ventures (Mauritius) Ltd. | 77,875,605.14 | 75.00 | 48,450,000.00 | - | 126,325,605.14 | 75.00 |
| **Total** | **103,836,015.19** | **100.00** | **64,600,000.00** | - | **168,436,015.19** | **100.00** |

## 23) UNDISTRIBUTED PROFIT

| Items | 01/04/2018 | Add | Less | 31/03/2019 |
|---|---|---|---|---|
| | RMB | RMB | RMB | RMB |
| Undistributed profit | 178,845,792.51 | 64,991,553.76 | 78,075,296.43 | 165,762,049.84 |
| Total | **178,845,792.51** | **64,991,553.76** | **78,075,296.43** | **165,762,049.84** |

## 24) OPERATING INCOME

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Optical sales | 442,220,321.45 | 377,518,234.78 |
| Wastage parts sales | 858,756.51 | 1,415,243.66 |
| Total | **443,079,077.96** | **378,933,478.44** |

## 25) OPERATION COST

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Optical cost | 313,545,363.91 | 195,307,744.45 |
| Total | **313,545,363.91** | **195,307,744.45** |

## 26) MAIN OPERATION TAX & ADDITIONAL EXPENSES

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Construction tax | 1,667.93 | 1,299,666.26 |
| Educational Surcharge | 714.83 | 556,999.82 |
| Local Education Fee Surcharge | 476.55 | 371,333.22 |
| Property tax | 419,545.10 | 264,389.32 |
| Land use tax | 197,390.00 | 105,000.00 |
| stamp duty | 152,963.60 | 108,170.20 |
| Total | **772,758.01** | **2,705,558.82** |

## 27) SELLING EXPENSES

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Transportation costs | 705,095.71 | 778,226.58 |
| Samples | 236,593.65 | 3,938.37 |
| Sales commission | 3,647,382.81 | 3,326,846.93 |
| Export cost | 442,278.34 | - |
| Total | **5,031,350.51** | **4,109,011.88** |

## 28) GENERAL & ADMINISTRATIVE EXPENSES

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Total | **37,053,815.87** | **28,906,764.27** |
| Main： Research cost | 11,033,885.62 | 15,069,000.70 |
| Wage | 8,181,916.88 | 2,850,819.47 |
| Welfare | 2,063,823.90 | 1,730,508.16 |
| Social security costs | 3,291,219.50 | 1,577,995.00 |
| Local Transportation | 1,431,175.00 | 711,002.81 |

## 29) FINANCIAL EXPENSE

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Interest income | -196,880.77 | -527,815.06 |

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Exchange gain or loss | 661,830.00 | 199,079.06 |
| Service charge | 1,181,967.16 | 449,415.66 |
| Interest expenditure | 2,105,779.79 | 526,579.60 |
| Discount interest | 109,048.44 | - |
| Total | **3,861,744.62** | **647,259.26** |

## 30) NON-OPERATING INCOME

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Subsidy income | 3,283,500.00 | 2,555,000.00 |
| Other income | 121,870.70 | 2,780.11 |
| Total | **3,405,370.70** | **2,557,780.11** |

## 31) NON-OPERATING EXPENDITURE

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Other expenditure | 118,284.89 | 40,978.95 |
| Quality indemnity | 1,637,465.22 | - |
| Total | **1,755,750.11** | **40,978.95** |

## 32) INCOME TAX

| Items | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| | RMB | RMB |
| Current income tax | 11,375,093.58 | 22,133,494.97 |
| Deferred income tax | - | - |
| Total | **11,375,093.58** | **22,133,494.97** |

# Ⅴ. RELATED PARTIES

1. Related party relationship where control exists

| Name | Registered address | Relationship with the Company |
|---|---|---|
| Sterlite Global Ventures (Mauritius) Ltd. | Mauritius | Investor |

| Name | Registered address | Relationship with the Company |
|---|---|---|
| Jiangsu Tongguang Communication Co. Ltd. | China | Investor |
| Sterlite Technologies Limited(STL) | India | Ultimate holder |

2. Equity of the related parties with effective control attributable to the Company and changes goes to Note Ⅳ.22)

3. Relative party transaction

3.1 Purchase

| Enterprise name | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| Sterlite Technologies Limited(STL) | 85,665,219.18 | 62,144,544.91 |

3.2 Accept service

| Enterprise name | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| Sterlite (Shanghai) Trading Co.,Ltd | 3,647,382.81 | 3,592,576.76 |

3.3 Sales

| Enterprise name | April 2018 to March 2019 | April 2017 to March 2018 |
|---|---|---|
| Jiangsu Tongguang Communication Co. Ltd | 78,327,059.27 | 166,269,573.60 |
| Sterlite (Shanghai) Trading Co.,Ltd | 1,030,361.07 | 14,418,156.55 |
| Sterlite Technologies Limited(STL) | 244.210,738.07 | |

## Ⅵ. CONTINGENCIES

As of 31st March 2019,the company applied to the Bank for the amount of the letter of credit issued abroad, which was 6,102,857.39 Euros, and the sum of the letter of guarantee was RMB 12,500,000 Yuan .

## Ⅶ. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at the approval date of the issue of the financial statements, the Company has no significant events occurring after the balance sheet date that need to be disclosed.

* * * THE END * * *

编 号 320602000201709220129

# 营业执照

## （副 本）

统一社会信用代码 913206020850023627（1/1）

| | |
|---|---|
| 名 称 | 江苏公证天业会计师事务所（特殊普通合伙）南通分所 |
| 类 型 | 特殊普通合伙企业分支机构 |
| 营业场所 | 南通市崇川区星城路299号南通创源科技园2号楼701、706室 |
| 负 责 人 | 郁东 |
| 成立日期 | 2013年11月13日 |
| 营业期限 | 2013年11月13日至****** |
| 经营范围 | 审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关的报告；基本建设年度财务决算审计；会计咨询、税务咨询、管理咨询；法律、法规规定的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动） |

登记机关

南通市崇川区行政审批局

2017年09月22日

请于每年1月1日至6月30日履行年报公示义务

企业信用信息公示系统网址：www.jsgsj.gov.cn:58888/province

中华人民共和国国家工商行政管理总局监制

# 授 权 书

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被授权人员如下：

**郁 东　　胡 杰**

**江苏公证天业会计师事务所（特殊普通合伙）**

**首席合伙人、主任会计师**

二〇一九年一月一日

姓名 郁东
Full name
性别 男
Sex
出生日期 1971-04-19
Date of birth
工作单位 南通正华联合会计师事务所
Working unit
身份证号码 320105710419143
Identity card No.

JIANGSU GONGZHENG TIANYE CERTIFIED PUBLIC ACCOUNTANTS
江苏公证天业会计师事务所（特殊普通合伙）南通分所
3206010902835

证书编号: 320600060006
No. of Certificate
批准注册协会: 江苏省注册会计师协会
Authorized Institute of CPAs
发证日期: 1997 年 7 月 7 日
Date of Issuance /y /m /d

江苏省注册会计师协会
2007年4月30日

4

## 年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

郁东(320600060006)
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江苏省注册会计师协会

郁东(320600060006)
您已通过2017年年检
江苏省注册会计师协会

9

## 注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from
南通正华 事务所
CPAs
转出协会盖章
Stamp of the transfer-out Institute of CPAs
2013 年 08 月 12 日
/y /m /d

同意调入
Agree the holder to be transferred to
江苏公证天业 事务所
CPAs
南通分所
转入协会盖章
Stamp of the transfer-in Institute of CPAs
2013 年 08 月 12 日
/y /m /d

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this renewal.

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江苏省注册会计师协会

年检专用章

郁东(320600060006)
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江苏省注册会计师协会

2014 年 5 月 06 日
/y /m /d

姓名
Full name 陈喜云
性别
Sex 女
出生日期
Date of birth 1973-10-08
工作单位
Working unit 南通正华联合会计师事务所
身份证号码
Identity card No. 320404197310080428

证书编号：
No. of Certificate 320600310010

批准注册协会：
Authorized Institute of CPAs 江苏省注册会计师协会

发证日期：
Date of Issuance 2012 年/y 12 月/m 06 日/d

4

江苏公证天业会计师事务所（特殊普通合伙）南通分所
JIANGSU GONGZHENG TIANYE CERTIFIED PUBLIC ACCOUNTANTS CO.
3206010902895

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江苏省注册会计师协会

陈喜云(320600310010)
您已通过2016年年检
江苏省注册会计师协会

年/y 月/m 日/d

6

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2013 年/y 01 月/m 22 日/d

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江苏公证天业 事务所
南通分所
CPAs

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2013 年/y 01 月/m 22 日/d

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陈喜云(320600310010)
您已通过2018年年检
江苏省注册会计师协会

年/y 月/m 日/d

7

**Sterlite Global Ventures (Mauritius) Limited**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2019**

**Sterlite Global Ventures (Mauritius) Limited**
**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2019**

| **CONTENTS** | **PAGES** |
|---|---|

| | | Date of appointment | Date of resignation |
|---|---|---|---|
| **DIRECTORS** | : Gyaneshwarnath Gowrea | 10-Aug-10 | - |
| | Pravin Dwarkaprasad Agarwal | 10-Aug-10 | - |
| | Anand Gopaldas Agarwal | 10-Aug-10 | - |
| | Doomraj Sooneelall | 30-Jun-15 | - |
| | Sharmanand Jhurreea (as alternate to Doomraj Sooneelall for a board meeting held on 30 September 2019) | 30-Sep-19 | 30-Sep-19 |

**ADMINISTRATOR & CORPORATE SECRETARY** : **IQ EQ Corporate Services (Mauritius) Ltd**
(Formerly known as SGG Corporate Services (Mauritius) Ltd)
33, Edith Cavell Street
Port Louis, 11324
Mauritius

**REGISTERED OFFICE** : **c/o IQ EQ Corporate Services (Mauritius) Ltd**
33, Edith Cavell Street
Port Louis
Mauritius

**AUDITORS** : **Crowe ATA**
(Formerly known as Crowe Horwath ATA)
2nd Floor, Ebene Esplanade
24, Bank Street, Cybercity
Ebene 72201
Mauritius

**BANKER** : **Barclays Bank (Mauritius) Limited**
3rd Floor, Barclays House
68-68A Cybercity, Ebene
Mauritius

The directors present their commentary, together with the audited financial statements of **Sterlite Global Ventures (Mauritius) Limited** (the "Company") for the financial year ended 31 March 2019.

**ACTIVITY**

The principal activity of the Company is that of investment holding.

**RESULTS AND DIVIDENDS**

The results for the year are as shown on page 8.

The directors do not recommend the payment of any dividend for the year under review. (2018: Nil)

**DIRECTORS**

The present membership of the Board is set out on page 1. All directors served office throughout the year.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not be a going concern in the year ahead.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

The auditors, **Crowe ATA,** have indicated their willingness to continue in office and will be automatically re-appointed.

IQEQ

Know how Know you



**CERTIFICATE FROM THE SECRETARY**
**(UNDER SECTION 166(D) OF THE COMPANIES ACT 2001)**

We certify to the best of our knowledge and belief that **Sterlite Global Ventures (Mauritius) Limited** (the "Company") has filed with the Registrar of Companies, all such returns as are required of the Company or the financial year ended 31 March 2019.

**Authorised Signatory**

Date: 30 SEP 2019

IQ EQ Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port-Louis, 11324, Mauritius

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mauritius@iqeq.com
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Crowe

**Crowe ATA**
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Fax +230 467 7478
www.crowe.com/mu



# INDEPENDENT AUDITORS' REPORT
# TO THE SHAREHOLDERS OF Sterlite Global Ventures (Mauritius) Limited

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of **Sterlite Global Ventures (Mauritius) Limited** (the "Company") set out on pages 7 to 29, which comprise the statement of financial position as at 31 March 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and which comply with the Mauritius Companies Act 2001.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius and we have fulfilled other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other matter

As stated in note 5 to the financial statements, the Company has taken advantage of the exemption provided by the Mauritius Companies Act 2001 allowing a wholly owned or virtually owned parent holding a Category 1 Global Business Licence not to present consolidated financial statements.

### Other information

Directors are responsible for the other information. The other information comprises the commentary of directors, the Company Secretary's certificate, which we obtained prior to the date of this auditors' report. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Report on the audit of the financial statements (Continued)**

**Other information (Continued)**

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

**Responsibilities of the directors and those charged with governance for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

Crowe



**INDEPENDENT AUDITORS' REPORT (CONTINUED)**
**TO THE SHAREHOLDERS OF Sterlite Global Ventures (Mauritius) Limited**

## Report on the audit of the financial statements (Continued)

### Auditors' responsibilities for the audit of the financial statements (Continued)

• Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

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

### Report on other legal and regulatory requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- We have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- We have obtained all the information and explanations that we required; and
- In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

### Use of this report

This report is made solely for the Company's shareholders in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state in our auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, for our audit work, for this report, or for the opinion we have formed.

Crowe ATA

**Crowe ATA**
Public Accountants

**K.S. Sewraz, FCCA**
Signing Partner
Licensed by FRC

Date: 30 September 2019

Ebene, Mauritius

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MARCH 2019**

| ASSETS | NOTES | 2019 USD | 2018 USD |
|---|---|---|---|
| **Non-current asset** | | | |
| Investment in subsidiary | 7 | **19,875,000** | 12,375,000 |
| **Current assets** | | | |
| Other receivables and prepayments | 8 | **2,070** | 2,070 |
| Cash and cash equivalents | | **640,782** | 654,712 |
| **Total current assets** | | **642,852** | 656,782 |
| **TOTAL ASSETS** | | **20,517,852** | 13,031,782 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated capital | 9 | **12,381,447** | 12,381,447 |
| Retained earnings | | **8,078,106** | 594,685 |
| **Total equity** | | **20,459,553** | 12,976,132 |
| **Non-current liability** | | | |
| Borrowing | 10 | **50,000** | 50,000 |
| **Current liability** | | | |
| Other payables | 11 | **8,299** | 5,650 |
| **Total liabilities** | | **58,299** | **55,650** |
| **TOTAL EQUITY AND LIABILITIES** | | **20,517,852** | **13,031,782** |

These financial statements have been approved and authorised for issue by the Board of directors on and signed on ....3 0 SEP 2019........ its behalf by:

S Dhunnoo

} 
} **DIRECTORS**
}

The notes on pages 11 to 29 form an integral part of these financial statements.
Independent auditors' report on pages 4 to 6.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

| | NOTES | 2019 USD | 2018 USD |
|---|---|---|---|
| **INCOME** | | | |
| Dividend Income | 7 | **7,500,000** | 689,638 |
| **EXPENSES** | | | |
| Licence fees | | **2,825** | 2,025 |
| Professional fees | | **7,860** | 5,290 |
| Accounting fee | | **1,600** | 1,600 |
| Audit fee | | **1,695** | 1,955 |
| Disbursements | | - | 100 |
| **TOTAL EXPENSES** | | **13,980** | 10,970 |
| Profit from operations | | **7,486,020** | 678,668 |
| **FINANCE COSTS** | | | |
| Bank charges | | **(855)** | (845) |
| Interest expense | | **(1,744)** | (1,305) |
| **Profit before taxation** | | **7,483,421** | 676,518 |
| Taxation | 13 | - | (34,482) |
| **Profit for the year** | | **7,483,421** | 642,036 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | **7,483,421** | 642,036 |

The notes on pages 11 to 29 form an integral part of these financial statements.
Independent auditors' report on pages 4 to 6.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2019

| | Stated capital<br>USD | (Accumulated losses)/ retained earnings<br>USD | Total equity<br>USD |
|---|---|---|---|
| At 1 April 2017 | 12,381,447 | (47,351) | 12,334,096 |
| Total comprehensive income for the year | - | 642,036 | 642,036 |
| At 31 March 2018 | 12,381,447 | 594,685 | 12,976,132 |
| Total comprehensive income for the year | - | 7,483,421 | 7,483,421 |
| **At 31 March 2019** | **12,381,447** | **8,078,106** | **20,459,553** |

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 MARCH 2019**

| | NOTE | 2019 USD | 2018 USD |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | **7,483,421** | 642,036 |
| *Non-cash adjustment:* | | | |
| Shares received in lieu of dividend | 12 | **(7,500,000)** | - |
| *Changes in working capital:* | | | |
| Increase in other payables | | **2,649** | 892 |
| **Net cash (used in)/generated from operating activities** | | **(13,930)** | 642,928 |
| ***Cash flows from financing activities*** | | | |
| Funds received from holding company | 10 | **-** | 10,000 |
| **Net cash generated from financing activities** | | **-** | 10,000 |
| **Net movements in cash and cash equivalents** | | **(13,930)** | 652,928 |
| **Cash and cash equivalents at beginning of the year** | | **654,712** | 1,784 |
| **Cash and cash equivalents at end of the year** | | **640,782** | 654,712 |

Refer to Note 12 for Non Cash Transactions during the year

The notes on pages 11 to 29 form an integral part of these financial statements.
Independent auditors' report on pages 4 to 6.

## 1 GENERAL INFORMATION

The Company was incorporated in Mauritius, under the Mauritius Companies Act 2001 on 10 August 2010 and holds a Category 1 Global Business Licence issued by the Financial Services Commission under the Financial Services Act 2007. The Company's registered office is at c/o IQ EQ Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius.

Following amendments brought by the Finance Act 2018, all Category 1 Global Business Companies ("GBC 1") will henceforth be known as Global Business Corporation. However by virtue of the Financial Services Act 2007, GBC 1 incorporated before 16 October 2017 will be converted to Global Business Corporation as from 1 July 2021.

The principal activity of the Company is that of investment holding.

## 2 BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), which comprise of Standards and Interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) approved by the International Accounting Standards Committee (IASC) that remain in effect.

The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The areas involving a higher degree or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 5.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

***Adoption of new and revised International Financial Reporting Standards (IFRS)***

***(i) New and amended standards and interpretations***

The following standards and amendments were issued during the year and are effective for annual periods beginning on or after 1 April 2018.

**IFRS 9 'Financial Instruments'**

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial assets and financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and financial liabilities, except for loan to subsidiary which has been amortised at commercial rate.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 01 April 2018.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

***Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)***

***(i) New and amended standards and interpretations (Continued)***

**IFRS 9 'Financial Instruments'(Continued)**

(i) Classification and measurement of financial assets and financial liabilities

| | *Original measurement category under IAS 39* | *New measurement category under IFRS 9* | *Original carrying amount under IAS 39* | *Additional loss allowance recognised under IFRS 9* | *New carrying amount under IFRS 9* |
|---|---|---|---|---|---|
| | | | *USD* | *USD* | *USD* |
| *Cash and cash equivalents* | *Loan and receivables* | *Financial assets at amortised cost* | *654,712* | *Nil* | *654,712* |
| *Borrowings* | *Financial liabilities at amortised cost* | *Financial liabilities at amortised cost* | *50,000* | *Nil* | *50,000* |
| *Other payables* | *Financial liabilities at amortised cost* | *Financial liabilities at amortised cost* | *5,650* | *Nil* | *5,650* |

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs, contract assets and debt investments at FVOCI but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identical impairment loss was immaterial and there has been no significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

(iii) Transition

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets and financial

**IFRS 15 Revenue from contracts with customers and associated amendments to various other standards**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

**3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

***Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)***

***(i) New and amended standards and interpretations (Continued)***

***IFRS 15 Revenue from contracts with customers and associated amendments to various other standards (Continued)***

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under previous standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licences, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

***Annual improvements 2014-2016 cycle***

The following improvements were finalised in December 2016:

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

**Transfers of Investment Property – Amendments to IAS 40**

The Board provided two options for transition:

- prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
- retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

***Adoption of new and revised International Financial Reporting Standards (IFRS)***
***(i) New and amended standards and interpretations (Continued)***

**Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

• retrospectively for each period presented
• prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or
• prospectively from the beginning of a prior reporting period presented as comparative information.

***(ii) Standards and interpretations issued but not yet effective***

The following standards, amendments to standards and interpretation were issued and are not effective for annual periods beginning after 1 April 2018. Earlier application is permitted. However, the Company has not early adopted them in preparing these financial statements.

**IFRS 16 Leases**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

***Adoption of new and revised International Financial Reporting Standards (IFRS)***

***(ii) Standards and interpretations issued but not yet effective (Continued)***

**IFRS 17 Insurance Contracts**

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

• discounted probability-weighted cash flows
• an explicit risk adjustment, and
• a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

**Interpretation 23 Uncertainty over Income Tax Treatments**

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

• how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
• that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
• that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
• that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
• that the judgements and estimates made must be reassessed whenever circumstances have

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

**Prepayment Features with Negative Compensation – Amendments to IFRS 9**

The narrow-scope amendments made to AASB 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

**3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

***Adoption of new and revised International Financial Reporting Standards (IFRS)***

***(ii) Standards and interpretations issued but not yet effective (Continued)***

**Prepayment Features with Negative Compensation – Amendments to IFRS 9 (Continued)**

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

**Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28**

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.

**Annual Improvements to IFRS Standards 2015-2017 Cycle**

The following improvements were finalised in December 2017:

• IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
• IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
• IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
• IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**Plan Amendment, Curtailment or Settlement – Amendments to IAS 19**

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :

• calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
• any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
• separately recognise any changes in the asset ceiling through other comprehensive income.

**Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28**

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

### (a) Financial instruments

(i) Initial recognition and measurement

All financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from 01 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income - debt investment; Fair value through other comprehensive income - equity investment; or Fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair value through profit or loss:

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

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

• It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets – Policy applicable from 01 April 2018 (Continued)

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets:
- How the performance of the portfolio is evaluated and reported to the management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 01 April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets – Policy applicable from 01 April 2018 (Continued)

Financial assets – Classification, subsequent measurement and gains and losses: Policy applicable from 01 April 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gain or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – Policy applicable before 01 April 2018

The Company classifies its financial assets into the following categories:

Loans and trade receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash comprises of cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities – Classification, subsequent measurement and gains and losses: Policy applicable from 01 April 2018

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss.

Derecognition

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Financial instruments (Continued)**

(ii) Classification and subsequent measurement (Continued)

Financial liabilities – Classification, subsequent measurement and gains and losses: Policy applicable from 01 April 2018 (continued)

Derecognition (continued)

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities – Policy applicable before 01 April 2018

The Company classifies its financial liability into the following categories:

Trade and other payables

Trade and other payables consist of accruals and amount owed to holding company. These are stated at cost.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liabilitv based on the modified terms is recoanised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Impairment of assets

Impairment

The Company recognises loss allowance for ECLs on:

Financial assets measured at amortised cost;

The Company measured loss allowance at an amount equal to lifetime ECLs:

other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity of accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amount due.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, for example, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

### (b) Equity

Stated capital represents the proceeds received and in consideration for which, ordinary shares were issued.

Accumulated losses include all current and prior period results as presented in the statement of profit or loss and other comprehensive income.

### (c) Expense recognition

Expenses are recognised on an accrual basis in the statement of profit or loss.

### (d) Related parties

Related parties are individuals and companies where the individuals or companies have the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions, or vice versa.

### (e) Revenue recognition

Revenue earned by the Company is recognised on the following basis:
Interest income - as it shall be accrued, unless collectibility is in doubt.

Dividend income - should be recognised when the shareholders' rights to receive payments have been established.

### (f) Provisions

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Investment in subsidiary

Subsidiary undertakings are those entities in which the Company controls an investee if all of the following elements are present:

(i) power over the investee, exposure to variable returns from the investee, and
(ii) the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

(i) The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
(ii) Substantive potential voting rights held by the Company and by other parties,
(iii) Other contractual arrangements,
(iv) Historic patterns in voting attendance.

Investment in subsidiary is shown at cost, less impairment. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the profit or loss. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.
The preparation of financial statements in conformity with IFRS requires the directors to make use of certain critical accounting estimates. It also requires directors to exercise its judgement in the process of applying the Company's accounting policies.

### (h) Income Tax

Income taxes currently payable are provided for in accordance with the existing legislation.

### (i) Foreign currency transaction

*Functional and presentation currency*

The financial statements are presented in United States dollar ("USD") which is the Company's functional and presentation currency. The Board of directors have adopted USD as the functional and presentation currency based on the shareholder's economic circumstances and to whom returns of its investment are reported in USD.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Monetary assets and liabilities expressed in foreign currencies at year end date are translated into USD at the exchange rates ruling at the reporting date.

Non- monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Differences on exchange are dealt with in equity as "Translation reserve".

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Prepayments**

Prepayments are stated at their nominal value.

**5 SIGNIFICANT MANAGEMENT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The following are the management's judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 6.

*Determination of functional currency*

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in note 4, the directors have considered those factors therein and have determined that the functional currency of the Company is the United States dollar (USD).

*Impairment of financial assets*

IFRS 9 effectively incorporates an impairment review for financial assets that are measured at fair value, as any fall in fair value is taken to profit or loss or other comprehensive income for the year, depending upon the classification of the financial asset.

For financial assets designated to be measured at amortised cost, an entity must make an assessment at each reporting date whether there is evidence of possible impairment; if there is, then an impairment review should be performed. If impairment is identified, it is charged to profit or loss immediately. Quantification of the recoverable amount would normally be based upon the present value of the expected future cash flows estimated at the date of the impairment review and discounted to their present value based on the original effective rate of return at the date the financial asset was issued.

There are no such indications of events having impact on future cash flows of the Company. Therefore, no impairment provision is required to be made by the Company.

*Impairment of non-financial asset*

In assessing whether a full impairment test is required for the investment in the subsidiary, the Company has considered whether it has recognised a dividend from the investment and evidence is available that:

• the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the subsidiary's net assets; or

• the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared

The directors have noted that the carrying amount of the investment in the separate financial statements is lower than the carrying amount in the financial statements of the subsidiary's net assets. Therefore, no impairment provision is required to be made by the Company.

*Consolidated financial statements*

The Company has taken advantage of the exemption provided by the Mauritius Companies Act 2001 allowing a wholly or virtually wholly owned subsidiary company holding a Category 1 Global Business Licence and having any company not to prepare consolidated financial statements. The financial statements are, therefore, separate financial statements which contain information about **Sterlite Global Ventures (Mauritius) Limited** as an individual company and do not contain consolidated financial information as the parent of a Group.

## 6 ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual result may differ from the judgements, estimates and assumptions made by management and will seldom equal the estimated results.

## 7 INVESTMENT IN SUBSIDIARY

| | **2019 USD** | 2018 USD |
|---|---|---|
| At 1 April | **12,375,000** | 12,375,000 |
| Additions during the year | **7,500,000** | - |
| At 31 March | **19,875,000** | 12,375,000 |

Details of investment in the subsidiary incorporated in China are as follows:

| Name of investee company | Class of shares held | Number of shares held | % Holding | Nominal value of Investment |
|---|---|---|---|---|
| Jiangsu Sterlite Tongguang Fiber Co. Ltd | Ordinary | 19,875,000 | 75% | 19,875,000 |

During the year under review, the subsidary has issued 7,500,000 ordinary shares of USD 1 each to the Company in lieu of dividend.(Refer to Note 12)

The directors have reviewed the financial position and performance of the subsidiary. They are of the opinion that the estimated recoverable amount of the investment is not less than its carrying amount and the investment has not suffered any impairment for the year under review.

## 8 OTHER RECEIVABLES & PREPAYMENTS

| | **2019 USD** | 2018 USD |
|---|---|---|
| Prepayments | **2,070** | 2,070 |

## 9 STATED CAPITAL

| | **2019 USD** | 2018 USD |
|---|---|---|
| At 31 March | **12,381,447** | 12,381,447 |

The issued share capital of the Company comprises of 12,381,447 ordinary shares with a par value of USD1 per share. These shares are entitled to voting rights and to dividends. The shareholders have various rights under the Company's Constitution, including the rights to income distributions subject to solvency test and other legal requirements. They are also required to attend and vote at meeting of shareholders.

**10 BORROWING**

| **Financial liability at amortised cost** | **2019 USD** | 2018 USD |
|---|---|---|
| *Principal amount* | | |
| At start of the year | **50,000** | - |
| Additions during the year | | - |
| At end of the year | **50,000** | - |

| **BORROWING** | **2019 USD** | 2018 USD |
|---|---|---|
| *Principal amount* | | |
| At start of the year | - | 40,000 |
| Additions during the year | | 10,000 |
| At end of the year | - | 50,000 |

The loan payable to Sterlite Technologies Limited ('**STL**') bears an interest rate of Libor+60 BPS, has no fixed repayment terms and is unsecured.

**11 OTHER PAYABLES**

| | **2019 USD** | 2018 USD |
|---|---|---|
| Interest payable to STL | **3,839** | 2,095 |
| Accruals | **4,460** | 3,555 |
| | **8,299** | 5,650 |

During the year, the interest payable to STL amounted to USD 3,839 (2018: USD 2,095).

**12 Non-cash adjustments**

| | **2019 USD** | 2018 USD |
|---|---|---|
| Share in lieu of dividend | **7,500,000** | - |

During the year, the subsidary has issued 7,500,000 ordinary shares of USD 1 each to the Company in lieu of dividend.(Refer to Note 9)

**13 TAXATION**

The Company, being resident in Mauritius, is liable to income tax in Mauritius on its chargeable income at the rate of 15%. The Company has received its Category 1 Global Business Licence ("GBL1") before 16 October 2017 and is grandfathered under the provisions of the Finance (Miscellaneous Provisions) Act 2018 ("FA 2018"). As from 01 July 2021, the Company's GBL1 licence will be automatically converted to a Global Business Licence ("GBL"). The Company will therefore operate under the current tax regime up to 30 June 2021.

Until 30 June 2021, the Company's foreign sourced income is eligible for a foreign tax credit which is computed as the lower of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the actual foreign tax charged by the foreign jurisdiction or a deemed foreign tax. The deemed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total actual foreign tax credit, the Company is allowed to pool all its foreign sourced income.

Under the new regime, the Company will be able to claim an 80% partial exemption on specific types of income, subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption will be taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the foreign tax charged on the income in the foreign jurisdiction.

## 13 TAXATION (CONTINUED)

No provision for income tax has been made in the financial statements as the Company does not have any tax liability as at 31 March 2019 (2018: Withholding Tax USD 34,482).

| *Reconciliation of effective tax* | **2019** | 2018 |
|---|---|---|
| | **USD** | USD |
| Profit before taxation | **7,483,421** | 642,036 |
| Add: foreign tax suffered | **2,411,853** | 123,613 |
| | **9,895,274** | 765,649 |
| Income tax at 15% | **1,484,291** | 114,847 |
| Tax losses lapsed | - | 1,847 |
| Tax losses brought forward | **(8,949)** | (8,950) |
| Withholding tax | **(1,475,342)** | 34,482 |
| Foreign tax credit (restricted) | - | (107,744) |
| | - | 34,482 |

## 14 RELATED PARTY DISCLOSURES

During the year under review, the Company transacted with a related entitiy. The nature, volume of transactions and balances with this entity are as follows:

**Amount due to holding company - Sterlite Technologies Limited**

**Payable over a year**

| | **2019** | 2018 |
|---|---|---|
| | **USD** | USD |
| At beginning of the year | **50,000** | 40,000 |
| Additions during the year | - | 10,000 |
| At end of the year | **50,000** | 50,000 |

The loan payable to Sterlite Technologies Limited ('**STL**') bears an interest rate of Libor+60 BPS, has no fixed repayment terms and is unsecured.

## 14 RELATED PARTY DISCLOSURES (CONTINUED)

**Fees paid to key management personnel**

There was no compensation paid to key management personnel for the year ended 31 March 2019 (2018: USD Nil).

Professional fees of USD 7,860 have been incurred by the Company for the year ended 31 March 2019 (2018: USD 2,500) in relation to directorship services rendered by the resident directors. However, these fees are not paid to the individual officers but to the Company's administrator.

## 15 FINANCIAL INSTRUMENTS

*Fair values*

The carrying amounts of the assets and liabilities of the Company approximate to their fair values.

*Currency profile*

The Company's financial assets and liabilities are denominated in USD.

*Risk and capital management*

The capital of the Company is primarily for investment purposes in view of generating a return on the investment made by the shareholder. It is the Company's policy to finance its investment and any operating expenses from equity instruments. There were no changes in the Company's approach to capital management during the year.

## 15 FINANCIAL INSTRUMENTS

The risks arising from the Company's financial instruments are as follows:
(i) Liquidity risk
(ii) Market risk
(iii) Interest rate risk

The Board of directors reviews and agrees policies for managing this risks are as follows:

*(i) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has the continued financial support of its holding company in this process. Changes in liquidity risk will not have any material impact on the financial statements.

| **31 March 2019** | **More than 1 year** | **Up to 1 year** |
|---|---|---|
| **Liabilities** | **USD** | **USD** |
| Finance liability at amortised cost | **50,000** | **-** |
| Other payables | **-** | **8,299** |
| **Total** | **50,000** | **8,299** |

| 31 March 2018 | More than 1 year | Up to 1 year |
|---|---|---|
| Liabilities | USD | USD |
| Borrowing | 50,000 | - |
| Other payables | - | 5,650 |
| Total | 50,000 | 5,650 |

*(ii) Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines. The Company is not subject to significant amount of risk as the unquoted investment is mainly financed by its parent. Changes in market risk will not have any material impact in the financial statements.

*(iii) Interest rate risk*

For the year ended 31 March 2019, the Company is exposed to changes in market interest rates on its financial assets on account of its loan to subsidiary and bank balance and on its financial liabilities on account of its loans from holding company which are at fixed/variable interest rates.

The following table details the Company 's exposure to interest rate risks. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

| **31 March 2019** | **USD** |
|---|---|
| **Financial Assets** | |
| Non interest bearing | **640,782** |
| Variable interest instrument | **-** |
| **Total** | **640,782** |

## 15 FINANCIAL INSTRUMENTS (CONTINUED)

*(iii) Interest rate risk (continued)*

| **Financial Liabilities** | **USD** |
|---|---|
| Non interest bearing | 4,460 |
| Variable interest instrument | 53,839 |
| **Total** | **58,299** |

Interest rate sensitivity
If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the net profit for the year ended 31 March 2019 would increase/decrease by USD 500 (2018: USD 500). This is mainly attributable to the Company exposure to interest rates on variable rate of interest rates on borrowings.

| **Interest Rate** | **Low** | **High** |
|---|---|---|
| | **(1%)** | **1%** |
| Variable interest instrument | **(53,839)** | **53,839** |
| Impact on total assets of the Company | **(538)** | **538** |

***Fair value hierarchy***

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 measurements 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.

Level 3 inputs are unobservable inputs for the assets or liability.
The following tables set out the fair values of financial instruments that are analysed by the level in the fair value hierarchy into which each fair value measurement is categorised:

| **31 March 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| ***Assets*** | **USD** | **USD** | **USD** | **USD** |
| Investment in subsidiary | - | - | **19,875,000** | **19,875,000** |
| Cash and cash equivalents | - | - | **640,782** | **640,782** |
| **Total assets** | - | - | **20,515,782** | **20,515,782** |
| ***Liabilities*** | | | | |
| Finance liability at amortised cost | - | - | **50,000** | **50,000** |
| Other payables | - | - | **8,299** | **8,299** |
| **Total liabilities** | - | - | **58,299** | **58,299** |

## 14 FINANCIAL INSTRUMENTS (CONTINUED)

***Fair value hierarchy (Continued)***

| 31 March 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *Assets* | USD | USD | USD | USD |
| Investment in subsidiary | - | - | 12,375,000 | 12,375,000 |
| Cash and cash equivalents | - | - | 654,712 | 654,712 |
| Total assets | - | - | 13,029,712 | 13,029,712 |
| *Liabilities* | | | | |
| Finance liability at amortised co: | - | - | 50,000 | 50,000 |
| Other payables | - | - | 5,650 | 5,650 |
| Total liabilities | - | - | 55,650 | 55,650 |

The fair values of cash and cash equivalents and accruals approximate their carrying values due to their short-term nature.

## 15 HOLDING COMPANY

The directors consider Sterlite Technologies Limited, a company established in India and listed on the National Stock Exchange and Bombay Stock Exchange, as the holding company and ultimate holding company.

## 16 EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2019.