

RELIANCE JIO INFOCOMM PTE LIMITED
FINANCIAL STATEMENTS
2016-17

Independent Auditor's Report

TO THE MEMBER OF RELIANCE JIO INFOCOMM PTE LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reliance Jio Infocomm Pte Ltd (the "company"), which comprise the statement of financial position of the Company as at December 31, 2016, 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 6 to 27.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at December 31, 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

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 Directors for the Financial Statements

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

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.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Report on Other Legal and Regulatory Requirements

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

Public Accountants and
Chartered Accountants
Singapore

Date: 22nd April, 2017

Statement of Financial Position December 31, 2016

	Note	2016 US\$	2015 US\$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,929,642	368,487
Trade and other receivables	7	9,998,938	2,268,783
Prepayments		93,947	410,898
Inventories	8	11,117,170	20,745,687
Total current assets		<u>23,139,697</u>	<u>23,793,855</u>
Non-current assets			
Plant and equipment	9	54,467,124	45,605,203
Intangible assets	10	41,384,913	19,750,798
Total non-current assets		<u>95,852,037</u>	<u>65,356,001</u>
Total assets		<u>118,991,734</u>	<u>89,149,856</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	21,038,264	818,822
Deferred revenue		3,179,978	560,625
Total current liabilities		<u>24,218,242</u>	<u>1,379,447</u>
Capital and reserves			
Share capital	12	98,000,000	91,000,000
Accumulated losses		(3,226,508)	(3,229,591)
Total equity		<u>94,773,492</u>	<u>87,770,409</u>
Total liabilities and equity		<u>118,991,734</u>	<u>89,149,856</u>

See accompanying notes to financial statements.

Statement of Profit or Loss and other Comprehensive Income for the year ended December 31, 2016

	Note	2016 US\$	2015 US\$
Revenue from operations	13	46,252,897	1,269,875
Other operating income	14	58,624	215
Changes in inventories		(9,628,517)	-
Purchases and related cost		(27,571,274)	-
Depreciation and amortisation		(2,068,424)	(1,618,590)
Employee benefits expense		(186,544)	(150,808)
Other operating expenses	15	(6,853,679)	(1,453,087)
Profit(loss) before tax	16	3,083	(1,952,395)
Income tax	17	-	-
Profit(loss) for the year, representing total comprehensive profit(loss) for the year		<u>3,083</u>	<u>(1,952,395)</u>

See accompanying notes to financial statements.

Statement of Changes in Equity for the year ended December 31, 2016

	Share capital US\$	Accumulated Losses US\$	Total US\$
At January 1, 2015	66,000,000	(1,277,196)	64,722,804
Loss for the year, representing total comprehensive loss for the year	-	(1,952,395)	(1,952,395)
Shares issued during the year, representing transactions with owners recognised directly in equity	25,000,000	-	25,000,000
At December 31, 2015	91,000,000	(3,229,591)	87,770,409
Profit for the year, representing total comprehensive profit for the year	-	3,083	3,083
Shares issued during the year, representing transactions with owners recognised directly in equity	7,000,000	-	7,000,000
At December 31, 2016	98,000,000	(3,226,508)	94,773,492

Statement of Cash Flows for the year ended December 31, 2016

	2016 US\$	2015 US\$
Cash flows from operating activities		
Profit (loss) before income tax	3,083	(1,952,395)
Adjustment for:		
Depreciation and amortisation	2,068,424	1,618,590
Operating cash flows before working capital changes	2,071,507	(333,805)
Trade and Other receivables	(7,730,155)	(1,496,861)
Inventory	20,723,606	(20,745,687)
Prepayments	316,951	(311,923)
Trade payables and accruals	6,444,715	(175,339)
Net cash from/(used in) Operating activities	<u>21,826,621</u>	<u>(23,063,615)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(21,092,191)	(4,005,732)
Additions to intangible assets (Note A)	(6,173,276)	-
Net cash used in investing activities	<u>(27,265,466)</u>	<u>(4,005,732)</u>
Cash flows from financing activity		
Proceeds from issuance of ordinary shares, representing net cash from financing activity	7,000,000	25,000,000
Net increase/(decrease) in cash and cash equivalents	1,561,155	(2,069,347)
Cash and cash equivalents at the beginning of the year	368,487	2,437,834
Cash and cash equivalents at the end of the year	<u>1,929,642</u>	<u>368,487</u>

Note A:

During the year ended December 31, 2016 the Company acquired intangible assets amounting to \$23,232,232 (2015: Nil). As at year end, payables of \$17,058,957 (2015: Nil) relating to these acquisition have not been paid.

See accompanying notes to financial statement.

Notes on Financial Statements December 31, 2016

1 GENERAL

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

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

The financial statements of the company for the financial year ended December 31, 2016 were authorised for issue by the Board of directors on April 22, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS - The Company adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from the date of incorporation and are relevant to its operations.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Company were issued but not effective:

- FRS 109 *Financial Instruments*²
- FRS 115 *Revenue from Contracts with Customers* (with clarifications issued)²
- FRS 116 *Leases*³
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*¹

¹ Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

³ Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption except for the following:

Notes on Financial Statements December 31, 2016

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109 relevant to the company:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management is currently evaluating the potential impact of the FRS 109 on the financial statements of the Company.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

The management is currently evaluating the potential impact of the FRS 115 on the financial statements of the Company.

FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

As at December 31, 2016, the Company has non-cancellable operating lease commitments of US\$110,610. FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; A preliminary assessment indicates that these arrangements will meet the definition of a lease under FRS 116. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company’s financial statements and the management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

Notes on Financial Statements December 31, 2016

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Loans and receivables

Trade and other receivables are initially recognised at fair values plus transaction costs and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It is probable that the borrower or debtor will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers or 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 an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes on Financial Statements December 31, 2016

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

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

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

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

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in-first-out basis. Cost comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PLANT AND EQUIPMENT - Plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses. Plant and equipment in the course of construction for production, supply and administrative purpose is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing cost capitalised in accordance with company's accounting policy. Depreciation commences when the assets are ready for their intended use.

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

Plant and equipment - 5 to 15 years

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

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

Notes on Financial Statements December 31, 2016

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

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

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss.

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

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

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

Sale of goods

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

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

Rendering of services

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

Interest income

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

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the

Notes on Financial Statements December 31, 2016

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The financial statements of the company are presented in United States dollars, the currency of the primary economic environment in which the company operates (its functional currency).

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the company's accounting policies

Impairment of plant and equipment and intangible assets

The company assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. If an indication of impairment is identified, the carrying amounts of the plant and equipment are determined on the basis of the net recoverable amounts. The net recoverable amount is determined based on higher of fair value less cost to sell and value-in-use. The carrying amount of plant and equipment is disclosed in Note 9 to the financial statements. The management is of the view that there is no indication of impairment in the carrying amount of these assets.

In the process of applying the company's accounting policies, management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements except for those involving estimates as indicated below.

Impairment of intangible assets not yet available for use

The company assesses annually whether there is any indication of impairment for its intangible assets. If an indication of impairment is identified, the management estimates the recoverable amount using value-in-use calculation to estimate the future cash flows expected to rise and a suitable discount rate to calculate present value. The carrying amount of intangible assets is disclosed in Note 10. The management is of the view that there is no indication of impairment in the carrying amount of intangible assets not yet available for use.

Notes on Financial Statements December 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

	2016 US\$	2015 US\$
Financial assets		
Loans & receivables (including cash and cash equivalent)	11,928,580	2,637,270
Financial liabilities		
Trade and other payables	21,038,264	818,822

a) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting a loss to the company. Except for amount owing to immediate holding company, the company has no significant concentration of credit risk with third parties. The company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Cash is held with a reputable financial institution. The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk.

b) Interest rate risk management

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

c) Foreign exchange risk management

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

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

	2016 US\$	<u>Assets</u> 2015 US\$	2016 US\$	<u>Liabilities</u> 2015 US\$
Singapore dollars	340,515	74,103	-	46,398

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

d) Liquidity risk management

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

e) Fair values of financial assets and financial liabilities

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

f) Capital risk management policies and objectives

The Company's ultimate holding company will provide continuous financial support so as to enable the Company to finance its capital expenditure. The Company's objectives while managing capital are to safeguard its ability to continue as a going concern. The Company is not a debt geared company and the equity is attributable to the parents of the Company. The Capital management process is determined and managed at the ultimate holding Company level. The Company's overall strategy remains unchanged from 2015.

Notes on Financial Statements December 31, 2016

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a wholly-owned subsidiary of Reliance Jio Infocomm Limited, incorporated in India. The ultimate holding Company is Reliance Industries Limited also incorporated in India. Related Companies in these financial statements refer to members of the ultimate holding company's group of companies.

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

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

	2016 US\$	2015 US\$
<u>Immediate holding company</u>		
Sale of goods and services	45,983,751	1,269,875
Transfer of Fixed Assets	11,16,542	4,919,263
Voice charges	(24,031)	-
<u>Related companies</u>		
Purchase of Intangible Assets	(234,300)	-
IP Transit charges	(2,628,973)	-
Professional services received	-	(53,516)
Rent expense	(16,336)	(51,653)

Compensation of Key Management Personnel

There are no key management personnel apart from the Company's directors. Directors' remuneration is disclosed in Note 15 to the financial statements.

6 CASH AND CASH EQUIVALENTS

	2016 US\$	2015 US\$
Cash at bank	1,929,642	368,487

7 TRADE AND OTHER RECEIVABLES

	2016 US\$	2015 US\$
Outside parties	2,000,089	24,413
Amount due from immediate holding company	7,976,920	2,233,303
Rent deposit	21,929	11,067
	<u>9,998,938</u>	<u>2,268,783</u>

8 INVENTORIES

	2016 US\$	2015 US\$
Cable systems	9,148,786	19,039,557
Internet Protocol addresses	1,968,384	1,706,130
	<u>11,117,170</u>	<u>20,745,687</u>

Notes on Financial Statements December 31, 2016

9 PLANT AND EQUIPMENT

	Plant and machinery US\$	Construction work-in progress US\$	Total US\$
Cost:			
At January 1, 2015	723,995	41,871,849	42,595,844
Additions	-	27,557,470	27,557,470
Transfer to Intangible assets under development (Note 10)	-	(500,525)	(500,525)
Transfer to Inventories (Note 8)	-	(19,039,557)	(19,039,557)
Transfer to immediate holding company	-	(4,919,263)	(4,919,263)
At December 31, 2015	723,995	44,969,974	45,693,969
Additions	-	21,543,859	21,543,859
Transfer to Plant and Machinery (Note 10)	21,447,982	(21,447,982)	-
Transfer to Inventories (Note 8)	-	(11,095,089)	(11,095,089)
Transfer to immediate holding company	-	(1,116,542)	(1,116,542)
At December 31, 2016	<u>22,171,977</u>	<u>32,854,220</u>	<u>55,026,197</u>
Accumulated depreciation:			
At January 1, 2015	33,098	-	33,098
Depreciation for the year	55,668	-	55,668
At December 31, 2015	<u>88,766</u>	<u>-</u>	<u>88,766</u>
Depreciation for the year	470,307	-	470,307
At December 31, 2016	<u>559,073</u>	<u>-</u>	<u>559,073</u>
Carrying amount:			
At December 31, 2016	<u>21,612,904</u>	<u>32,854,220</u>	<u>54,467,124</u>
At December 31, 2015	<u>635,229</u>	<u>44,969,974</u>	<u>45,605,203</u>

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

10 INTANGIBLE ASSETS

	Rights-to-use capacity US\$	Intangible assets under development US\$	Total US\$
Cost:			
At January 1, 2015	20,711,852	1,000,000	21,711,852
Transfer from Plant and Equipment (Note 9)	-	500,525	500,525
Transfer to Rights-to-use capacity	1,500,525	(1,500,525)	-
At December 31, 2015	<u>22,212,377</u>	<u>-</u>	<u>22,212,377</u>
Additions	234,300	22,997,932	23,232,232
At December 31, 2016	<u>22,446,677</u>	<u>22,997,932</u>	<u>45,444,609</u>

Notes on Financial Statements December 31, 2016

10 INTANGIBLE ASSETS (Continued)	Rights-to-use capacity US\$	Intangible assets under development US\$	Total US\$
Accumulated amortization:			
At January 1, 2015	898,657	-	898,657
Charge for the year	1,562,922	-	1,562,922
At December 31, 2015	2,461,579	-	2,461,579
Charge for the year	1,598,117	-	1,598,117
At December 31, 2016	4,059,696	-	4,059,696
Carrying amount:			
At December 31, 2016	18,386,981	22,997,932	41,384,913
At December 31, 2015	19,750,798	-	19,750,798

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

The amortisation expense has been included in the line item "depreciation and amortisation expense" in profit or loss.

11 TRADE AND OTHER PAYABLES	2016 US\$	2015 US\$
Outside parties	18,853,311	745,731
Amount due to holding company	-	9,075
Amount due to related companies	2,174,453	53,516
Accruals	10,500	10,500
	<u>21,038,264</u>	<u>818,822</u>
	<u>21,038,264</u>	<u>818,822</u>

12 SHARE CAPITAL	2016 US\$	2015 US\$
Number of ordinary shares		
Balance at January 1, 2015	66,000,000	66,000,000
Shares issued during the year	25,000,000	25,000,000
Balance at December 31, 2015	91,000,000	91,000,000
Shares issued during the year	7,000,000	7,000,000
Balance at December 31, 2016	98,000,000	98,000,000
	<u>98,000,000</u>	<u>98,000,000</u>
	<u>98,000,000</u>	<u>98,000,000</u>

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

13 REVENUE FROM OPERATIONS	2016 US\$	2015 US\$
Rendering of services	6,792,758	1,269,875
Sale of Goods	39,460,139	-
	<u>46,252,897</u>	<u>1,269,875</u>
	<u>46,252,897</u>	<u>1,269,875</u>

Notes on Financial Statements December 31, 2016

14 OTHER OPERATING INCOME	2016	2015
	US\$	US\$
Interest income	470	215
Others	58,154	-
	58,624	215
15 OTHER OPERATING EXPENSE	2016	2015
	US\$	US\$
Bandwidth charges	4,121,035	97,397
Colocation charges	549,881	202,033
Repair and maintenance	1,968,184	923,920
Voice charges	52,242	-
License fees	56,967	61,384
Professional fees	39,421	84,038
Rent expense	42,107	51,653
Others	23,844	32,662
	6,853,679	1,453,087
16 PROFIT/(LOSS) BEFORE INCOME TAX		
Profit before income tax includes the following charges:	2016	2015
	US\$	US\$
Directors' remuneration	160,756	150,808
Employee benefits expenses (including directors' remuneration)	186,544	150,808
Depreciation of plant and equipment	470,307	55,668
Amortisation of intangible assets	1,598,117	1,562,922
Net foreign exchange losses	8,350	8,365
16 INCOME TAX	2016	2015
	US\$	US\$
The income tax expense varied from the amount of tax expense determined by applying the Singapore tax rate of 17% (2015: 17%) to loss before tax as a result of the following differences:		
	2016	2015
	US\$	US\$
Profit(Loss) before tax	3,083	(1,952,395)
Income tax expense(benefit) at statutory rate of 17% (2015: 17%)	524	(331,907)
Effect of taxes on expenses that was capitalised	(139,956)	(63,791)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	137,050	400,991
Others	2,382	(5,293)
Total income tax expense	-	-

Notes on Financial Statements December 31, 2016

The Company has deductible temporary differences arising from unutilised capital allowance, tax losses and excess of net book value over tax written down value of plant and equipment and intangible assets of approximately US\$5,511,764(2015 : US\$4,705,586) in respect of which no deferred tax benefit has been recognised due to uncertainty as to when the benefit will be realised. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of tax legislation.

17 OPERATING LEASE COMMITMENTS

The Company as lessee

At the reporting date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016 US\$	2015 US\$
Minimum lease payments paid under operating leases	42,107	51,653
Obligation on non-cancellable leases:		
Within one year	33,048	-
In the second to fifth year inclusive	77,112	-
	<u>110,160</u>	<u>-</u>

Operating lease commitments are for rental of office space for 3 years (2015: Nil) and rentals are fixed at the inception of the lease.

The Company as lessor

The Company entered into non-cancellable lease arrangements to provide dark fibre on indefeasible right of use (IRU) basis. At the end of the reporting period, the Company has the following future minimum lease payments.

	2016 US\$	2015 US\$
Within one year	199,333	-
In the second to fifth year inclusive	797,333	-
After five years	398,667	-
	<u>1,395,333</u>	<u>-</u>

18 CAPITAL COMMITMENTS

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

	2016 US\$	2015 US\$
Commitments for the acquisition of plant and equipment	<u>11,787,057</u>	<u>26,941,611</u>