

To,
The Board of Directors
GCX Holdings Limited
Cumberland House, 9th Floor, 1 Victoria Street,
Hamilton HM11, Bermuda

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of GCX Holdings Limited as at December 31, 2021 which comprise the condensed consolidated interim statement of financial position as at December 31, 2021 and the related condensed consolidated interim statements of income, condensed consolidated comprehensive income for the period beginning April 1, 2021 to December 31, 2021 and quarter ended December 31, 2021, condensed consolidated changes in equity and condensed consolidated cash flows for the period beginning April 1, 2021 to December 31, 2021 and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

For S.R. Batliboi & Associates LLP

Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004



per Nilangshu Katriar
Partner
Membership No.: 058814
UDIN: 22058814ADVZGT8555



Place: Mumbai
Date: February 28, 2022



GCX Holdings Limited

Condensed Interim Consolidated Financial Statements for the period ended December 31, 2021

GCX Holdings Limited

Condensed Interim Consolidated Financial Statements

Table of contents

	Page no.
Condensed Interim Consolidated Statement of Financial Position as at December 31, 2021	1
Condensed Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income for the period ended December 31, 2021	3
Condensed Interim Consolidated Statement of Cash Flows for the period ended December 31, 2021	5
Condensed Interim Consolidated Statement of Changes in Equity for the period ended December 31, 2021	7
Notes to Condensed Interim Consolidated Financial Statements	8

GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statements of Financial Position

Particulars	As at December 31, 2021 (Unaudited)	As at March 31, 2021 (Audited)
Assets		
Non-current Assets		
Property, plant and equipment	241,836	251,598
Right-of-use assets	10,938	11,252
Capital work-in-progress	6,003	8,267
Intangible assets	97,033	103,296
Goodwill [Refer note 2(c) below]	81,192	81,192
Trade receivables	7,496	8,965
Contract assets	-	451
Other financial assets	735	2,175
Other assets	18,668	17,826
Non-Current tax assets	7,232	7,031
Deferred tax assets	0	29
Total Non-current Assets	471,133	492,082
Current Assets		
Trade receivables	95,273	87,162
Contract assets	2,336	3,689
Other financial assets	900	905
Other assets	11,147	15,327
Cash and cash equivalents	34,748	34,898
Current tax assets	101	102
Total Current Assets	144,505	142,083
Total Assets	615,638	634,165
Equity and Liabilities		
Equity attributable to equity holders of the parent (Refer note 3 below)		
Share capital	3	3
Share premium	37,720	37,554
Share pending allotment	-	661
Retained earnings	(86,167)	(57,173)
Foreign currency translation reserve	893	772
Capital reserve	508	(1,334)
Total equity attributable to equity holders of the parent	(47,043)	(19,517)
Non-controlling interest	(1,879)	(2,097)
Total Equity	(48,922)	(21,614)



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statements of Financial Position

Particulars	As at December 31, 2021 (Unaudited)	As at March 31, 2021 (Audited)
Liabilities		
Non- current Liabilities		
Borrowings <i>(refer note 4 below)</i>	200,000	254,500
Trade and other payables	3,731	3,800
Lease liabilities	9,144	9,400
Contract liabilities	191,329	155,227
Asset retirement obligation	19,449	19,285
Non-current tax liabilities	5,077	5,093
Deferred tax liabilities	141	180
Total Non-current Liabilities	428,871	447,485
Current Liabilities		
Borrowings <i>(refer note 4 below)</i>	34,512	-
Trade and other payables	114,200	130,799
Lease liabilities	1,954	2,141
Contract liabilities	77,742	68,075
Asset retirement obligation	2,824	2,807
Current tax liabilities	4,457	4,472
Total Current Liabilities	235,689	208,294
Total Liabilities	664,560	655,779
Total Equity and Liabilities	615,638	634,165

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income

Particulars	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>	For the period ended March 18, 2020 to December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>
Revenue from contracts with customers (<i>refer note 5 below</i>)	60,158	180,485	57,576	173,887
Other income	0	0	-	0
	<u>60,158</u>	<u>180,485</u>	<u>57,576</u>	<u>173,887</u>
EXPENSES				
Cost of goods sold	(19,479)	(61,949)	(19,240)	(59,831)
Network operation expenses	(17,044)	(51,408)	(18,276)	(53,406)
Employee cost	(9,448)	(30,012)	(8,478)	(27,539)
Depreciation and amortisation	(12,049)	(35,854)	(10,566)	(32,837)
Other expenses	(2,638)	(7,547)	(8,637)	(26,674)
Total Expenses	<u>(60,658)</u>	<u>(186,770)</u>	<u>(65,197)</u>	<u>(200,287)</u>
Operating (Loss)	<u>(500)</u>	<u>(6,285)</u>	<u>(7,621)</u>	<u>(26,400)</u>
Finance income	14	60	22	71
Finance costs	(6,552)	(20,328)	(7,357)	(20,909)
Finance cost (net)	<u>(6,538)</u>	<u>(20,268)</u>	<u>(7,335)</u>	<u>(20,838)</u>
Gain on foreign currency fluctuation (net)	(318)	(761)	1,091	1,056
(Loss) before income tax and non-recurring items	<u>(7,356)</u>	<u>(27,314)</u>	<u>(13,865)</u>	<u>(46,182)</u>
Non-recurring items (net) (<i>refer note 6 below</i>)	(1,145)	(1,737)	(1,837)	(1,044)
(Loss) before income tax	<u>(8,501)</u>	<u>(29,051)</u>	<u>(15,702)</u>	<u>(47,226)</u>
Income tax (charge)	(226)	(364)	(115)	(237)
Net (Loss) from operations	<u>(8,727)</u>	<u>(29,415)</u>	<u>(15,817)</u>	<u>(47,463)</u>
Net Loss attributable to:				
Owners of GCX Group	(8,789)	(29,633)	(15,535)	(47,216)
Non-controlling Interest	62	218	(282)	(247)
	<u>(8,727)</u>	<u>(29,415)</u>	<u>(15,817)</u>	<u>(47,463)</u>
Loss per share				
Basic and Diluted loss for the period attributable to the owners of GCX Group	(2.55)	(8.60)	(4.44)	(13.49)



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income

Particulars	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>	For the period ended March 18, 2020 to December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>
Net (Loss) from operations	(8,727)	(29,415)	(15,817)	(47,463)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences	153	121	594	980
Total other comprehensive income for the period	153	121	594	980
Total other comprehensive income attributable to:				
Owners of GCX Group	153	121	594	980
Non-controlling Interest	-	-	-	-
Total other comprehensive income	153	121	594	980
Total comprehensive income attributable to:				
Owners of GCX Group	(8,636)	(29,512)	(14,941)	(46,236)
Non-controlling Interest	62	218	(282)	(247)
Total comprehensive income	(8,574)	(29,294)	(15,223)	(46,483)

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statement of Cash Flows

Particulars	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>	For the period ended March 18, 2020 to December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>
(A) CASH FLOW FROM OPERATING ACTIVITIES:				
(Loss) after income tax	(8,727)	(29,415)	(15,817)	(47,463)
Adjustments for:				
Depreciation and amortisation	12,049	35,854	10,566	32,837
Share-based payment expense	253	1,986	-	-
Impairment of trade receivables (reversal)	285	410	-	(413)
Finance Income	(14)	(60)	(22)	(71)
Finance cost	6,552	20,327	7,357	20,909
Income tax charge	226	364	115	237
Operating Profit before Working Capital Changes	10,624	29,466	2,199	6,036
Adjustments for:				
(Increase) / decrease in trade receivables and other assets	(7,317)	1,623	(11,438)	(7,991)
Increase / (decrease) in trade and other payables	(898)	(19,239)	(16,282)	11,229
Increase / (Decrease) in contract liabilities	30,322	45,769	15,305	(2,592)
Foreign currency translation reserve	370	700	224	271
Net cash generated from operating activities before income tax	33,101	58,319	(9,992)	6,953
Income tax (paid) (net of refunds received)	(78)	(606)	14	(38)
Net Cash generated from / (used in) Operating Activities (A)	33,023	57,713	(9,978)	6,915
(B) CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment and intangibles	(5,021)	(15,239)	(266)	(9,279)
Financial assistance given to related parties	-	-	9,911	4,769
Acquisition of non-regulated business	-	-	-	(224,240)
Advance for acquisition of regulated business	-	-	-	(52,617)
Interest received	14	60	22	71
Net Cash (used in) / generated from Investing Activities (B)	(5,007)	(15,179)	9,667	(281,296)



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statement of Cash Flows

Particulars	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>	For the period ended March 18, 2020 to December 31, 2020 (Unaudited) <i>[Refer Note 2(a) below]</i>
(C) CASH FLOW FROM FINANCING ACTIVITIES:				
Issue of share capital	-	-	-	35,000
Issue of 2nd lien notes	-	-	-	200,000
Proceeds from 1st lien loan	-	-	-	65,000
1st lien Commitment Fees Paid	-	-	-	(315)
1 st Lien loan facility fees	-	-	(5)	(7)
Repayment of 1st lien initial term loan	(17,500)	(20,000)	-	-
Repayment of lease liabilities	(492)	(2,002)	(519)	(2,200)
Interest paid on lease liabilities	(183)	(496)	(146)	(437)
Interest – Others	(3)	(4)	-	-
1 st lien notes interest paid	(1,293)	(4,618)	(2,128)	(6,021)
2 nd lien notes Interest paid	(5,000)	(15,000)	(5,000)	(14,222)
Net Cash (used in)/ generated from Financing Activities (C)	(24,471)	(42,120)	(7,798)	276,798
Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	3,545	414	(8,107)	2,417
Net, Foreign currency translation difference	(221)	(564)	370	710
Increase in Cash and Cash Equivalents on account of the restructuring	-	-	5,515	26,826
Cash and cash equivalents at beginning of the period	31,424	34,898	32,185	10
Cash and cash equivalents at end of the period	34,748	34,748	29,963	29,963

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Condensed Interim Consolidated Statement of Changes in Equity

Attributable to the owners of GCX Group

	Number of Shares	Share Capital	Share Premium	Shares pending allotment	Retained Earnings	Foreign currency translation reserve	Capital reserve	Total	Non- controlling interests	Total Equity
Balance as at March 18, 2020	10	10	-	-	-	-	-	10	-	10
Issue of shares (par value \$0.001)	3,434	3	34,336	-	-	-	-	34,339	-	34,339
Shares pending allotment (par value \$0.001)	66	0	-	661	-	-	-	661	-	661
Cancellation of shares	(10)	(10)	-	-	-	-	-	(10)	-	(10)
On acquisition of Non-Regulated Business	-	-	-	-	-	-	-	-	(1,964)	(1,964)
On transfer of Regulated Business [Refer note 2(c) below]	-	-	-	-	-	-	1,740	1,740	-	1,740
Share-based payments (par value \$0.001)	10	-	3,218	-	-	-	(3,074)	145	-	145
Net (Loss) for the period (a)	-	-	-	-	(57,173)	-	-	(57,173)	(133)	(57,306)
Other comprehensive income										
Foreign currency translation reserve	-	-	-	-	-	772	-	772	-	772
Total other comprehensive income (b)	-	-	-	-	-	772	-	772	-	772
Total comprehensive income (a + b)	-	-	-	-	(57,173)	772	-	(56,401)	(133)	(56,533)
Balance as at March 31, 2021	3,510	3	37,554	661	(57,173)	772	(1,334)	(19,517)	(2,097)	(21,614)
Net (Loss) for the period (a)					(29,633)			(29,633)	218	(29,415)
Foreign currency translation reserve						121		121	-	121
Share-based payments							1,986	1,986	-	1,986
Issue of shares	3	0	166	(22)			(144)	-	-	-
Cancellation of shares (Refer note 3 below)	(66)	0	-	(639)	639		-	-	-	-
Balance as at December 31, 2021	3,447	3	37,720	-	(86,167)	893	508	(47,043)	(1,879)	(48,922)



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD (“US\$”) thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

1) General information

GCX Holdings Limited (“GCXHL”) is a company incorporated on March 18, 2020 in Bermuda by certain bond holders of GCX Limited, a Bermuda company. GCX Limited filed for bankruptcy protection under Chapter 11 of title 11 of the United States Code, 11 U.S.C. (the “Chapter 11”) on September 15, 2019 and fully exited bankruptcy on December 31, 2020. GCXHL’s registered address is Cedar House, 3rd Floor 41 Cedar Avenue, Hamilton HM 12, Bermuda.

In December 2019, the Bankruptcy Court for the District of Delaware confirmed a pre-packaged reorganization plan that called for the transfer of substantially all of the assets and undertakings of GCX Limited and its subsidiaries to GCXHL as the reorganized Chapter 11 debtor. However, because the transfer of certain entities and assets required pre-approval from the applicable regulatory bodies, the transfer was structured as a two-step transaction: for the first emergence, those assets and subsidiaries of GCX Limited which did not require regulatory approval to be transferred (the “Non-Regulated Business”), were transferred to GCXHL on April 14, 2020; and the subsidiaries and assets which were subject to the regulatory approval process (the “Regulated Business”), were transferred to GCXHL and/or its subsidiaries after regulatory and other approvals were achieved (please refer to note 2 (c) for the dates of transfer).

Accordingly, the previous reporting represents the financial statements of subsidiaries and assets transferred to GCXHL in the respective period with effect from the effective / convenience date of transfer.

Post-acquisition, GCXHL continues in the business of providing integrated services to its global customers by leveraging its global network and infrastructure, via the following elements of the network:

- Infrastructure layer: Integrating the subsea network and related backhaul, along with Pan European Domestic Fibre network and data centres; and
- Data connectivity layer: Selling bandwidth capacity on an Indefeasible Right of Use (“IRU”) and lease basis, network connectivity services including International Private Line, IP Virtual Private Network; and
- Cloud layer: Selling data centre services including co-location services and data centre access.

The customer base for Data Services Business includes entities requiring a composite service across the various capabilities or any specific asset or service from the offerings described above. The Data Services Business of GCX Group therefore includes an interwoven portfolio of infrastructure and data centre solutions with sophisticated cloud orchestration capabilities. This includes offering a variety of services which include long-term rights of use in capacity, leased capacity services, managed bandwidth services, Internet Protocol (‘IP’) transit, international private line, IP point-to-point and virtual private network, co-location services, data centre access, managed network solution services and international telecommunication services between sub-continent. The customers consist of established carriers, ISP’s, major public telephone operators or business entities that require such services.

During the quarter, on 17 Nov 2021, 3i Infrastructure plc through a share purchase agreement executed has agreed to invest USD 512,000 to acquire a 100% stake in GCXHL. Completion of the acquisition is conditional subject to regulatory approvals and is expected in the middle of 2022. All filings requesting regulatory approvals were made on time. GCXHL has received no adverse or unexpected questions or responses from any regulators to which GCXHL has made filings. Regulatory approvals remain on track and expected to be received by mid of 2022.

References in these Consolidated Financial Statements to “we” “Group” “GCX” “GCX Group” or “us” refers to “GCX Holdings and its subsidiaries”.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

2) Summary of significant accounting policies

a) Basis of preparation of Condensed Interim Consolidated Financial Statements

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, 'Interim financial reporting' as issued by the International Accounting Standards Board ("IASB"). The Financial statements comprise standalone condensed interim Financial statements of GCXHL from the date of incorporation on March 18, 2020 and condensed interim Consolidated Financial statements of its subsidiaries from the date of acquisition (refer below note 2c for date of acquisition).

This is company's condensed interim consolidated financial statements after the first and second step of emergence of GCX Limited and its subsidiaries from Chapter 11.

Upon first emergence, GCXHL issued US\$ 200,000 of New 2nd Lien notes and the equity of GCXHL to GCX Limited's bondholders in satisfaction of their prepetition bond claims. Those assets and subsidiaries of GCX Limited which related to Non-Regulated business transferred to GCXHL on first emergence on April 14, 2020. For convenience reason, turnover and cost information related to the acquisition of Non-Regulated business is presented from the period April 01, 2020, instead of April 14, 2020, based on materiality.

On receipt of certain requisite regulatory and other approvals and/or completion of second emergence, all Regulated Business has also been transferred to GCXHL. Flag Telecom Singapore Limited was transferred on October 1, 2020, FLAG Holdings (Taiwan) Limited and FLAG Telecom Taiwan Limited were transferred on December 17, 2020 (however, for convenience reason, these two entities have been consolidated from December 31, 2020, based on materiality) and all the remaining assets and entities of the Regulated Business were transferred to GCXHL on December 31, 2020.

Due to the above two step transfer process, the financial results are not comparable with previous quarter because the results include subsidiaries acquired or transferred to GCXHL on different dates.

All assets and liabilities have been classified as current or non-current as per the operating cycle and other criteria set out in IAS 1. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the operating cycle has been ascertained as 12 months for current – non-current classification of assets and liabilities. Inter-company transactions, balances and unrealised gains/losses on transactions between companies within the GCX Group are eliminated on consolidation.

These Condensed Interim Consolidated Financial Statements correspond to the classification provisions contained in IAS 1 (as revised in 2007), Presentation of Financial Statements. For clarity purposes, various items are aggregated in the Condensed Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position. These items are disaggregated separately in the notes to the Condensed Interim Consolidated Financial Statements, where applicable or required. All amounts included in the Condensed Interim Consolidated Financial Statements are reported in US\$ in thousands unless stated otherwise.

As the Company was incorporated on March 18, 2020, the comparative information is for the period from March 18, 2020 to December 31, 2020 as against for the period ended December 31, 2021.

b) Going Concern

As at December 31, 2021, the Group has a negative net worth of US\$ 48,922 and has incurred losses aggregating to US\$ 29,415 during the period ended December 31, 2021.

Further, as at December 31, 2021, GCX group's current liabilities have exceeded the current assets by US\$ 91,184. This is primarily on accounts of classification of current portion of contract liabilities of US\$77,742 as current liability which represents obligation to provide future services against up-front cash received by the GCX Group. The Company has generated cash flow from operations of US\$ 57,713. The management of GCX have prepared these Condensed Consolidated Financial Statements on a going



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

concern basis on the following assumptions:

- (i) In accordance with the overall business plan, GCX Group has significant unutilized capacity against which it expects to generate sufficient cash in the future to be able to meet its obligations as and when they fall due.

Accordingly, the presentation reflects the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

c) Purchase Price Allocation ('PPA') and Goodwill

As a result of the acquisition (refer note 1), the consideration paid by GCX Holdings Limited has been allocated to the assets acquired and liabilities assumed in accordance with IFRS 3. The following table presents a summary of the final allocations of the total consideration to assets acquired and liabilities assumed at the date of acquisition, i.e., April 14, 2020, after considering the adjustments to the provisional amounts recognized at the date of acquisition.

Particulars	Amounts in USD '000
Tangible assets	280,932
Intangible assets	121,833
Cash and bank balance	35,437
Net working capital	(15,902)
Deferred revenue	(204,782)
ARO liabilities	(21,853)
Total net assets	195,665
Goodwill	81,192
Total Purchase consideration	276,857

Settled by:

Equity implied value	35,000
New 2nd lien facility	200,000
Funding for payment of old DIP facility	41,857
	276,857

The amount of the total purchase consideration of US\$276,857 includes US\$53,457 towards the advance for acquisition of the Regulated Business (including US\$14,125 of Cash and cash equivalents of the Regulated Business).

Consequent to the transfer of the Regulated Business, the following assets and liabilities were recognised as settlement for advance for acquisition of the Regulated Business (after considering the adjustments to the provisional amounts recognized at the date of acquisition) and the excess of net assets over advance is recognised as capital reserve:

Particulars	Amounts in USD '000
Tangible assets	63,347
Intangible assets	997
Cash and bank balance	5,515
Net working capital	(4,789)
Deferred revenue	(6,940)
ARO liabilities	(7,167)
Total net assets transferred	50,963
Liability no longer payable to GCX Limited	4,234
Total net assets recognised	55,197
Advance for acquisition of Regulated Business	53,457
Net capital reserve recognised	1,740



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

The valuation and the useful lives of tangible and intangible assets are based on the fair values arrived at by independent professionals. To estimate fair values, the Company considered several factors, including the application of multiples to discounted cash flow estimates.

There are considerable judgments with respect to cash flow estimates and appropriate multiples used in determining fair value.

d) Accounting policies
a) Consolidation

(i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities, if any) over which GCX has control. GCX controls an entity when GCX is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is deemed to be transferred to GCX. They are deconsolidated from the date that control ceases.

GCX Group applies the acquisition method to account for business combinations.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Inter-company transactions, balances and unrealised gains / loss on transactions between GCX Group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the GCX Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, Consolidated Statements of Changes in Equity and Statement of Financial Position respectively.

(ii) *Transactions with non-controlling interests*

GCX Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the GCX Group. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The share of non-controlling interest is restricted to the extent of the contractual obligation of GCX Group.

(iii) *Disposal of subsidiaries*

When GCX Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if GCX Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to Consolidated Statement of Profit and Loss.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

(iv) List of subsidiaries

The following table sets out the subsidiaries considered in the Consolidated Financial Statements as part of GCX Group.

S.no.	Name of entity	Country of incorporation*	Percentage of Ownership Interest as at December 31, 2021	Percentage of Ownership Interest as at acquisition date ##
1	GCX Global Limited	Bermuda	100%	100%
2	FLAG Telecom Limited (including representative office in Thailand, Dubai, JAFZA and Spain) (FTL)	Bermuda	100%	100%
3	FLAG Telecom Development Limited	Bermuda	100%	100%
4	FLAG Atlantic France SAS	France	100%	100%
5	FLAG Telecom Network Services DAC	Ireland	100%	100%
6	FLAG Telecom Ireland DAC (including liaison office in Turkey)	Ireland	100%	100%
7	FLAG Telecom Ireland Network DAC	Ireland	100%	100%
8	FLAG Telecom Deutschland GmbH	Germany	100%	100%
9	FLAG Telecom Hellas AE	Greece	100%	100%
10	FLAG Telecom Asia Limited	Hong Kong	100%	100%
11	FLAG Telecom Japan Limited	Japan	100%	100%
12	FLAG Telecom Netherland BV	Netherlands	100%	100%
13	FLAG Telecom Espana Network SAU	Spain	100%	100%
14	FLAG Telecom (U.K.) Limited	United Kingdom	100%	100%
15	FLAG Atlantic UK Limited	United Kingdom	100%	100%
16	Seoul Telenet Inc.** #	Korea	49%	49%
17	FLAG Telecom Development Services Company LLC	Egypt	100%	100%
18	GCX India Services Limited	India	100%	100%
19	GCX Managed Services Limited	Bermuda	100%	100%
20	Vanco Group Limited ("Vanco")	England	100%	100%
21	Vanco UK Limited	England	100%	100%
22	VNO Direct Limited	England	100%	100%
23	Vanco GmbH	Germany	100%	100%
24	Vanco SAS	France	100%	100%
25	Vanco Australasia Pty Limited	Australia	100%	100%



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

S.no.	Name of entity	Country of incorporation*	Percentage of Ownership Interest as at December 31, 2021	Percentage of Ownership Interest as at acquisition date ##
26	Vanco Global Limited	England	100%	100%
27	Vanco ROW Limited	England	100%	100%
28	Vanco International Limited	England	100%	100%
29	Vanco Switzerland A.G.	Switzerland	100%	100%
30	Vanco BV	Netherlands	100%	100%
31	Vanco Deutschland GmbH	Germany	100%	100%
32	Vanco NV	Belgium	100%	100%
33	Vanco Srl	Italy	100%	100%
34	Euronet Spain SA	Spain	100%	100%
35	Vanco Euronet Sp Zoo	Poland	100%	100%
36	Vanco Sweden AB	Sweden	100%	100%
37	Vanco South America Ltda	Brazil	100%	100%
38	Vanco Asia Pacific PTE Limited	Singapore	100%	100%
39	Vanco (Shanghai) Co. Limited	China	100%	100%
40	Vanco Japan KK	Japan	100%	100%
41	Net Direct SA (Proprietary) Limited (under Liquidation)	South Africa	100%	100%
42	FLAG Telecom Singapore Pte. Limited	Singapore	100%	100%
43	GCXG India Private Limited	India	100%	100%
44	FLAG Holdings (Taiwan) Limited ** #	Taiwan	50%	50%
45	FLAG Telecom Taiwan Limited #	Taiwan	60%	60%
46	FLAG Telecom Network USA Limited	USA	100%	100%
47	Vanco US LLC	USA	100%	100%
48	Vanco Solutions Inc.	USA	100%	100%
49	Yipes Holding Inc.	USA	100%	100%
50	Reliance Globalcom Services Inc.	USA	100%	100%
51	YTV Inc.	USA	100%	100%
52	Yipes Systems, Inc.	USA	100%	100%

* It is impracticable to determine the principal place of business of the subsidiaries referred above.

** GCX Group consolidates Seoul Telenet Inc and FLAG Holdings (Taiwan) Limited as it exercises control over ownership and/or composition of the Board of Directors.

Non-controlling interests are not considered to be material for the purposes of these Consolidated Financial Statements and accordingly, the disclosures relating to non-controlling interests have not been given.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

- ## acquisition, incorporation, and transfer date for:
- i. for S.no.1 to 41 is April 14, 2020,
 - ii. for S.no. 42 is October 1, 2020,
 - iii. S.no. 43 is newly incorporated on November 7, 2020,
 - iv. for S.no.44 and 45 is December 17, 2020 and,
 - v. for remaining subsidiaries S.no.46 to 52 is December 31, 2020.

b) Foreign currency

(i) *Functional and presentation currency*

Items included in the financial statements of each of GCX Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in 'US\$', which is the presentation currency of GCX Group. The functional currency of subsidiaries within GCX Group include US\$, EURO, GBP, and other currencies.

(ii) *Transactions and balances*

Transactions in foreign currency are translated into the respective functional currencies 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, at the exchange rates prevailing at the reporting date, of monetary assets and liabilities denominated in foreign currencies, are recognised in the Consolidated Statement of Profit and Loss and presented within Gain/ (Loss) on Foreign Currency fluctuation (net).

(iii) *Group companies*

The results and financial position of all GCX Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- ii. income and expenses for each Consolidated Statement of Profit and Loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii. all resulting exchange differences are recognised in Other Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in Other Comprehensive Income.

(iv) *Net investment in subsidiaries*

The net investment in subsidiaries that have a currency other than the US\$ includes the participation in the net assets of these subsidiaries, and, if applicable, loans to these subsidiaries, settlement of which is neither planned nor expected to occur in the foreseeable future. Translation differences that occur upon consolidation, relating to the translation of the net investment in subsidiaries that have a currency other than the US\$, are recognized in other comprehensive income and presented in the foreign currency translation reserve, a separate component within equity.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

c) 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 group; 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 group 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, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Profit and Loss.

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.

Business combinations between entities under common control is outside the scope of IFRS 3 (Revised) Business Combinations and are accounted for using predecessor accounting method. The predecessor accounting method requires the financial statements to be prepared using predecessor book values without any step up to fair value. There will likely be a difference between any consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. This difference is recorded as an adjustment to equity. This may be recorded in retained earnings or as a separate reserve. No additional goodwill is created by the transaction.

If GCX Group acquires an asset or a group of assets, including any liabilities assumed, that does not constitute a business, then the transaction is outside the scope of IFRS 3 because it cannot meet the definition of a business combination. Such transactions are accounted for as asset acquisitions in which the cost of acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

d) Property, plant, and equipment

Recognition and measurement

Property, plant, and equipment consists of network assets, leasehold improvements, computers and office equipment, vehicles, furniture, and fittings.

Property, plant, and equipment acquired during business acquisition are recorded at fair value on the date of acquisition. After acquisition, Property, plant, and equipment are stated at cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets and includes the projected cost of dismantlement, removal, or restoration if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

Subsequent 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 GCX Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Consolidated Statement of Profit and Loss during the financial period in which they are incurred.

Depreciation

Depreciation on all assets is calculated to write-down the cost of property, plant, and equipment to its residual value over its estimated useful life. Estimated useful lives, residual values and depreciation methods are reviewed annually, taking into account commercial and technological obsolescence as well as normal wear and tear.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Network assets.....the shorter of 15 to 25 years or remaining useful lives (*)
 Leasehold improvements.....the shorter of actual useful life or lease term (*)
 Computers and office equipment..... the shorter of 3 to 5 years or remaining useful lives (*)
 Furniture and fittings..... the shorter of 3 to 7 years or remaining useful lives (*)

(*) Assets acquired as a part of business combinations referred to in Notes 2(c), are depreciated over their remaining useful life from the date of the business combination accounting.

Network assets include fibre-optic subsea cable networks and terrestrial assets. The cost of network assets includes costs incurred towards construction of cable systems, subsequent costs incurred for upgradation of network systems and the cost of its dismantlement, removal, or restoration the obligation for which an entity incurs as a consequence of installing the item.

The estimated useful lives of cable systems which are part of network assets are determined based on the estimated period over which they will generate revenue.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal (i.e., at the date the recipient obtains control) 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 and Loss when the asset is derecognized.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

e) Asset retirement obligation

The cost of property, plant and equipment also includes, where applicable, costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item. This liability is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration the time value. A corresponding liability is created for the amount recognised by discounting the obligation to the date of the Consolidated Statement of Financial Position with a credit adjusted interest rate. Subsequent changes in the asset retirement obligation due to changes in the estimated timing, amount of outflow of resources embodying economic benefits required to settle the obligation or changes in the discount rate are adjusted in the cost of the related asset prospectively. Any surplus is credited to the Consolidated Statement of Profit and Loss and changes due to periodic unwinding of the discount are recognised in the Consolidated Statement of Profit and Loss as a finance cost as it occurs. This finance cost is not capitalised as part of the borrowing cost.

The asset retirement obligation is amortised over the useful life of the asset for which the obligation has been created.

f) Current or non-current classification

All assets and liabilities have been classified as current or non-current as per the operating cycle and other criteria set out in IAS 1. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the operating cycle has been ascertained as 12 months for current – non-current classification of assets and liabilities.

g) Leases

The Company evaluates each contract or arrangement, to determine whether it qualifies as a lease as defined under IFRS 16.

The Company as a lessee

The Company enters into arrangements for the lease of landing stations, office buildings and computer equipment. Such arrangements are generally for a fixed period but may have extension or termination options. The Company assesses, whether the contract is, or contains, a lease, at its inception. A contract is, or contains, a lease if the contract conveys the right to –

- a) control the use of an identified asset,
- b) obtain substantially all the economic benefits from use of the identified asset, and
- c) direct the use of the identified asset.

The Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease, where the Company is reasonably certain to exercise that option.

(i) Right-of-Use (ROU) Assets

The Company at the commencement of the lease contract recognizes a Right-of-Use (RoU) asset at cost and corresponding lease liability, except for leases with term of less than twelve months (short term leases) and low-value assets. For these short term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

The cost of the RoU asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease, plus any initial direct costs, less any lease incentives received.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Subsequently, the RoU assets are measured at cost less any accumulated depreciation and accumulated impairment losses, if any. The RoU assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of the RoU asset. The Company applies IAS 36 to determine whether an RoU asset is impaired and accounts for any identified impairment loss as described in the impairment of non-financial assets below.

(ii) Lease Liabilities

For lease liabilities at the commencement of the lease, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate that the Company would have to pay to borrow funds, including the consideration of factors such as the nature of the asset and location, collateral, market terms and conditions, as applicable in a similar economic environment. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Company recognizes the amount of the re-measurement of lease liability as an adjustment to the RoU assets. Where the carrying amount of the RoU asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in statement of Profit and Loss. Lease liability payments are classified as cash used in financing activities in the statement of cash flows.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of network assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

iv. Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in 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 the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

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 and Loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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 and Loss.

Assets acquired as a part of business combinations referred to in Notes 2c, are depreciated over their remaining useful life from the date of the business combination accounting.

Goodwill

Goodwill arises on the acquisition of subsidiaries and is initially measured at cost which represents the excess of consideration transferred over GCX Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in retain earning.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit (CGU) that is expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The CGU to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Indefeasible Right of Use (IRU)

IRUs are amortised over their estimated useful lives of 5 to 25 years on a straight-line basis. The estimated useful life of IRUs is based on the contractual terms of the respective contracts.

Amortisation methods and useful lives are reviewed periodically at each reporting date.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Software and Licences

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 3 to 5 years.

Costs that are directly associated with the production of identifiable and unique software products controlled by GCX Group and that will probably generate economic benefits exceeding costs beyond 1 year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs are recognized as intangible assets and are amortised over their estimated useful lives, not exceeding 5 years.

Customer Contract and Customer Relationship

Customer contracts are amortised over 5 years and customer relationship over 10 years.

i) Capital work in Progress

Costs incurred prior to the capital project's completion (not ready for the intended use on the date of the Consolidated Statement of Financial Position) are reflected as capital-work-in-progress, which is transferred to property, plant, and equipment or intangible assets at the date the project is complete and/or assets are ready for the intended use. Capital-work-in-progress is stated at cost. Capital-work-in-progress includes capital advances for network assets and Intangible assets.

j) Impairment of non-financial assets

Intangible assets with a finite life and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e., the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. For this purpose, the fair value less cost to sell and value-in-use are determined in the functional currency of the respective CGU.

If such assets are considered to be impaired, the impairment is recognised in Consolidated Statement of Profit and Loss and is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. For assets/CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group 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/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of profit or loss and other comprehensive income.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately as an expense and is not subsequently reversed.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

k) 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.

(a) Financial Assets

(I) Classification

GCX Group classifies its financial assets in the following measurement categories:

- a) those to be measured subsequently at fair value (either through other comprehensive income, or through the Statement of Profit and Loss); and
- b) those to be measured at amortised cost.

The classification depends on the GCX Group business model for managing the financial assets and the contractual terms of the cash flows.

(II) Initial recognition and measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the Consolidated statement of Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in note 5 Revenue.

For assets measured at fair value, gains and losses will either be recorded in the Consolidated Statement of Profit and Loss statement or Other Comprehensive Income ('OCI').

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through statement of Profit and Loss, irrespective of the business model.

The Group'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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(III) Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with/without recycling of cumulative gains and losses (debt/equity instruments respectively)
- Financial assets at fair value through statement of Profit and Loss



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables

(IV) Derecognition of financial assets

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

- Rights to receive cash flows from the asset have expired, or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

(V) Impairment of financial assets

The Group assesses at each date of consolidated statement of financial position whether a financial asset or a group of financial assets is impaired.

For trade receivables and related accrued income, an expected impairment allowance is created based on a credit risk assessment at a subsidiary and group level and takes into account the financial positions of customers, past experiences, future expectations, and other relevant factors. Individual credit limits are imposed based on those factors. Individual trade receivables are written off when management deems them not to be collectable.

For all other financial assets, expected impairments are measured at an amount equal to the 12-month expected impairment or at an amount equal to the lifetime expected impairment if the credit risk on the financial asset has increased significantly since initial recognition.

(b) Financial Liabilities

(I) Classification

The financial liabilities are classified, at initial recognition in the following measurement categories:

- a) those to be measured as financial liabilities at fair value through profit and loss,
- b) those to be measured at amortised cost.

(II) Initial recognition and measurement

Financial liabilities are recognised when GCX Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

(III) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and Loss.

(IV) Derecognition of financial liabilities

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

l) Cash and cash equivalents

In the Consolidated Statements of Cash Flows, cash and cash equivalents include cash in hand, bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and cash equivalents.

Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are disclosed separately as restricted cash, unless they are meant to be utilised for other than current operations, in which case they will be separately presented as restricted deposits under non-current assets.

m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in net profit in the Consolidated Statement of Profit and Loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless GCX Group has an unconditional right to defer settlement of the liability for at least 12 months after the Consolidated Statement of Financial Position date. If not, they are presented under non-current borrowings.

n) Provisions and Contingent liabilities

Provisions are recognised when the group 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 the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GCX Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle, or a reliable estimate of the amount cannot be made.

o) Current tax and deferred tax



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

The tax expense comprises of current tax and deferred tax. Income tax is recognised in net profit in the Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In that case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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 recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Consolidated Statement of Financial Position.

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 associated with investments in subsidiaries, 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 is determined using tax rates and laws that have been enacted or substantively enacted by the Consolidated Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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, 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 associated with investments in subsidiaries, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net or simultaneous basis.

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.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

The effect on Deferred tax assets and liabilities of a change in tax rates is recognised in the Consolidated Statement of Profit and Loss in the year of change.

p) Revenue recognition

Revenue from sale of goods and services is recognised when control transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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. Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods supplied and services rendered, net of taxes, expected variable consideration, price reductions and rebates. GCX Group uses expected value method or most likely amount method to estimate the amount of variable consideration.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand- alone selling prices. Where these are not directly observable, they are estimated based on adjusted market approach.

Bandwidth capacity

GCX Group sells Bandwidth capacity that provides customers with right of use to network capacity, typically over a 10 to 15-year period without transferring the legal title or giving an option to purchase the network assets. Capacity service revenues including activation fees are recognised in GCX Group's Consolidated Statement of Profit and Loss on a straight-line basis over the life of the contract in accordance with IFRS 15.

Revenue from contracts for right to use of specified assets for a period of 15 to 20 years or economic useful life are recognised in revenue on the transfer of risk and rewards of such assets to the customers and corresponding cost of such assets are derecognised and charged to Consolidated Statement of Profit and Loss in accordance with IFRS 16.

Revenue from contracts for right to use of specified assets for less than the economic useful life is recognised in GCX Group's Consolidated Statement of Profit and Loss on a straight-line basis over the life of the contract in accordance with IFRS 16.

Operations and Maintenance services

GCX Group provides operation and maintenance services over the life of the capacity contract, for which GCX Group receives operation and maintenance charges. Operation and maintenance charges are invoiced separately from capacity sales. Revenues relating to maintenance are recognised as per the terms of the contracts.

International Private Leased Circuits and others

International Private Leased Circuits include lease capacity services and restoration services for other network operators. The customer typically pays the charges for these services periodically over the life of the contract, which may be up to three years. Revenue is recognised in GCX Group's Consolidated Statement of Profit and Loss over the term of the contract. Revenue from other services is recognised as control of the goods and services is passed to the customers.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Internet Protocol

GCX Group recognizes internet protocol (including Ethernet) revenue over the term of the contract using the output method.

Managed Network Services

A network contract typically covers the design, supply and installation of the network and provision of packaged network solutions. Revenue relating to the initial part of the contract is determined by the value of the component elements represented by the equipment installed, time expended on this element of the contract and appropriate margin is recognised on completion of implementation of the relevant component (equipment, installation services etc.). The remainder of the contract value covering provisioning of the packaged network solutions is recognised over the period of the contract on a straight-line basis.

Ancillary services

GCX Group provides ancillary services such as provisioning of equipment or services or providing services relating to the development of data centres. GCX Group evaluates principal agent relationship and recognizes revenue from such ancillary services as control of the goods or services is passed to the customer.

q) Other Income

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when GCX Group's right to receive dividend is established.

r) Contract balances

(i) Deferred revenue

Deferred revenue represents income billed in accordance with the contract but not recognised in the Consolidated Statement of Profit and Loss as at the date of Consolidated Statements of Financial Position. Deferred revenue net of the amount recognisable within one year is disclosed as deferred revenue in non-current liabilities and the amount recognisable within one year is disclosed as deferred revenue in current liabilities. The pricing is determined based on market demand and not on the basis of payment terms. Hence, deferred revenue does not include any financing component.

(ii) Accrued income

Revenue in excess of billing is recorded as accrued income and is classified as other assets for these cases as the right to consideration is unconditional upon the passage of time.

s) Employee benefits

Eligible employees of GCX Group are covered by a defined contribution pension plan. Contribution to the plan is generally based on each employee's eligible compensation and years of service and is based on the local regulations. The schemes are funded through payments to insurance companies or government agency as defined contribution plans. In some defined contribution retirement plans, eligible employees may contribute amounts to the plan, via payroll withholding, subject to certain limitations.

Contributions are made to employee's personal pension schemes and the costs are charged to the Consolidated Statement of Profit and Loss when incurred. There are no other material employee benefit plans and schemes in GCX Group.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

t) Borrowing cost

Borrowing costs are recognised in the Consolidated Statement of Profit and Loss using the effective interest method except for those costs on borrowings that are directly attributable to the acquisition or construction of assets which take a substantial period of time to get ready for their intended use. In such a case, borrowing costs are capitalised and recorded in the costs of the assets. Capitalisation of borrowing costs commence when the capital expenditure and borrowing costs are incurred. The capitalisation of the borrowing costs ceases when the asset under acquisition or construction is ready for the intended use. If the acquisition or construction of an asset is interrupted abnormally for more than 3 months, the capitalisation of the borrowing costs is suspended until such activities resume.

For specific borrowings obtained for the acquisition or construction of an asset eligible for capitalisation, the capitalised amount of interest is determined based on the interest expense incurred after deducting any interest income earned from the deposits or investment income from the temporary investment funded by the unused borrowing balance.

For general borrowings used for the acquisition or construction of an asset eligible for capitalisation, the capitalised interest is determined by multiplying the weighted average excess of accumulated capital expenditure over specific borrowings by the capitalisation rate of such general borrowings. The capitalisation rate is determined according to the weighted average interest rate of the general borrowings.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

u) Dividends

Dividend to ordinary shareholders is recognised as a liability in the period in which the dividends are approved by the ordinary shareholders. Interim dividends that are declared by the Board of Directors without the need for ordinary shareholders' approval are recognised as a liability and deducted from shareholders' equity in the year in which the dividends are declared by the Board of Directors.

v) Non-recurring items

Items of income or expense which are non-recurring or outside of the ordinary course of business and are of such size, nature, or incidence that their separate disclosure is considered necessary to explain the performance of the Group are disclosed as nonrecurring items in the statement of Profit and Loss.

w) Shared based payments

Senior Executives and Non-executive directors of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 7.

That cost is recognised in employee costs, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of Profit and Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through statement of Profit and Loss.

When the shares are granted and issued along with Restricted Share Award Certificates, the same is recorded at the grant date fair value under share capital with a corresponding debit under other capital reserves.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

x) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the group; by
- the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

ii. 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.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

e) Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated by GCX Group and are based on historical experience and various other assumptions and factors (including expectations of future events); that GCX Group believes to be reasonable under the existing circumstances.

Significant estimates relied upon in preparing these Consolidated Financial Statements include fair valuation of financial instruments on initial recognition, useful lives of property, plant and equipment and intangible assets, allowances for impairment of trade receivables, provision for credit notes, expected future cash flows used to evaluate the recoverability of property, plant and equipment, goodwill and intangible assets, contingent liabilities, and asset retirement obligations.

Although GCX Group regularly assesses these estimates at each Consolidated Statement of Financial Position date, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets, liabilities, income and expenses within the next financial year are discussed below:

Critical accounting estimates

i. Useful life of property, plant and equipment and intangible assets

The useful lives of assets are based on management's judgement of the expected life of those assets. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation for each of the individual items of property, plant and equipment and intangible assets. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis.

We expect that a five-year increase or decrease in the estimated useful lives of network assets (which accounts for more than 98% of total plant, property and equipment) would result in US\$10 million decrease or increase to depreciation expense.

ii. Asset retirement obligation

The provision for future obligations for decommissioning of network assets is based on management's assessment of the obligation (legal or constructive) associated with the decommissioning of the assets and long-term cash flow forecasts of estimated future costs. Significant judgement is involved in assessing whether the Group has an obligation given there are network assets in various jurisdictions and international waters.

The main assumptions applied in estimating the provisions are technical plans, timing, cost estimates and discount rate. Any changes in the assumed discounting rate or expected composition/cash flow would affect the provision. If the discount rate used were lowered, the provision would increase. The impact of a change in assumptions is not expected to be material.

iii. Provision for credit notes

GCX Group records credit note provisions for revisions in pricing and contract terms agreed between the company and the customer. Credit Note provisions are recorded when management estimates to reverse the revenue recorded or deferred revenue (as the case may be) due to above mentioned reasons and anticipates issuing credit notes against the receivable balance, thereby reducing the trade receivables balances outstanding. Management estimates the provision based on past experience, past trends and negotiation with customers. The analysis of credit note provisions is performed periodically and credit note provisions are adjusted accordingly.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD (“US\$”) thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

iv. Allowance for impairment of trade receivables and accrued income

Trade receivables and other financial assets: For Trade receivables and related accrued income, an expected impairment allowance is created based on credit risk assessment at a subsidiary and Group level and takes into account the financial positions of customers, past experiences, future expectations and other relevant factors. Individual credit limits are imposed based on those factors. Individual trade receivables are written off when management deems them not to be collectable.

v. Goodwill impairment

For goodwill impairment testing, if events or changes in circumstances indicate a potential impairment, as part of the review process annually, the carrying amount of the CGUs (including allocated goodwill) is compared with its recoverable amount by GCX Group. The recoverable amount is the higher of fair value less costs to sell and value in use, both of which are calculated by the GCX Group using a discounted cash flow analysis.

Calculating the future net cash flows expected to be generated to determine if impairment exists and to calculate the impairment involves significant assumptions, estimation, and judgement. The estimation and judgement involve, but is not limited to, industry trends including pricing, estimating long-term revenues, revenue growth, operating expenses, and capital expenditure.

The management of GCX Group do not consider there to be any reasonably possible changes in key assumptions that would lead to an impairment loss.

vi. Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the shares, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Probability-Weighted Expected Return Method (“PWERM”). The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

vii. Income tax

a) Current tax

GCX Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining provision for income tax including the judgement on whether tax positions are probable of being sustained in income tax assessments. There are many transactions and calculations for which the ultimate income tax determination is uncertain during the ordinary course of business. GCX Group recognises liabilities for anticipated income tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. The current tax liabilities are recognised when it is more likely than not, that certain tax positions may not be fully sustained upon review by income tax authorities. GCX Group’s management believes that the final tax outcome of these positions can differ from those initially recognised when reviews or audits by tax authorities of tax returns are completed. Benefits from tax positions are measured at the single best estimate of the most likely outcome. At each Consolidated Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes GCX Group to change its judgement regarding the adequacy of existing current tax liabilities, such changes to current tax liabilities are duly recognised in income tax expense in the year in which such determination is



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense.

b) Deferred tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying values, at the rates that have been enacted or substantively enacted. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and income tax loss carry-forward become deductible. GCX Group considers the expected /scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

f) Recent Accounting pronouncement

New and revised IFRS Standards in issue but not yet effective:

Amendments to IAS 16 Property, Plant and Equipment	Proceeds before Intended Use
Amendments to IAS 37 Onerous Contracts	Cost of Fulfilling a Contract

Amendments to IAS 16

On May 14, 2020 the IASB issued an amendment to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) which amends the standard to prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in the profit or loss.

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2022, although early adoption is permitted. The Group is in the process of evaluating the impact of the amendment.

Amendments to IAS 37

On May 14, 2020 the IASB has issued Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) which specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2022, although early adoption is permitted. The Group is in the process of evaluating the impact of the amendment.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

3) Share capital, Share premium, Retained earnings, Capital reserves and Foreign currency translation reserve

Particulars	As at December 31, 2021	As at March 31, 2021
Authorised Share Capital (10,000,000 share of par value of US\$.001 per share)	10	10
Ordinary shares issued and fully paid up (3,436,089 shares of par value of US\$.001 per share)	3	3
Growth shares issued and fully paid up (1,000 shares of par value of US\$.001 per share)	0	0
Management shares issued and fully paid up (10,000 shares of par value of US\$.001 per share)	0	0
Share capital	3	3
Share pending allotment	-	661
Share premium	37,720	37,554
Retained earnings	(86,167)	(57,173)
Foreign currency translation reserve	893	772
Capital reserve	508	(1,334)
Total	(47,043)	(19,517)

Share Capital

The Company has three classes of equity shares having a par value of US\$0.001 per share.

1. Ordinary Shares - Each holder of shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of shares will be entitled to receive remaining assets of the Company after distribution of the proceeds to the shareholders of Management shares and growth shares. The distribution will be in proportion to the number of shares held by the shareholder.
2. Growth shares – These are restricted shares which are issued to the key management employee of the Company. The holder of these shares does not have any voting rights and is not eligible for dividends in Company. These shares will have priority over management and ordinary shares in the allocation of sales proceeds in case of an exit event (other than Initial Public Offer (IPO)) [refer note 7 below].
3. Management shares - These are restricted shares which are issued to certain management employees and non-executive directors of the Company. The holders of these shares have normal dividend rights and have de minimis voting rights in the Company. In case of an exit event (other than IPO), the return on these shares will be distributed after allocation of the growth shares but in priority to the ordinary shares [refer note 7 below].

Share Premium

Share premium is used to record the premium on issue of shares, which is the difference between the implied value of shares and the par value of shares. The reserve will be utilised in accordance with the provisions of the Bermuda Companies Act, 1981.

Shares pending allotment

As per section 6.10 of the Plan related to the Chapter 11 proceedings, the bond holders were required to convert their bonds into equity within 365 days from the effective date i.e. by April 15, 2021 or their shares



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

would revert to the Company as unclaimed property. As at March 31, 2021, the bondholders holding 3,433,889 have converted their bonds into shares and the same is reflected under issued share capital. The balance of share capital and securities premium owing to 66,111 shares has been disclosed under shares pending allotment as at March 31, 2021. Subsequent to the year-end, on expiry of 365 days from the date of distribution under Chapter 11 approved Plan, these shares pending allotment pertaining to unclaimed/undelivered distributions on debt conversion into equity were credited to Reserves of the Company.

During the quarter ended September 30, 2021, 2,200 unclaimed /undelivered shares were converted into equity shares. Remaining 63,911 unclaimed pending allotment shares were cancelled and subsequently transferred to Retained Earnings.

Retained earnings

Retained earnings represent the amount of accumulated earnings at each Consolidated Statement of Financial Position date of GCX Group, prepared in accordance with the basis of preparation section.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations included in these Consolidated Financial Statements.

Capital reserve

Capital reserves comprise reserves generated during the business combination of the Regulated Business and reserve created for share based payments. The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel and Non-executive directors, as part of their remuneration.

4) Borrowings

	As at December 31, 2021 (Unaudited)	As at March 31, 2021 (Audited)
1st lien facility (at amortised cost)	34,512	54,500
2nd lien notes due 2024	200,000	200,000
Total Borrowings	234,512	254,500
Less: Non-current portion	200,000	254,500
Current portion	34,512	-

1st lien facility

GCXHL has obtained a US\$54,500 1st lien facility on April 14, 2020 from the bondholders cum shareholders, which was partially used for the payment of US\$41,857 to GCX Limited to fund the repayment of the Old DIP facility of GCX Limited. On April 17, 2020 GCXHL obtained an additional US\$10,500 for its ongoing operations. Please refer to the PPA notes 2 (c) for further details.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

The interest rate on the 1st lien facility for US\$54,500 is 12% per annum and for the US\$10,500 is 17% per annum.

GCXHL has repaid the US\$30,500 of the 1st lien facility :

- on January 8, 2021, US\$5,000
- on March 25, 2021, US\$5,500
- on September 30, 2021, US\$2,500
- on October 31, 2021, US\$2,500
- on November 15, 2021, US\$15,000

The maturity of the 1st lien facility of US\$ 34,500 is 2 years from April 24, 2020.

2nd lien notes

On April 14, 2020, GCXHL issued 2nd lien Notes for a total of US\$200,000 (the "Notes"). The Notes mature in 2024 and have an interest rate of 5% cash plus 5% cash or 7% Payment In Kind ('PIK') resulting in a total interest rate of 10% to 12% per annum. Please refer to the PPA notes 2c for further details.

Collateral to 1st lien facility and 2nd lien notes

As per the First Lien Credit Agreement and the Second Lien Indenture (as applicable), GCXHL's funded debt obligations are secured by:

- i. a share pledge granted by GCX and each Subsidiary Guarantor of the outstanding equity interests owned by them in any other Subsidiary Guarantor;
- ii. a security interest in the existing and future assets of GCX and each Grantor Guarantor

5) Revenue from contracts with customers

	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited)	For the period March 18, 2020 to December 31, 2020 (Unaudited)
Bandwidth capacity	5,663	15,154	3,381	9,942
Operation and maintenance services	10,921	30,607	10,088	29,000
Internet protocol	5,970	18,117	6,381	20,310
Managed network services	20,626	66,270	19,240	57,368
International private leased circuits and others	16,012	48,035	15,404	46,936
Equipment sale	966	2,302	-	419
Revenue from Regulated Business	-	-	3,082	9,912
Total	60,158	180,485	57,576	173,887



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

6) Non-recurring item

Certain items of income and expenditure which are of non-recurring nature or outside of the ordinary course of business and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company are disclosed as Non-recurring items.

	For the 3 months ended December 31, 2021 (Unaudited)	For the 9 months ended December 31, 2021 (Unaudited)	For the 3 months ended December 31, 2020 (Unaudited)	For the period March 18, 2020 to December 31, 2020 (Unaudited)
Revenue from settlement agreement	-	-	-	3,089
Restructuring costs	(26)	(174)	(1,301)	(3,343)
Chapter 11 costs	(169)	(613)	(536)	(790)
Other exceptional costs	(950)	(950)	-	-
Total	(1,145)	(1,737)	(1,837)	(1,044)

- a) Revenue from the settlement agreement consists of prior period revenue from the customer under insolvency recognized in the previous period based on settlement achieved during the period July-September 2020.
- b) Restructuring costs consist of employee benefits paid to the personnel during reorganization.
- c) Chapter 11 costs comprise legal and professional expenditure incurred as part of Chapter 11 process.
- d) Other exceptional costs consist of legal and professional fees paid towards 3i Infrastructure plc deal (refer note 1 above)

7) Restricted Share Awards

During March 2021, GCXHL has granted Restricted Share Awards to certain Management team and Directors (Participants) under the Omnibus Plan and as per the terms specified in the updated Bye-Laws of the Company and consequently, issued two class of Equity Shares i.e. Growth Shares and Managements Shares, having a par value of US\$ 0.001 as fully paid up for Nil consideration along with the Award Certificates which included vesting conditions, & other terms related to these restricted shares. These shares are restricted for transfer as prescribed in the Omnibus Plan.

1. Growth Shares

The Growth shares are issued to a key management employee of GCXHL and are eligible for a Growth Share Return on exit event based on Enterprise Value, as defined in the Bye-Laws of the Company. These shares will have priority over management and ordinary shares in the allocation of sales proceeds in case of an exit event (other than IPO).

However, if the Exit Event does not occur by January 1, 2027, then the Company shall have the right to issue a 'Mandatory Transfer Notice' for electing the purchase of some or all of the Growth Shares back from the shareholder at the aggregate nominal purchase value of the growth shares.

The holder of these shares does not have any voting rights and is not eligible for dividends in Company.

2. Management shares

The management shares are issued to certain management employees and non-executive directors of GCXHL and are eligible for a specified return as per the Bye-Laws of GCXHL. In case of an exit event (other than IPO), the return on these shares will be distributed after allocation of the growth shares but in priority to the ordinary shares.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

These shares have normal dividend rights and have de minimis voting rights in the Company.

The Restricted Share Awards shall vest as 1/3rd on July 1, 2021, 1/3rd on a linear basis between July 1, 2021 to December 31, 2022 and the balance of 1/3rd on Exit event as per the terms of the Award certificate.

In case, if the participant leaves before occurrence of any of the vesting conditions, then, he/she shall forfeit the unvested shares immediately on the date of cessation of his/her employment and continue to hold the shares vested in him/her as of the date of the cessation of employment.

The Company estimates that an Exit event is not within the Control of the Company and there is no obligation on the Company to settle these restricted shares during the period of plan. Also, in the event of an occurrence of IPO, these shares shall automatically convert into ordinary shares including issuance of additional shares as per the award certificates. Additionally, in case if the tag along right is being exercised, an acquirer shall be making a direct offer to the holders of the shares for the acquisition of shares held by them. Further, in the event of an exit (except for an IPO), the acquirer shall pay to the holders of all classes of shares as per the priority list set out in the Bye-Laws of the Company.

The Company does not have a past practice of cash settlement for such restricted shares.

Accordingly, the Company considers the Growth shares and the Management shares in the nature of equity-settled plan. The fair value of these restricted shares is estimated at the grant date using a Probability-Weighted Expected Return Method, taking into account the Estimated Enterprise Values based on a discounted cashflow method and the terms and conditions on which the restricted share were granted. The share expense recognised for employee services received during the period and quarter ended December 31, 2021 is US\$ 1,996 and US\$ 253 respectively.

8) Commitments, contingencies and litigations (to the extent not provided for):

a. Commitments

Particulars	December 31, 2021	March 31, 2021
Estimated value of contracts remaining to be executed on capital account (net of advances)	21,337	6,751

b. Contingencies and litigations

Certain legal cases and assets remain with the Regulated Business, until final outcome is determined. This includes the original escrow arrangement for Chapter 11 administration funding.

SCB claims

On or about July 31, 2019, on the eve of the August 1, 2019 maturity date of the US\$350,000 7.00% Senior Secured Notes of GCX Limited, Standard Chartered Bank ("SCB") appropriated, without notice, US\$10.17 million that was held in the GCX bank account in the UK to recoup money owed to them by Reliance Globalcom B.V. ("RGBV") under its SCB facility. At the time, RGBV was the parent company of Global Cloud Xchange Limited, which in turn held 100% interest in GCX Limited. SCB attempted to justify its action by claiming they were so entitled under their standard terms of business, permitting offset between accounts of affiliated companies. SCB rejected a request from attorneys representing GCX Limited to reimburse the funds, first in September 2019 and again in May 2020. Accordingly, a complaint was filed by GCX Limited in the Delaware bankruptcy court on 11 June 2020 and SCB accepted service of the proceedings ("SCB Matter"). On 11 August 2020, SCB filed a motion to dismiss the complaint. On 15 September 2020, GCX



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD (“US\$”) thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

Limited filed its opposition to SCB’s motion, along with a cross-motion for discovery on the issue of personal jurisdiction. On 13 October 2020, SCB filed its reply which includes its opposition to GCX Limited’s cross-motion. On 23 October 2020, GCX Limited filed its reply in support of its cross-motion. On 6 May 2021, an oral argument by GCX Limited and SCB on the motion to dismiss and cross-motion was heard by the Delaware bankruptcy court. On November 30, 2021, the Delaware bankruptcy court granted SCB’s motion to dismiss this matter on the basis of *forum non conveniens* and denied GCX Limited’s cross motion seeking jurisdictional discovery. GCX Limited however may decide to initiate another action against SCB in a different jurisdiction at a later date.

While the SCB Matter is pending before the Delaware bankruptcy court, GCX Limited continues to hold all rights, title and/or interest in and to any claim that it has against SCB in connection with the SCB Matter, and as such the SCB Matter did not transfer to GCXHL when GCX Limited emerged from Chapter 11 on December 31, 2020. However, any proceeds derived from, or connected to, the SCB Matter shall be transferred to Flag Telecom Limited as soon as practicable.

India Tax Litigation:

Reliance Globalcom Limited, Bermuda, (RGL) (Predecessor to Flag Telecom Limited) files its income tax return with the Income Tax Authorities of India as a non-resident in order to claim the refund of tax deducted by its customers in India. The Income Tax Authorities of India disputed the claim of the Company on various grounds, and an appropriate tax provision was made in the accounts at that time. In February 2015 & June 2015 the Income Tax Appellate Tribunal (ITAT) pronounced a favourable ruling for Financial Years 1998 to 2009 resulting in refunds paid to the Company of approximately INR 540,000 (US\$8,000 equivalent). Following the favourable judgement of ITAT the accounting provision was reversed. The Income Tax Authorities of India have subsequently requested permission to appeal to the High Court against ITAT orders. The High Court hearing to determine whether permission to appeal will be granted is expected to take place later in the year. There are also various other appeals on the same issue being heard by ITAT for years from 2010 to 2018. ITAT found in favour of RGL in June 2021 in relation to assessment year 2014-15. The Income Tax Department has the opportunity to appeal to the High Court, and we expect them to do so. Tax deducted at source potentially receivable by RGL in relation to 2010 to 2018 has not been recognized. The maximum contingent liability is \$8,000 plus interest.

RGL has received a demand order from the Income Tax Authorities of India for subsequent years on various grounds. RGL has filed a rectification request with the Tax Authorities and appealed at applicable courts and appeal process.

During 2nd emergence from chapter 11 all the rights, title, and interest in and to any claim RGL has against the India Tax authorities were transferred to Flag Telecom Limited and any proceeds derived from refund of advance tax and TDS will belong to Flag Telecom Limited.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

9) Financial instruments

Financial instruments by category as at December 31, 2021 are as follows:

Financial assets as per Consolidated Statement of Financial Position (at amortised cost)	As at December 31, 2021 (Unaudited)	As at March 31, 2021 (Audited)
Cash and cash equivalents	34,748	34,898
Trade receivables	102,769	96,128
Other financial assets	1,248	1,290
Accrued income	2,336	4,140
Other financial assets	386	1,790
Total	141,487	138,246

Financial Liabilities as per Consolidated Statement of Financial Position (at amortised cost)	As at December 31, 2021 (Unaudited)	As at March 31, 2021 (Audited)
Borrowings	234,512	254,500
Trade payables	28,816	40,289
Accrued expenses	61,322	69,669
Amount due to customers	3,363	3,006
Employee payables	7,394	6,185
Payable towards capital expenditure	8,900	8,434
Total	344,307	382,083

The carrying amounts reported in the Condensed Interim Consolidated Statement of Financial Position for cash and cash equivalents, trade receivables, other receivables, borrowings, trade payables and other payables approximate their respective fair values.

Out of Trade and other receivables, prepaid expenses, advances to vendors and indirect tax recoverable from government authorities are not considered as financials assets.

Out of Trade and other payables, statutory payables, advances from customers and other liabilities are not considered as financials liabilities.

Fair Value Hierarchy

The three levels of the fair-value-hierarchy are described below:

Level 1: Observable inputs that reflect quoted prices (un-adjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or the liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Un-observable inputs reflecting GCX group own assumptions incorporated in the valuation techniques that are used to determine the fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.



GCX Holdings Limited – Condensed Interim Consolidated Financial Statements
(All amounts are in USD ('US\$') thousands, unless otherwise stated)

Notes to Condensed Interim Consolidated Financial Statements

The fair value hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to un-observable inputs (Level 3 measurements).

GCX 2nd lien Notes due 2024, are not listed or traded on any Stock Exchange and hence classified as level 3 in fair value hierarchy. The amortised cost of notes is US\$ 200,000.



DocuSigned by:
Carl Grimmer
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Chief Executive Officer
Date: February 28, 2022
Place:

DocuSigned by:
Anya Blument
60AEE6D4CACC476...

Chief Financial Officer
Date: February 28, 2022
Place: