GLOBAL
CLOUD XCHANGE

GCX Holdings Limited

Condensed Interim Consolidated Financial Statements for the Period March 18, 2020 to June 30, 2020

GCX Holdings Limited

Condensed Interim Consolidated Financial Statements

Table of contents

GCX Holdings Limited – Condensed Interim Consolidated Financial Statements

(All amounts are in USD ('US$') unless otherwise stated)

Condensed Consolidated Statements of Financial Position

Particulars	**As at June 30, 2020 (unaudited)**
Assets	
Non-current Assets	
Property, plant and equipment	196,453,959
Right-of-use assets	12,683,881
Capital work-in-progress	2,225,969
Intangible assets	113,674,195
Goodwill	83,763,986
Trade and other receivables	24,300,010
Current tax assets	3,105,341
Deferred tax assets	2,137,078
Total Non-current Assets	**438,344,419**
Current Assets	
Trade and other receivables	95,388,244
Cash and cash equivalents	31,651,594
Advance for acquisition of regulated business	51,264,897
Advance to regulated business	16,470,338
Current tax assets	98,891
Total Current assets	**194,873,964**
Total Assets	**633,218,383**
Equity and Liabilities	
Equity attributable to the owners of the GCX Group	
Share capital	3,500
Security premium	34,996,500
Retained earnings	(18,280,459)
Foreign currency translation reserve	105,812
Total equity attributable to the owners of the GCX Group	**16,825,353**
Non-controlling interest	(1,837,881)
Total Equity	**14,987,472**

(All amounts are in USD ('US$') unless otherwise stated)

Condensed Consolidated Statements of Financial Position

Particulars	**As at June 30, 2020 (unaudited)**
Liabilities	
Non- current Liabilities	
Borrowings *(refer note 3 below)*	264,710,833
Trade and other payables	3,997,218
ROU lease liabilities	9,989,346
Deferred revenue	143,215,961
Asset retirement obligation	14,783,315
Non-current tax liabilities	1,223,863
Deferred tax liabilities	1,399,168
Total Non-current Liabilities	**439,319,704**
Current Liabilities	
Trade and other payables	118,282,663
Lease liabilities	2,809,432
Deferred revenue	54,911,871
Current tax liabilities	2,907,241
Total Current Liabilities	**178,911,207**
Total Liabilities	**618,230,911**
Total Equity and Liabilities	**633,218,383**

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$') unless otherwise stated)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Particulars	For the period March 18, 2020 to June 30, 2020 (unaudited)
REVENUE	
Service revenue *(refer note 4 below)*	56,790,743
Other income	443,767
Total Revenue	**57,234,510**
EXPENSES	
Network operation expenses	37,811,483
Employee cost	10,200,150
Depreciation and amortisation	11,299,505
Other expenses	9,592,653
Total Expenses	**68,903,791**
Operating Loss	**(11,669,281)**
Finance income	24,640
Finance costs	(6,209,058)
Finance cost, net	**(6,184,418)**
Gain on foreign currency fluctuation (net)	99,308
Loss before income tax	**(17,754,391)**
Income Tax charge	(399,626)
Net Loss from operations	**(18,154,017)**
Other comprehensive income	
Items that may be subsequently reclassified to profit or loss	
Foreign Currency translation differences	105,812
Other comprehensive income for the period	**105,812**
Total comprehensive income for the period	**(18,048,205)**
Net Loss attributable to:	
Owners of GCX Group	(18,280,459)
Non-controlling Interest	126,442
Total Net Loss	**(18,154,017)**

(All amounts are in USD ('US$') unless otherwise stated)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Particulars	For the period March 18, 2020 to June 30, 2020 (unaudited)
Total Other comprehensive income attributable to:	
Owners of GCX Group	105,812
Non-controlling Interest	-
Total Other comprehensive income	**105,812**
Total Comprehensive income attributable to:	
Owners of GCX Group	(18,174,647)
Non-controlling Interest	126,442
Total comprehensive income	**(18,048,205)**
Earning (loss) per share **Basic and Diluted loss for the period attributable to the owners of GCX Group**	(5.22)

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$') unless otherwise stated)

Condensed Consolidated Statement of Cash Flow

	Particulars	**For the period March 18, 2020 to June 30, 2020** (unaudited)
(A)	**CASH FLOW FROM OPERATING ACTIVITIES:**	
	Loss after income tax	(18,154,017)
	Adjustments for:	
	Depreciation and amortization	11,299,505
	Finance income	(24,640)
	Finance cost	6,209,058
	Current tax charge	399,626
	Operating Loss before Working Capital Changes	**(270,468)**
	Changes in Working Capital:	
	Decrease in Trade and other receivables	4,285,011
	Increase in Trade and other payables	24,059,054
	(Decrease) in Deferred revenue	(10,025,300)
	Foreign currency translation reserve	46,893
	Net cash generated in operating activities before income tax	**18,095,190**
	Income tax paid (net of refunds received)	(206,807)
	Net Cash generated in Operating Activities (A)	**17,888,383**
(B)	**CASH FLOW FROM INVESTING ACTIVITIES:**	
	Purchase of property, plant and equipment and intangibles	(6,973,043)
	Acquisition of non-regulated business	(225,592,110)
	Advance for acquisition of regulated business	(51,264,897)
	Advance to regulated business	(16,470,338)
	Interest received	24,640
	Net Cash used in Investing Activities (B)	**(300,275,748)**
(C)	**CASH FLOW FROM FINANCING ACTIVITIES:**	
	Issue of share capital	35,000,000
	Issue of 2nd lien notes	200,000,000
	Proceeds from 1st lien loan	65,000,000
	1st lien Commitment Fees Paid	(315,000)
	Repayment of ROU lease liabilities	(876,323)
	Interest paid on ROU lease liabilities	(154,178)
	2nd Lien notes Interest paid	(4,222,222)
	1st Lien facility Interest paid	(1,765,750)
	Net Cash used in Financing Activities (C)	**292,666,527**

Condensed Consolidated Statement of Cash Flow

Particulars	For the period March 18, 2020 to June 30, 2020 (unaudited)
Net Increase in Cash and Cash Equivalents (A+B+C)	**10,279,162**
Net, Foreign currency translation difference	51,000
Cash and cash equivalents at beginning of the period	10,000
Cash and cash equivalent received on acquisition of non-regulated business	21,311,432
Cash and cash equivalents at end of the period	31,651,594

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

(All amounts are in USD ('US$') unless otherwise stated)

Condensed Consolidated Statement of Changes in Equity

	Attributable to the owners of GCX Group						Non-controlling interests	Total Equity
	Number of shares	**Share Capital**	**Share Premium**	**Retained Earnings**	**Foreign currency translation reserve**	**Total**		
Balance as at March 18, 2020 (unaudited)	**10,000**	**10,000**	**-**	**-**	**-**	**10,000**	**-**	**10,000**
On acquisition of non-regulated business	-	-	-	-	-	-	(1,964,323)	**(1,964,323)**
Issue of share (par value $0.001)	3,500,000	3,500	34,996,500	-	-	**35,000,000**	-	**35,000,000**
Cancellation of share	(10,000)	(10,000)	-			**(10,000)**		**(10,000)**
Net Loss for the period (a)	-		-	(18,280,459)	-	**(18,280,459)**	126,442	**(18,154,017)**
Other comprehensive income								
Foreign currency translation reserve	-	-	-	-	105,812	**105,812**	-	**105,812**
Total other comprehensive income (b)	**-**	**-**	**-**	**-**	**105,812**	**105,812**	**-**	**105,812**
Total comprehensive income (a + b)	**-**	**-**	**-**	**(18,280,459)**	**105,812**	**(18,174,647)**	**126,442**	**(18,048,205)**
Balance as at June 30, 2020 (unaudited)	**3,500,000**	**3,500**	**34,996,500**	**((18,280,459)**	**105,812**	**16,825,353**	**(1,837,881)**	**14,987,472**

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 that is currently under Chapter 11 of title 11 of the United Sates Code, 11 U.S.C. (the "Chapter 11") protection in the United States. GCXHL's registered address is Cumberland House, 9th Floor, 1 Victoria Street, Hamilton HM11, 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: first, 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 the subject of the regulatory approval process (the "Regulated Business") remained outside of the current GCXHL structure and subject to the jurisdiction of the US Bankruptcy Court until such approval is obtained. Such approval is expected the next 3-6 months.

Accordingly, current reporting represents financial statements of only that portion of subsidiaries and assets already transferred to GCXHL.

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;
- Data connectivity layer: Selling bandwidth capacity on Indefeasible Right of Use ("IRU") and lease basis, network connectivity services including International Private Line, IP Virtual Private Network; and
- Cloud layer: Selling data center services including co-location services and data center access.

The customer base for Data Services Business include 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 continents. The customers include established carriers, ISP's, major public telephone operator or business entities that require such services.

References in these Condensed Interim Consolidated Financial Statements to "we" "group" "GCX" "GCX Group" or "us" refers to "GCX Holdings and its Subsidiaries.

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 on18 March 2020 and condensed interim Consolidated Financial statements of its subsidiaries from the date of acquisition i.e. April 14 2020. For convenience reason, turnover and cost information related to the acquisition is presented from the period 1 April 2020 based on materiality.

This is company's first set of condensed interim consolidated financial statements after the first step of its emergence from Chapter 11. As stated in note 1 above, GCXHL owns and controls all of the assets and undertakings but excluding certain regulated elements of the business of GCX Limited, under the terms of the Chapter 11 Plan. Upon emergence, GCXHL issued $200mn of New 2nd Lien notes and the equity of GCXHL to GCX Limited's bondholders in satisfaction of their prepetition bond claims. Further, under the confirmed Chapter 11 plan, GCX Limited shall in due course transfer the remaining elements of its business to GCX Holdings Limited. However, the Regulated Business cannot be transferred immediately, hence those continue to remain within GCX Limited. The value of the regulated business which will be transferred to GCXHL upon the completion of the 2nd emergence is disclosed as "Advance for acquisition of regulated business". The company has assessed and concluded that it has no control/significant influence over the regulated business; hence these have not been consolidated in the preparation of these financials. As these are the first condensed interim consolidated financial statements of the company, comparative information in not available.

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. Pending transfer of the regulated business, selected disclosure has been made in these interim condensed consolidated financial statements in view of relevance of disclosures on a combined basis i.e. Acquired business and Regulated business to be transferred. All amounts included in the Condensed Interim Consolidated Financial Statements are reported in US$ unless stated otherwise

b) Going Concern

As at June 30, 2020, GCX group's current assets have exceeded the current liabilities by US$ 15,962,757. The management of GCX have prepared these Condensed Consolidated Financial Statements on a going 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.

The going concern basis of 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, the consideration costs 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 provisional allocations of the total consideration to assets acquired and liabilities assumed at the date of the acquisition, ie April 14, 2020. During the measurement period i.e. March 31, 2021, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Particulars	**Amount in US$**
Tangibles Assets	280,931,536
Intangibles assets	120,357,959
Cash and bank balance	35,436,796
Net Working Capital	(15,945,330)
Deferred revenue	(205,834,472)
ARO liabilities	(21,853,468)
Total net assets	**193,093,021**
Goodwill	83,763,986
Total Purchase consideration	**276,857,007**

Settled by:

Equity implied value	35,000,000
New 2nd lien facility	200,000,000
Funding for payment of Old DIP facility	41,857,007
	276,857,007

The amount of the total purchase consideration of $276,857,007 includes $51,264,897 towards the regulated business (including $14,125,365 of Cash and cash equivalents of the regulated business), shown as advance for acquisition of the regulated business. Please refer to note 3 on Borrowings.

The valuation and the useful lives of tangible and intangible assets is based on the fair values arrived by independent professionals. To estimate fair values, the Company considered a number of 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

(a) 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 Comprehensive Income, Consolidated Statements of Changes in Equity and Statement of Financial Position respectively.

(b) Transactions with non-controlling interests

GCX Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of GCX Group. For purchases from non-controlling interests, the difference between 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 contractual obligation of GCX Group.

(c) 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 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 Comprehensive Income.

(d) *List of subsidiaries*

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

	Name of entity	**Country of incorporation***	**Percentage of Ownership Interest as at June 30, 2020**	**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	48.998%	48.9986%
17.	FLAG Telecom Development Services Company LLC	Egypt	100%	100%
18.	GCX India Services Limited	India	99.996%	100%
19.	GCX Managed Services Limited	Bermuda	100%	100%
20.	Reliance 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%

	Name of entity	**Country of incorporation***	**Percentage of Ownership Interest as at March 31, 2020**	**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%

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

** GCX Group consolidates Seoul Telenet Inc as it exercises control over ownership and/or composition of the Board of Directors.

b) Foreign currency

(a) 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.

(b) 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 reporting date, of monetary assets and liabilities denominated in foreign currencies, are recognised in the Consolidated Statement of Comprehensive Income and presented within Gain/ (Loss) on Foreign Currency fluctuation (net).

(c) 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 Comprehensive Income 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.

(d) 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.

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 Comprehensive Income.

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.

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 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 Comprehensive Income during the financial period in which they are incurred.

Depreciation

Depreciation on all assets is calculated so as 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...................3 to 6 years
Vehicles……………………………………….5 years
Furniture and fittings…..................................3 to 7 years

Network assets include fibre-optic subsea cable networks and terrestrial assets. The cost of network assets include cost incurred towards construction of cable systems, subsequent cost incurred for upgradation of network systems and 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.

Capital work in Progress

Costs incurred prior to the capital project's completion are reflected as capital-work-in-progress, which is transferred to property, plant and equipment at the date the project is complete. Capital-work-in-progress is stated at cost. Capital-work-in-progress includes capital advances for network assets.

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 of 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 change in the estimated timing, amount of the outflow of resources embodying economic benefits required to settle the obligation or change in the discount rate are adjusted in the cost of the related asset prospectively, surplus if any is credited to the Consolidated Statement of Comprehensive Income and changes due to periodic unwinding of the discount are recognised in the Consolidated Statement of Comprehensive Income as a finance cost as it occurs. This finance cost is not capitalised as a part of borrowing cost.

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

f) Intangible Assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of consideration transferred over GCX Group's interest in 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.

For the purpose of 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. The CGU to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Goodwill is measured at cost less accumulated impairment losses.

Indefeasible Right of Use (IRU)

IRU 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.

Software and Licences

Acquired computer software licences are capitalised on the basis of 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 recognized as intangible assets and are amortised over their estimated useful lives, not exceeding 5 years.

Customer Contract and Customer Relationship

Customer Contract is amortised over 5 years and Customer relationship over 10 years.

Intangible Assets under Development

Intangible assets not ready for the intended use on the date of the Consolidated Statement of Financial Position are disclosed as "intangible assets under development".

g) Impairment of non-financial assets

Intangible assets with definite 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 functional currency of the respective CGU.

If such assets are considered to be impaired, the impairment to be recognised in Consolidated Statement of Comprehensive Income 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.

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.

h) Financial Instruments

Financial instruments are recognised when the GCX group Company becomes a party to the contractual provisions of the instrument.

(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 Statement of Comprehensive Income); and

b) those to be measured at amortised cost.

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

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

(II) Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through Consolidated Statement of Comprehensive Income, transaction costs that are attributable to the acquisition of the financial asset.

(III) Derecognition of financial assets

A financial asset is primarily derecognised when: (I) Rights to receive cash flows from the asset have expired, or (II) 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 '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.

(IV) 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. IFRS 9 requires expected credit losses to be measured through a loss allowance. In determining the allowances for impairment of trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(b) Financial Liabilities

GCX group determines the classification of its financial liabilities at initial recognition.

(I) Classification

The financial liabilities are classified in the following measurement categories:

a) those to be measured as financial liabilities at fair value through profit or 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.

(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 Comprehensive Income.

(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 Comprehensive Income.

i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value. The group holds the trade receivable with the objective to collect the contractual cash flow and therefore measure them subsequently at amortised cost using the effective interest method, less impairment of trade receivables.

j) 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 amount 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.

k) 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 Comprehensive Income 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.

l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified under current liabilities if payment is due within one year or less. If not, they are presented under non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method.

m) 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 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.

n) Current tax and deferred tax

The tax expense comprises of current tax and deferred tax. Income tax is recognised in net profit in the Consolidated Statement of Comprehensive Income, 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.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Consolidated Statement of Financial Position date in the respective countries where GCX Group operates and generates taxable income.

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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax 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 and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liability is provided on temporary differences arising on investment in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by GCX Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference 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.

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

o) Revenue recognition

GCX Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of GCX Group's activities as described below. Revenue is measured at the fair value of the consideration receivable and represents amount 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 Comprehensive Income 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 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 Comprehensive Income in accordance with IFRS 16.

Revenue from contracts for right to use of specified assets for less than economic useful life is recognised in GCX Group's Consolidated Statement of Comprehensive Income 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 over the life of contracts.

International Private Leased Circuits and others

International Private Leased Circuits include lease capacity services and restoration service 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 Comprehensive Income over the term of the contract. Revenue from other services are recognised as control of the goods and services passed to the customers.

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 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 develop data centers. 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.

p) 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.

q) Deferred revenue

Deferred revenue represents income billed in accordance with the contract but not recognised in Consolidated Statement of Comprehensive Income 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.

r) Accrued income

Revenue in excess of billing is recorded as unbilled revenue and is classified as other receivables for these cases as right to consideration is unconditional upon 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, government agency as defined contribution plans. In some defined contribution retirement plan, 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 Comprehensive Income when incurred.

There are no other material employee benefit plans and schemes in GCX Group.

t) Leases

<u>As a lessee:</u>

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the Consolidated Statement of Comprehensive Income on a straight line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

u) Borrowing cost

Borrowing costs are recognised in the Consolidated Statement of Comprehensive Income 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 is ceased 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 till such activities resume.

For specific borrowings obtained for the acquisition or construction of an asset eligible for capitalisation, the capitalised amount of interests 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 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.

v) 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.

w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to 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.

x) 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 note, 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 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 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 a 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 would be lowered, the provision would increase. The impact of change in assumptions is not expected to be material.

iii. Provision for credit note

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

iv. Allowance for impairment of trade receivables and accrued income

Trade receivables and other financial assets: The Group follows a 'simplified approach' (i.e. based on lifetime Expected Credit Loss (ECL)) for recognition of impairment of loss allowance on Trade receivables and accrued income. For the purpose of measuring lifetime ECL allowance for trade receivables and accrued income, the Group estimates irrecoverable amount based on the ageing of the receivable balances and historical experience. 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, 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 involves, but is not limited to, industry trends including pricing, estimating long-term revenues, revenue growth, operating expenses and capital expenditures.

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.

Judgement in applying accounting policies

vi. 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 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. The amount of the deferred tax assets considered realisable, however, could be reduced/ increased in the near term if the said estimates undergo a change.

y) 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 International Accounting Standards Board (IASB) has issued 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 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 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.

3) Borrowings

	As at June 30, 2020
1st lien facility	64,710,833
2nd lien notes due 2024	200,000,000
Total Borrowings	**264,710,833**
Less: Non-current portion	**264,710,833**
Current portion	**-**

<u>1st lien facility</u>

GCXHL has obtained US$54,500,000 1st lien facility on April 14, 2020, which was partially used for payment of US$41,857,007 to GCX Limited to fund the repayment of the Old DIP facility of GCX Limited. On April 17, 2020 GCXHL obtained an additional US$10,500,000 for its ongoing operations. Please refer to the PPA notes 2.c for further details.

The interest rate on the 1st lien facility for $54,500,000 is 12% per annum and for $10,500,000 is 17% per annum.

The maturity of the 1st lien facility is 2 years.

<u>2nd lien notes</u>

On April 14, 2020, GCXHL issued 2nd lien Notes for a total of US$200,000,000 (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 2.c for further details.

<u>Collateral to 1st lien facility and 2nd lien notes</u>

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; and,
iii. the shares of GCX Limited and its subsidiaries.

4) Service revenue

	For the period March 18, 2020 to June 30, 2020
Bandwidth capacity	3,623,487
Operation and maintenance services	9,196,656
Internet protocol	6,679,141
Managed network services	18,336,586
International private leased circuits and others	15,417,587
Revenue from Regulated Business	3,537,286
Total	**56,790,743**

5) Commitment, contingencies and litigations (to the extent not provided for):

a. Commitment

Particulars	June 30, 2020
Estimated value of contracts remaining to be executed on capital account (net of advances)	11,596,353

b. Litigations

India Tax Litigation:

Reliance Globalcom Limited, Bermuda, files its income tax return with the Income Tax Authorities of India as a non-resident to claim the refund of tax deducted by its customers in India. The Income Tax Authorities of India have disputed the claim of GCX group on various grounds. In February 2015 and June 2015 Income Tax Appellate Tribunal (ITAT) pronounced a favorable ruling for various Financial Years resulting in refunds paid to GCX group of approximately INR 540 million (US$8.3 million equivalent). The Income Tax Authorities of India have subsequently appealed to the High Court against ITAT order. On September 2018, the hearing was concluded. We are awaiting the final High Court order.

DocuSigned by:
302859AA5238464...
Chief Executive Officer
Date: 9/13/2020
Place: London UK

DocuSigned by:
Anja Blumert
60AEE6D4CACC476...
Chief Financial Officer
Date: 9/13/2020
Place: London UK