

INDEPENDENT AUDITOR'S REPORT

To The Members of HATHWAY CABLE & DATACOM LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **HATHWAY CABLE & DATACOM LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material

misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, and its loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note no. 4.25 to the accounts relating to manner and basis of recognition of subscription income in respect of Cable Television business.

Our opinion is not qualified in respect of above matter.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of section 143 (11) of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
- As required by Section 143 (3) of the Act, we report that:
 - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 4.01 to the financial statements;
- ii. The Company has made provision as required under the applicable law or accounting standard for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 4.19 to the financial statements;
- iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Company.

For G. M. Kapadia & Co.
Chartered Accountants
(Firm Registration No.104767W)

Viren Thakkar
Partner
Mumbai
Dated: May 29, 2015
(Membership No. 49417)

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph 1 under "Other Legal and Regulatory Requirements" of our report of even date)

- i. (a) The Company has maintained records of fixed assets showing particulars of assets including quantitative details and location except in case of certain types of distribution equipments like cabling, line equipments, access devices with subscribers. As explained to us by the management, nature of such assets and business is such that maintaining location-wise particulars is impractical;
- (b) Distribution equipments like cabling and other line equipments of selected networks were verified. The management plans to verify balance networks in a phased manner. Fixed assets, other than distribution equipments and access devices with the subscribers / local cable operators were physically verified during the year based on revised verification programme adopted by the management. As per this programme, certain categories of assets were verified and balance will be verified in subsequent two years. The management has represented that physical verification of access devices with the subscribers / local cable operators is impractical, however, the same can be tracked, in case of most of the networks, through subscribers management system;
- The Company has initiated the process of reconciliation of book records with outcome of physical verification, where ever physical verification was carried out and have accounted for the discrepancies observed on such verification.
- In our opinion, frequency and procedure for verification of distribution equipments and certain Head-end Equipments under the control of local cable operators and subsequent reconciliation with book records need to be strengthened;
- ii. (a) The inventories have been physically verified by the management during the year;
- (b) In our opinion and according to the information and explanation given to us, the frequency of verification and procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of such inventory. We have been informed that discrepancies observed on physical verification between the stocks and the book records were not material;
- iii. The Company has granted unsecured loan to a company covered in the register maintained under section 189 of the Act. In respect of this loan, the recovery of principal and interest amount has not fallen due;
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system with regards to purchases of the inventory and fixed assets and sale of goods and services. The management is in process of further strengthening the internal controls over documentation in certain areas so as to make it commensurate with the size of the Company and the nature of its business. During the course of our audit, we have not observed any other area of continuing failure to correct major weakness in internal controls;
- v. In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions contained in sections 73 to 76 or any other relevant provisions of the Act and Rules framed there under are not applicable to the Company. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal;
- vi. The Central Government has prescribed maintenance of cost records under section 148(1) of the Act in respect of certain service activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained subject to our comments as stated above. We have not, however, made a detailed examination of the same;
- vii. (a) Based on the records produced before us, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues such as provident fund, employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amount payable in respect of outstanding statutory dues were in arrears as at March 31, 2015 for a period of more than six months from the date they became payable;
- (b) The details of disputed statutory dues, which have not been deposited by the Company are as under:

(₹ in Crore unless otherwise stated)

Sr. No.	Name of Statute	Nature of Dues	Forum where dispute is Pending	Period to which it relates	Demand Amount
1	Bombay Entertainment Duty Act , 1923	Entertainment Tax & penalty thereon, Thane	Entertainment Tax Department, Thane	June 2006 to May 2007	0.89
2	Bombay Entertainments Duty Act , 1923	Entertainment Tax	Court of Divisional Commissioner, Aurangabad division	May 2009 to October 2010	1.59 ¹
3	Hyderabad Entertainment Duty Act, 1939	Entertainment Tax	Andhra Pradesh High Court	May 2005 to June 2006	0.58
4	Uttar Pradesh Entertainment Tax Rules	Entertainment Tax	District Magistrate, Agra	July 2013 - January 2015 and April 2014 - September 2014	1.38
5	Uttar Pradesh Entertainment and Betting Act, 1979	Entertainment Tax	District Magistrate, Ghaziabad	April 2013 to January 2014	1.41
6	The Maharashtra Value Added Tax, 2002	Value Added Tax	Mahatashtra VAT Tribunal	April 2008 to March 2009	0.68 ²
7	The Maharashtra Value Added Tax, 2002	Value Added Tax	Mahatashtra VAT Tribunal	April 2010 to March 2011	3.01 ³
8	Finance Act, 1994	Service Tax	Service Tax Department	April 2003 to March 2004	0.16
9	Madhya Pradesh Vilasita Manoranjan, Amod Evam Vigyapan Kar Adhinyam, 2011	Commercial Taxes	Settlement Authority	July 01, 2011 to March 17, 2012	0.81 ⁴
10	Andhra Pradesh Value Added Tax, 2005	Value Added Tax	Sales Tax Appellate Tribunal, Andhra Pradesh	April 2008 to March 2009	18.05 ⁵
11	Delhi Entertainment & Betting Tax Act, 1966	Entertainment Tax	Delhi High Court	April 2013 to May 2013 June 2013 to March 2014 April 2014 to March 2015 December 2013 to September 2014	5.95 ⁶ 27.22 33.61
12	Maharashtra Entertainments Duty Act, 1923	Entertainment Tax	Writ Petition to Bombay High Court	Upto October 2014	4.57
13	The Karnataka Entertainments Tax Act, 1958	Value Added Tax	Writ Petition to Karnataka High Court	2011-12, 2012-13, 2013-14	10.28
14	Income Tax Act, 1961	Tax Deducted at Source & interest thereon	Commissioner of Income Tax(Appeals)	April 2000 to March 2004	3.99 ⁷
15	Hyderabad Entertainment Duty Act, 1939	Entertainment Tax	Commissioner of Commercial Tax, Hyderabad	2009-10 to 2013-14	3.06 ⁴
16	Bombay Sales Tax Act, 1959	Sales Tax	Assistant Comm. Of Sales Tax, Appeals	1999-2000	0.007

¹ Amount paid is ₹ 1.15

² Amount paid is ₹ 0.23

³ Amount paid is ₹ 0.15

⁴ Amount demanded is fully paid

⁵ ₹ 9.03 is paid as pre-deposit

⁶ Amount paid ₹ 3.14

⁷ Part payment made to department ₹ 1.99

- (c) According to the information and explanation given to us, no amounts were required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder. Therefore, the provisions of clause (vii)(c) of paragraph 3 of the Order relating to transfer of amount to investor education and protection fund is not applicable;
- viii. The accumulated losses at the end of the financial year are not less than fifty percent of Net worth of the Company. The Company has neither incurred cash losses during the financial year covered by our audit nor in the immediately preceding financial year;
- ix. Based on our audit procedure and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions and banks;
- x. According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiaries from a bank and others, the terms and conditions whereof, as explained to us, are not prima facie prejudicial to the interest of the Company;
- xi. Based on information and explanation given to us and based on overall review of the funds utilization, we are of the view that the Company has generally utilized funds for which they were obtained. However, pending such utilization these funds have been temporarily utilized to reduce the short-term borrowings; and
- xii. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit except cases of misappropriation of cash collection from the subscribers and fraudulent withdrawals of funds by employees aggregating to ₹ 0.02 crores.

For G. M. Kapadia & Co.
Chartered Accountants

(Firm Registration No.104767W)

Viren Thakkar

Partner

(Membership No. 49417)

Mumbai

Dated: May 29, 2015