



To,

**The Board of Directors,**

**LAVA INTERNATIONAL LIMITED**

A56, Sector-64, Block-A

Noida,

Uttar Pradesh - 201301

**Lava International (HK) Limited and Its Subsidiaries**

Unit L, 1/F, Mau Lam Commercial Building,

16-18 Mau Lam Street, Jordan,

Kowloon, Hong Kong.

**Re: Proposed initial public offering of equity shares of LAVA INTERNATIONAL LIMITED**

Dear Sirs,

We have verified the translated version of the Consolidated audited financial statements of **Lava International (HK) Limited and Its Subsidiaries** (the "**Company**") for the years ended March 31, 2021, March 31, 2020 and March 31, 2019 ("Financial years"). These Financials statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21, "The Effect of Changes in Foreign Currency Rates". The work carried out by us is in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed upon Procedures regarding Financial Information" issued by the Institute of Chartered Accountants of India.

As required under Schedule VI Part A Item No. (11)(I)(A)(ii)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations"). We have verified the translated financial information contained in the Annexure attached to this Certificate which is proposed to be uploaded on the website of **LAVA INTERNATIONAL LIMITED** in connection with its proposed initial public offering of equity shares of Face Value of Rs. 5/- each (the "**Offer**").

We did not audit the consolidated financial statements of **Lava International (HK) Limited and Its Subsidiaries**. These financial statements have been audited by other audit firms, whose reports have been furnished to us by the Company.

These translated financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited consolidated financial statements referred to herein.

These translated financials are intended solely for use of the management for uploading on website of **LAVA INTERNATIONAL LIMITED** in connection with its proposed initial public offering of equity shares of Face Value of Rs. 5/- each.



Based on our examination, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

#### **Restriction on use**

This certificate has been provided by A C Gupta & Associates, Chartered Accountants, at the request of the LAVA International Limited and solely for the information of **Axis Capital Limited, DAM Capital Advisors Limited, BOB Capital Markets Limited and SBI Capital Markets Limited** and any other book running lead managers appointed by LAVA International Limited (Collectively referred to as the "Book Running Lead Managers" or the "BRLMs") to assist them in conducting their due-diligence and documenting their investigations of the affairs of LAVA International Limited in connection with the proposed offer. This certificate may be relied on by the BRLMs, their affiliates and legal counsel in relation to the Offer.

This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior consent in writing, other than the purpose stated above. We, however, hereby give consent for inclusion of our name and this information (in full or in part) in the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus proposed to be filed by LAVA International Limited with the Securities and Exchange Board of India ("SEBI"), the stock exchanges where the Equity Shares of LAVA International Limited are proposed to be listed (the "Stock Exchanges") and the Registrar of Companies, Delhi and Haryana ("RoC") and any other material used in connection with the Offer and submission of this certificate to SEBI, Stock Exchanges, or RoC in connection with the proposed Offer, as the case may be. Additionally, we hereby give our consent for the submission of this certificate to any other regulatory authority as may be required under applicable law in connection with the proposed Offer, as the case may be.

This certificate is being issued in supersession of the certificate issued vide UDIN No. 21008565AAAAAU2964 dated 18.09.2021. New Certificate has been issued due to certain clerical errors in the underlying financial statement of the aforementioned certificate. This is to confirm that there are no changes in the financial numbers certified vide the earlier certificate.

Yours Sincerely,

**For A C Gupta & Associates  
Chartered Accountants**

**FRN No. 08079N**

**A C Gupta  
Partner**

**M. No. 008565**

**Date: 19.05.2022**

**UDIN:22008565AJGKRX6092**



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**TRANSLATED VERSION OF AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>NOTE</u>	<u>2021</u> <u>HKS</u>	<u>2020</u> <u>HKS</u>	<u>2019</u> <u>HKS</u>	<u>2021</u> <u>INR</u>	<u>2020</u> <u>INR</u>	<u>2019</u> <u>INR</u>
<b>Assets</b>							
<b>Non-current assets</b>							
Intangible assets	8	224,423	290,108	752,975	2,113,259	2,820,549	6,648,791
Property, plant and equipment	9	39,437,905	24,722,910	30,654,555	371,363,084	240,366,015	270,680,636
Prepaid Expenses		-	(1)	666,278	-	(10)	5,883,255
Other Investment	25	6,189,303	6,189,303	6,189,303	58,280,953	60,174,879	54,651,731
		<u>45,851,631</u>	<u>31,202,320</u>	<u>38,263,110</u>	<u>431,757,296</u>	<u>303,361,434</u>	<u>337,864,413</u>
<b>Current assets</b>							
Inventories	11	59,686,410	5,358,606	4,618,090	562,031,111	52,098,511	40,777,875
Financial Assets:							
Account receivable		352,788,663	376,340,722	391,656,007	3,321,999,166	3,658,935,036	3,458,334,291
Amount due from holding company	18	-	7,437,093	2,600,447	-	72,306,393	22,962,025
Deposits and Prepayments		319,745	553,617	1,040,760	3,010,847	5,382,486	9,189,942
Cash and bank balances	13	407,411	1,246,131	3,513,164	3,836,345	12,115,383	31,021,347
Others		35,419,398	56,250,215	93,791,095	333,523,219	546,887,090	828,178,183
Other receivables		42,944,940	51,059,486	31,928,429	404,386,733	496,420,747	281,928,986
Prepaid Expenses		24,908	56,848	20,543	234,544	552,699	181,395
Balance with statutory authority		-	-	11,504,185	-	-	101,582,299
		<u>491,591,475</u>	<u>498,302,718</u>	<u>540,672,721</u>	<u>4,629,021,965</u>	<u>4,844,698,344</u>	<u>4,774,156,344</u>
<b>Current liabilities</b>							
Financial Liabilities:							
Accounts payable		116,132,107	108,585,748	205,461,689	1,093,546,372	1,055,714,076	1,814,232,878
Accrued expenses	14	1,002,818	1,977,510	12,025,639	9,442,935	19,226,141	106,186,753
Amount due to holding company	18	10,020,995	11,558,208	11,438,366	94,361,697	112,373,521	101,001,115
Deposits received		-	-	584,795	-	-	5,163,757
Other payable		1,307,534	847,718	1,739,252	12,312,263	8,241,853	15,357,647
Provision for warranty	16	8,976,658	7,827,149	13,339,828	84,527,806	76,098,678	117,791,085
Other Current liability		190,215	41,243,809	23,863,693	1,791,141	400,988,809	210,717,125
Payable to statutory authority		249,105	742,146	-	2,345,672	7,215,440	-
Provision for taxation	7	-	-	-	-	-	-
		<u>137,879,432</u>	<u>172,782,288</u>	<u>268,453,262</u>	<u>1,298,327,888</u>	<u>1,679,858,519</u>	<u>2,370,450,361</u>
<b>Net current assets</b>		<u>353,712,043</u>	<u>325,520,430</u>	<u>272,219,458</u>	<u>3,330,694,078</u>	<u>3,164,839,825</u>	<u>2,403,705,983</u>
<b>Non current liabilities</b>							
Deferred tax liabilities	10	-	-	-	-	-	-
<b>NET ASSETS</b>		<u>399,563,673</u>	<u>356,722,750</u>	<u>310,482,569</u>	<u>3,762,451,374</u>	<u>3,468,201,259</u>	<u>2,741,570,396</u>
	<u>NOTE</u>	<u>2021</u> <u>HKS</u>	<u>2020</u> <u>HKS</u>	<u>2019</u> <u>HKS</u>	<u>2021</u> <u>INR</u>	<u>2020</u> <u>INR</u>	<u>2019</u> <u>INR</u>
<b>Capital and reserves</b>							
Share capital	17	10,000,000	10,000,000	10,000,000	83,493,850	83,493,850	83,493,850
Exchange reserves		(6,548,763)	(6,122,187)	357,913	(57,187,000)	(53,102,024)	2,938,581
Accumulated profits		396,112,434	352,844,937	300,124,656	3,358,117,196	2,943,779,134	2,487,848,445
Non controlling interest		-	-	-	-	-	-
Foreign Currency Translation Reserve		-	-	-	378,027,328	494,030,300	167,289,520
<b>Total Equity</b>		<u>399,563,671</u>	<u>356,722,750</u>	<u>310,482,569</u>	<u>3,762,451,374</u>	<u>3,468,201,259</u>	<u>2,741,570,396</u>

The accompanying notes no. 1 to 27 form an integral part of these financial statements.



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**

**TRANSLATED VERSION OF AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (BY FUNCTION OF EXPENSE) AND OTHER COMPREHENSIVE INCOME**

	NOTE	2021 HKS	2020 HKS	2019 HKS	2021 INR	2020 INR	2019 INR
Revenue from operations	4 (a)	1,720,804,793	1,689,003,248	2,057,726,442	16,478,765,201	14,606,682,672	16,966,899,007
Cost of raw material and components consumed	5.	-	-	(1,721,905,988)	-	-	(14,197,905,222)
Purchase of traded goods		(1,527,965,561)	(1,444,053,455)	(105,480,523)	(14,632,098,782)	(12,488,330,383)	(869,735,328)
(Decrease)/increase in inventories of finished goods, work-in-progress and traded goods	6.	54,327,804	740,516	10,425,863	525,226,999	8,263,530	89,739,589
<b>Gross profit</b>		<b>247,167,036</b>	<b>245,690,309</b>	<b>240,765,794</b>	<b>2,371,893,418</b>	<b>2,126,615,820</b>	<b>1,988,998,046</b>
Other Income	4 (b)	14,305	1,839	228,345	136,987	15,901	1,882,810
Administrative expenses		(31,873,593)	(46,014,163)	(6,077,387)	(305,227,796)	(397,935,456)	(50,110,845)
Operating expenses		(69,075,135)	(46,121,034)	(51,825,292)	(661,477,081)	(398,859,688)	(427,323,320)
Distribution expenses		(103,189,935)	(102,550,815)	(52,992,215)	(988,167,116)	(886,870,534)	(436,945,136)
Research and development cost		-	-	(32,912,583)	-	-	(271,379,354)
Finance expenses		228,760	(7,256,279)	(31,226,407)	2,190,651	(62,753,085)	(257,476,059)
Other expenses		(2,650)	(460,669)	(26,772,308)	(25,377)	(3,983,915)	(220,749,968)
<b>Profit before tax</b>		<b>43,268,788</b>	<b>43,289,188</b>	<b>39,187,947</b>	<b>419,323,686</b>	<b>376,229,042</b>	<b>326,896,174</b>
Taxation	7	(1,291)	(11,997)	230,776	(12,157)	(116,640)	2,037,759
<b>Net profit for the year</b>		<b>43,267,497</b>	<b>43,277,191</b>	<b>39,418,723</b>	<b>419,311,530</b>	<b>376,112,403</b>	<b>328,933,933</b>
<b>Other comprehensive income:</b>							
Translation difference		(426,576)	32,733	3,994,067	(4,084,976)	283,079	32,932,916
<b>Total comprehensive income for the year</b>		<b>42,840,921</b>	<b>43,309,924</b>	<b>43,412,790</b>	<b>415,226,554</b>	<b>376,395,481</b>	<b>361,866,849</b>
Profit/(loss) attributable to:							
Owners of the Company		43,267,497	43,277,191	39,418,723	419,311,530	376,112,403	325,025,464
Non-controlling interests		-	-	-	-	-	-
		<b>43,267,497</b>	<b>43,277,191</b>	<b>39,418,723</b>	<b>419,311,530</b>	<b>376,112,403</b>	<b>325,025,464</b>
Total comprehensive income/(expense) attributable to:							
Owners of the Company		42,840,921	43,309,924	43,412,790	415,226,554	376,395,481	357,958,380
Non-controlling interests		-	-	-	-	-	-
		<b>42,840,921</b>	<b>43,309,924</b>	<b>43,412,790</b>	<b>415,226,554</b>	<b>376,395,481</b>	<b>357,958,380</b>

The accompanying notes no. 1 to 27 form an integral part of these financial statements.

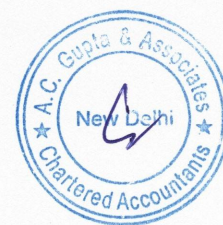


**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**TRANSLATED VERSION OF AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	HKS Issued capital	HKS Exchange reserve	HKS Accumulated profits	HKS Minority Interest		HKS Total
<b>At 31st March, 2018</b>	<b>10,000,000</b>	<b>(1,018,887)</b>	<b>243,108,087</b>	<b>30,378,554</b>		<b>282,467,754</b>
Decrease in exchange reserve	-	(2,617,267)	(404,866)	-		(3,022,133)
Profit for the year	-	3,994,067	39,418,723	-		43,412,790
Transfer on loss of control	-	-	30,891,271	(30,378,554)		512,717
Dilution of minority stake	-	-	(12,888,559)	-		(12,888,559)
<b>At 31st March, 2019</b>	<b>10,000,000</b>	<b>357,913</b>	<b>300,124,656</b>	<b>-</b>		<b>310,482,569</b>
Minority stake movement (Decrease)/increase in exchange reserve	-	(6,512,833)	9,443,090	-		2,930,257
Profit for the year	-	32,733	43,277,191	-		43,309,924
<b>At 31st March, 2020</b>	<b>10,000,000</b>	<b>(6,122,187)</b>	<b>352,844,937</b>	<b>-</b>		<b>356,722,750</b>
Minority stake movement (Decrease)/increase in exchange reserve	-	(426,576)	-	-		(426,576)
Profit for the year	-	-	43,267,497	-		43,267,497
<b>At 31st March, 2021</b>	<b>10,000,000</b>	<b>(6,548,763)</b>	<b>396,112,434</b>	<b>-</b>		<b>399,563,671</b>

	INR Issued capital	INR Exchange reserve	INR Accumulated profits	INR Minority Interest	INR Foreign Currency Translation Reserve (FCTR)	INR Total
<b>At 31st March, 2018</b>	<b>83,493,850</b>	<b>(8,413,767)</b>	<b>2,007,538,447</b>	<b>250,860,084</b>	<b>(915,830)</b>	<b>2,332,562,784</b>
Decrease in exchange reserve	-	(21,580,568)	(404,866)	-	-	(21,985,434)
Profit for the year	-	32,932,916	325,025,464	-	-	357,958,380
Transfer on loss of control	-	-	267,151,051	(250,860,084)	-	16,290,967
Dilution of minority stake	-	-	(111,461,652)	-	-	(111,461,652)
FCTR- Change during the Year	-	-	-	-	168,205,350	168,205,350
<b>At 31st March, 2019</b>	<b>83,493,850</b>	<b>2,938,581</b>	<b>2,487,848,445</b>	<b>-</b>	<b>167,289,520</b>	<b>2,741,570,396</b>
Minority stake movement (Decrease)/increase in exchange reserve	-	(56,323,684)	81,664,863	-	-	25,341,179
Profit for the year	-	283,079	374,265,826	-	-	374,548,904
FCTR- Change during the Year	-	-	-	-	326,740,780	326,740,780
<b>At 31st March, 2020</b>	<b>83,493,850</b>	<b>(53,102,024)</b>	<b>2,943,779,134</b>	<b>-</b>	<b>494,030,300</b>	<b>3,468,201,259</b>
Minority stake movement (Decrease)/increase in exchange reserve	-	(4,084,976)	-	-	-	(4,084,976)
Profit for the year	-	-	414,338,062	-	-	414,338,062
FCTR- Change during the Year	-	-	-	-	(116,002,972)	(116,002,972)
<b>At 31st March, 2021</b>	<b>83,493,850</b>	<b>(57,187,000)</b>	<b>3,358,117,196</b>	<b>-</b>	<b>378,027,328</b>	<b>3,762,451,374</b>



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**TRANSLATED VERSION OF AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

	2021 HK\$	2020 HK\$	2019 HK\$	2021 INR	2020 INR	2019 INR
<b>A: CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit before taxation	43,268,787	43,289,188	39,187,947	414,350,416	374,369,576.86	323,122,610.28
<b>Adjusted for:</b>						
Bank interest income	(6)	(3,944)	(108,733)	(57)	(34,108.14)	(896,553.18)
Interest expenses	(228,760)	7,256,279	31,226,407	(2,190,651)	62,753,085.22	257,476,058.64
Provision for inventory obsolescence	-	-	-	-	-	-
ESOP Expense	-	-	-	-	-	-
Amorization of intangible assets	65,685	462,867	8,351,571	629,012	4,002,923.85	68,862,536.27
Exchange difference	-	(1,656,707)	(734,910)	-	(14,327,381.23)	(6,059,670.27)
Depreciation	16,071,278	5,913,417	3,728,491	153,901,720	51,139,869.48	30,743,121.45
<b>Operating cash flows before movement in working capital</b>	<b>59,176,984</b>	<b>55,261,100</b>	<b>81,650,773</b>	<b>566,690,440</b>	<b>477,903,966</b>	<b>673,248,103</b>
Decrease in Long term deferred expenses	31,939	629,974	19,435,997	300,750.40	6,124,859.22	171,620,436.59
Decrease in accounts receivable	23,552,059	15,315,285	117,817,605	221,775,608	148,901,327	1,040,332,987
Decrease in due from subsidiary	-	-	-	-	-	-
Decrease/(increase) in other receivables	28,945,363	18,409,823	(37,109,639)	272,561,116	178,987,663	(327,679,226)
(Increase)/decrease in due from holding company	5,899,880	(4,716,804)	14,444,738	55,555,630	(45,858,655)	127,547,470
(Increase)/decrease in inventories	(54,327,802)	(740,516)	294,362,043	(511,572,315)	(7,199,591)	2,599,225,673
Decrease in prepayments	233,872	487,143	3,858,375	2,202,232	4,736,199	34,069,567
Decrease in other non current asset	-	11,504,185	54,350,770	-	111,848,288	479,918,930
(Decrease) in account paybles	7,546,359	(96,875,941)	(571,666,690)	71,059,535	(941,866,649)	(5,047,834,023)
(Decrease)/increase in Warranty provision	1,149,509	(5,512,679)	6,754,645	10,824,237	(53,596,470)	59,643,714
Increase/(Decrease) in amount due to related company	-	-	-	-	-	-
Decrease/(increase) in Received in advance	-	17,380,116	20,668,323	-	168,976,440	182,501,912
Decrease/(increase) in accrued expenses	(42,028,286)	(10,048,129)	(64,833,063)	(395,755,152)	(97,691,931)	(572,477,891)
(Decrease) in other payable	(33,225)	(149,388)	(842,333)	(312,860)	(1,452,410)	(7,437,826)
(Decrease) in deposits received	-	(584,795)	(266,277)	-	(5,685,611)	(2,351,234)
Cash used in operations	30,146,652	359,374	(61,374,733)	293,329,221	(55,872,575)	(589,671,408)
Income tax refund	-	11,504,185	230,776	-	111,848,288	2,037,759
<b>Net cash used in operating activities</b>	<b>30,146,652</b>	<b>11,863,559</b>	<b>(61,143,957)</b>	<b>293,329,221</b>	<b>55,975,714</b>	<b>(587,633,649)</b>
<b>Cash flow from investing activities</b>						
Purchase of Intangible asset	-	(0)	72,949,339	-	(4)	644,144,853
Interest income	6	3,944	108,733	57	34,108	896,553
Net movement in Fixed Deposits	98,664	-	155,565,796	929,060	-	1,373,650,646
Purchase of Property, Plant and Equipment	(30,895,063)	(30,288)	(30,105)	(290,920,271)	(294,472)	(265,828)
<b>Net cash (used in)/generated from investing activities</b>	<b>(30,796,393)</b>	<b>(26,344)</b>	<b>124,347,010</b>	<b>(289,991,154)</b>	<b>(260,368)</b>	<b>2,018,426,224</b>
<b>Cash flow from financing activities</b>						
Net movement in loan	-	-	(190,893,627)	-	-	(1,685,596,454)
Interest paid	(228,760)	(7,256,279)	(31,226,407)	(2,190,651)	(62,753,085)	(257,476,059)
<b>Net cash (used in) financing activities</b>	<b>(228,760)</b>	<b>(7,256,279)</b>	<b>(222,120,034)</b>	<b>(2,190,651)</b>	<b>(62,753,085)</b>	<b>(1,943,072,512)</b>
Decrease in cash and cash equivalents	(420,980)	4,580,936	(54,670,228)	1,147,417	(7,037,739)	(512,279,938)
Effect of foreign exchange	(417,742)	(6,847,969)	5,032,654	(9,426,474)	1,123	13,656
<b>Cash and cash equivalent at beginning of year</b>	<b>1,246,131</b>	<b>3,513,164</b>	<b>53,150,738</b>	<b>12,115,380</b>	<b>31,021,344</b>	<b>438,908,271</b>
<b>Cash and cash equivalent at end of year</b>	<b>407,409</b>	<b>1,246,131</b>	<b>3,513,164</b>	<b>3,836,322</b>	<b>12,115,380</b>	<b>31,021,344</b>



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

The Company was incorporated on 20<sup>th</sup> March 2010 as a private limited company in Hong Kong. Its registered office is located at Unit L, 1/F, Mau Lam Commercial Building, 16-18 Mau Lam Street, Jordan, Kowloon, Hong Kong. Its principal activities during the year were trading in mobile phones and investment holding. The principal activities of the wholly owned subsidiaries were production, trading and research development of mobile phones and provision of marketing services to the Company.

The financial statements are presented in Hong Kong dollars while functional currency of the Company is US dollars which are however pegged to Hong Kong Dollars at the fixed rate of USD 1 to HKD7.8+/-0.05 with minor change due to market variations.

In the opinion of the Directors, the immediate parent company as well as the ultimate parent company (which is also the Company's ultimate controlling party and ultimate parent undertaking) is Lava International Limited which is a company incorporated in India. Unless stated otherwise, all currency figures in these financial statements are presented in Hong Kong Dollars (HK\$) rounded to the nearest one dollar.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These consolidated statements comply with all of the requirements of each applicable standard and each applicable interpretation in Hong Kong Financial Reporting Standards effective at the beginning of the reporting year and have been prepared under the accrual basis of accounting and on the basis that the Group is a going concern.

**2.2 Basis of measurement**

The measurement bases used in preparing these financial statements are set out in note 3 to financial statements.

**2.3 Assumptions and other major sources of estimation uncertainty**

Assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting year that have significant risks of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are set out below.

Depreciation of property, plant and equipment and amortization of intangible assets

The depreciation method and rates of the property, plant and equipment and the amortization method and rates of intangible assets are based on the management's best estimate to their expected residual value, useful lives, consumption pattern, wear-and-tear and potential technical obsolescence to usage of the assets. Management uses all readily available information in determining all of the above factors. Any change in these factors may have a significant impact on the carrying amounts of the property, plant and equipment and intangible assets as stated in the statement of financial position and the profit or loss for the next reporting year. At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting year.

**Impairment of assets**

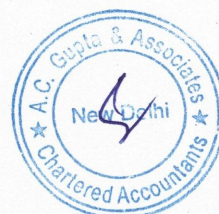
The impairments of property, plant and equipment, intangible assets, available-for-sale financial assets measured at cost and trade and other receivables are based on the Directors' best estimate to the expected recoverable amounts of the assets that would be determined by reference to fair value less costs to sell and value in use estimated using the discounted cash flow method. Because of inherent risks associated with the estimations, their accuracy may have a significant impact on the carrying amounts of these assets as stated in the statement of financial position and the profit or loss for the next reporting year. At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting year.

Income tax

The Tax Authorities are assessing the offshore profit claims. The final tax outcome may have a significant impact on the carrying amounts of the current tax liabilities and deferred tax liabilities as stated in statement of financial position and the income tax in the year of determination.

Others

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

**CHANGES IN ACCOUNTING POLICIES**

HKFRS 16 "Leases"

The Group applied the HKFRS 16 from its mandatory adoption date of 1 April 2019. The Group has applied the simplified transition approach and not restated comparative amounts for the year prior to first adoption, with the cumulative effect of initial adoption recognized as an adjustment to the opening balance sheet.

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

In applying HKFRS 16, the Group has used the practical expedients permitted by the standard, including: applying a single discount rate to a portfolio of leases with reasonably similar characteristics; accounting for leases with a remaining lease term of less than 12 months as at 1 April 2019 in the same way as short-term leases; excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group considers that the assets and liabilities arising from the lease are generated in a single transaction, therefore, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis

**3. PRINCIPAL ACCOUNTING POLICIES**

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries, including those controlled through investment entity subsidiaries. Subsidiaries are those investees, including unincorporated company such as partnership, controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power may be arising from holding of majority of the voting rights in subsidiaries or from other means such as contractual arrangements.

A subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements present financial information about the Group as a single economic entity. They combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company with those of its subsidiaries. The carrying amount of the holding company's investment in each subsidiary shall offset against the holding company's portion of equity of each subsidiary. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits and losses resulting from intragroup transactions are eliminated in full unless the losses indicate an impairment that requires recognition in the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events and conditions in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. The financial statements of the Company and of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date (equivalent to the end of reporting year of the Company).

Non-controlling interests are the equity in subsidiaries that are not attributable to the equity holders of the Company. At acquisition date, the Group initially measures components of non-controlling interests in the acquiree at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. After initial recognition, the Group allocates the profit or loss and each component of other comprehensive income in subsidiaries to the non-controlling interests based on their proportionate share in the respective subsidiaries. Non-controlling interests in net assets which consist of the amount of those interests at the date of the original business combination and the share of changes in equity by the non-controlling parties since the date of the combination are presented separately from the controlling interests. Losses and other comprehensive income applicable to the non-controlling parties in excess of the non-controlling interests in the subsidiary equity are allocated to non-controlling interests even if this results in the non-controlling interests having a deficit balance. When the proportion of the equity held by non-controlling interests changes, it shall adjust the carrying amount of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. It shall recognise directly in the equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Company.





**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

**3 PRINCIPAL ACCOUNTING POLICIES - CONTINUED**

**3.1 Revenue**

Revenue consists of turnover and other revenue but excludes the reversal of impairment and of provisions. Turnover comprises revenue generated from the principal activities of the Company. Other revenue includes other net gain such as exchange gain (net of exchange loss) and gain on disposal of capital assets.

Revenue is recognised as income when it is probable that the economic benefits associated with transaction will flow to the Company and when the amount of revenue as well as costs incurred for the transaction can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and is shown net of discounts, rebates, returns and sales-related taxes on the following bases.

Sale of goods is recognised when the goods are delivered and the significant risks and rewards of ownership have been passed to the buyer and the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold.

Revenue from rendering of services is recognised when the stage of completion of the transaction at the end of reporting period and the cost incurred for the transaction as well as further cost to complete the transaction can all be measured reliably.

The Company records reductions to revenue for estimated commitments related to price protection and other customer incentive programs. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded. For the Company's other customer incentive programs, the estimated cost of these programs is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Interest income is recognised using the effective interest method on a time proportion basis taking into account the principal outstanding and the interest applicable.

**3.2 Leases**

The Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group.

Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term, the Group recognises depreciation and impairment, (if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

**3.3 Income tax**

Deferred tax is not recognized as there are no temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit.

**3.4 Property, plant and equipment**

Property, plant and equipment are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

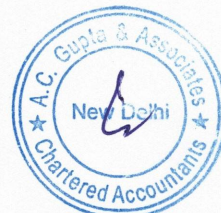
Cost comprises purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Where expenditure has resulted in increases in the future economic benefits from the use of the property, plant and equipment, the expenditure is capitalised.

Depreciation is provided on straight line method, based on the estimated economic useful lives of the individual assets. The annual rates used for this purpose are as follows:-

Office equipment and Laptop – 36 months  
Fixtures and fittings – 48 to 60 months

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

3.5 Intangible assets

Intangible assets are measured at initial recognition at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of license fee is calculated to write off the cost of each intangible asset to profit or loss unless it is included in the carrying amount of another asset on a systematic basis using the straight-line method over the license period of 3 years. The useful lives of the intangible assets are reviewed annually. If necessary, the amortisation method or useful life of that asset is amended prospectively to reflect the new expectation.

Expenditures on research and development are recognised as expenses in the period in which they are incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are amortised over the life of the project from the date of commencement of commercial operation using unit of production method subject to a maximum of 3 years.

On disposal or retirement, the cost together with associated accumulated amortisation and impairment losses, if any, of the intangible assets are derecognised and any gain or loss resulting from the disposal is recognised in profit or loss.

**3 PRINCIPAL ACCOUNTING POLICIES - CONTINUED**

3.6 Investment in subsidiaries

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.7 Foreign currency translation

The functional currency of the Company is Hong Kong Dollar. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was measured. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised in other comprehensive income too.

3.8 Inventories

Inventories are measured at initial recognition at cost and subsequently measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in first out basis.

Net realisable value is based on estimated selling prices in the ordinary course of business less further costs expected to be incurred to completion and disposal. Damaged and obsolete inventories are written down to net realisable value; the write-down and all losses are recognised immediately in profit or loss. When the inventories are sold, the carrying amount of inventories is recognised as an expense in the period in which the related revenue is recognised.

3.9 Trade debtors and other receivables

Trade and other receivables are measured at initial recognition at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the trade and other receivables shall be reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the trade and other receivables is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been recognised for the trade and other receivables in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

**3. PRINCIPAL ACCOUNTING POLICIES - CONTINUED**

**3.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the statement of cash flows.

**3.11 Trade payables & accruals**

Trade and other payables are measured at initial recognition at the fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

**3.12 Provisions**

Provision has been made for all present legal and constructive obligations as a result of past events that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**3.13 Borrowing Cost**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**3.14 Financial assets**

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

**3.15 Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is disclosed in the notes to the consolidated financial statements unless the possibility of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.



LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES  
NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS

4 (a) REVENUE FROM OPERATIONS

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Sale of products	1,720,804,793	1,689,003,248	2,057,411,105	16,478,765,201	14,606,682,672	16,964,298,909
Sale of services	-	-	315,337	-	-	2,600,099
	<u>1,720,804,793</u>	<u>1,689,003,248</u>	<u>2,057,726,442</u>	<u>16,478,765,201</u>	<u>14,606,682,672</u>	<u>16,966,899,007</u>

4 (b) OTHER INCOME

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Interest income on fixed deposits with banks	6	3,944	108,733	57	34,107	896,553
Other Incomes and Gains	14,299	-	-	136,930	-	-
Miscellaneous income	-	(2,105)	119,612	-	(18,205)	986,257
	<u>14,305</u>	<u>1,839</u>	<u>228,345</u>	<u>136,987</u>	<u>15,901</u>	<u>1,882,810</u>

5. COST OF RAW MATERIAL AND COMPONENTS CONSUMED

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Inventory materials at the beginning of the year	-	-	126,503,105	-	-	1,043,076,166
Purchase during the year	-	-	1,595,402,883	-	-	13,154,829,057
Less: Inventory materials at the end of the year	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,721,905,988</u>	<u>-</u>	<u>-</u>	<u>14,197,905,222</u>

6. INCREASE/(DECREASE) IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Inventories at the end of the year						
Traded goods	93,807	5,333,256	3,761,333	898,314	46,122,577	31,013,918
Spare Parts	59,532,025	25,350	304,920	570,090,382	219,227	2,514,204
Finished goods	-	-	551,837	-	-	4,550,152
Work in progress	60,578	-	-	580,107	-	-
	<u>59,686,410</u>	<u>5,358,606</u>	<u>4,618,090</u>	<u>571,568,803</u>	<u>46,341,804</u>	<u>38,078,274</u>
Inventories at the beginning of the year						
Traded goods	5,333,256	3,761,333	16,118,455	46,122,577	31,013,918	143,376,913
Spares for handsets	25,350	304,920	16,719,639	219,227	2,514,204	148,724,567
Finished goods	-	551,837	38,642,003	-	4,550,152	343,728,422
Work in progress	-	-	100,997,596	-	-	898,394,016
Change in inventories	54,327,804	740,516	(167,859,603)	525,226,999	8,263,530	(1,496,145,644)
Less: Elimination of Inventory	-	-	(178,285,466)	-	-	(1,585,885,234)
	<u>54,327,804</u>	<u>740,516</u>	<u>10,425,863</u>	<u>525,226,999</u>	<u>8,263,530</u>	<u>89,739,589</u>

7 TAXATION

(a) Taxation in the statement of financial position represents:

i) Provision for taxations

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Hong kong profit tax for the year	-	-	-	-	-	-
Provisional profits tax paid	-	-	-	-	-	-
China tax prepaid	-	-	-	-	-	-
China tax payable	-	-	-	-	-	-
Overseas tax prepaid	-	-	-	-	-	-
Overseas tax payable	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ii) Advance tax assets (Net)

	HKS 31 March 2021	HKS 31 March 2020	HKS 31 March 2019	INR 31 March 2021	INR 31 March 2020	INR 31 March 2019
Hong kong profit tax for the year	-	-	-	-	-	-
Provisional profits tax paid	-	-	-	-	-	-
Overseas tax prepaid	-	-	-	-	-	-
Overseas tax payable	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**LAVA INTERNATIONAL (HK) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO TRANSLATED VERSION OF AUDITED FINANCIAL STATEMENTS**

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
(b) Taxation in the statement of comprehensive income represents:						
Hong Kong Profits tax at 16.5% on the estimated assessable profit for the	-	-	-	-	-	-
Provision for China tax (i)	-	-	-	-	-	-
Provision for overseas tax (ii)	-	-	-	-	-	-
<b>DEFERRED TAX</b>						
Current year	-	-	-	-	-	-
Provision for China Tax	-	-	-	-	-	-
Overseas tax profits tax paid/(reversal)	1,291	11,997	(230,776)	12,157	116,640	(2,037,759)
<b>DEFERRED TAX</b>						
Current Year	-	-	-	-	-	-
	1,291	11,997	(230,776)	12,157	116,640	(2,037,759)

(i) The provision for China tax payable to the Chinese tax authority relates to taxation on subsidiaries' profits/income for the year.

(ii) The provision for Overseas tax payable to the Overseas tax authority relates to taxation on subsidiaries' profits/income for the year.

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
<b>7 TAXATION - CONTINUED</b>						
(c) Reconciliation of Tax Expenses						
Accounting profit before tax	-	-	-	-	-	-
Hong kong tax rate	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%
Tax at Hong kong tax rate	-	-	-	-	-	-
	-	-	-	-	-	-

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
<b>8 INTANGIBLE ASSETS</b>						
<b>Cost:</b>						
Opening Balance	75,489,360	75,494,520	179,769,519	733,937,756	666,618,876	1,484,501,094
Additions	-	-	956,410	-	-	7,886,039
Disposal	-	-	(104,246,753)	-	-	(859,562,328)
Translation difference	2,336	(5,160)	(984,656)	(23,077,748)	67,318,880	33,794,070
Closing Balance	75,491,696	75,489,360	75,494,520	710,860,008	733,937,756	666,618,876
<b>Accumulated Amortization</b>						
Opening Balance	75,199,252	74,741,545	87,784,041	731,117,207	659,970,085	724,903,229
Charge for the year	65,685	462,867	8,351,571	618,516	4,500,175	73,744,622
Disposal	-	-	(21,411,109)	-	-	(189,060,735)
Translation difference	2,336	(5,160)	17,042	(22,988,974)	66,646,947	50,382,968
Closing Balance	75,267,273	75,199,252	74,741,545	708,746,749	731,117,207	659,970,085
<b>Net Book Value</b>						
Closing Balance	224,423	290,108	752,975	2,113,259	2,820,549	6,648,791

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>						
<b>Cost:</b>						
Opening Balance	67,319,524	67,518,819	106,574,829	654,507,337	596,193,195	880,073,836
Additions	30,895,063	30,288	30,105	295,857,201	261,934	248,227
Disposal	(418,376)	(82,405)	(39,697,257)	(4,006,451)	(712,647)	(327,322,103)
Deconsole	(37,844)	-	-	(362,402)	-	-
Translation difference	77,534	(147,178)	611,142	(24,733,710)	58,764,856	43,193,234
Closing Balance	97,835,901	67,319,524	67,518,819	921,261,975	654,507,337	596,193,195
<b>Accumulated Depreciation</b>						
Opening Balance	42,596,614	36,864,264	59,004,402	414,141,322	325,512,559	487,246,669
Charge for the year	16,071,278	5,913,417	3,728,491	153,901,720	51,139,869	30,743,121
Disposal	(319,712)	(72,237)	(25,744,861)	(3,061,625)	(624,713)	(212,278,193)
Deconsole	(33,023)	-	-	-	-	-
Translation difference	82,839	(108,830)	(123,768)	(15,082,525)	38,113,607	19,800,961
Closing Balance	58,397,996	42,596,614	36,864,264	549,898,891	414,141,322	325,512,559
<b>Net Book Value</b>						
Closing Balance	39,437,905	24,722,910	30,654,555	371,363,084	240,366,015	270,680,636

**10 DEFERRED TAX LIABILITIES / ASSETS**

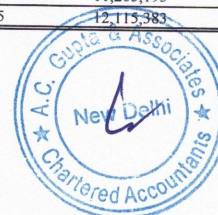
The movement in deferred tax liabilities/ Assets during the year is, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Balance b/f	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Charged to income statement	-	-	-	-	-	-
Balance c/f	-	-	-	-	-	-



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	HKS	HKS	HKS	INR	INR	INR
Deferred tax assets relates to the following:	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
	Balance sheet	Balance sheet	Balance sheet	Balance sheet	Balance sheet	Balance sheet
Unrealised profit on Inventory	-	-	-	-	-	-
Difference in WDV of Intangible	-	-	-	-	-	-
Provision for obsolescence of	-	-	-	-	-	-
Expenses allowable for tax purpose	-	-	-	-	-	-
Difference in WDV of Intangible	-	-	-	-	-	-
	-	-	-	-	-	-
Deferred tax liability relates to the following:	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
	Balance sheet	Balance sheet	Balance sheet	Balance sheet	Balance sheet	Balance sheet
Unrealised profit on Inventory	-	-	-	-	-	-
Difference in WDV of Intangible Assets	-	-	-	-	-	-
	-	-	-	-	-	-
10 DEFERRED TAX LIABILITIES / ASSETS - CONTINUED	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
	Profit/Loss	Profit/Loss	Profit/Loss	Profit/Loss	Profit/Loss	Profit/Loss
Unrealised profit on Inventory	-	-	-	-	-	-
Difference in WDV of Intangible	-	-	-	-	-	-
Provision for obsolescence of	-	-	-	-	-	-
Expenses allowable for tax purpose	-	-	-	-	-	-
Difference in WDV of Intangible	-	-	-	-	-	-
	-	-	-	-	-	-
11 INVENTORIES	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Raw materials	-	-	-	-	-	-
Spare Parts	59,532,025	25,350	304,920	560,577,360	246,460	2,692,451
Traded Goods	93,807	5,333,256	3,761,333	883,324	51,852,051	33,212,684
Semi-finished goods	60,578	-	-	570,427	-	-
Finished goods	-	0	551,837	-	0	4,872,740
	59,686,410	5,358,606	4,618,090	562,031,111	52,098,511	40,777,875
1 including stock in transit						
- Finished goods	-	-	-	-	-	-
- Traded Goods	-	-	-	-	-	-
- Raw material	-	-	-	-	-	-
2 The above inventory is net of :-						
a) Provision for write down of inventory from cost to net realisable value						
Finished goods	-	-	-	-	-	-
Traded goods	-	-	-	-	-	-
Spares	-	-	-	-	-	-
	-	-	-	-	-	-
b) Provision for inventory obsolescence						
Finished goods	-	-	-	-	-	-
Traded goods	-	-	4,414,031	-	-	38,976,029
Spares	-	-	-	-	-	-
Semi finished goods	-	-	-	-	-	-
Raw materials and components	-	-	-	-	-	-
	-	-	4,414,031	-	-	38,976,029
12 BANK DEPOSITS	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Deposits with original maturity for more than three months but less than twelve months #	-	-	-	-	-	-
#Deposited against margin money against Bank acceptance draft note (BADI) document.						
13 CASH AND BANK BALANCE	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Cash in hand	92,571	93,618	38,320	871,686	910,188	338,367
Cash at Bank	314,840	1,152,513	3,474,844	2,964,659	11,205,195	30,682,981
	407,411	1,246,131	3,513,164	3,836,345	12,115,383	31,021,347
#Deposited against margin money against Bank acceptance draft note (BADI) document.						



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14 ACCRUED EXPENSES	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Provision for other expenses	1,002,818	1,977,510	12,025,639	9,442,935	19,226,141	106,186,753
	<u>1,002,818</u>	<u>1,977,510</u>	<u>12,025,639</u>	<u>9,442,935</u>	<u>19,226,141</u>	<u>106,186,753</u>

**15 SHORT TERM LOANS**

Short term loan*	-	-	-	-	-	-
Credit card facility from Bank**	-	-	-	-	-	-
Short term loan (Secured)***	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*Secured by stand by letter of credits and having an interest rate of 3%.

\*\*The credit card facility carries interest @ 1.5% flat for 75 days.

\*\*\*Secured by way of pledge of inventory of Xolo Shenzhen and the loan carries interest @ 5% per annum.

**16 PROVISIONS**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Provision for product warranties granted by the Group on certain products is recognised based on sales volume and past experience of the level of repairs and returns, discounted to its present value as appropriate.

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
At the beginning of the year	7,827,149	13,339,828	6,585,183	73,703,570	129,695,148	58,147,363
Arising during the year	54,059,579	-	6,754,645	509,046,620	-	59,643,722
Less :Utilized /reversed during the year	(52,910,070)	(5,512,679)	-	(498,222,383)	(53,596,470)	-
	<u>8,976,658</u>	<u>7,827,149</u>	<u>13,339,828</u>	<u>84,527,806</u>	<u>76,098,678</u>	<u>117,791,085</u>

**17 SHARE CAPITAL**

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Issued and fully paid: 10,000,000 ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>83,493,850</u>	<u>83,493,850</u>	<u>83,493,850</u>

**18 RELATED PARTY TRANSACTIONS**

The group is controlled by Lava International Limited (incorporated in India) which owns 100% of the Company's shares. The following transactions were made with related parties:

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Sales of goods to holding company- Lava International Limited	-	1,787,908	252,906,653	-	15,462,024	2,085,331,438
Other Support Service Fees paid to Lava International Limited	-	-	9,316,546	-	-	76,819,201
Purchase of goods from holding company- Lava International Limited	-	292,089	1,540,170	-	2,526,017	12,699,409

The above transactions were made at prices and terms as agree between the parties in the normal course of business.

The following balances are there at year end for above parties:

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Amount due to - Lava International Limited	10,020,995	11,558,208	11,438,366	94,361,697	112,373,521	101,001,115
Xolo International (Hk) Ltd (Under common control)	14,474,113	14,338,980	-	136,294,038	139,409,299	-
Amount due from - Lava International Limited	<u>-</u>	<u>7,437,093</u>	<u>2,600,447</u>	<u>-</u>	<u>72,306,393</u>	<u>22,962,025</u>

**19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT**

The Group does not have written risk management policies and guidelines. However, the management meets periodically to analyse and formulate measures to manage the Company's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Company employs a conservative strategy regarding its risk management. As the sole director considers that the Company's exposure to market risk is kept at a minimum level, the Company has not used any derivatives or other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instrument comprises cash and bank balances. The main purpose of this financial instrument is to raise finance for the Company's capital expenditure and operations. The Company has various other financial assets and liabilities such as accounts receivables and accounts payables, which arise directly from its operations.



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(a) Interest rate risk

As at the year end date, the Group does not have any significant exposure to interest rate risk as the Group currently has no material financial assets or liabilities with floating rates.

The following table provides a breakdown of the Group's fixed and floating rate borrowings:

INTEREST RISK As at	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Fixed rate borrowings	-	-	-	-	-	-
Floating rate borrowings	-	-	-	-	-	-
Total	-	-	-	-	-	-

**19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED**

(a) Interest rate risk - Continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, being a 0.5% increase or decrease in interest rate, with all other variables held constant, of the Group's profit before tax due to the impact on floating rate borrowings.

As at	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Effect on profit before tax:						
PLR*- decrease by 50 bps	-	-	-	-	-	-
PLR*- increase by 50 bps	-	-	-	-	-	-

(b) Foreign currency risk

The Company is exposed to foreign currency risk primarily through its business activities that are denominated in a currency other than the functional currency of the operations to which they relate. The Company has not used any forward currency contracts to eliminate the foreign currency exposures.

As at	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
<b>Financial Assets :</b>						
USD	352,630,825	433,879,109	276,785,722	3,320,512,901	4,218,346,248	2,444,026,229
CNY	-	1,394,674	15,780,025	-	13,559,580	139,338,094
HKD	35,463,203	5,007,021	197,161,977	333,935,705	48,680,263	1,740,946,172
Other	841,188	1,546,974	2,873,750	7,920,963	15,040,297	25,375,299
<b>Total</b>	<b>388,935,216</b>	<b>441,827,778</b>	<b>492,601,474</b>	<b>3,662,369,568</b>	<b>4,295,626,388</b>	<b>4,349,685,793</b>
<b>Financial Liability :</b>						
USD	111,269,179	88,578,705	211,705,872	1,047,755,097	861,197,601	1,869,369,201
CNY	-	14,842,078	14,939,525	-	144,300,622	131,916,454
HKD	3,514,699	11,144,129	3,060,057	33,095,812	108,347,681	27,020,395
Other	12,305,367	8,404,272	1,544,286	115,872,258	81,709,691	13,636,092
<b>Total</b>	<b>127,089,245</b>	<b>122,969,184</b>	<b>231,249,740</b>	<b>1,196,723,167</b>	<b>1,195,555,595</b>	<b>2,041,942,142</b>

The Group's exposure to foreign currency arises in part where a Group holds financial assets and liabilities denominated in a currency different from the functional currency (USD) of that entity. Set out below is the impact of a 10% movement in the CNY & HKD on profit before tax arising as a result of the revaluation of the Group's foreign currency financial assets and unhedged liabilities:

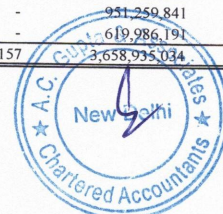
	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Effect of 10% strengthening of USD against following on profit before tax:						
CNY	-	(1,344,740)	(84,050)	-	(13,074,104)	(742,164)
HKD	3,194,850	(613,711)	(19,410,192)	30,083,986	(5,966,742)	(171,392,578)
Other	(1,146,418)	(685,730)	(132,946)	(10,795,130)	(6,666,939)	(1,173,921)
Effect of 10% Weakening of USD against following on profit before tax:						
CNY	-	1,344,740	84,050	-	13,074,104	742,164
HKD	(3,194,850)	613,711	19,410,192	(30,083,986)	5,966,742	171,392,578
Other	1,146,418	685,730	132,946	10,795,130	6,666,939	1,173,921

**19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED**

(c) Credit risk

The Group's bank balances are deposits with banks, and do not have a significant exposure to credit risk. The Company's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
0-30 days	176,242,242	557,428	94,852,506	1,659,567,448	5,419,540	837,550,471
30-60 days	142,136,193	62,715,905	115,682,264	1,338,411,248	609,749,113	1,021,477,862
60-90 days	34,410,227	151,456,467	105,218,823	324,020,462	1,472,520,350	929,085,361
90-180 days	-	97,842,080	51,807,051	-	951,259,841	457,457,817
Above 180 days	-	63,768,842	24,095,363	-	619,986,191	212,762,779
	<b>352,788,662</b>	<b>376,340,722</b>	<b>391,656,007</b>	<b>3,321,999,157</b>	<b>3,658,935,034</b>	<b>3,458,334,290</b>





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(d) Liquidity risk

The management monitors and maintains a level of cash and cash equivalents considered adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows and considers that the Company's exposure to liquidity risk is insignificant.

However, the maturity profile of the Group's financial liabilities based on contractual undiscounted payments is given in the table below:

LIQUIDITY RISK	HKS		HKS		INR	
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
As at						
Trade payables	116,132,107	108,585,748	205,461,689	1,093,546,372	1,055,714,076	1,814,232,878
Other financial liability	12,331,347	14,383,436	25,788,052	116,116,896	139,841,516	227,709,271
	<u>128,463,454</u>	<u>122,969,184</u>	<u>231,249,741</u>	<u>1,209,663,268</u>	<u>1,195,555,593</u>	<u>2,041,942,149</u>

Please note all Group's financial liabilities are contractually due for payment within one year.

(e) Fair values

The fair values of the Group's financial assets and financial liabilities were not materially different from their carrying amounts as at the yearend date because of the immediate or short-term maturity of these financial instruments.

No quantitative disclosures are made for the Group's credit risk, liquidity risk and market risk because their exposure is not material. No sensitivity analysis for each type of market risk is made because the effect to the profit and equity as a result of the change in other relevant risk variables is not material.

**20. DUE FROM HOLDING COMPANY**

The outstanding balance is unsecured, non-interest bearing and has no fixed terms of repayment.

**21. DUE TO RELATED COMPANY**

The outstanding balance is unsecured, non interest bearing and has no fixed terms of repayment.

**22. DUE TO HOLDING COMPANY**

The outstanding balance is unsecured, non interest bearing and has no fixed terms of repayment.

**23. CONTINGENCIES & COMMITMENTS**

a) Lease commitments :

Future minimum rentals payable

	HKS		HKS		INR	
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Within one year	-	-	2,329,089	-	-	20,565,929
After one year but not more than five years	-	-	584,795	-	-	5,163,756
More than five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,913,884</u>	<u>-</u>	<u>-</u>	<u>25,729,685</u>

b) Capital Commitments

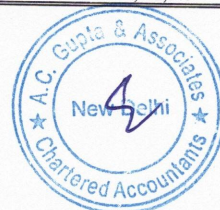
There are no Capital commitments existing as on Balance sheet date.

c) Contingent liabilities

There are no contingent liabilities existing as on Balance sheet date.

**24. INTEREST IN SUBSIDIARIES AND ASSOCIATES**

	HKS		HKS		INR	
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Unlisted shares, at cost: USD26,200 Lava International (Myanmar) company Limited	203,139	203,139	203,139	1,912,838	1,974,999	1,793,723
Unlisted shares, at cost: USD26,200 Lava International DMCC	106,072	106,072	106,072	998,816	1,031,274	936,619
Unlisted shares, at cost: USD2,000,000 PT. Lava Mobile Indonesia	15,540,242	15,540,242	15,540,242	146,333,135	151,088,449	137,220,803
Unlisted shares, at cost: USD127,652 Lava International (Bangladesh) Limited	989,918	989,918	989,918	9,321,464	9,624,379	8,741,006
Unlisted shares, at cost: USD 192,890.19	1,503,236	1,503,236	1,503,236	14,155,071	14,615,062	13,273,619
Unlisted shares, at cost: USD260,000 Lava International (Thailand) company Limited	-	2,017,288	2,017,288	-	19,612,881	17,812,714
Unlisted shares, at cost: MXN100,000 Lava Mobile Mexico S.R.L. DE C.V.	39,599	39,599	39,599	372,880	384,997	349,660
	<u>18,382,206</u>	<u>20,399,494</u>	<u>20,399,494</u>	<u>173,094,205</u>	<u>198,332,040</u>	<u>180,128,144</u>



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24. INTEREST IN SUBSIDIARIES AND ASSOCIATES- CONTINUED

Particulars of the subsidiaries of the Group are as follows:-

Company	Country of	Percentage holding		
		2,021	2,020	2,019
Xolo Technology (Shenzhen) Ltd #	People's Republic of China	10%	10%	10%
Lava International DMCC	Dubai	100%	100%	100%
PT. Lava Mobile Indonesia	Indonesia	100%	100%	100%
Lava Mobile Mexico S.R.L. De C.V.	Mexico	100%	100%	100%
Lava International (Bangladesh) Limited	Bangladesh	100%	100%	100%
Lava International (Myanmar) Co Ltd	Myanmar	100%	100%	100%
Lava Mobility (Private) Limited	Sri Lanka	100%	100%	100%
Lava International (Thailand) Co. Limited *	Thailand	0%	100%	100%
Lava International (Nepal) Private Limited	Nepal	100%	100%	100%

The accounts of the subsidiaries were not audited.

# Xolo Technology (Shenzhen) Ltd ceased to exist as subsidiary w.e.f. 21st June 2018

\* Lava International (Thailand) Co. Limited ceased to be subsidiary of the company w.e.f. 01-04-2020 as the entire Investment in LAVA International (Thailand) was sold at the Sales consideration of HKD 3,143,646.97

25. Other Investment

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Unlisted shares, at cost:						
RMB5,000,000 Xolo Technology (Shenzhen) Limited (Cease to exist as subsidiary w.e.f. 21st June 2018)	6,189,303	6,189,303	6,189,303	58,280,953	60,174,879	54,651,731

26. DIRECTOR'S EMOLUMENTS

The information required by Section 383 of the Companies Ordinance (Cap 622) in relation to directors' emoluments are as follows:

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Salary & allowance paid by the subsidiary	-	-	330,113	-	-	2,721,933
	-	-	330,113	-	-	2,721,933

27. SEGMENT INFORMATION

The following tables present geographical information regarding the Group's non-current assets as defined in HKFRS 8:

	HKS	HKS	HKS	INR	INR	INR
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Hong kong	45,850,254	30,996,878	37,214,802	431,744,332	301,364,043	328,607,818
Dubai	-	66,228	136,022	-	643,892	1,201,078
Other	1,377	139,216	912,286	12,966	1,353,512	8,055,513
	45,851,631	31,202,321	38,263,110	431,757,298	303,361,447	337,864,409

The amount of each significant category of revenue recognised during the year is as follows:

Revenue classified by countries:

Bangladesh	2,870	-	100,114,861	27,484	-	825,492,982
The United Arab of Emirates	1,699,691,699	1,132,315,518	408,416,044	16,276,582,060	9,792,387,007	3,367,577,746
India	-	1,787,908	252,906,653	-	15,462,024	2,085,331,438
Indonesia	773,883	291,299	65,446,538	7,410,856	2,519,189	539,636,746
KSA	-	-	-	-	-	-
Mexico	-	24,622	2,670,405	-	212,937	22,018,715
Myanmar	-	-	-	-	-	-
Nepal	203,248	225,231	61,645,144	1,946,343	1,947,820	508,292,507
Pakistan	-	-	-	-	-	-
Malaysia	11,007,544	-	19,775,465	105,410,407	-	163,057,786
Romania	-	-	367,323	-	-	3,028,747
Singapore	-	310,229,375	160,810,885	-	2,682,897,175	1,325,959,559
Srilanka	-	115,909	7,980,674	-	1,002,392	65,804,320
Thailand	-	6,578,886	106,820,308	-	56,894,921	880,782,470
Hong kong	9,125,548	146,615,471	203,004,102	87,388,043	1,267,946,446	1,673,862,000
Egypt	-	821	29,351,459	-	7,097	242,016,252
Greek	-	-	494,133	-	-	4,074,353
China	-	86,546,174	637,922,448	-	748,460,669	5,259,963,390
South Korea	-	4,272,033	-	-	36,945,001	-
	1,720,804,792	1,689,003,248	2,057,726,442	16,478,765,192	14,606,682,677	16,966,899,011

