

FINANCIAL STATEMENT

2015-2016

RELIANCE MEDIAWORKS (USA) INC.

INDEPENDENT AUDITOR'S REPORT

To,
The Management of
Reliance Media Works Limited
Mumbai, India

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Reliance Media Works (USA) Inc. ('the Company') and its subsidiaries (the Company and its subsidiary companies together referred as 'the Group'), which comprise the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act as applicable. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We have taken into account the provisions of the Companies Act 2013 to the extent applicable, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Companies Act, 2013 and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013. 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. In doing so we have also placed reliance upon the financial statements audited by overseas auditor PHYPIAR INC and management certified notes and policies.

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2016 and its consolidated loss and its consolidated cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:-

Note no. (9) of the Notes to Accounts to the consolidated financial statements which respectively indicate that, the consolidated financial statements have been prepared on a going concern basis based on the assumption that the facilities shall not be recalled by providers of finance and that funds shall be made available by the holding Company who has undertaken to provide financial and other support to the Company for the foreseeable future to enable it to continue its operations as the Company's shareholder's worth has been fully eroded as at 31st March 2016. The validity of which depends upon continued availability of debt facilities and funds being made available by the holding Company.

For Chokshi & Co. LLP

Chartered Accountants

Registration Number: 131228W/W100044

Sd/-

Kalpen Chokshi

Partner

Membership No.: 135047

Place : Mumbai

Date: August 30, 2016

Reliance Media Works USA Inc. Group

Balance sheet as at March 31, 2016

	Note	March 31, 2016		March 31, 2015	
		(INR)	(USD)	(INR)	(USD)
EQUITIES AND LIABILITIES					
Shareholders' funds					
(a) Share capital	1	1,323,548	20,000	1,252,088	20,000
(b) Reserves and surplus	2	(4,124,740,524)	(62,328,537)	(3,660,457,670)	(58,469,655)
		(4,123,416,976)	(62,308,537)	(3,659,205,582)	(58,449,655)
Minority Interest					
		-	-	-	-
Non-current liabilities					
(a) Long term borrowing		-	-	-	-
(b) Other long-term liabilities		-	-	-	-
Current liabilities					
(a) Short term borrowings	3	4,314,380,864	65,194,173	4,199,075,878	67,073,175
(b) Trade payable		504,862,355	7,628,924	252,209,839	4,028,628
(c) Other current liabilities	4	18,777,771	283,749	17,763,936	283,749
(d) Short term provisions		-	-	-	-
		4,838,020,990	73,106,846	4,469,049,653	71,385,552
		714,604,014	10,798,309	809,844,071	12,935,897
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets		-	-	-	-
(ii) Intangible assets		-	-	-	-
(b) Goodwill on consolidation		-	-	-	-
(c) Investments		-	-	-	-
(c) Long-term loans and advances	5	15,445,342	233,393	14,611,429	233,393
		15,445,342	233,393	14,611,429	233,393
Current assets					
(a) Inventories		-	-	-	-
(b) Trade Receivables		-	-	-	-
(c) Cash and cash equivalents	6	4,656,440	70,363	66,486	1,062
(d) Short-term loans and advances	7	694,502,232	10,494,553	795,166,156	12,701,442
(e) Other current assets		-	-	-	-
		699,158,672	10,564,916	795,232,642	12,702,504
		714,604,014	10,798,309	809,844,071	12,935,897

See accompanying Significant Accounting Policies and Notes to Accounts.

12

As per our report of even date

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 131228W/WI00044

Sd/-
Kalpen Chokshi
Partner
Membership No: 135047

Place : Mumbai
Date : August 30, 2016

For Reliance MediaWorks Limited

Sd/-
Satish Kadakia
Authorised Signatory

Place : Mumbai
Date : August 30, 2016

Reliance Media Works USA Inc. Group

Statement of Profit and loss

for the year ended March 31, 2016

	Note	for the year ended March 31, 2016		for the year ended March 31, 2015	
		(INR)	(USD)	(INR)	(USD)
I. Revenue from operations	8	-	-	331,277,823	5,421,035
II. Other income	9	22,353,996	342,485	915,530,370	14,981,752
II. Total Revenue		<u>22,353,996</u>	<u>342,485</u>	<u>1,246,808,193</u>	<u>20,402,787</u>
III. Expenses					
Print and publicity expenses		-	-	5,498,956	89,985
Film rentals		-	-	18,318,183	299,759
Cost of food and beverage items sold		-	-	6,890,302	112,753
Electricity, power and water expenses		-	-	14,945,172	244,563
Employee benefit expense	10	-	-	255,496,722	4,180,952
Interest expenses from Others		445,565	6,826	13,507,260	221,033
Depreciation / amortisation / impairment expense		-	-	129,526,514	2,119,574
Other expenses	11	273,777,692	4,194,541	242,798,922	3,973,165
Total expenses		<u>274,223,257</u>	<u>4,201,367</u>	<u>686,982,031</u>	<u>11,241,784</u>
IV. Loss before exceptional and extra ordinary item and tax (II- III)		(251,869,261)	(3,858,882)	559,826,162	9,161,003
V. Exceptional items		-	-	-	-
VI. Loss before extra ordinary item and tax (IV- V)		(251,869,261)	(3,858,882)	559,826,162	9,161,003
VII. Extraordinary items		-	-	-	-
VIII. Loss before tax (VI-VII)		(251,869,261)	(3,858,882)	559,826,162	9,161,003
IX. Tax Expenses					
Current tax		-	-	-	-
X. Loss before tax (VIII-IX)		(251,869,261)	(3,858,882)	559,826,162	9,161,003
XI. Minority interest		-	-	(1,779,942)	(29,127)
XII. Loss for the year		(251,869,261)	(3,858,882)	561,606,104	9,190,130
Basic earnings per share		(1,259,346)	(19,294)	2,808,031	45,951
Diluted earnings per share		(1,259,346)	(19,294)	2,808,031	45,951

See accompanying Significant Accounting Policies and Notes to Accounts. 12

As per our report of even date

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 131228W/W100044

Sd/-
Kalpen Chokshi
Partner
Membership No: 135047

Place : Mumbai
Date : August 30, 2016

For Reliance MediaWorks Limited

Sd/-
Satish Kadakia
Authorised Signatory

Place : Mumbai
Date : August 30, 2016

Reliance MediaWorks USA Inc. Group

Cash flow statement for the year ended March 31, 2016

	For the year ended March 31, 2016 (INR)	For the year ended March 31, 2016 (USD)	For the year ended March 31, 2015 (INR)	For the year ended March 31, 2015 (USD)
Cash Flow from operating activities				
Loss before taxes	(251,869,261)	(3,858,882)	559,826,162	9,161,003
<u>Adjustment for</u>				
Depreciation / impairment	-	-	129,526,514	2,119,574
Interest expenses	445,565	6,826	13,507,260	221,033
Profit on sale of fixed assets	-	-	(20,777,237)	(339,999)
Profit on sale of investments	-	-	(815,690,320)	(13,347,968)
Provision written back	-	-	(79,062,813)	(1,293,785)
Operating profit before working capital changes	(251,423,696)	(3,852,056)	(212,670,434)	(3,480,142)
<u>Adjustment for</u>				
Decrease / (Increase) in Trade receivables	-	-	183,233,639	3,060,883
Decrease / (Increase) in Other receivables	100,663,924	2,206,889	(774,241,172)	(12,341,206)
(Increase) in Inventories	-	-	7,837,024	130,916
Decrease / (Increase) in Trade and other payables	252,652,516	3,600,296	(273,664,744)	(4,795,945)
Foreign Exchange Gain /(Loss)	18,447,761	-	(181,954,651)	-
Cash outflow in operating activities	120,340,505	1,955,129	(1,251,460,338)	(17,425,494)
Cash flow from Investing activities				
Purchase of property, plant and equipment	-	-	(16,167,085)	(258,242)
Proceeds from sale of property, plant and equipment	-	-	210,981,488	3,378,192
Sale of Investment	-	-	1,713,635,320	28,347,968
Cash (outflow) / inflow from Investing activities	-	-	1,908,449,723	31,467,918
Cash flow from Financing activities				
Loan for equipment financing / others	-	-	63,833,679	875,501
Loan repayment of Bank	(115,304,986)	(1,879,002)	-	-
Interest paid	(445,565)	(6,826)	(13,507,260)	(221,033)
Loan from related parties	-	-	(740,055,295)	(15,243,241)
Increase in Minority Interest	-	-	442,483	6,785
Cash generated from Financing activities	(115,750,551)	(1,885,828)	(689,286,393)	(14,581,988)
Net increase in cash and cash equivalents	4,589,954	69,301	(32,297,008)	(539,564)
Cash and cash equivalents at the beginning of the period	66,486	1,062	32,363,494	540,626
Cash and cash equivalents at the end of the period	4,656,440	70,363	66,486	1,062

As per our report of even date attached

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 13228W/W100044

Sd/-
Kalpen Chokshi
Partner
Membership No: 135047

Place : Mumbai
Date : August 30, 2016

For Reliance MediaWorks Limited

Sd/-
Satish kadakia
Authorised Signatory
Place : Mumbai
Date : August 30, 2016

Reliance Media Works USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2016

	March 31, 2016		March 31, 2015	
	(INR)	(USD)	(INR)	(USD)
1 Share capital				
Authorised				
200 equity shares of \$ 100 each	1,323,548	20,000	1,252,088	20,000
Issued, subscribed and paid-up capital				
Shares issued as on 1 April	1,323,548	20,000	1,252,088	20,000
Share issued during the year	-	-	-	-
Buyback/ forefiture/ redcution shares	-	-	-	-
Shares issued as on 31 March	1,323,548	20,000	1,252,088	20,000
	1,323,548	20,000	1,252,088	20,000
2 Reserves and surplus				
Foregin currency translation Reserve	(948,661,309)	-	(729,788,646)	-
Capital reserve on acquisition	30,524,988	461,260	24,065,918	461,260
Profit & Loss Account				
Opening balance	(2,954,734,942)	(58,930,915)	(3,516,341,046)	(68,121,045)
Add / (less): Profit / (loss) for the year	(251,869,261)	(3,858,882)	561,606,104	9,190,130
	(3,206,604,203)	(62,789,797)	(2,954,734,942)	(58,930,915)
	(4,124,740,524)	(62,328,537)	(3,660,457,670)	(58,469,655)
3 Short term borrowing				
(i) Loans and advance from related parties	4,162,963,532	62,906,121	3,938,199,962	62,906,121
Other loans				
- Banks	-	-	117,633,793	1,879,002
- Others	151,417,332	2,288,052	143,242,123	2,288,052
	4,314,380,864	65,194,173	4,199,075,878	67,073,175

Reliance Media Works USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2016

	March 31, 2016		March 31, 2015	
	(INR)	(USD)	(INR)	(USD)
4 Other current liabilities				
(b) Other current liabilities	15,055,292	227,499	14,242,438	227,499
(c) Advance payments received	3,722,479	56,250	3,521,498	56,250
	18,777,771	283,749	17,763,936	283,749
5 Long-term loans and advances				
Security Deposits	15,445,342	233,393	14,611,429	233,393
	15,445,342	233,393	14,611,429	233,393
6 Cash and bank equivalents				
Cash on hand	-	-	-	-
Balance with non scheduled banks - current accounts	4,656,440	70,363	66,486	1,062
	4,656,440	70,363	66,486	1,062
7 Short-term loans and advances				
- Unsecured and considered good				
Other advances	694,502,232	10,494,553	795,166,156	12,701,442
	694,502,232	10,494,553	795,166,156	12,701,442

Reliance Media Works USA Inc. Group

Notes to the financial statements (Continued)

for the year ended March 31, 2016

8	Income from operation	March 31, 2016		March 31, 2015	
		(INR)	(USD)	(INR)	(USD)
	Sale of DVD's	-	-	350,159	5,730
	Management fees	-	-	65,649,662	1,074,292
	Box office collections	-	-	33,137,468	542,262
	Advertising / Sponsorship revenue	-	-	1,734,599	28,385
	Concession sales	-	-	23,518,985	384,865
	Facilities at multiplex	-	-	534,343	8,744
	Income from film processing	-	-	206,352,607	3,376,757
				331,277,823	5,421,035
9	Other income				
	Profit on sale of fixed assets	-	-	20,777,237	339,999
	Profit on sale of investments	-	-	815,690,320	13,347,968
	Provisions written back	22,353,996	342,485	79,062,813	1,293,785
		22,353,996	342,485	915,530,370	14,981,752
10	Employee benefit expense				
	Payroll expenses	-	-	234,884,237	3,843,649
	Payroll taxes	-	-	17,659,359	288,978
	Staff welfare expenses	-	-	2,953,126	48,325
		-	-	255,496,722	4,180,952
11	Other operating and general administrative expenses				
	Rent	-	-	49,734,068	813,849
	Rates and taxes	-	-	8,055,420	131,819
	Insurance	-	-	3,064,101	50,141
	Repairs and maintenance	-	-	4,338,728	70,999
	Travel	-	-	2,486,370	40,687
	Bank charges	210,757	3,229	3,597,589	58,871
	Advertisement and publicity	-	-	(150,635)	(2,465)
	Legal and professional fees	26,127,973	400,306	127,948,129	2,093,745
	Bad debts / Provision for doubtful balances	-	-	36,821,100	602,541
	Other operating expenses	445,729	6,829	6,904,052	112,978
	Provision against claims	246,993,233	3,784,177	-	-
		273,777,692	4,194,541	242,798,922	3,973,165

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

I. Background

Reliance Media Works (USA) Inc. Group (the 'Group') primarily operates in the United States of America through its holding Reliance Media Works (USA) Inc. Reliance Media Works (USA) Inc.(the 'Company') was incorporated under the laws of the state of New Jersey on May 17, 2006, and commenced operations on the same day. The Group was engaged primarily in the business of the movie exhibition, exploitation of movie rights purchased by the Group or syndicated through Reliance Media Works Limited (the 'Parent' Company) and film production services business. Currently, the Company has transferred its film and media services business subsidiaries and has significantly scaled down its operations in the exhibition business either through surrender of leases or transfer of leases to affect the sale of cinemas.

The Group operated in the exhibition business primarily through its subsidiaries BIG Cinemas Laurel LLC (ceased operations),BIG Cinemas Falls Church LLC (lease has been transferred), BIG Cinemas Sahil LLC (lease has been transferred), BIG Cinemas Entertainment (DE) LLC (lease has been surrendered), BIG Cinemas SAR LLC (lease has been surrendered& dissolved), BIG Cinemas Entertainment LLC (lease has been surrendered), BIG Cinemas IMC LLC (lease has been surrendered), BIG Cinemas Norwalk LLC (lease has been surrendered), BIG Cinemas Galaxy LLC (lease has been surrendered), BIG Cinemas Exhibitions LLC (lease has been transferred or surrendered), Big Pictures USA Inc.

The Company operated in the film and media services business through Reliance Lowry Digital Imaging Services Inc. (the entity has been sold) and Reliance Media Works VFX Inc. (entity has no operations).

Name of the Company	State of Incorporation	Ownership Interest	
		Mar-16	Mar-15
BIG Cinemas Laurel LLC	Virginia	100%	100%
BIG Cinemas Falls Church LLC	Virginia	100%	100%
BIG Cinemas Sahil LLC	Illinois	97%	97%
BIG Cinemas Entertainment (DE) LLC	New York	100%	100%
BIG Cinemas SAR LLC (Note 1)	Michigan	0%	51%
BIG Cinemas Entertainment LLC	New Jersey	100%	100%
BIG Cinemas IMC LLC	California	100%	100%
BIG Cinemas Norwalk LLC	California	100%	100%
BIG Cinemas Galaxy LLC	Georgia	100%	100%
Big Pictures USA Inc *	New Jersey	100%	100%
Reliance Lowry Digital Imaging Services Inc. (Note 2)	California	0%	0%
Reliance Media Works (VFX) Inc.	California	100%	100%

* - These Companies do not have any transactions since date of incorporation and hence no financial statements have been prepared for the same

Note 1: The entities Big Cinemas SAR LLC have been dissolved with effect from April 3, 2015.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

Note 2: The shares in the subsidiary, Reliance Lowry Digital Imaging Services Inc. and Digital Domain - Reliance LLC have been transferred to Reliance Media Works (Mauritius) Limited with effect from November 7, 2014.

The Company has maintained the records in the Local Currency of the said foreign jurisdiction and consequently the financial statements have been restated in Indian Rupee in accordance with the Generally Accepted Accounting Principles in India.

II. Basis of Accounting

The accompanying consolidated financial statements of the Group have been prepared in accordance with the Accounting principles Generally Accepted in India. Information presented in the consolidated financial statements in Indian Rupees (local currency for the Parent Company) and notes has been prepared by the management based on the local currency (United States Dollar) of consolidated financial statements of the Company. The audited consolidated financial statements are restated to be in line with the presentation of consolidated financial statements in accordance with the provisions of Schedule VI and adherence to Accounting Standard Rules, 2006. The management of the Parent Company Reliance Media Works Limited considers Reliance Media Works (USA) Inc. Group's operations as being non-integral to its operations in India as per the provisions of AS – 11 (Revised) 'The Effects of Changes in Foreign Exchange Rates', accordingly and all exchange differences arising on translation have been transferred to the Foreign Currency Translation Reserve.

III. Significant Accounting Policies

1. Use of estimates

The preparation of restated financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates

2. Principles of consolidation

The consolidated financial statements are prepared in accordance with AS 21 – 'Consolidated Financial Statements', AS 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 – 'Financial Reporting of Interest in Joint Ventures'. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its independent financial statements. The consolidated financial statements have been consolidated on the following basis:

Subsidiaries

The excess of cost to the Group of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investments in such subsidiaries was made is recognized in the financial statements as goodwill and any excess of assets over the investment of the Group in a subsidiary is transferred to Capital Reserve. The Group's

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of the investment.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances / transactions and resulting unrealized profits in full. The amounts shown in respect of reserves / accumulated losses comprise the reserve / accumulated losses as per the balance sheet of the Parent Company and its share in the post-acquisition increase / decrease in the relevant reserve / accumulated losses of the subsidiaries.

The amount of Goodwill and Capital reserve are presented on a net basis for each subsidiary.

Minority interest's share of profits or losses is adjusted against the income to arrive at the net income attributable to the shareholders. Minority interest's share of net assets is disclosed separately in the consolidated balance sheet.

3. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The amount recognized as sales is exclusive of all taxes.

Distribution Business

In case of distribution rights of motion pictures/ content, revenue is recognized on the date of release/exhibition.

Revenue from sale of VCDs/ DVDs, etc is recognized when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of the products.

Theatrical Exhibition Business and related income

Admission Revenue / Box office collections

Revenue from admissions is recognized on the basis of date of exhibition of films. Amounts received on advance ticket sales are recognized as deferred revenue on the date of receipt and are recognized as revenue on the basis of date of exhibition of the film.

Concession Revenue / Food & Beverage Income

Revenue from concession stands is recognized upon sale and delivery at the point of sale.

Advertisement / Sponsorship Revenue

Revenue from advertisement and sponsorships is recognized on the basis of date of advertisement or the period of the contract, as applicable.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

Gift cards

Revenue from gift cards is recognized on the basis of availing the facility by the customer. At the time of sale, the amounts received are recognized as deferred revenue.

Management Fees

Management fees are recognized as revenue on the basis of the clauses of the relevant agreement and on the basis of time.

Film Restoration Business

The Group uses the proportionate completion method in accounting for revenue from the film restoration business. Use of the proportionate completion method requires the Group to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between efforts expended and contracted output.

Interest

Interest is recognized on the basis of time proportion at the rate implicit in the transaction.

Dividend

Dividend is recognized as income when the right to receive the same is confirmed.

Marketing Fees

Marketing fees is accounted as per the relevant terms of agreement.

4. Inventory

Inventories consist of

- a. Concession products and theatre supplies.
- b. DVD 's

Inventories are stated at lower of cost or market value with cost being determined as per the Weighted Average method.

5. Fixed Assets

The Group states property and equipment at cost less accumulated depreciation and any provisions for impairment.

The cost for property and equipment includes freight, duties, taxes and other expenses directly / indirectly related to the acquisition / construction and installation of the assets and for bringing the asset to its working condition for its intended use.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

The Group records depreciation and amortization using the straight line method over the following estimated useful life:

Leasehold Improvement –Term of lease

Equipment – 10 years to 14.14 years

Furniture and fixtures –10 years

Computer hardware and software – upto5 years

6. Intangible Assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights are capitalized at cost, where they can be reliably measured. Where capitalized, intangible assets are regarded as having a limited useful economic life and the cost is amortized over the lower of useful life and 10 years.

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortized on a straight line basis over its useful life, not exceeding five years, as determined by management.

Purchased goodwill is recognised by the Group on the basis of excess of purchase consideration paid over the value of assets acquired at the time of acquisition of business and is amortised over, its estimated useful life not exceeding 10 years.

7. Impairment

The Group reviews long-lived assets, including intangible assets and Goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. The Company generally evaluates assets (or Cash generating units) for impairment. If the sum of the expected future cash flows is less than the carrying amount of the assets, the Company recognizes an impairment charge in the amount by which the carrying value of the assets exceeds their fair market value.

8. Leases

The Company recognizes lease rentals on a straight line basis over the lease term. Amount due for the year ending March 31, 2016 - \$ Nil.

9. Employee benefits

Contributions made by the Group towards payroll taxes on behalf of employees along with medical benefits are in the nature of defined benefit contributions.

Amounts are expensed to the Profit and loss account on the basis of accrual and any pre-payments are recognized in current assets.

10. Taxation :

Income Tax expense consists of current tax expense and the net change in the deferred tax asset or liability during the year.

Current Income Taxes

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

The current income tax expense from operations consists of federal and state income taxes payable by the Group under the laws of United States of America.

Deferred income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down/up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

11. Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the period are recognized in the profit and loss account of the period. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the profit and loss account.

12. Provisions and contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Group recognizes it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

13. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to profit and loss account.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

IV. ADDITIONAL NOTES

1. Capital Commitment

The Group as at March 31, 2016 has issued purchase orders to the tune of Rs. Nil (2015: Rs. Nil) i.e.\$ Nil for capital expenditure, which have not been provided for in the books of the Group, since the relevant services / material has not been received.

2. Leases

Details of minimum amounts payable on lease contracts in the future non-cancellable operating leases amount due for the year ending March 31, 2016 - \$ Nil.

3. Segment reporting

The Group has disclosed Business Segment as the primary segment.

The business of the Group is divided into three segments - Film production services, Theatrical exhibition and Film distribution. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system. Film production services operation primarily comprise of restoration, colour correction facilities, visual effects and other allied services. Theatrical exhibition operations comprise of single screen, multiplex cinema exhibition, range of activities/services offered at cinema centers including catering food and beverages. Films distribution operation represents the net share of the theatrical / other revenue from distribution of movies.

4. Related party transactions

Parties where control exists

Ultimate Holding Company

- Reliance Land Private Limited

Holding Company

- Reliance MediaWorks Limited

Fellow Subsidiary Companies

- Global MediaWorks (UK) Limited (formerly known as Reliance MediaWorks (UK) Limited)
- Reliance MediaWorks Netherlands B.V. (upto December 29, 2015)
- Reliance MediaWorks (Mauritius) Limited (upto April 7, 2015)

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

- Reliance Media Works Theatres Limited
- Big Synergy Media Limited
- Gener8 India Media Services Limited (formerly known as Reliance Media Works Entertainment Services Limited / Prime Focus Entertainment Services Limited) (upto April 7, 2015)
- Reliance Media Consultant Private Limited (upto February 18, 2016)
- Cinema Ventures Private Limited (formerly known as Reliance Media Ventures Private Limited) (upto July 31, 2015)
- Reliance Media Works Creative Services Limited (w.e.f. July 19, 2014), (Applied for fast track exit on March 23, 2016)

The Group has entered into the following related party transactions during the current year.

1. Transactions with Reliance Media Works Limited, the Parent Company
 - a. Balance outstanding for current account - \$ 176,983 (2015: \$ 176,983)
 - b. Loan given during the year - \$ Nil (2015: \$ Nil)
 - c. Balance amount of loan account - \$ 62,729,138 (2015: \$ 62,729,138)
2. Transactions with Reliance Media Works (Mauritius) Limited
 - a. Sale of Investment \$ Nil (2015: \$ 18,000,000)
 - b. Receivable for sale of investments \$ 5,000,000 (2015: \$ 5,000,000)

3. Transactions with Global Media Works (UK) Limited

Balance amount of loan account - \$ 1,488,052 (2015: \$ 1,488,052)

4. Transaction with Gener8 India Media Services Limited (formerly Reliance Media Works Entertainment Services Limited), a fellow subsidiary \$ Nil (2015: 3,583,574) with closing balance of payables of \$ Nil (2015: 6,416,015).

5. Translation of Financial Statements

Note for translation of financial statement

Accounts of the body corporate (incorporated in USA), a subsidiary of Reliance MediaWorks Ltd, (a company incorporated in India), originally audited by overseas auditors pursuant to law of the country of its incorporation, have been made out as per requirement of Generally Accepted Accounting Principles in India.

Modification of accounts warranted under the exercise predominantly related to

- (a) Translation of treatment of various heads of accounts,
- (b) Presentation of accounts in terms of schedule III of Companies Act, 2013, including disclosure of necessary information, to the extent practicable and possible.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

6. Debt Obligations

The Company has obtained a term loan of \$ 2 million from Asiana Bank secured by a letter of credit backed by its Parent Company for a term of 1 year. Post the year end, the loan has been fully repaid.

The entire loan has been disclosed as an unsecured loan.

7. Goodwill

The Group accounts for acquisitions under the purchase method of accounting. The purchase method requires that the Group estimate the fair value of the assets acquired and liabilities assumed and allocate consideration paid accordingly. For significant acquisitions, the Group obtains independent third party valuation studies for certain assets acquired and liabilities assumed to assist the Group in determining fair value. The estimation of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the actual amounts recorded. The results of the acquired businesses are included in the Group's results from operations beginning from the day of acquisition.

The Group has recorded the assets taken over at fair values and has recorded the excess purchase consideration paid as Goodwill.

During the year ended March 31, 2009, the fair value of assets taken over by the Group is Rs. 327,784,779 (\$ 6,282,495) –and the purchase consideration paid for the same is Rs. 493,833,558 (\$ 9,465,073) –, the excess for the same amounting to Rs. 190,114,697 (\$ 3,643,838) –has been recognized as Goodwill and Rs. 24,065,918 (\$ 461,260) as Capital Reserve for excess of assets over liabilities taken over

During the year ended March 31, 2010,

- a. One of the subsidiaries of the Company has paid an additional purchase consideration amounting to Rs. 45,030,100 (\$ 1,000,000) for assets acquired in the previous year. Hence, the additional amount of Rs. 45,030,100 (\$ 1,000,000) was transferred to Goodwill.
- b. The Group purchased the visual effects business from Slash FX Inc., effective March 1, 2010 along transfer of all existing employees, customer contracts and other intangibles of the business. The total purchase price was Rs. 144,096,320 (\$ 3,200,000). The fair value of the assets acquired is Rs. 21,432,887 (\$475,968) and the balance amount of Rs. 122,663,433 (\$ 2,724,032) has been transferred to Goodwill.
- c. During the year ended March 31, 2011,
The Parent Company acquired the balance 49% share in Big Cinema Galaxy LLC for a consideration of \$ 200,000 which has been treated as Goodwill on consolidation, since the consideration was paid by the Parent Company

As of the current year, the Group has fully impaired the entire balance of goodwill for all the entities.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

8. Earnings per share

The capital stock issued and subscribed consists of 200 Equity shares of no par value.

	Year ended March 31, 2016		Year ended March 31, 2015	
	\$	Rs.	\$	Rs.
Loss for the year after tax	(3,858,882)	(251,869,261)	9,190,130	561,606,104
Weighted average number of shares outstanding during the period	200	200	200	200
Loss per share	(19,294)	(1,259,346)	45,951	2,808,031

9. In the opinion of the management, there are no adjustments are required for differences in the accounting policies and principles as per the US GAAP for accounting and the provisions of the Accounting Standard Rules 2006 (IGAAP) in so far as applicable to the Company.

10. The Management of Reliance Media Works Limited, the parent company considers it appropriate to prepare the financial statements on a going concern basis, considering the future plans of the Company and the letter of support given by the Parent Company.

11. Claims have been filed against the Company and its subsidiaries with regard to:

a) Big Cinemas Entertainment (DE) LLC had terminated its lease for the property wherein it operated a theatre in January 2014. On the basis of the termination of the lease, the landlord has filed a claim against the Company and its ultimate Holding Company i.e. Reliance Media Works Limited, which was also a guarantor for the lease for the amount of lease rentals outstanding since August 2013. The approximate amount of claim made by the landlord for the period of the lease is \$ 1,424,810. The landlord has also made a claim for liquidated damages and legal fees. The Company is confident of defending the claim. However, during the current year, the Company has made a provision of \$ 1,500,000 towards the claim.

b) Big Cinemas Galaxy LLC had surrendered a lease for a property in South Deklab. Upon closure of the lease and surrender of property for South Dekalb the landlord of the property has filed a claim against the Company for improper vacation of the property and is seeking a standstill whereby the Company still operates the theatre. The lease for the South Dekalb property is also personally guaranteed by Reliance Media Works (USA) Inc., the Holding Company and a case has also been filed against the Holding Company. The landlord is claiming rent for the entire period of the lease. However, during the current year, the Company has made a provision of \$ 2,000,000 against the claim.

c) The Company has surrendered its only operating property in Fremont, California due non-viability of the operations. Currently the landlord of the property is suing the Company and its Ultimate Parent Company, Reliance Media Works Limited which is a guarantor for the lease for recovery of lease rentals for the balance period of the lease. The total claim raised by the landlord for the balance period of the lease is \$ 410,000. The lease term has expired in January 2015. The Company is in the process of discussions with the landlord for settling the case and is hopeful of a favorable outcome. The case has since been settled for a claim of \$ 284,177.

Reliance Media Works (USA) Inc. Group

Notes to the financial statements as at March 31, 2016

12. The figures for the current year have been regrouped/ rearranged whenever considered necessary to conform to current year's presentation.

As per report on restated financial statements of even date attached.

For Chokshi & Chokshi LLP

Firms' Registration No: 131228W/W100044

Chartered Accountants

Sd/-

Kalpen Chokshi

Partner

Membership No: 135047

Place : Mumbai

Date : August 30, 2016

For Reliance Media Works Limited

Sd/-

Satish Kadakia

Authorised Signatory

Place : Mumbai

Date : August 30, 2016