

FINANCIAL STATEMENT

2016-2017

GLOBAL MEDIAWORKS (USA) INC.

Chokshi and Co. LLP

Chartered Accountants

Regd. Add. 103, Sharda Chambers,

37, Sir V. Thackersey Marg,

Mumbai – 400 020.

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INDEPENDENT AUDITORS' REPORT

TO
THE MANAGEMENT OF
RELIANCE MEDIAWORKS LIMITED
MUMBAI, INDIA

1. Report on the Financial Statements:

We have audited the accompanying consolidated financial statements of Global Media Works (USA) Inc. (formerly 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, 2017, 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).

2. Management's Responsibility for the Financial Statements:

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

3. Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statement based on our audit. We have taken into account the provisions of the Companies Act 2013 to the extent, 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 rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In doing so we have placed reliance upon the financial statements audited by PHYPHAR INC and management certified notes and policies. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls pursuant to the MCA notification dated 13th June 2017. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2017, and losses and its cash flows for the year ended on that date.

5. Emphasis of Matter:

Without qualifying our opinion, we draw attention to the following matters in the Notes to the financial statements:-

1. Note no. 9 of the Notes to Accounts to the consolidated financial statements which respectively indicates that, the financial statements on a going concern basis on the assumption that the facilities shall not be recalled by the providers of finance and that the funds shall be made available by the holding company who has undertaken to provide financial support for the foreseeable future to enable to continue its operations as the companies shareholder's worth has been fully eroded as at 31st March 2017. The validity of which depends upon continued availability of debt financials and funds being made available by Holding Company.

For Chokshi & Co. LLP
Chartered Accountants
Registration Number 131228W/W100044

Sd/-

Kalpen Chokshi

Partner

Membership No.: 135047

Place: Mumbai

Date: 20.11.2017

Global MediaWorks USA Inc. (formerly known as Reliance MediaWorks USA Inc.) Group

Balance sheet

as at March 31, 2017

	Note	March 31, 2017		March 31, 2016	
		(in Indian rupees)	(in US Dollars)	(in Indian rupees)	(in US Dollars)
EQUITIES AND LIABILITIES					
Shareholders' funds					
(a) Share capital	1	10,56,000	20,000	13,23,548	20,000
(b) Reserves and surplus	2	(4,05,16,21,460)	(6,25,26,797)	(4,12,47,40,524)	(6,23,28,537)
		(4,05,05,65,460)	(6,25,06,797)	(4,12,34,16,976)	(6,23,08,537)
Minority Interest					
Non-current liabilities					
(a) Long term borrowing		-	-	-	-
(b) Other long-term liabilities		-	-	-	-
Current liabilities					
(a) Short term borrowings	3	3,59,04,27,453	5,54,06,121	4,31,43,80,864	6,51,94,173
(b) Trade payable		47,71,65,056	73,63,431	50,48,62,355	76,28,924
(c) Other current liabilities	4	1,83,87,503	2,83,749	1,87,77,771	2,83,749
(d) Short term provisions		-	-	-	-
		4,08,59,80,012	6,30,53,301	4,83,80,20,990	7,31,06,846
		3,54,14,552	5,46,504	71,46,04,014	1,07,98,309
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets		-	-	-	-
(ii) Intangible assets		-	-	-	-
(iii) Capital work in progress		-	-	-	-
(iv) Intangible assets under development		-	-	-	-
(b) Goodwill on consolidation		-	-	-	-
(c) Investments		-	-	-	-
(c) Long-term loans and advances	5	96,69,495	1,49,216	1,54,45,342	2,33,393
		96,69,495	1,49,216	1,54,45,342	2,33,393
Current assets					
(a) Inventories		-	-	-	-
(b) Trade Receivables		-	-	-	-
(c) Cash and cash equivalents	6	-	-	46,56,440	70,363
(d) Short-term loans and advances	7	2,57,45,057	3,97,288	69,45,02,232	1,04,94,553
(e) Other current assets		-	-	-	-
		2,57,45,057	3,97,288	69,91,58,672	1,05,64,916
		3,54,14,552	5,46,504	71,46,04,014	1,07,98,309
See accompanying Significant Accounting Policies and Notes to Accounts.	10				

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 : November 10, 2017

For Reliance MediaWorks Limited

Sd/-
Satish kadakia
Authorised Signatory

Date : November 10, 2017

Global MediaWorks USA Inc. (formerly known as Reliance MediaWorks USA Inc.) Group

Statement of Profit and loss

for the year ended March 31, 2017

	Note	<u>for the year ended March 31, 2017</u>		<u>for the year ended March 31, 2017</u>	
I. Revenue from operations		-	-	-	-
II. Other income	8	-	-	2,23,53,996	3,42,485
II. Total Revenue		-	-	<u>2,23,53,996</u>	<u>3,42,485</u>
III. Expenses					
Employee benefit expense		-	-	-	-
Interest expenses from Others		-	-	4,45,565	6,826
Depreciation / amortisation / impairment expense					
Other expenses	9	1,32,95,236	1,98,260	27,37,77,692	41,94,541
Total expenses		<u>1,32,95,236</u>	<u>1,98,260</u>	<u>27,42,23,257</u>	<u>42,01,367</u>
IV. Loss before exceptional and extra ordinary item and tax (II- III)		(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
V. Exceptional items		-	-	-	-
VI. Loss before extra ordinary item and tax (IV- V)		(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
VII. Extraordinary items					
VIII. Loss before tax (VI-VII)		(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
<u>IX. Tax Expenses</u>					
(1) Current tax					
X. Loss before tax (VIII-IX)		(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
XI. Minority interest		-	-	-	-
XII. Loss for the year		(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
Basic earnings per share Rs.		(66,476)	(991)	(12,59,346)	(19,294)
Diluted earnings per share Rs.		(66,476)	(991)	(12,59,346)	(19,294)

See accompanying Significant Accounting Policies and Notes to Accounts. 10

As per our report of even date

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

Sd/-
Kalpen Chokshi
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Satish kadakia
Authorised Signatory

Date : November 10, 2017

Global MediaWorks USA Inc. (formerly known as Reliance MediaWorks USA Inc.) Group

Notes to the financial statements (Continued)

as at March 31, 2017

	March 31, 2017		March 31, 2016	
	(in Indian rupees)	(in US Dollars)	(in Indian rupees)	(in US Dollars)
1 Share capital				
Authorised				
200 equity shares of \$ 100 each	10,56,000	20,000	13,23,548	20,000
Issued, subscribed and paid-up capital				
Shares issued as on 1 April	10,56,000	20,000	13,23,548	20,000
Share issued during the year	-	-	-	-
Buyback/ forfeiture/ reduction shares	-	-	-	-
Shares issued as on 31 March	10,56,000	20,000	13,23,548	20,000
	10,56,000	20,000	13,23,548	20,000
2 Reserves and surplus				
Foregin currency translation Reserve	(86,16,12,592)		(94,86,61,309)	
Capital reserve on acquisition	2,98,90,571	4,61,260	3,05,24,988	4,61,260
Profit & Loss Account				
Opening balance	(3,20,66,04,203)	(6,27,89,797)	(2,95,47,34,942)	(5,89,30,915)
Add / (less): Profit / (loss) for the year	(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
	(3,21,98,99,439)	(6,29,88,057)	(3,20,66,04,203)	(6,27,89,797)
	(4,05,16,21,460)	(6,25,26,797)	(4,12,47,40,524)	(6,23,28,537)
3 Short term borrowing				
(i) Loans and advance from related parties	3,53,85,85,853	5,46,06,121	4,16,29,63,532	6,29,06,121
(ii) Other loans				
- Others	5,18,41,600	8,00,000	15,14,17,332	22,88,052
	3,59,04,27,453	5,54,06,121	4,31,43,80,864	6,51,94,173
4 Other current liabilities				
(a) Other current liabilities	1,47,42,390	2,27,499	1,50,55,292	2,27,499
(b) Advance payments received	36,45,113	56,250	37,22,479	56,250
	1,83,87,503	2,83,749	1,87,77,771	2,83,749
5 Long-term loans and advances				
(a) Security Deposits	96,69,495	1,49,216	1,54,45,342	2,33,393
	96,69,495	1,49,216	1,54,45,342	2,33,393
6 Cash and bank equivalents				
Cash on hand	-	-	-	-
Balance with non scheduled banks - current accounts	-	-	46,56,440	70,363
	-	-	46,56,440	70,363
7 Short-term loans and advances				
- Unsecured and considered good				
Other advances	2,57,45,057	3,97,288	69,45,02,232	1,04,94,553
	2,57,45,057	3,97,288	69,45,02,232	1,04,94,553

	for the year ended March 31, 2017		for the year ended March 31, 2016	
	(in Indian rupees)	(in US Dollars)	(in Indian rupees)	(in US Dollars)
8 Other income				
Provisions written back	-	-	2,23,53,996	3,42,485
	<u>-</u>	<u>-</u>	<u>2,23,53,996</u>	<u>3,42,485</u>
9 Other operating and general administrative expenses				
Travel	60,220	898	-	-
Bank charges	88,317	1,317	2,10,757	3,229
Legal and professional fees	1,26,28,731	1,88,321	2,61,27,973	4,00,306
Other operating expenses	5,17,968	7,724	4,45,729	6,829
Provision against claims	-	-	24,69,93,233	37,84,177
	<u>1,32,95,236</u>	<u>1,98,260</u>	<u>27,37,77,692</u>	<u>41,94,541</u>

Global MediaWorks USA Inc. (formerly Reliance MediaWorks USA Inc.) Group

Cash flow statement for the year ended March 31, 2017

	For the year ended March 31, 2017 (Indian Rupees)	For the year ended March 31, 2017 (USD)	For the year ended March 31, 2016 (Indian Rupees)	For the year ended March 31, 2016 (USD)
Cash Flow from operating activities				
Loss before taxes	(1,32,95,236)	(1,98,260)	(25,18,69,261)	(38,58,882)
<u>Adjustment for</u>				
Depreciation / impairment	-	-	-	-
Interest expenses	-	-	4,45,565	6,826
Operating profit before working capital changes	(1,32,95,236)	(1,98,260)	(25,14,23,696)	(38,52,056)
<u>Adjustment for</u>				
(Increase) in Trade receivables	-	-	-	-
(Increase) in Other receivables	67,45,33,022	1,01,81,442	10,06,63,924	22,06,889
(Increase) in Inventories	-	-	-	-
Increase in current liabilities	(12,72,73,031)	(17,53,545)	25,26,52,516	36,00,296
Foreign Exchange Gain/(Loss)	8,57,56,484		1,84,47,761	
Cash outflow in operating activities	61,97,21,239	82,29,637	12,03,40,505	19,55,129
Cash flow from Investing activities				
Purchase of property, plant and equipment	-	-	-	-
Proceeds from sale of property, plant and equipment	-	-	-	-
Sale of Investment	-	-	-	-
Interest income	-	-	-	-
Cash (outflow) / inflow in financing activities	-	-	-	-
Cash flow from Financing activities				
Loan for equipment financing / others				
Loan repayment of Bank	-	-	(11,53,04,986)	(18,79,002)
Interest paid	-	-	(4,45,565)	(6,826)
Loan from related parties	(62,43,77,679)	(83,00,000)		
Increase in Minority Interest	-	-	-	-
Cash generated from Financing activities	(62,43,77,679)	(83,00,000)	(11,57,50,551)	(18,85,828)
Net increase in cash and cash equivalents	(46,56,440)	(70,363)	45,89,954	69,301
Cash and cash equivalents at the beginning of the period	46,56,440	70,363	66,486	1,062
Cash and cash equivalents at the end of the period	-	-	46,56,440	70,363

As per our report of even date attached

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

For Reliance MediaWorks Limited

Sd/-
Kalpen Chokshi
Partner
Membership No: 135047

Sd/-
Satish kadakia
Authorised Signatory

Date : November 10, 2017

Place : Mumbai
Date : November 10, 2017

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

I. Background

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc.) Group (the 'Group') primarily operates in the United States of America through its holding Global MediaWorks (USA) Inc. Global MediaWorks (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 MediaWorks 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) (dissolved on January 27, 2017) , BIG Cinemas Sahil LLC (lease has been transferred), Global Cinemas Entertainment (DE) LLC (formerly BIG Cinemas Entertainment (DE) LLC) (lease has been surrendered), BIG Cinemas SAR LLC (lease has been surrendered & dissolved), Global Cinemas Entertainment LLC (formerly BIG Cinemas Entertainment LLC) (lease has been surrendered), BIG Cinemas IMC LLC (lease has been surrendered), BIG Cinemas Norwalk LLC (lease has been surrendered), Global Cinemas Galaxy LLC (formerly 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-17	Mar-16
BIG Cinemas Laurel LLC	Virginia	100%	100%
BIG Cinemas Falls Church LLC (Note 2)	Virginia	0%	100%
BIG Cinemas Sahil LLC	Illinois	97%	97%
Global Cinemas Entertainment (DE) LLC (formerly BIG Cinemas Entertainment (DE) LLC)	New York	100%	100%
BIG Cinemas SAR LLC (Note 1)	Michigan	0%	0%
Global Cinemas Entertainment LLC (formerly BIG Cinemas Entertainment LLC)	New Jersey	100%	100%
BIG Cinemas IMC LLC	California	100%	100%
BIG Cinemas Norwalk LLC	California	100%	100%
Global Cinemas Galaxy LLC (formerly BIG Cinemas Galaxy LLC)	Georgia	100%	100%
Big Pictures USA Inc *	New Jersey	100%	100%
Reliance Media Works (VFX) Inc.	California	100%	100%

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

* - 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.

Note 2: The entity Big Cinemas Fall Church LLC have been dissolved with effect from January 27, 2017.

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 MediaWorks Limited considers Reliance MediaWorks (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

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

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 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.

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

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.

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.

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

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.

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 – upto 5 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 recognized 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, 2017 - \$ 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.

Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (USA) Inc. Group

Schedule 10 to the financial statements as at March 31, 2017

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

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.

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IV. ADDITIONAL NOTES

1. Capital Commitment

The Group as at March 31, 2017 has issued purchase orders to the tune of Rs. Nil (2016: 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

The future minimum lease payments in respect of non-cancellable operating leases due for the year ending March 31, 2017 – Rs. 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 MediaWorks Theatres Limited
- Big Synergy Media Limited

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- Gener8 India Media Services Limited (formerly known as Reliance MediaWorks 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 Reliance Media Ventures Private Limited) (upto July 31, 2015)
- Reliance MediaWorks Creative Services Limited (w.e.f. July 19, 2014), (dissolved on September 16, 2016)
- Reliance MediaWorks Financial Services Private Limited (w.e.f. March 10, 2017)

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

1. Transactions with Reliance MediaWorks Limited, the Parent Company
 - a. Balance outstanding for current account –Rs.11,468,852, \$ 176,983 (Rs. 11,712,275, 2016: \$ 176,983)
 - b. Loan repaid during the year – Rs. 624,377,679, \$ 8,300,000 (2016: \$ Nil)
 - c. Balance amount of loan account - Rs. 3,527,117,001, \$ 54,429,138 (Rs.4,151,251,257, 2016: \$ 62,729,138)

2. Transactions with Reliance MediaWorks (Mauritius) Limited

Receivable for sale of investments \$ Nil (Rs. 330,887,000, 2016: \$ 5,000,000)

3. Transactions with Global MediaWorks (UK) Limited

Loan repaid during the year – \$ 1,488,052 (2016: \$ Nil)

Balance amount of loan account - \$ Nil (Rs.98,475,412, 2016: \$ 1,488,052)

5. 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,

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- 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 previous period the Company has impaired goodwill to the tune of \$ 200,000

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

6. 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, 2016	
	\$	Rs.	\$	Rs.
Loss for the year after tax	(198,260)	(13,295,236)	(3,858,882)	(251,869,261)
Weighted average number of shares outstanding during the period	200	200	200	200
Loss per share	(991)	(66,476)	(19,294)	(1,259,346)

7. In the opinion of the management, 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.
8. The Management of Reliance MediaWorks 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.
9. Claims have been filed against the Company and its subsidiaries with regard to:
 - a) Global Cinemas (DE) LLC (formerly 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 MediaWorks 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.

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b) Global Cinemas Galaxy LLC (formerly 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 Global MediaWorks (USA) Inc. (formerly Reliance MediaWorks (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 MediaWorks 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 case has since been settled for a claim of \$ 284,177.

10. 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 : November 10, 2017

For Reliance MediaWorks Limited

Sd/-

Satish Kadakia

Authorised Signatory

Place : Mumbai

Date : November 10, 2017