

FINANCIAL STATEMENT

2014-2015

RELIANCE MEDIAWORKS (USA) INC.

Chokshi and Co. LLP

Chartered Accountants

Regd. Add. 101-102, Kshamalaya,
37, Sir V. Thackersey Marg,
Mumbai – 400020; India
Email: chokshiandco@gmail.com

INDEPENDENT AUDITOR'S REPORT

To,
**The Management of
Reliance MediaWorks Limited
Mumbai, India**

We have audited the accompanying consolidated financial statements of Reliance Media Works (USA) Inc. ('the Company') and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2015, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Company in accordance with accounting principles generally accepted in India. 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 PHYPHAR 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.

Chokshi and Co. LLP

Chartered Accountants

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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

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:-

Note no. (8) of the Notes to Accounts to the financial statements which respectively indicate that, the 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 2015. 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

Kalpen Chokshi
Partner
Membership No.: 135047

Place: Mumbai
Date: 20th August 2015

Reliance MediaWorks USA Inc. Group

Balance sheet

as at March 31, 2015

	Note	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
EQUITIES AND LIABILITIES			
Shareholders' funds			
(a) Share capital	1	1,252,088	1,197,260
(b) Reserves and surplus	2	(3,660,457,670)	(4,050,317,707)
		(3,659,205,582)	(4,049,120,447)
Minority Interest			
		-	1,337,459
Non-current liabilities			
(a) Long term borrowing	3	-	10,245,792
(b) Other long-term liabilities		-	-
		-	10,245,792
Current liabilities			
(a) Short term borrowings	4	4,199,075,878	4,865,051,702
(b) Trade payable		252,209,839	588,536,380
(c) Other current liabilities	5	17,763,936	20,865,608
(d) Short term provisions	6	-	13,299,344
		4,469,049,653	5,487,753,034
		809,844,071	1,450,215,838
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	7	-	147,059,568
(ii) Intangible assets		-	146,240,700
(iii) Capital work in progress		-	-
(iv) Intangible assets under development		-	-
(b) Goodwill on consolidation		-	-
(c) Investments		-	897,945,000
(c) Long-term loans and advances	8	14,611,429	26,102,663
		14,611,429	1,217,347,931
Current assets			
(a) Inventories	9	-	7,837,024
(b) Trade Receivables	10	-	183,233,639
(c) Cash and cash equivalents	11	66,486	32,363,494
(d) Short-term loans and advances	12	795,166,156	9,433,750
(e) Other current assets		-	-
		795,232,642	232,867,907
		809,844,071	1,450,215,838

See accompanying Significant Accounting Policies and Notes to Accounts.

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As per our report of even date

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

For Reliance MediaWorks Limited

Kalpen Chokshi
Partner
Membership No: 135047

Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

Date : August 20, 2015
Place : Mumbai

Reliance MediaWorks USA Inc. Group

Statement of Profit and loss for the year ended March 31, 2015

	Note	For the year ended March 31, 2015 (in Indian rupees)	For the eighteen month period ended March 31, 2014 (in Indian rupees)
I. Revenue from operations	13	331,277,823	1,921,813,554
II. Other income - Interest income from others	14	915,530,370	315,074
II. Total Revenue		1,246,808,193	1,922,128,628
III. Expenses			
Royalty expenses		-	-
Print and publicity expenses		5,498,956	15,117
Film rentals		18,318,183	402,901,859
Cost of food and beverage items sold		6,890,302	55,020,613
Electricity, power and water expenses		14,945,172	92,668,891
Employee benefit expense	15	255,496,722	869,730,694
Interest expenses from Others		13,507,260	12,539,815
Depreciation / amortisation / impairment expense	7	129,526,514	873,028,409
Other expenses	16	242,798,922	871,114,033
Total expenses		686,982,031	3,177,019,431
IV. Profit/(Loss) before exceptional and extra ordinary item and tax (II- III)		559,826,162	(1,254,890,803)
V. Exceptional items		-	-
VI. Profit/(Loss) before extra ordinary item and tax (IV- V)		559,826,162	(1,254,890,803)
VII. Extraordinary items		-	-
VIII. Profit/(Loss) before tax (VI-VII)		559,826,162	(1,254,890,803)
IX. Tax Expenses			
(1) Current tax		-	-
(2) Deferred tax (credit)/ charge		-	-
X. Profit/(Loss) before tax (VIII-IX)		559,826,162	(1,254,890,803)
XI. Minority interest		(1,779,942)	(761,245)
XII. Profit/(Loss) for the year		561,606,104	(1,254,129,558)
Basic earnings per share Rs.		2,808,031	(6,270,648)
Diluted earnings per share Rs.		2,808,031	(6,270,648)

See accompanying Significant Accounting Policies and Notes to Accounts.

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As per our report of even date

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

For Reliance MediaWorks Limited

Kalpen Chokshi
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Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

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Reliance MediaWorks USA Inc. Group

Cash flow statement for the year ended March 31, 2015

	For the year ended March 31, 2015 (Indian Rupees)	For the eighteen month period March 31, 2014 (Indian Rupees)
Cash Flow from operating activities		
Profit/(Loss) before taxes	559,826,162	(1,254,890,803)
<u>Adjustment for</u>		
Depreciation / impairment	129,526,514	873,028,409
Bad debts written off	-	-
Interest expenses	13,507,260	12,539,815
Interest Income	-	(315,074)
Profit on sale of fixed assets	(20,777,237)	-
Profit on sale of investments	(815,690,320)	-
Provisions written back	(79,062,813)	-
Operating profit before working capital changes	(212,670,434)	(369,637,653)
<u>Adjustment for</u>		
Decrease/(Increase) in Trade receivables	183,233,639	(97,847,643)
Decrease/(Increase) in Other receivables	(774,241,172)	(83,489,231)
Decrease/(Increase) in Inventories	7,837,024	2,392,289
(Decrease)/Increase in Trade and other payables	(273,664,744)	13,638,284
Foreign Exchange Gain /(Loss)	(181,954,651)	(462,731,083)
Cash outflow in operating activities	(1,251,460,338)	(997,675,037)
Cash flow from Investing activities		
Purchase of property, plant and equipment	(16,167,085)	(98,365,176)
Proceeds from sale of property, plant and equipment	210,981,488	38,624,145
Acquisition of subsidiaries	-	(125,712,300)
Interest income	-	315,074
Sale of Investment	1,713,635,320	-
Cash (outflow) / inflow in financing activities	1,908,449,723	(185,138,257)
Cash flow from Financing activities		
Loan for equipment financing / others	63,833,679	94,837,647
Loan from related parties	(740,055,295)	1,037,833,487
Interest paid	(13,507,260)	(12,539,815)
(Decrease)/Increase in Minority Interest	442,483	(9,631,957)
Cash generated from Financing activities	(689,286,393)	1,110,499,362
Net increase in cash and cash equivalents	(32,297,008)	(72,313,932)
Cash and cash equivalents at the beginning of the period	32,363,494	104,677,426
Cash and cash equivalents at the end of the period	66,486	32,363,494

As per our report of even date attached

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

Kalpen Chokshi
Partner
Membership No: 135047

Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

Date : August 20, 2015
Place : Mumbai

Reliance MediaWorks USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2015

	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
1 Share capital		
Authorised		
200 equity shares of \$ 100 each	1,252,088	1,197,260
Issued, subscribed and paid-up capital		
Shares issued as on 1 April	1,252,088	1,197,260
Share issued during the year	-	-
Buyback/ forfeiture/ reduction shares	-	-
Shares issued as on 31 March	1,252,088	1,197,260
	1,252,088	1,197,260
Holding Company / Ultimate holding Company	1,252,088	1,197,260
Details of shareholders who held more than 5% of share capital as on 31 March 2012 and 31 March 2011.		
Reliance MediaWorks Limited	1,252,088	1,197,260
	1,252,088	1,197,260
2 Reserves and surplus		
Foreign currency translation Reserve	(729,788,646)	(558,042,579)
Capital reserve on acquisition	24,065,918	24,065,918
Profit & Loss Account		
Opening balance	(3,516,341,046)	(2,262,211,488)
Add / (less): Profit / (loss) for the year	561,606,104	(1,254,129,558)
	(2,954,734,942)	(3,516,341,046)
	(3,660,457,670)	(4,050,317,707)
3 Long term borrowing		
(a) Secured term loans		
Loan from Banks		
- Term loans	-	-
From others		
- Equipment financing	-	10,245,792
	-	10,245,792
4 Short term borrowing		
(i) Loans and advance from related parties	3,938,199,962	4,678,255,257
Other loans		
- Banks	117,633,793	108,974,545.00
- Others	143,242,123	77,821,900.00
	4,199,075,878	4,865,051,702

Reliance MediaWorks (USA) Inc.

Schedules to the financial statements (Continued)

as at March 31, 2015

Schedule 7 : Fixed Assets

Particulars	Gross Block				Depreciation / amortisation				Net Block		Amount in INR	
	Opening	Additions	Deletions	Exchange rate adjustment	Closing	Opening	Charge for the year	Deletions	Exchange rate adjustment	Closing		Closing
Intangible Assets												
Goodwill	441,062,802	-	461,261,081	20,198,279	-	441,062,802	-	461,261,081	20,198,279	-	-	-
Distribution rights	38,690,056	-	40,461,850	1,771,794	-	38,690,056	-	40,461,850	1,771,794	-	-	-
Internally generated computer software	566,932,841	-	592,895,283	25,962,442	-	420,907,888	53,126,373	494,609,005	20,574,744	-	-	146,024,953
Computer software - others	32,783,374	-	34,284,674	1,501,300	-	32,567,627	-	34,059,047	1,491,420	-	-	215,747
Tangible assets												
Lease hold-Building	535,147,085	-	559,653,912	24,506,827	-	535,147,085	-	559,653,912	24,506,827	-	-	-
Plant and machinery	536,795,533	14,699,951	576,077,801	24,582,317	-	423,327,669	70,816,731	515,262,634	21,118,234	-	-	113,467,864
Vehicles	698,062	-	730,030	31,968	-	418,802	53,471	492,759	20,486	-	-	279,260
Furniture and fixtures	185,940,106	1,467,134	195,922,285	8,515,045	-	152,627,662	5,529,939	165,282,377	7,124,776	-	-	33,312,444
Total	2,338,049,859	16,167,085	2,461,286,916	107,069,972	-	2,044,749,591	129,526,514	2,271,082,665	96,806,560	-	-	293,300,268

Reliance MediaWorks USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2015

	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
5 Other current liabilities		
(a) Current maturities of long term loans	-	-
(b) Other current liabilities	14,242,438	14,249,489
(c) Advance payments received	3,521,498	6,616,119
	17,763,936	20,865,608
6 Short-term provision		
Leave encashment	-	13,299,344
	-	13,299,344
8 Long-term loans and advances		
(a) Security Deposits	14,611,429	26,102,663
	14,611,429	26,102,663
9 Inventories		
Stores and spares	-	3,586,931
Food and beverages	-	4,250,093
	-	7,837,024
10 Trade Receivable		
Unsecured, considered good; Debts outstanding for a period exceeding six months	-	4,656,623
Unsecured, considered doubtful; Other debts	-	183,233,639
Provision for doubtful debts	-	(4,656,623)
	-	183,233,639
11 Cash and bank equivalents		
Cash on hand	-	967,925
Balance with non scheduled banks - current accounts	66,486	31,395,569
	66,486	32,363,494
12 Short-term loans and advances - Unsecured and considered good		
Other advances	795,166,156	9,433,750
	795,166,156	9,433,750

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

I. Background

Reliance MediaWorks (USA) Inc. Group (the 'Group') primarily operates in the United States of America through its holding Reliance MediaWorks (USA) Inc. Reliance 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), 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), BIG Cinemas Entertainment LLC (lease has been surrendered), BIG Cinemas IMC LLC (lease has been surrendered), Adlabs Heritage LLC (since dissolved), BIG Cinemas Norwalk LLC (lease has been surrendered), BIG Cinemas Galaxy LLC (lease has been surrendered), Phoenix BIG Cinemas Management LLC (the entity has been sold), BIG Cinemas Union LLC (since dissolved), BIG Cinemas Exhibitions LLC (lease has been transferred or surrendered), BIG Cinemas Phoenix LLC (the entity has been sold), Big Pictures USA Inc, Reliance Media & Marketing Communication LLC (since dissolved).

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-15	Mar-14
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	Michigan	51%	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%	51%
Phoenix BIG Cinemas Management LLC (Note 1)	Tennessee	0%	51%
BIG Cinemas Exhibitions LLC (Note 2)	New Jersey	100%	100%
BIG Cinemas Phoenix LLC (Note 1)	Tennessee	51%	51%
Big Pictures USA Inc *	New Jersey	100%	100%
Reliance Media and Marketing Communication LLC (Note 2)	New Jersey	100%	NA

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

Name of the Company	State of Incorporation	Ownership Interest	
		Mar-15	Mar-14
Reliance Lowry Digital Imaging Services Inc. (Note 3)	California	0%	90%
Reliance Media Works (VFX) Inc.	California	100%	NA

* - 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 Phoenix LLC and Phoenix Big Cinemas Management LLC have been sold with effect from December 31, 2014.

Note 2: The entities Big Cinemas Exhibitions LLC and Reliance Media & Marketing Communications LLC have been dissolved with effect from March 4, 2015.

Note 3: The shares in the subsidiary, Reliance Lowry Digital Imaging Services Inc. and Digital Domain - Reliance LLC have been transferred to Reliance MediaWorks (Mauritius) Limited with effect from November 7, 2014.

Associates – The Company holds 30% interest in Digital Domain – Reliance LLC, which is treated as an associate with effect from October 1, 2012. The entity has been sold effective November 7, 2014.

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

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

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 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.

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

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.

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.

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

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.

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 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.

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

8. Leases

The Company recognizes lease rentals on a straight line basis over the lease term.

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

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.

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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.

IV. ADDITIONAL NOTES

1. Capital Commitment

The Group as at March 31, 2015 has issued purchase orders to the tune of Rs. Nil (2014: 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 are as follows:

Particulars	March 2015		March 2014	
	INR	USD	INR	USD
Amount due within 1 year	39,127,750	625,000	61,073,817	1,020,226
Amount due between one and five years	71,290,761	1,138,750	153,591,807	2,565,722
Amount due after five years	25,772,145	411,667	32,425,792	541,667
Amount charged to Statement of Profit and Loss	49,734,068	813,849	331,243,015	5,675,011

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

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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.
- Reliance MediaWorks (Mauritius) Limited
- Reliance MediaWorks Theatres Limited
- Big Synergy Media Limited
- Gener8 India Media Services Limited (formerly known as Reliance MediaWorks Entertainment Services Limited / Prime Focus Entertainment Services Limited)

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 - \$ 176,983 (2014: \$ 176,983)
 - b. Loan given during the year - \$ Nil (2014: \$ Nil)
 - c. Balance amount of loan account - \$ 62,729,138 (2014: \$ 62,729,138)
2. Transactions with Reliance MediaWorks (Mauritius) Limited
 - a. Loan received during the year - \$ 75,000 (2014: \$ Nil)
 - b. Balance amount of loan account - \$ Nil (2014: \$ 13,425,000)
 - c. Sale of investments - \$ 18,000,000
 - d. Receivable for sale of investments \$ 5,000,000 (2014: \$ Nil)
3. Transactions with Global MediaWorks (UK) Limited
 - a. Balance amount of loan account - \$ 1,488,052 (2014: \$ 1,488,052)
4. Transaction with Gener8 India Media Services Limited (formerly Reliance MediaWorks Entertainment Services Limited)

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a. Services from Gener8 India Media Services Limited (formerly Reliance MediaWorks Entertainment Services Limited), a fellow subsidiary - \$ 3,583,574 (2014: \$ 1,585,588) with closing balance of payables of \$ 6,416,015 (2014: \$ 2,832,441).

5. Transaction with Prime Focus Technologies

a. Loan received from Prime Focus Technologies of \$ 516,746 with a total closing balance of \$ 516,746

5. Debt Obligations

The Company has a loan of \$ 1,879,002 from Bank Asiana which is backed by a stand by letter of credit issued through the support from Parent Company - Reliance MediaWorks Limited. The loan is repayable within 12 months from the date of respective disbursal. The loan was originally given in 2011 and was renewed again in 2013.

The entire loan is unsecured and has been disclosed under short term borrowings..

6. 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.

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- 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.

7. Earnings per share

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

	Year ended March 31, 2015		Eighteen month period ended March 31, 2014	
	\$	Rs.	\$	Rs.
Profit/(Loss) for the year after tax	9,190,130	561,606,104	(21,486,337)	(1,254,129,558)
Weighted average number of shares outstanding during the period	200	200	200	200
Profit/(Loss) per share	45,951	2,808,031	(107,432)	(6,270,648)

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:
- 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.
 - Big Cinemas Galaxy LLC had surrendered a lease for a property in South DeKalb. 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 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.
 - 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 Company is in the process of discussions with the landlord for settling the case and is hopeful of a favorable outcome.

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- d) The landlord of the property located at Edison, NJ is claiming damages against the Company for the dues payable pursuant to termination of the agreement for operation of the theatre. As per the original agreement with the landlord, the theatre was to be operated by the Company till 2017 with rentals being directly paid by the Company to the property owner and a fixed fee being paid to the previous landlord as management fees. In October 2013, the Company entered into an agreement with the landlord for surrender of the premises back to the landlord for operation with the Company paying a fixed yearly compensation to the landlord. The Company has duly accrued for the compensation, however the compensation for the financial years 2013-2014 and 2014-2015 has not been paid and hence the landlord is threatening to sue the Company for recovery of the same along with the officials of the Company and its ultimate Parent Company.
10. The Figures of the previous period comprise a period of 18 months (October 2012 to March 2014). Thus figures of current period and last period are not comparable.
11. The figures for the current period have been regrouped / rearranged wherever considered necessary to conform to the current period's presentation.

As per our report of even date attached.

For Chokshi & Co. LLP

Firm Registration no: 131228W /W100044

Chartered Accountants

For Reliance MediaWorks Limited

Kalpen Chokshi

Partner

Membership No. 135047

Date : 20th August 2015

Place: Mumbai

Sandip Dhotre

Authorised Signatory

Date: 20th August 2015

Place: Mumbai