

Reliance Eagleford Midstream LLC

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF RELIANCE EAGLEFORD MIDSTREAM LLC.

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **RELIANCE EAGLEFORD MIDSTREAM LLC**. (hereinafter referred to as 'the Company') which comprises of the Balance Sheet as at 31st December, 2015, the Profit and Loss Statement, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for 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 the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records, safeguarding the assets of the Company and 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.

Auditors' Responsibility

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

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

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

Other Reporting Requirements

We further report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid standalone financial statements.
- (b) The Balance Sheet, the Profit and Loss Statement, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the standalone financial statements.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm Registration No. 117366W / W - 100018)

(**Abhijit A. Damle**)
(Partner)
(Membership No. 102912)

Mumbai, dated: 31st March, 2016

Balance Sheet as at 31 December 2015

		<i>In USD</i>	
	Note	As at 31st Dec, 2015	As at 31st Dec, 2014
EQUITY AND LIABILITIES			
Member Capital			
Member contribution	1	46,800,000	46,800,000
Reserves and surplus	2	<u>829,642,507</u>	<u>31,944,468</u>
		876,442,507	78,744,468
Non-Current Liabilities			
Long Term Borrowings	3	-	128,650,000
Current Liabilities			
Other Current Liabilities	4	<u>5,617,236</u>	<u>679,000</u>
TOTAL		<u>882,059,743</u>	<u>208,073,468</u>
ASSETS			
Non-Current Assets			
Non Current Investment	5	-	208,064,628
Long Term Loans and Advances	6	<u>881,980,094</u>	<u>-</u>
		881,980,094	208,064,628
Current Assets			
Cash and Bank balances	7	<u>79,649</u>	<u>8,840</u>
TOTAL		<u>882,059,743</u>	<u>208,073,468</u>
<i>Corporate information and significant Accounting Policies and Notes to the financial statements.</i>	1-12		

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: MUMBAI
Date: 31st March, 2016

For and on behalf of the Board of Managers

Manager

Place: HOUSTON
Date: March 31, 2016

Profit and Loss Statement for the year ended 31 December 2015

	Note	<i>In USD</i>	
		<u>2015</u>	<u>2014</u>
INCOME:			
Other Income	8	824,806,016	49,900,000
Total Income		<u>824,806,016</u>	<u>49,900,000</u>
EXPENDITURE:			
Finance Costs	9	11,861,286	9,425,870
Other Expenses	10	15,246,691	31,708
Total Expenses		<u>27,107,977</u>	<u>9,457,578</u>
Profit for the year		<u><u>797,698,039</u></u>	<u><u>40,442,422</u></u>
<i>Corporate Information and Significant Accounting Policies and Notes to the financial statements</i>	1-12		

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: MUMBAI
Date: 31st March, 2016

For and on behalf of the Board of Managers

Manager

Place: HOUSTON
Date: March 31, 2016

Cash Flow Statement for the year ended 31 December 2015

	2015	<i>In USD</i> 2014
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year as per Profit and Loss Statement	797,698,039	40,442,422
Adjusted for:		
Gain on sale of investments in EFS Midstream LLC (824,806,016)	-	-
Dividend received	-	(49,900,000)
Finance cost	11,861,286	9,425,870
Net Profit for the year as per Profit and Loss Statement	<u>(812,944,730)</u>	<u>(40,474,130)</u>
Operating Profit before Working Capital Changes	(15,246,691)	(31,708)
Adjusted for:		
Short-Term Loans & Advances and Other Current Assets	-	22,113
Trade payables and other current liabilities	4,938,236	679,000
	<u>4,938,236</u>	<u>701,113</u>
Net Cash from Operating Activities	<u>(10,308,455)</u>	<u>669,405</u>
B: CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	-	49,900,000
Proceeds from sale of investment in EFS Midstream LLC	1,032,870,644	-
Net Cash Generated From Investing Activities	<u>1,032,870,644</u>	<u>49,900,000</u>
C: CASH FLOW FROM FINANCING ACTIVITIES		
Loan from Holding Company	-	2,000,000
Repayment of Loan to Holding Company	(128,650,000)	(43,200,000)
Finance cost	(11,861,286)	(9,425,870)
Advance to Holding Company	(881,980,094)	-
Net Cash (Used In) Financing Activities	<u>(1,022,491,380)</u>	<u>(50,625,870)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	70,809	(56,465)
Opening Balance of Cash and Cash Equivalents	8,840	65,305
Closing Balance of Cash and Cash Equivalents (refer note 7)	<u><u>79,649</u></u>	<u><u>8,840</u></u>

Corporate Information and Significant
Accounting Policies and
Notes to the financial statements

1-12

As per our report of even date

For and on behalf of the Board of Managers

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Manager

Place: MUMBAI
Date: 31st March, 2016

Place: HOUSTON
Date: March 31, 2016

Corporate Information and Significant Accounting Policies on Financial Statements for the year ended 31 December 2015

I. Corporate Information

A. Reliance Eagleford Midstream LLC (the “Company”) was formed as a limited liability company on 16 June 2010, under Delaware Limited Liability Company Act. The registered office of the Company is situated at 1675 S. State Street, Suite B, Dover, Delaware 19901, the United States of America. The Company is engaged in the midstream business for oil and gas industries through its investment in, EFS Midstream LLC (EFS).

The Company is a wholly owned subsidiary of Reliance Holding USA, Inc. (the Holding Company). The Company is an indirectly wholly owned subsidiary of Reliance Industries Limited, the ultimate parent and an Indian listed company.

On 29 June 2010, the Company and Pioneer Natural Resources Midstream Holding LLC executed definitive agreements to form a midstream joint venture, EFS Midstream LLC that serves the gathering needs of the upstream joint venture between Reliance Eagleford Upstream Holding LP, an affiliate, and Pioneer Natural Resources USA Inc. The Company held a 49.90% membership interest in EFS. The balance of the membership interest of the joint venture was held by Pioneer Natural Resources Eagleford Midstream LLC.

On 08 July 2015 and effective 01 July 2015, the Company completed the sale of its entire holding of 49.90% interest in EFS to an affiliate of Enterprise Products Partners L.P. (“Enterprise”) for a total consideration of \$1,073 million to be received in two tranches. The first tranche of \$574 million (gross) was realized on 08 July, 2015 and the second tranche of \$499 million (gross) would have been originally due on 01 July, 2016. This receivable was, through a factoring agreement, transferred in full to Credit Agricole Corporate and Investment Bank and cash was realized on 09 October 2015. REM and Reliance, in that order, have an obligation to repurchase the receivable if representations and warranties made by REM were not to be true and correct in all material respects or in the event of failure by REM to fulfill any of its covenants.

II. Basis of Preparation of financial statements

The financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in India (Indian GAAP) including Accounting Standards specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements are prepared on accrual basis under the Historical cost convention.

The previous year figures have been regrouped / reclassified / restated, wherever necessary to conform to the current year presentation.

III. Significant Accounting Policies

A. Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results are known/ materialized.

B. Revenue Recognition:

Dividends are recognized when the company’s right to receive the dividend is established.

C. Borrowing Costs:

All borrowing costs are charged to the Profit and Loss Statement in the year in which they are incurred.

D. Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognized when there is a present obligation as a result of past event(s) and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognized in the financial statements and are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed in the financial statements.

E. Income Taxes:

The Company is not a taxpaying entity for federal or state income tax purposes, and, accordingly, it does not recognize any expense for such taxes. The income tax liability resulting from the Company’s activities is the responsibility of the Holding Company.

Notes on Financial Statements for the year ended 31 December 2015

1. MEMBER CONTRIBUTION

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Member Contribution:		
Reliance Holding USA Inc	46,800,000	46,800,000
TOTAL	<u><u>46,800,000</u></u>	<u><u>46,800,000</u></u>

2. RESERVES AND SURPLUS

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Profit and Loss Account		
As per last Balance Sheet	31,944,468	(8,497,954)
Add : Profit for the year	<u>797,698,039</u>	<u>40,442,422</u>
	829,642,507	31,944,468
TOTAL	<u><u>829,642,507</u></u>	<u><u>31,944,468</u></u>

3. LONG TERM BORROWINGS

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Unsecured		
Loan from Holding Company (refer Note 11)	-	128,650,000
TOTAL	<u><u>-</u></u>	<u><u>128,650,000</u></u>

The Company borrows funds from the Holding Company @ 5.5% per annum as per loan agreement.

4. OTHER CURRENT LIABILITIES

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Other payables	5,617,236	-
Interest payable to Holding Company (Refer note 11)		594,023
Other payable to Holding Company (Refer note 11)	-	84,977
TOTAL	<u><u>5,617,236</u></u>	<u><u>679,000</u></u>

Notes on Financial Statements for the year ended 31 December 2015

5. NON-CURRENT INVESTMENTS

(Long Term Investments)

Investment in Associates
Members Capital

Particulars

	<i>In USD</i>	
	As at 31st December, 2015	As at 31st December, 2014
EFS Midstream LLC	-	208,064,628
Total Non-Current Investment	-	208,064,628

6. LONG TERM LOANS AND ADVANCES

	<i>In USD</i>	
	As at 31st Dec, 2015	As at 31st Dec, 2014
Receivable from Holding Company (refer Note 11)	881,980,094	-
TOTAL	881,980,094	-

7. CASH AND BANK BALANCES

	<i>In USD</i>	
	As at 31st Dec, 2015	As at 31st Dec, 2014
Balance with banks	79,649	8,840
TOTAL	79,649	8,840

8. OTHER INCOME

	<i>In USD</i>	
	2015	2014
Gain on sale of investment in EFS Midstream LLC #	824,806,016	-
Dividend income	-	49,900,000
TOTAL	824,806,016	49,900,000

an exceptional item

9. FINANCE COST

	<i>In USD</i>	
	2015	2014
Interest expenses (refer Note 11)	3,668,917	8,244,108
Other borrowing costs	8,192,369	1,181,762
TOTAL	11,861,286	9,425,870

Notes on Financial Statements for the year ended 31 December 2015

10. OTHER EXPENSES

	<i>In USD</i>	
	<u>2015</u>	<u>2014</u>
Professional fees	15,040,595	31,708
General expenses	206,096	-
TOTAL	<u>15,246,691</u>	<u>31,708</u>

11. RELATED-PARTY DISCLOSURES

(i) List of related parties where control exists and related parties where transactions have taken place:

Name of the related party	Relationship
Reliance Holding USA Inc	Holding company (control exists)
Reliance Industries Limited	Ultimate holding company (control exists)
EFS Midstream LLC (till 01 July, 2015)	Associate

(ii) Related-Party Transactions

		<i>In USD</i>	
		<u>As at 31 December</u>	
Name of the related party	Balances as at year end	<u>2015</u>	<u>2014</u>
Reliance Holding USA Inc	Loan from Holding company	-	128,650,000
Reliance Holding USA Inc	Interest payable	-	594,023
Reliance Holding USA Inc	Other payable	-	84,977
Reliance Holding USA Inc	Advance receivable	881,980,094	-

(iii) Related-Party Transactions

		<i>In USD</i>	
		<u>Year ended</u>	
Name of the related party	Nature of transaction	<u>2015</u>	<u>2014</u>
Reliance Holding USA Inc	Interest	3,668,917	8,244,108
Reliance Holding USA Inc	Guarantee commission	484,742	1,181,519
Reliance Holding USA Inc	Other cost	15,161,658	31,708
Reliance Holding USA Inc	Interest free advance	1,025,163,496	-
EFS Midstream LLC	Dividend received	-	49,900,000

12. SEGMENT REPORTING

The company is engaged in the midstream business for oil and gas industries through its investments. Consequently, there is a single business and geographical segment.