

Reliance Jio Infocomm USA Inc.

Independent Auditors' Report

To the Board of Directors

Reliance JioInfocomm USA Inc

Report on the Standalone Financial Statements

We have audited the accompanying financial statements of **Reliance JioInfocomm USA Inc** ("the Company"), which comprise the Balance Sheet as at December 31, 2015, the Profit and Loss Statement and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 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. 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 financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 December 31, 2015, and its loss and its cash flows for the year ended on that date.

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.
- (b) The Balance Sheet, the Profit and Loss Statement, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

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

Abhijit A. Damle
(Partner)

Membership No.102912

Mumbai, dated: April 20, 2016

Balance Sheet as at 31st December, 2015

Particulars	Note	As at 31st December, 2015	(USD) As at 31st December, 2014
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share Capital	2	3,24,97,664	1,76,42,664
Reserves and Surplus	3	<u>(24,59,362)</u>	<u>(15,40,555)</u>
		3,00,38,302	1,61,02,109
2 Current liabilities			
Other Current Liabilities	4	3,22,909	5,18,079
TOTAL		<u>3,03,61,211</u>	<u>1,66,20,188</u>
II ASSETS			
1 Non-current assets			
Fixed Assets			
Tangible assets	5	95,290	1,22,880
Intangible assets	6	<u>-</u>	<u>2,31,206</u>
		95,290	3,54,086
Capital work - in - progress	7	<u>1,50,14,531</u>	<u>1,07,58,161</u>
		1,51,09,820	1,11,12,247
Non-current investments	8	<u>1,50,01,231</u>	<u>50,00,000</u>
		3,01,11,052	1,61,12,247
2 Current assets			
Cash and Bank Balances	9	12,847	2,78,828
Short-term loans and advances	10	<u>2,37,312</u>	<u>2,29,113</u>
		2,50,159	5,07,941
TOTAL		<u>3,03,61,211</u>	<u>1,66,20,188</u>
Significant Accounting Policies	1		
Notes to the Financial statements	2-18		

As per our report of even date
For Deloitte Haskins and Sells LLP

Chartered Accountants

Abhijit A. Damle
Partner
Membership No.102912

Mumbai
Dated : April 20, 2016

For and on behalf of the board

Director

Texas
Dated: April 20, 2016

Profit and loss Statement for the year ended 31st December, 2015

Particulars	Note	USD	
		2015	2014
I INCOME			
Revenue from Operations		-	-
Total Revenue		<u>-</u>	<u>-</u>
II EXPENSES			
Employee Benefits Expense	11	1,93,548	2,95,547
Depreciation and Amortisation Expense		2,65,136	1,78,830
Other Expenses	12	4,60,123	8,42,359
Total Expenses		<u>9,18,807</u>	<u>13,16,736</u>
III (Loss) for the year		(9,18,807)	(13,16,736)
IV Earnings per unit of USD 0.01 each	13		
i Basic (in USD)		(919)	(1,317)
ii Diluted (in USD)		(919)	(1,317)
Significant Accounting Policies	1		
Notes to the Financial statements	2-18		

As per our report of even date
For Deloitte Haskins and Sells LLP

Chartered Accountants

Abhijit A. Damle
Partner
Membership No.102912

Mumbai
Dated : April 20, 2016

For and on behalf of the board

Director

Texas
Dated: April 20, 2016

Cash Flow Statement for the year ended 31st December, 2015

	Note	2015	(USD) 2014
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Loss before tax as per Profit and Loss Statement		(9,18,807)	(13,16,736)
Adjusted for:			
Depreciation and Amortization Expense		<u>2,65,136</u>	<u>1,78,830</u>
Operating Loss before Working Capital Changes		(6,53,671)	(11,37,906)
Adjusted for			
Trade and Other Receivables	(8,199)		(1,84,184)
Trade and Other Payables	<u>(1,95,170)</u>		<u>3,58,941</u>
		<u>(2,03,369)</u>	<u>1,74,757</u>
Net cash (used) in Operating Activities (A)		(8,57,040)	(9,63,149)
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets (Including Capital Work in progress)		(42,62,710)	(91,12,889)
Purchase of Non Current Investments		(55,02,015)	(50,00,000)
Investment in Subsidiary		<u>(44,99,216)</u>	<u>-</u>
Net Cash (used in) Investing Activities (B)		(1,42,63,941)	(1,41,12,889)
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		<u>1,48,55,000</u>	<u>1,49,92,664</u>
Net Cash from Financing Activities (C)		1,48,55,000	1,49,92,664
Net (Decrease) in Cash and Cash Equivalents (A+B+C)		(2,65,981)	(83,374)
Opening Balance of Cash and Cash Equivalents		<u>2,78,828</u>	<u>3,62,202</u>
Closing Balance of Cash and Cash Equivalents (Refer Note 9)		<u><u>12,847</u></u>	<u><u>2,78,828</u></u>
Significant Accounting Policies	1		
Notes to the Financial statements	2-18		

As per our report of even date
For Deloitte Haskins and Sells LLP

Chartered Accountants

Abhijit A. Damle
Partner
Membership No.102912

Mumbai
Dated : April 20, 2016

For and on behalf of the board

Director

Texas
Dated: April 20, 2016

SIGNIFICANT ACCOUNTING POLICIES

A COMPANY INFORMATION

Reliance Jio Infocomm USA, Inc. (the Company) was incorporated on 5 June 2013 with The Office of the Secretary of State, Texas. The corporate office of the Company is located at 5600 Tennyson Parkway, Suite 120, Plano, TX – 75024. The Company is a 100% subsidiary of Reliance Jio Infocomm Limited (RJIL), India and is incorporated for the execution and development of the International Long Distance (ILD) and content business of RJIL, the holding Company.

The Network Infrastructure for ILD traffic is still under build up phase, the capacities are still being procured from vendors for connectivity and partially activated on limited scale for trial runs and testing. The commercial application of these capacities is directly linked to launch of services in India by parent RJIL.

B BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared under Indian Generally Accepted Accounting Principles (Indian GAAP) for the limited use of preparation of Consolidated Financial results of Reliance Industries Limited , the ultimate holding company.

The financial statements are prepared on accrual basis under the historical cost convention.

C 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, 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 recognised in the period in which the results are known/materialised.

D FIXED ASSETS

(i) Tangible Assets

Tangible Assets are stated at cost net of recoverable taxes, trade discounts and rebates less accumulated depreciation and impairment loss, if any. The cost of tangible assets comprises its purchase price, borrowing cost and any cost directly attributable to bringing the asset to its working condition for its intended use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the assets.

Subsequent expenditures related to an item of tangible asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Projects under which assets are not ready for their intended use are shown as capital work-in-progress

(ii) Intangible Assets

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortisation and impairment loss, if any. The cost comprises purchase price, borrowing costs, and any cost directly attributable to bringing the asset to its working condition for the intended use and net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets.

E OPERATING LEASE

Payment made under operating leases, net of lease incentives or premium received, are charged to the Profit and Loss Statement on a straight line basis over the period of the lease .

F DEPRECIATION AND AMORTISATION

(i) Tangible Assets

Depreciation and Amortisation is calculated using straight line basis on the estimated useful lives of the related assets and starts when the assets is available for use as intended by Management . Capital Work is Progress in not depreciated until ready for service .

S No.	Head	Useful Life
1	Computer Equipments	4 years
2	Office Equipments	4 years
3	Furniture and Fixtures	7 Years

SIGNIFICANT ACCOUNTING POLICIES

(ii) Intangible Assets

Finite-lived intangible assets that were acquired in a business combination, such as software and developed technology are amortised on a straight-line basis over their estimated useful life as follows:

S No.	Head	Useful Life
1	Software	5 years

G IMPAIRMENT

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Statement in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

H INVESTMENTS

Long term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

I EMPLOYEE BENEFITS

All employees are eligible to participate in Company sponsored 401(k) savings plan, which is voluntary defined contribution plan. The plan is designed to help employees accumulate and augment savings for retirement. Company makes a matching contributions on a portion of eligible contributions by employees and employees are vested in Companies contribution per terms of the 401k plan.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Employees are eligible to participate in Company sponsored insurance programs that covers welfare of the employees and their eligible family members. Company bears the expense of premium in entirety or in portion depending on the type of insurance program and as per Company policy on employee welfare.

J INCOME TAXES

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Deferred income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future income will be available except that deferred tax assets, in case there are unabsorbed depreciation or losses, are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same.

Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the Balance Sheet date.

K PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision is recognised in the accounts 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 disclosed unless the possibility of outflow of resources is remote.

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

Notes to Financial Statements for the period ended 31st December, 2015

2. Share Capital	As at 31st December, 2015	As at 31st December, 2014
Authorised		
1,000 Equity Shares of USD 0.01 each fully paid up	10	10
Issued, Subscribed and Paid up:		
1,000 Equity Shares of USD 0.01 each fully paid up	10	10
Additional paid in capital	3,24,97,654	1,76,42,654
TOTAL	<u>3,24,97,664</u>	<u>1,76,42,664</u>

2.1 Terms/rights attached to equity shares :

The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise. The Company has received an amount aggregating USD 32,497,654 towards additional paid in capital from Reliance Jio Infocomm Limited, the holding Company.

2.2 Reconciliation of number of shares outstanding at the beginning and at the end of the year :

Particulars	Equity Shares			
	2015		2014	
	No. of Shares	Amount in USD	No. of Shares	Amount in USD
Equity Share Capital at the beginning of the year	1,000	10	1,000	10
Add: Capital infusion during the year	-	-	-	-
Equity Share Capital at the end of the year	1,000	10	-	10
	Additional Paid in Capital			
	2015		2014	
	Amount in USD		Amount in USD	
Additional paid-in-capital at the beginning of the year	1,76,42,654		26,49,990	
Add: Capital infusion during the year	1,48,55,000		1,49,92,664	
Additional paid-in-capital at the end of the year	<u>3,24,97,654</u>		<u>1,76,42,654</u>	

2.3 Details of Shareholders holding more than 5% shares in the Company including those held by holding Company and Subsidiaries of holding Company.

Name of Shareholders	Equity Shares			
	2015		2014	
	No of Shares	% holding	No of Shares	% holding
Reliance Jio Infocomm Ltd	1,000	100%	1,000	100%

Notes to Financial Statements for the period ended 31st December, 2015

	(USD)	
	As at 31st December, 2015	As at 31st December, 2014
3. Reserves and Surplus		
Profit and Loss Account		
As per last Balance Sheet	(15,40,555)	(2,23,819)
Add: Loss for the year	(9,18,807)	(13,16,736)
	<u>(24,59,362)</u>	<u>(15,40,555)</u>
TOTAL	<u>(24,59,362)</u>	<u>(15,40,555)</u>
		(USD)
4. Other Current Liabilities	As at 31st December, 2015	As at 31st December, 2014
Creditors for Capital Expenditure	2,92,821	5,15,377
Other Payables	30,088	2,702
TOTAL	<u>3,22,909</u>	<u>5,18,079</u>

FIXED ASSETS

5. TANGIBLE ASSETS

Description	Gross Block			Depreciation			Net Block	
	As at 01-01-2015	Additions	As at 31-12-2015	As at 01-01-2015	For the Year	Upto 31-12-2015	As at 31-12-2015	As at 31-12-2014
OWN ASSETS								
Computer Equipments	92,726	4,493	97,219	18,693	24,711	43,404	53,815	74,033
Office Equipments	16,657	1,847	18,504	2,293	3,711	6,004	12,500	14,364
Furniture and Fixtures	38,557	-	38,557	4,074	5,508	9,582	28,975	34,483
TOTAL	1,47,940	6,340	1,54,280	25,060	33,930	58,990	95,290	1,22,880
Previous year	5,945	1,41,995	1,47,940	192	24,868	25,060	1,22,880	

6. INTANGIBLE ASSETS

Description	Gross Block			Amortization			Net Block	
	As at 01-01-2015	Additions	As at 31-12-2015	As at 01-01-2015	For the Year	Upto 31-12-2015	31-12-2015	As at 31-12-2014
Software	3,85,168	-	3,85,168	1,53,962	2,31,206	3,85,168	-	2,31,206
TOTAL	3,85,168	-	3,85,168	1,53,962	2,31,206	3,85,168	-	2,31,206
Previous year	-	3,85,168	3,85,168	-	1,53,962	1,53,962	2,31,206	

Notes to Financial Statements for the period ended 31st December, 2015

7. Capital work in progress includes Project Development expenditure as detailed below :-

	(In USD) 2015	(In USD) 2014
Opening balance	99,51,923	21,72,436
Add		
Salaries and wages	37,23,364	58,32,102
Legal and professional charges	1,16,809	17,71,023
Colocation charges	2,93,516	1,76,362
Closing balance	<u>140,85,612</u>	<u>99,51,923</u>

	As at 31st December, 2015	As at 31st December, 2014
8. Non Current Investments (Long Term Investment)		
a Trade Investment (valued at cost)		
In shares of company - Unquoted Fully Paid up		
*10,000 shares of Series D Preferred Stock of USD @ \$1,000 per share of Airspan Networks Inc	100,00,000	50,00,000
287952 shares of Series B Preferred Stock of USD @ \$0.0001 per share of Airhop Corporation Inc	5,00,000	-
**201566 shares of Series B Preferred Stock USD @ 0.0001 USD of Airhop Corporation Inc	2,015	-
b. In Equity units of wholly owned subsidiary company		
50,000 units of USD 0.002 each in Reliance Jio Global Resources LLC (including additional paid in capital of USD 44,99,116)	44,99,216	-
TOTAL	<u>150,01,231</u>	<u>50,00,000</u>

*The Company has got an option to convert the above Series D preferred stock into common stock of the investee company @ 16.2601626 shares of each unit of preferred stock held by the Company .

** Pursuant to exercise of share warrant

	As at 31st December, 2015	As at 31st December, 2014
9. Cash and Bank Balances		
Balance with Banks	12,847	2,78,828
	<u>12,847</u>	<u>2,78,828</u>

Notes to Financial Statements for the period ended 31st December, 2015

	As at 31st December, 2015	As at 31st December, 2014
10. Short Term Loans and Advances (Unsecured and Considered Good)		
Prepaid Expenses	2,03,110	1,89,522
Prepaid Insurance	4,701	10,090
Security Deposit	29,501	29,501
	<u>2,37,312</u>	<u>2,29,113</u>
	2015	(USD) 2014
11 Employee Benefits Expense		
Salaries and wages	1,93,548	2,95,547
Total	<u>1,93,548</u>	<u>2,95,547</u>
	2015	(USD) 2014
12 Other Expenses		
Accounting Charges	5,027	14,718
Legal and Professional Fees	20,687	36,900
Telephone	20,780	42,612
Travel	42,986	1,67,762
Payment to Auditors	11,000	10,500
General administration expenses	1,81,631	2,10,028
Rent	1,71,238	3,50,125
Insurance	6,774	9,714
Total	<u>4,60,123</u>	<u>8,42,359</u>
	2015	2014
13 Earning Per Unit (EPS)		
i) Earnings attributable to Members (Amount in USD)	(9,18,807)	(13,16,736)
ii) Weighted Average number of Equity Units used as denominator for calculating EPS	1000	1000
iii) Basic and Diluted Earnings per unit (USD)	(919)	(1,317)
iv) Face Value per equity unit (USD)	0.01	0.01

Notes to Financial Statements for the period ended 31st December, 2015

14 Related Party Disclosures

(i) List of related parties and relationship :-

Name of the Related Party	Relationship
Reliance Industries Limited (RIL)	Ultimate Holding Company
Reliance Jio Infocomm Limited	Holding Company
Reliance Jio Global Resource Inc	Subsidiary Company
Reliance Holdings USA Inc.	Fellow Subsidiary Company

(ii) Transactions with related parties during the year 2015

Nature of Transactions with Related Parties (excluding reimbursements)	Ultimate Holding	Holding	Subsidiary	Fellow Subsidiary	Total
1 Ordinary Shares issued		148,55,000 (149,92,664)			148,55,000 (149,92,664)
2 Purchase/Subscription of Investment			44,99,216		44,99,216
3 Acquisition of Omni Symmetry				-	-
4 Purchase of Fixed Asset	- (41,592)	- (73,951)			- (1,15,543)
Balances as at 31st December, 2015					
1 Investments			44,99,216	-	44,99,216
2 Ordinary Share Capital		324,97,654 (176,42,654)		-	324,97,654 (176,42,654)

(iii) Disclosure in Respect of Material Related Party Transactions during the year :

	Relation	2015	2014
1 Subscription of Equity			
Reliance Jio Infocomm Limited	Holding Company	148,55,000	149,92,664
2 Purchase/Subscription of Investment			
Reliance Jio Global Resource Inc	Subsidiary Company	44,99,216	-
3 Acquisition of Omni Symmetry			
Reliance Holdings USA Inc.		-	4,12,664
4 Purchase of Fixed Asset			
Reliance Industries Limited (RIL)	Ultimate Holding Company	-	41,592
Reliance Jio Infocomm Limited	Holding Company	-	73,951
Sub total		193,56,232	1,15,543

Balance as on 31st Dec 2015

Particulars	Relation	2015	2014
1 Share Capital			
Reliance Jio Infocomm Limited (including additional paid - in capital)	Holding Company	324,97,664	-
2 Investment			
Reliance Jio Global Resource Inc	Subsidiary Company	44,99,216	-

Notes to Financial Statements for the period ended 31st December, 2015

15 Leases

Operating lease relate to lease of Office buildings on cancellable basis for a lease term of 1-3 years . The company does not have an option to purchase the leased office building at the expiry of lease period

Payment recognised as an expense	Amount (in USD)	
	2015	2014
Minimum lease payment	1,71,238	3,50,125
Total	<u>1,71,238</u>	<u>3,50,125</u>

16 Segment Reporting

The Company executes and develops International Long Distance (ILD) and content business for RJIL, the holding company in USA . The Company has single segment as per the requirements of Accounting Standard 17 for “Segment Reporting” notified by Companies (Accounting Standard) Rules, 2006. The assets and liabilities of the Company as on 31st December, 2015 predominantly relate to this segment.

17 Deferred Tax

Deferred tax asset has not being recognised in the financials as the Company does not have the reasonable /virtual certainty to realise the said asset . It will be recognised in the financials and will be carried forward only when it is considered reasonably/ virtually certain that the same will be realised in the future.

- 18 Previous year figures have been regrouped, reworked , re-arranged and reclassified where ever necessary to make then comparable with those of the current year.

As per our report of even date
For Deloitte Haskins and Sells LLP

Chartered Accountants

Abhijit A. Damle
Partner
Membership No.102912

Mumbai
Dated : April 20, 216

For and on behalf of the board

Director

Texas
Dated: April 20, 216