

**FINANCIAL STATEMENT**

**2014-2015**

**GLOBAL MEDIAWORKS (UK) LIMITED**

## INDEPENDENT AUDITOR'S CERTIFICATE

To,  
The Management of  
Reliance MediaWorks Limited  
Mumbai, India

### *Report on the Financial Statements*

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

### *Management's Responsibility for the Financial Statements*

The Management is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 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 the Accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting fraud and other regularities; 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 we are 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 PBG Associates Ltd London 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

# Chokshi and Co. LLP

## Chartered Accountants

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Mumbai – 400020; India  
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preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- (c) in the case of the 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 the following matters in the Notes to the financial statements:-

1. Note no.15 of the Notes to Accounts to the financial statements which respectively indicates that, The management of Reliance MediaWorks Limited the parent company considers it appropriate to prepare the financial statements on a going concern basis on the assumption that the facilities shall not be recalled by providers of finance and that the funds shall be made available by the main shareholder who has undertaken to provide financial support for the foreseeable future. Accordingly no adjustments are required to be made in the carrying value of Assets and Liabilities.

### **For Chokshi & Co. LLP**

Chartered Accountants

Registration Number: 131228W/W100044

### **Kalpen Chokshi**

Partner

Membership No.: 135047

**Place: Mumbai**

**Date: 20th July 2015**

# Global MediaWorks (UK) Limited

## Balance sheet as at March 31, 2015

	Note	As at March 31, 2015 (INR)	As at March 31, 2014 (INR)
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	2	847,000	847,000
(b) Reserves and surplus	3	(1,169,141,870)	(1,074,303,119)
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings			
(b) Deferred tax liabilities (net)			
(c) Other long-term liabilities			
(d) Long-term provisions			
<b>3 Current liabilities</b>			
(a) Short-term borrowings	4	1,147,763,983	1,216,014,130
(b) Trade payable (refer note 21)		13,750,951	48,827,763.00
(c) Other current liabilities	5	8,943,572	4,609,702
(d) Short-term provisions			
		<b>2,163,636</b>	<b>195,995,476</b>
<b>II ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets			
(ii) Intangible assets			
(iii) Capital work in progress			
(iv) Intangible assets under development			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long-term loans and advances	6	-	161,491
(e) Other non-current assets			
<b>2 Current assets</b>			
(a) Current Investments			
(b) Inventories			
(c) Trade receivables	7	-	28,635,923
(d) Cash and bank balances	8	2,163,636	2,034,820
(e) Short-term loans and advances	9	-	165,163,242
(f) Other current assets			
		<b>2,163,636</b>	<b>195,995,476</b>

Significant accounting policies

1

The accompanying notes form an integral part of the financial statements.

As per report on financial statements of even date attached.

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

For Reliance MediaWorks Limited

Kalpen Chokshi  
Partner  
Membership No: 135047  
Place : Mumbai  
Date : July 20, 2015

Sandip Dhotre  
Authorised Signatory  
Place : Mumbai  
Date : July 20, 2015

# Global MediaWorks (UK) Limited

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

		For the year ended March 31, 2015	For the eighteen months ended March 31, 2014
	Note	(INR)	(INR)
<b>I. Revenue from operations</b>	10	-	67,386,650
<b>II. Other income</b>		-	(123,376,700)
Gain due to foreign exchange fluctuation		80,305,883	
<b>III. Total revenue</b>		80,305,883	(55,990,050)
<b>IV. Expenses</b>			
Chemicals and spares consumed			(358,758)
Processing Charges			(110,658)
Other direct expenses			6,535,959
Electricity, power and water charges			1,892,122
Employee Benefit expense	11	-	138,621,585
Depreciation and amortization expense			209,356,638
Other expenses	12	175,144,634	79,597,309
<b>Total expenses</b>		175,144,634	435,534,197
<b>V. (Loss) before exceptional and extra ordinary item and tax (III- IV)</b>		(94,838,751)	(491,524,247)
<b>VI. Exceptional items</b>			
<b>VII. (Loss) before extra ordinary item and tax (V- IV)</b>		(94,838,751)	(491,524,247)
<b>VIII. Extraordinary items</b>		-	-
<b>IX. Profit / (loss) before tax (VII-VIII)</b>		(94,838,751)	(491,524,247)
<b>X. Tax expenses</b>			
Current tax		-	-
Deferred tax (credit)/ charge		-	-
Short / (excess) provision for earlier years			
<b>Loss after tax (IX-X)</b>		(94,838,751)	(491,524,247)
Basic		(9,484)	(49,152)
Diluted		(9,484)	(49,152)

Significant accounting policies 1  
The accompanying notes form an integral part of the financial statements.  
As per report on financial statements of even date attached.

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

For Reliance MediaWorks Limited

Kalpen Chokshi  
Partner  
Membership No: 135047  
Place : Mumbai  
Date : July 20, 2015

Sandip Dhotre  
Authorised Signatory

Place : Mumbai  
Date : July 20, 2015

# Global MediaWorks (Mauritius) Limited

## Cash flow statement

for the year ended March 31, 2015

	For the year ended March 31, 2015	For the eighteen months ended March 31, 2014
	(INR)	(INR)
<b>A. Cash flow from operating activities</b>		
Net loss before tax	(94,838,751)	(491,524,247)
Adjustment for:		
Depreciation and amortization expense	-	209,356,638
<b>Operating profit before working capital changes</b>	<b>(94,838,751)</b>	<b>(282,167,609)</b>
Adjustment for:		
Increase/(decrease) in sundry debtors	28,635,923	(12,102,210)
Increase/(decrease) in short term loans and advances	165,163,242	(120,818,790)
(Increase) in non current loans and advances	161,491	(23,099)
(Decrease)/ Increase in short term borrowings	(68,250,147)	(23,198,792)
(Decrease)/ Increase in trade payables	(35,076,812)	-
(Decrease)/ Increase in Other current liabilities	4,333,870	-
<b>Operating loss before working capital changes</b>	<b>128,816</b>	<b>(438,310,500)</b>
Taxes paid (net of refunds)	-	-
<b>Net cash used in operating activities (A)</b>	<b>128,816</b>	<b>(438,310,500)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	-	12,742,019
<b>Net cash generated from investing activities (B)</b>	<b>-</b>	<b>12,742,019</b>
<b>C. Cash flow from financing activities</b>		
Loan from related party	-	369,782,373
<b>Net cash flow from financing activities (C)</b>	<b>-</b>	<b>369,782,373</b>
<b>Net increase / (decrease) in cash and cash equivalent</b>	<b>128,816</b>	<b>(55,786,108)</b>
Cash and cash equivalents as at beginning of the period	2,034,820	57,820,928
Cash and cash equivalents as at end of the period	2,163,636	2,034,820

The accompanying notes form an integral part of the financial statements.

As per report on financial statements of even date attached.

For Chokshi & Co LLP

Chartered Accountants

Firms' Registration No: 131228W/W100044

For Reliance MediaWorks Limited

Kalpen Chokshi

Partner

Membership No: 135047

Place : Mumbai

Date : July 20, 2015

Sandip Dhotre

Authorised Signatory

Place : Mumbai

Date : July 20, 2015



# Global MediaWorks (UK) Limited

## Notes to the financial statements for the year ended March 31, 2015

### Background

Global MediaWorks (UK) Limited, ('the Company') is a wholly owned subsidiary of Reliance MediaWorks Limited. The Company is primarily engaged in the business of film distribution and film services in the territory of United Kingdom, Benelux and also has a visual effects and processing lab facility in London.

### Basis of Accounting

The financial statements of the Company have been prepared under the historical cost convention on the accrual basis in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standard) Rules, 2006 to the extent applicable to the Company.

The Company maintains its books of accounts in Great Britain Pound (GBP), the local currency in United Kingdom. These financial statements have been prepared in GBP and presented in Indian Rupees (Rs.) and GBP. The Management of the Parent Company considers the operations of the Company as being integral to its operations and hence the financial statements have been translated in Indian rupees under the integral method of translation as specified in AS – 11 (Revised) "The Effects of Changes in Foreign Exchange Rates".

### 1. Significant Accounting Policies

#### a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires 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. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### b) Revenue

Sales represents amounts receivable for goods and services net of VAT.

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The amount recognized as sales is exclusive of value added tax and net of trade discounts if any.

Revenue on distribution of movies is recognized upon date of releases / exhibition. Revenue from sale of DVD is primarily recognized when there is delivery of goods. Revenue from the laboratory is recognized upon completion of the related processing /printing.

Revenue from processing of digital content is recognized using the proportionate completion method. Use of the proportionate completion method requires the Company 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.

#### c) Deferred Tax :

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

##### Current Income Taxes

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

##### 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.

# Global MediaWorks (UK) Limited

## Notes to the financial statements for the year ended March 31, 2015

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.

### d) 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 statement of profit and loss 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 statement of profit and loss.

Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

### e) Foreign currency translation

The financial statements are reported in Indian rupees in accordance with AS-11 – 'The Effects of Changes in Foreign Exchange Rates' which specifies translation of foreign subsidiaries on the basis of their classification as integral / non-integral to the operations of the Holding Company.

Subsidiaries which are classified as integral: Translation of the local currency financials of integral operations is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs, using average exchange rate during the reporting period. Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the statement of profit and loss. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

Subsidiaries which are classified as non-integral: Translation of local currency financials of non-integral operations wherein the translation of the local currency balances of the assets and liabilities are translated at the exchange rate in effect at the balance sheet date and for revenue and expense items at the average exchange rate during the reporting period. Net exchange differences resulting from the above translation of the financial statements is accumulated in a 'Foreign currency translation reserve', disclosed as Reserves and surplus.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to statement of profit and loss.

### f) Leases

The Company recognizes lease rental on a straight line basis over the term of the lease agreement.

### g) Impairment

The Company 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 discounted 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.



# Global MediaWorks (UK) Limited

## Notes to the financial statements for the year ended March 31, 2015

### **h)' Provisions and contingencies**

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Company 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.

# Global MediaWorks (UK) Limited

## Notes to the financial statements

as at March 31, 2015

	As at March 31, 2015 (INR)	As at March 31, 2014 (INR)
<b>2 Share capital</b>		
<i>Authorised</i>		
*10,000,000 shares of GBP 1 each	84,700,000	84,700,000
<i>Issued, subscribed and paid-up capital</i>		
*10000 shares of GBP 1 each		
* Face value of the shares denominated in GBP	847,000	847,000
	<b>847,000</b>	<b>847,000</b>

### Note 2(a) Reconciliation of the shares outstanding at the beginning and at the end of the period

Particulars	March 31, 2015		March 31, 2014	
	No of Shares	Amount in Rs.	No of Shares	Amount in Rs.
Shares issued as at beginning of the period	847,000	10,000	847,000	10,000
Share issued during the period	-	-	-	-
Buyback/ forfeiture/ reduction shares	-	-	-	-
Shares issued as at end of the period	847,000	10,000	847,000	10,000

### Note 2(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of GBP 1 per share. Each equity holder entitle to one vote per share. The Company declares and pays dividends in GBP. The dividend proposed by the Board of the Directors is subject to the approval of the shareholders is the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Note 2(c) Shares in respect of each class of company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding companies or the ultimate holding company in aggregate.

Particulars	%	As at March 31, 2015		As at March 31, 2014	
		Number of Shares	Amount in Rs.	Number of Shares	Amount in Rs.
Reliance MediaWorks Limited	100	847,000	10,000	847,000	10,000

	As at March 31, 2015 (INR)	As at March 31, 2014 (INR)
<b>3 Reserves and surplus</b>		
<b>Profit &amp; loss account</b>		
At the beginning of the period	(1,074,303,119)	(582,778,872)
Add: Loss for the period as per statement of profit & loss	(94,838,751)	(491,524,247)
Less: Appropriations	-	-
	<b>(1,169,141,870)</b>	<b>(1,074,303,119)</b>
<b>4 Short-term borrowing</b>		
<u>Loans and advance from related parties (unsecured)</u>		
Loan from Holding company	1,147,763,983	1,216,014,130
	<b>1,147,763,983</b>	<b>1,216,014,130</b>
<b>5 Other current liabilities</b>		
Other current liabilities	5,538,670	1,037,285
Rates and taxes	3,404,902	3,572,417
	<b>8,943,572</b>	<b>4,609,702</b>

**Global MediaWorks (UK) Limited**  
**Notes to the financial statements (Continued)**

as at March 31, 2015

	As at March 31, 2015 (INR)	As at March 31, 2014 (INR)
<b>6 Long-term loans and advances</b>		
Unsecured, considered good;		
Security deposits	150,358	161,491
Less: Provision for the same	(150,358)	
	-	161,491
<b>7 Trade Receivables</b>		
Unsecured, Considered good		
Debts outstanding for a period exceeding six months	26,661,900	223,605,072
Provision for doubtful debts	(26,661,900)	(194,969,149)
	-	28,635,923
<b>8 Cash and bank balances</b>		
Cash and cash equivalents		
Barclays bank- Current Account	2,163,636	2,034,820
	2,163,636	2,034,820
<b>9 Short term loans &amp; Advances</b>		
Loans and advances to related parties	113,406,479	121,802,992
Others	40,371,203	43,360,250
Less: Provision for the same	(153,777,682)	
	-	165,163,242
<b>10 Income from operation</b>		
Processing/ printing of films	-	67,386,650
	-	67,386,650
<b>11 Employee benefit expense</b>		
Salaries, wages and bonus	-	123,859,306
Contribution to provident and other funds	-	14,762,279
	-	138,621,585
<b>12 Other Expenses</b>		
Advertisement & promotional expense	-	22,892
Rent	-	42,911,026
Rates and taxes	-	10,106,023
Insurance	-	1,707,507
Printing, postage and stationary	-	3,469,138
Travelling	-	209,175
<b>Repairs and maintainance</b>	-	
- Building	-	283,874
- Others	-	597,220
Professional fees	2,164,974	14,167,284
Audit Fees	817,879	
Miscellaneous expenses	1,326,888	3,972,382
Bank Charges	264,608	636,886
Bad and doubtful debts	-	-
Facility maintainance charges	-	1,513,902
Provision for Loans and Advances	170,570,286	
	175,144,634	79,597,309