

RELIANCE AFFINITY NAMES INC
FINANCIAL STATEMENTS
2016-17

Independent Auditor's Report

To the Board of Directors

Reliance Jio Infocomm Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Affinity Names LLC** ("the Company"), which comprise the Balance Sheet as at December 31, 2016, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS'), prescribed under section 133 of the Companies Act, 2013 ("the Act").

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 Ind AS financial statements based on our audit.

We conducted our audit of the Ind AS financial statements 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS 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, 2016, and its profit, total comprehensive income, its cash flows and the changes in equity 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 Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

For V.P Mehta & Co
Chartered Accountants

Vipul Mehta
(Partner)

Mumbai, dated: 20th April, 2017

Membership No. 035722

Balance Sheet as at 31st December, 2016

Particulars	Notes	(In USD)		
		As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
ASSETS				
Non - Current assets				
Intangible assets	1	-	-	146,463
Total Non-Current assets		-	-	146,463
Current assets				
Financial Assets				
Cash and cash equivalents	2	1,250	1,250	1,250
Total Current assets		1,250	1,250	1,250
Total Assets		1,250	1,250	147,713
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	3	10,000	10,000	10,000
Other Equity	4	(9,500)	(9,500)	136,963
Total equity		500	500	146,963
Liabilities				
Deferred Payment Liabilities		-	-	-
Other Current liabilities	5	750	750	750
Provisions		-	-	-
Total current liabilities		750	750	750
Total liabilities		750	750	750
Total Equity and Liabilities		1,250	1,250	147,713
Significant Accounting Policies	1-8			
See accompanying Notes to the Financial Statements				

For V. P Mehta & Co
Chartered Accountants

Member

Vipul Mehta
Partner
Membership No. 035722

Mumbai
Dated : 20th April, 2017

Delaware
Dated:

Statement of Profit and Loss for the period ended 31st December, 2016

	Notes	Jan-Dec'16	(In USD) Jan-Dec'15
INCOME			
Revenue from Operations		-	-
Other Income		-	-
Total Income		<u>-</u>	<u>-</u>
EXPENSES			
Employee Benefits Expense		-	-
Finance Costs (Interest)		-	-
Depreciation and Amortisation Expense	6	-	146,463
Operating and Other expenses		-	-
Total Expenses		<u>-</u>	<u>146,463</u>
Loss for the period / year		-	(146,463)
Other Comprehensive Income			
Total Other Comprehensive Income		-	-
Total Comprehensive Income for the period / year		-	(146,463)
Earnings per equity share of face value of Rs. 10 each			
Basic (in USD)		-	(146.46)
Diluted (in USD)		-	(146.46)
Significant Accounting Policies			
See accompanying Notes to the Financial Statements	1-8		

For V. P Mehta & Co
Chartered Accountants

Vipul Mehta
Partner
Membership No. 035722

Mumbai
Dated : 20th April, 2017

Member

Delaware
Dated:

Statement of Changes In Equity for the period ended 31st December, 2016

(A) Equity Share Capital		(In USD)	
Balance at 1st January, 2015		10,000	
Changes in equity share capital during the year		-	
Balance at 31st December, 2015		10,000	
Changes in equity share capital during the year		-	
Balance at 31st December, 2016		10,000	

(B) Other Equity		(In USD)	
Particulars	Reserves and Surplus		Total
	Additional Paid in Capital	Retained Earnings	
As on 1st January, 2015			
Balance at the beginning of the reporting period	236,474	(49,940)	186,534
Changes in accounting policy or prior period errors	-	-	-
Restated balance at the beginning of the reporting period	236,474	(49,940)	186,534
Total Comprehensive Income for the year	-	(49,571)	(49,571)
Additional Paid in capital	-	-	-
Transfer to retained earnings	-	-	-
Adjustment on account of amalgamation	-	-	-
Adjustment relating to Fixed Assets	-	-	-
	236,474	(99,511)	136,963
As on 31st December, 2015			
Balance at the beginning of the reporting period	236,474	(99,511)	136,963
Changes in accounting policy or prior period errors	-	-	-
Restated balance at the beginning of the reporting period	236,474	(99,511)	136,963
Total Comprehensive Income for the year	-	(146,463)	(146,463)
Shares Issued	-	-	-
	236,474	(245,974)	(9,500)
As on 31st December, 2016			
Balance at the beginning of the reporting period	236,474	(245,974)	(9,500)
Changes in accounting policy or prior period errors	-	-	-
Restated balance at the beginning of the reporting period	236,474	(245,974)	(9,500)
Total Comprehensive Income for the year	-	-	-
Shares Issued	-	-	-
	236,474	(245,974)	(9,500)

Notes on Financial Statements for the period ended 31st December, 2016

A ACCOUNTING POLICIES

A.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared to comply with the Indian Accounting Standards ('Ind AS'), including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. Upto the year ended December 31, 2015, the Company prepared its financial statements in accordance with the requirement of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. Refer Note D for the details of first time adoption exemptions availed by the company.

A.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

A.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment:

Under the previous GAAP (erstwhile Indian GAAP), Property Plant and Equipments, were carried in the balance sheet at historical cost. The Company has elected to regard those values of property as deemed cost as at April 1, 2015 (date of transition to Ind AS).

The Company shall capitalise the assets when they are available for use and are working in the manner as intended by the management. The assets shall be considered as being available for intended use; when the Quality of Service (QoS) laid down by the management is achieved.

Property Plant and Equipments is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes purchase price, taxes and duties, labour cost and direct overheads for self-constructed assets and other direct costs incurred up to the date the asset is ready for its intended use.

Depreciation on Property Plant and Equipments is provided on straight line method and based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 unless otherwise stated

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) Leases:

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 .

(c) Impairment of non financial Assets

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment may be impaired. If any such impairment exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss.

Notes on Financial Statements for the period ended 31st December, 2016

(d) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(e) Employee benefits

(i) Short Term 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 Company contribution per terms of the 401k plan.

(ii) 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.

(f) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance sheet date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Revenue is recognised only if following conditions are satisfied:

- Revenue can be measured reliably,
- It is probable that the economic benefit associated with the transaction will flow to the Company,
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

Notes on Financial Statements for the period ended 31st December, 2016

Revenue on account of telephony services is recognised net of discount, rebates, service tax, etc. on rendering of services. Revenue from passive infrastructure is recognised on accrual basis as per contractual terms on a systematic basis over the contract period.

(j) Financial Instruments

i) Financial Assets

A. Initial recognition and measurement:

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are recognised using trade date accounting.

B. Subsequent measurement

a) Financial assets carried at amortised cost (AC)

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

ii) Financial liabilities

A. Initial recognition and measurement:

All financial liabilities are recognized initially at fair value and in case of loans and borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in profit or loss as finance cost.

B. Subsequent measurement:

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables including creditors for capital expenditure maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

C Critical accounting judgements and key sources of estimation uncertainty:

The preparation of the Company's financial statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Depreciation and useful lives of property plant and equipment

Property, plant and equipment are depreciated over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and take into account anticipated technological changes. The depreciation for future periods is adjusted if there are significant changes from previous estimates.

Notes on Financial Statements for the period ended 31st December, 2016

b) Provisions

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

c) Impairment of non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

D First time adoption of Ind AS:

The Company has adopted Ind AS with effect from 1st January 2016 .However the adoption of IND AS does not have any impact on the recognition and measurement of assets and liabilities recognised under previous GAAP .

Exemptions from retrospective application:

(i) Deemed cost for Property, Plant and equipment

The Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at January 01,2016 measured as per previous GAAP and use that carrying value as its deemed cost as at the transition date.

Notes on Financial Statements for the period ended 31st December, 2016

(In USD)

Description	Gross Block				Depreciation				Net Block				
	As at 1-Jan-15	Impact on IND AS Transition	Additions/Adjustment	As at 31-Dec-15	Deductions/Adjustment	As at 31-Dec-16	As at 1-Jan-15	Impact on IND AS Transition	Additions/Adjustment	As at 31-Dec-15	Deduction/Adjustment	As at 31-Dec-16	As at 31-Dec-14
1. Intangible assets													
Software*	22,783	-	-	22,783	-	22,783	8,734	14,048	-	22,783	-	-	14,048
Internet TLD Application	220,692	-	-	220,692	-	220,692	88,277	132,415	-	220,692	-	-	132,415
Others: *	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A+B)	243,474	-	-	243,474	-	243,474	97,011	146,463	-	243,474	-	-	146,463
Previous Year Figures				243,474		243,474				97,011		243,474	
										146,463			

Notes on Financial Statements for the period ended 31st December, 2016

(in USD)			
2 Cash and cash equivalents	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
(a) Balances with Banks In current accounts	1,250	1,250	1,250
	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
3 Member Contribution	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Issued, Subscribed and Paid up:			
1000 Equity Shares of USD10 each fully paid up	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total	<u><u>10,000</u></u>	<u><u>10,000</u></u>	<u><u>10,000</u></u>

3.1 Terms/rights attached to equity shares :

The company has only one class of equity shares having a par value of USD 10 per share. The Company has received an amount aggregating USD 236474 towards additional paid in capital from Reliance USA Holdings Inc the parent company. 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.

3.2 Terms/rights attached to Ordinary shares

The company has only one class of Ordinary shares having a par value of Rs 10 per share. Each holder of Ordinary shares is entitled to one vote per share and receive dividend if declared. The dividend, if proposed by Board of Directors, is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of Ordinary 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 Ordinary shares held by the shareholder USD

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

Particulars	Ordinary Shares					
	As at 31st Dec 2016		As at 31st Dec 2015		As at 1st Jan 2015	
	No.of Shares	Amount (USD)	No.of Shares	Amount (USD)	No.of Shares	Amount (USD)
No. of shares at the beginning of the year	1,000	10,000	1,000	10,000	1,000	10,000
No. of shares at the end of the year	<u>1,000</u>	<u>10,000</u>	<u>1,000</u>	<u>10,000</u>	<u>1,000</u>	<u>10,000</u>

3.4 Details of Shareholders holding more than 5% shares in the company including those held by holding company:

Particulars	Ordinary Shares					
	As at 31st Dec 2016		As at 31st Dec 2015		As at 1st Jan 2015	
	No.of Shares	% holding	No.of Shares	% holding	No.of Shares	% holding
Reliance Holding USA Inc	1,000	100%	1,000	100%	1,000	100%

Notes on Financial Statements for the period ended 31st December, 2016

(In USD)

4 Other Equity

	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Additional Paid in Capital	236,474	236,474	236,474
Retained Earnings	(245,974)	(245,974)	(99,511)
TOTAL	(9,500)	(9,500)	136,963

Retained Earnings

As per last Balance Sheet	(245,974)	(99,511)	(49,940)
Add: Profit for the year	-	(146,463)	(49,571)
Balance at end of year	(245,974)	(245,974)	(99,511)

5 Other Current Liabilities

Other Payable	750	750	750
	750	750	750

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

(In USD)

7 Earnings Per Share (EPS)

2016-17

2015-16

Basic Earning Per Share

i. Loss for the year as per Profit and Loss Statement (in USD)	-	(146,463)
ii. Weighted Average number of equity shares used as denominator for calculating EPS	1,000	1,000
iii. Basic and Diluted Earnings per share (USD)	-	(146.46)
iv. Face Value per equity share (USD)	10.00	10.00

8 The Financial statements are approved for the issue by the Board of Directors at their meeting conducted on April 22, 2017

For V. P Mehta & Co
Chartered Accountants

Member

Vipul Mehta
Partner
Membership No. 035722

Mumbai
Dated :

Delaware
Dated: