

RELIANCE HOLDING USA, INC.
FINANCIAL STATEMENTS
2016-17

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF RELIANCE HOLDING USA INC.

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying Standalone Ind AS financial statements of Reliance Holding USA Inc. ("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 Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these Standalone Ind AS financial statements that give a true and fair view of the financial position, 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 Standalone 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 Standalone Ind AS financial statements based on our audit.

We conducted our audit of the Standalone 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 Standalone Ind AS 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone 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 Standalone Ind AS 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 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 Standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone 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 loss, total comprehensive loss, its cash flows and the statement of changes in equity for the year ended on that date.

Independent Auditor's Report (Contd..)

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

Abhijit A. Damle
(Partner)
Membership No. 102912

Mumbai, dated:21st April, 2017

Balance Sheet as at 31 December, 2016

	Notes	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015	
ASSETS					
Non-Current Assets					
(a)	Property, plant and equipment	3	508,806	615,447	782,484
(b)	Capital work-in-progress	3	-	-	316,740
(c)	Other intangible assets	3	321,246	817,766	1,315,246
(d)	Intangible assets under development	3	-	70,228	70,228
(e)	Financial assets				
(i)	Investments	4	65,364,570	965,629,461	465,349,929
(ii)	Loans	5	5,111,299,304	4,878,865,607	4,335,930,452
(iii)	Other financial assets	6	36,916	28,165	7,165
(f)	Non current tax assets	7	150,000	150,000	150,000
	Total Non-Current Assets		5,177,680,842	5,846,176,674	4,803,922,244
Current Assets					
(a)	Financial assets				
(i)	Cash and cash equivalents	8	3,708,006	1,665,062	2,983,234
(ii)	Other financial assets	9	69,516,397	4,797,982	44,532,503
(b)	Other current assets	10	139,565	268,823	4,716
	Total Current Assets		73,363,968	6,731,867	47,520,453
	Total Assets		5,251,044,810	5,852,908,541	4,851,442,697
EQUITY AND LIABILITIES					
Equity					
(a)	Equity share capital	11	50,000	50,000	50,000
(b)	Other equity	12	(1,063,160,386)	(672,044,825)	44,299,082
	Total Equity		(1,063,110,386)	(671,994,825)	44,349,082
Liabilities					
Non-Current Liabilities					
(a)	Financial liabilities				
(i)	Borrowings	13	4,508,839,591	5,005,560,558	2,975,604,377
(ii)	Other financial liabilities	14	-	881,980,094	-
	Total Non-Current Liabilities		4,508,839,591	5,887,540,652	2,975,604,377
Current Liabilities					
(a)	Financial liabilities				
(i)	Borrowings	15	40,000,000	580,000,000	1,780,000,000
(ii)	Trade payables	16	6,127,084	5,311,305	5,303,905
(iii)	Other financial liabilities	17	1,759,188,521	52,051,409	46,185,333
	Total Current Liabilities		1,805,315,605	637,362,714	1,831,489,238
	Total Equity and Liabilities		5,251,044,810	5,852,908,541	4,851,442,697
	Corporate information and significant accounting policies and notes to the financial statements	1-34			

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered AccountantsAbhijit A. Damle
Partner
Membership No. 102912Walter Van de Vijver
DirectorThakur Sharma
DirectorPlace: Mumbai
Date: 21 April, 2017Place: Houston
Date: 20 April, 2017New York
20 April, 2017

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

	Notes	2016	<i>In USD</i> 2015
INCOME:			
Other Income	18	277,770,352	255,468,254
Total Income		277,770,352	255,468,254
EXPENSES:			
Employee benefits expense	19	7,485,511	8,670,910
Finance costs	20	210,599,406	184,692,327
Depreciation and amortisation expense	21	611,465	662,962
Other expenses	22	953,189,531	777,785,962
Total expenses		1,171,885,913	971,812,161
(Loss) for the year		(894,115,561)	(716,343,907)
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		(894,115,561)	(716,343,907)
Earnings per equity share of face value of USD 0.10 each	23		
Basic and Diluted (in USD)		(1,788.23)	(1,432.69)
Corporate information and significant accounting policies and notes to the financial statements	1-34		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 21 April, 2017

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 20 April, 2017

New York
20 April, 2017

Statement of changes in equity for the year ended 31st December, 2016

In USD

A. EQUITY SHARE CAPITAL

Balance at 1st January, 2015	Changes during the year 2015	Balance at 31st December, 2015	Changes during the year 2016	Balance at 31st December, 2016
50,000	-	50,000	-	50,000

B. OTHER EQUITY

In USD

	Reserves and Surplus			Total
	Additional Paid in Capital	Capital Reserve	Retained Earnings	
Year ended 31 December 2015				
Balance as at 1 January, 2015	654,000,000	-	(609,700,918)	44,299,082
(Loss) for the year	-	-	(716,343,907)	(716,343,907)
Balance as at 31 December, 2015	654,000,000	-	(1,326,044,825)	(672,044,825)
Year ended 31 December 2016				
Balance as at 1 January, 2016	654,000,000	-	(1,326,044,825)	(672,044,825)
Acquisition of stake in RIL USA Inc.	-	3,000,000	-	3,000,000
Additional capital received	500,000,000	-	-	500,000,000
(Loss) for the year	-	-	(894,115,561)	(894,115,561)
Balance as at 31 December, 2016	1,154,000,000	3,000,000	(2,220,160,386)	(1,063,160,386)

Statement of Cash Flows for the year ended 31 December, 2016

	Notes	2016	2015
<i>In USD</i>			
Cash flows from operating activities			
(Loss) as per Statement of Profit and Loss		(894,115,561)	(716,343,907)
Adjustments for:			
Finance costs recognised in profit or loss	20	210,599,406	184,692,327
Finance income recognised in profit or loss	18	(277,770,352)	(244,913,009)
Loss on sale / discarding of property, plant and equipment	22	20,515	316,740
Write off of intangible assets under development	22	70,228	-
Loss on closure of subsidiary	22	2,034	-
Depletion, depreciation and amortisation expense	21	611,465	662,962
Provision for Impairment in value of investment	22	903,540,797	762,436,584
Impact of fair valuation of investments	22	10,578,000	3,593,295
Unrealised gain on derivatives (net)	18, 22	30,218,007	(2,540,001)
		<u>877,870,100</u>	<u>704,248,898</u>
Operating (loss) before working capital changes		<u>(16,245,461)</u>	<u>(12,095,009)</u>
Movements in working capital:			
(Increase) / decrease in other receivables	9, 10	(4,925,141)	2,787,946
Increase in trade payables	16, 17	815,781	7,400
		<u>(4,109,360)</u>	<u>2,795,346</u>
Cash (used in) operating activities		<u>(20,354,821)</u>	<u>(9,299,663)</u>
Cash flows from investing activities			
Payment for of property, plant and equipment	3	-	(1,167)
Proceeds from disposal of property, plant and equipment	3	4,471	2,722
Investment in subsidiaries	4	(149,221)	(1,262,564,416)
Investment in associates	4	(10,708,786)	(3,744,994)
Finance income	18	215,239,030	284,135,474
Loan to subsidiaries (net)		(232,430,000)	(543,000,000)
Movement in loans and deposits	5, 10	(12,448)	43,845
Net cash (used in) investing activities		<u>(28,056,954)</u>	<u>(1,525,128,536)</u>
Cash flows from financing activities			
Proceeds from long term borrowings	13	561,500,000	2,100,000,000
Repayment of long term borrowings	13	(261,500,000)	(70,000,000)
Additional paid in capital	12	500,000,000	-
Repayment short term borrowings (net)	15	(540,000,000)	(1,200,000,000)
Advance from subsidiaries	14	(4,145,201)	881,980,094
Finance costs	20	(205,400,080)	(178,870,067)
Net cash generated from financing activities		<u>50,454,719</u>	<u>1,533,110,027</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,042,944</u>	<u>(1,318,172)</u>
Cash and cash equivalents at the beginning of the year	8	1,665,062	2,983,234
Cash and cash equivalents at the end of the year (Refer note 8)		<u>3,708,006</u>	<u>1,665,062</u>
Corporate information and significant accounting policies and notes to the financial statements	1-34		

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 21 April, 2017

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 20 April, 2017

New York
20 April, 2017

Notes to the financial statements for the year ended 31 December, 2016

1. GENERAL INFORMATION

- A. Reliance Holding USA Inc. (the "Company", "Reliance", "RHUSA") was incorporated as a Delaware corporation on 30 March 2010, under Delaware General Corporation Law. The principal office of the Company is situated at 2000 W Sam Houston Parkway S, Houston, Texas 77042 in the United States of America.

The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from mineral properties, commercialization of gasoline & blended gasoline products and related businesses through its investments. The Company also has investments in other businesses, including domain names, biotechnology and renewable fuels.

The shares of the Company are wholly held by Reliance Energy Generation and Distribution Limited (the "Parent"), a company incorporated in Mumbai, India. Reliance is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed company.

The extent of the Company's shareholding in and the principal business activities of the subsidiaries and associates are as follows:

Company	Country of Incorporation	Percentage of Shareholding	Principle Business Activities
Reliance Marcellus LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream Holding LP (Subsidiary of Reliance Eagleford Upstream LLC)	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream GP LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Midstream LLC	USA	100.00	Midstream business for oil and gas
Reliance Marcellus II LLC	USA	100.00	Exploration and production of oil and gas
Reliance USA Gas Marketing LLC (till 30 December, 2016)	USA	100.00	Marketing of hydrocarbons
GenNext Investment Holdings LLC (till 30 December, 2016) (earlier known as Reliance Marcellus Holding LLC)	USA	100.00	Exploration and production of oil and gas
EFS Midstream LLC (till 1 July, 2015)	USA	49.90	Midstream business for oil and gas
Affinity Names Inc.	USA	100.00	Domain names
Aurora Algae Inc.	USA	100.00	Biotechnology
Aurora Algae Pty ltd. Australia		100.00	Biotechnology
Aurora Algae RGV, LLC	USA	100.00	Biotechnology
RIL USA Inc. (from 31 March, 2016)	USA	100.00	Commercialization of gasoline and blended gasoline products
Algenol LLC	USA	49.05	Biotechnology
Matrix Genetics LLC	USA	30.63	R&D for renewable fuels

- B. RIL USA, Inc., a Delaware corporation, was formed on May 16, 2005. The shares of RIL USA Inc. a fellow subsidiary of the Company were transferred without consideration by Reliance Industries (Middle East) DMCC, (then holding company of RIL USA Inc.) to the Company w.e.f. close of business on 31st March, 2016. RIL USA Inc. became a subsidiary of the Company on execution of Share Contribution Deed. "RIL USA, Inc. is engaged in the commercialization of gasoline and blended gasoline products of Reliance Industries Limited and its affiliates in the United States and Caribbean markets and domestic spot trading with third-party companies. The Company takes ownership of the products upon purchase, is responsible for providing goods to the customer, establishes pricing, and bears the customer's credit risk. The Company leases storage tanks in New York Harbor and point Tupper in Canada for inventory storage and blending.
- C. The investments in Algenol LLC, and Matrix Genetics LLC are considered as investments in associates.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ('Ind AS'), notified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015.

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. The date of transition to Ind AS is 1 January, 2015. Refer note 2.5 for the details of first time adoption exemptions availed by the Company.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting 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. The accounting policies have been applied consistently over all period presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised within the fair value hierarchy into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ii. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- iii. Level 3 inputs are unobservable inputs for the asset or liability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Property, Plant and Equipment and Intangible Assets:

Under the previous GAAP, property, plant and equipments were carried in the balance sheet at historical cost less accumulated depreciation and amortisation, if any. The Company has elected to regard those carrying values of property as deemed cost as at January 1, 2015 (date of transition to Ind AS). They are subsequently carried at cost less accumulated depreciation/amortisation. Depreciation/amortisation is provided on straight line method (SLM) based on management estimated useful lives of the assets as under. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Particulars	Useful Life
Office Equipments	4 years
Furniture & Fixtures	15 years
Software	3-5 years

B. Leases:

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis with reference to the lease terms and other consideration.

C. Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

D. Impairment of Non-Financial Assets:

Impairment indicators

The recoverable amounts of cash-generating units or individual assets as applicable are determined based on higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of estimates and assumptions.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Property plant & equipment

At each balance sheet date, the Company assesses whether there is any indication that any property, plant, equipment and intangible assets 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. The Company monitors other internal and external indicators of impairment relating to its tangible and intangible assets.

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 recognised immediately in the Statement of Profit and Loss.

E. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Company has a present obligation as a result of past event(s) and 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.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

F. Employee Benefits:

The undiscounted amount of short term and long term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services. These benefits include performance incentive.

Defined contribution plans:

The Company's contribution under the 401 (k) plan is considered as defined contribution and is charged as an expense when services are rendered by the employees.

G. Taxation:

The Company on standalone basis is not a tax paying entity for federal or state income tax purposes, and, accordingly, it does not recognise any expense for such taxes. The income tax liability resulting from the Company's activities is the responsibility of the Group.

H. Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and 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.

Interest Income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

I. Investment in Subsidiaries and Associates:

The Company has elected to recognize its investments in subsidiary and associate companies at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The details of such investments are given in Note 3. Impairment policy applicable on such investments is explained in note 2.3 (J).

J. Impairment of Investment:

Assets representing investment in subsidiary company is reviewed for impairment, whenever events or changes in circumstances indicate that carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Impairment losses, if any, are recognized in the Statement of Profit and Loss. Impairment losses are reversed in the Statement of Profit and Loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognized.

K. Financial Instruments:

I. Non-derivative financial instruments

i. Financial Assets.

a. Initial recognition and measurement

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, 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

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.

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.

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.

c. Equity instruments

Equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income'.

d. Impairment of financial assets

The Company assesses impairment based on expected credit loss (ECL) model to the following:

(a) Financial assets at amortised cost

(b) Financial assets measured at fair value through Other Comprehensive Income

The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

The Company uses historical loss experience to determine the impairment loss allowance on the portfolio of trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ii. Financial liabilities

a. Initial recognition and measurement

All financial liabilities are recognised 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

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

b. Subsequent measurement

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

II. Derivative financial instruments (not designated as hedges)

Derivative financial instruments arising out of derivative contracts which are not designated as hedges by the Company, changes in fair value of such open derivatives instruments and gains / losses on derivative transaction settled within the year are accounted through Statement of Profit and Loss.

All financial instruments are measured at valuation techniques, as applicable.

III. De-recognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in the Statement of Profit and Loss. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the Statement of Profit and Loss.

IV. Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realization on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amount of the assets and liability that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(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.

(b) 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 group 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.

(c) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

2.5 FIRST TIME ADOPTION OF IND AS

The Company adopted Ind AS with effect from 1 January, 2016 with comparatives being restated. Accordingly, the impact of transition has been provided in the opening reserve as on 1 January, 2015 and all the periods presented have been restated accordingly. The overarching principle is to recognise all assets and liabilities whose recognition was required by Ind AS and de-recognise those where recognition is not so permitted. This however has certain exceptions together with optional exemptions availed, which are described below.

(i) Designation of previously recognised financial instruments exemption

The Company does not have any financial assets or liabilities as of the transition date which were required to be designated, and which met the required criteria given in Ind AS 101, as a financial asset or financial liability at fair value through profit or loss.

(ii) Fair value as deemed cost exemption

The Company has elected to measure all items of property, plant and equipment (except oil & gas assets) at their respective carrying values under the previous GAAP.

(iii) Estimates

Upon an assessment of the estimates made under Indian GAAP, the Company has concluded that there was no necessity to revise the estimates under Ind AS except where estimates were required by Ind AS and not required by Indian GAAP.

(iv) Derecognition of financial assets and liabilities

Financial assets and liabilities derecognised before transition date are not re-recognised under Ind AS.

(v) Hedge accounting

The Company has not identified any hedging relationships existing as of the transition date. Consequently, this exception, of not reflecting in its opening Ind AS Balance Sheet a hedging relationship of a type that does not qualify for hedge accounting under Ind AS 109, is not applicable to the Company.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

4 NON CURRENT INVESTMENTS

Investment in Subsidiaries

Members Contribution / Equity Shares

Particulars	As at		As at		In USD	
	31st December, 2016		31st December, 2015		As at	
	Qty.	Amount	Qty.	Amount	Qty.	Amount
Reliance Marcellus LLC	-	1,413,246,000	-	1,413,246,000	-	351,046,000
Less: Provision for impairment		1,413,246,000		801,438,203		233,506,237
		-		611,807,797		117,539,763
Reliance Marcellus II LLC	-	525,605,000	-	525,605,000	-	325,605,000
Less: Provision for impairment		525,605,000		463,190,397		268,685,779
		-		62,414,603		56,919,221
Aurora Algae Inc.	79,904,439	63,935,902	75,763,427	63,798,681	-	-
Less: Provision for impairment		63,935,902		63,294,565		-
		-		504,116		-
Reliance Eagleford Upstream LLC	-	228,419,150	-	228,407,150	-	228,395,150
Less: Provision for impairment		228,404,268		-		-
		14,882		228,407,150		228,395,150
Reliance Eagleford Upstream GP LLC	-	36,800	-	36,800	-	36,800
Less: Provision for impairment		26,818		-		-
		9,982		36,800		36,800
Affinity Names Inc.	-	246,474	-	246,474	-	246,474
Less: Provision for impairment		245,974		-		-
		500		246,474		246,474
RIL USA Inc. #	300	3,000,000	-	-	-	-
Reliance Eagleford Midstream LLC	-	46,800,000	-	46,800,000	-	46,800,000
Reliance USA Gas Marketing LLC	-	-	-	4,100	-	4,100
Total investment in Subsidiaries		49,825,364		950,221,040		449,941,508

Refer corporate information

Investment in Associates (unquoted)

Particulars	As at		As at		As at	
	31st December, 2016		31st December, 2015		1st January, 2015	
	Qty.	Amount	Qty.	Amount	Qty.	Amount
Algenol LLC	28,756,718	130,785	16,040,769	-	5,154,872	-
Matrix Genetics LLC	5,249,344	-	5,249,344	-	5,249,344	-
Aurora Algae Inc.		-		-	63,142,865	-
Total carrying value of unquoted investments in associates		130,785		-		-

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Summarised financial information of associates

Summarised financial information in respect of each of the associate as set out below represents amount shown in the respective associate's financial statements.

Algenol LLC

Algenol LLC, in which the company holds 49.05% interest as on 31 December 2016 (30.95% and 38.30% as on 31 December 2015 and 1 January 2015 respectively), is a company organised under the laws of the State of Florida. Algenol LLC is a global, industrial biotechnology company in the development stage of commercializing its patented algae technology platform to make ethanol and high-value organic green chemicals directly from carbon dioxide, water and sunlight.

	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Summarised financial information			
Non-current assets	7,906,629	10,444,301	15,028,091
Current assets	2,777,003	9,337,887	7,551,258
Non-current liabilities	410,169	509,450	713,465
Current liabilities	1,071,184	1,577,670	5,741,770
	Year ended 31st December, 2016	Year ended 31st December, 2015	
Revenue	561,232	404,808	
(Loss) for the year	(24,061,672)	(37,681,038)	
Other comprehensive income for the year	(84,505)	(214,631)	
Total comprehensive income for the year	(24,146,177)	(37,895,669)	

Matrix Genetics LLC

Matrix Genetics LLC, in which the company holds 30.63% interest as on 31 December 2016, 31 December 2015 and 1 January 2015, is a company organised under the laws of the State of Washington. Matrix Genetics LLC is a development stage company focused on improving cyanobacteria as a platform for production of renewable fuels and specialty chemicals.

	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Summarised financial information			
Non-current assets	701,281	766,837	772,228
Current assets	940,061	1,978,067	1,030,317
Non-current liabilities	149,894	1,741,308	72,338
Current liabilities	2,238,794	601,787	419,077
	Year ended 31st December, 2016	Year ended 31st December, 2015	
Revenue	4,388,997	4,068,909	
(Loss) for the year	(1,246,251)	(1,022,120)	
Other comprehensive income for the year	-	-	
Total comprehensive income for the year	(1,246,251)	(1,022,120)	

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Aurora Algae Inc

Aurora Algae Inc (Aurora) in which the company held a 44.58% interest as on 1 January, 2015, subsequently became a subsidiary of RHUSA as on 21 April, 2015. Aurora is a company incorporated under the laws of Delaware. Aurora is a development stage company that is focusing on the development of high-performance premium algae-based products for the pharmaceutical, nutrition, aquaculture, and fuels markets.

	<u>As at 1st January, 2015</u>
Summarised financial information (Summary given as on 1 January, 2015 only as it ceased to be associate in subsequent period)	
Non-current assets	7,258,748
Current assets	467,498
Non-current liabilities	130,708
Current liabilities	1,666,236

Investment in others (unquoted)

Particulars	As at 31st December, 2016		As at 31st December, 2015		As at 1st January, 2015	
	Qty.	Amount	Qty.	Amount	Qty.	Amount
Terra Power LLC	4,454,799	15,408,421	4,454,799	15,408,421	4,454,799	15,408,421
Ecorithm Inc.	-	-	-	-	-	-
Total investments in others		15,408,421		15,408,421		15,408,421
Total non-current investments		65,364,570		965,629,461		465,349,929

5 LOANS (NON-CURRENT)

(Unsecured considered good)

	As at		<i>In USD</i>
	31st December, 2016	31st December, 2015	As at 1st January, 2015
Employee car loans	27,354	23,657	88,502
Loans to subsidiaries (Refer note 31)	5,111,271,950	4,878,841,950	4,335,841,950
TOTAL	5,111,299,304	4,878,865,607	4,335,930,452

6 OTHER FINANCIAL ASSETS (NON-CURRENT)

	As at		<i>In USD</i>
	31st December, 2016	31st December, 2015	As at 1st January, 2015
Security deposits	36,916	28,165	7,165
TOTAL	36,916	28,165	7,165

7 NON-CURRENT TAX ASSETS

	As at		<i>In USD</i>
	31st December, 2016	31st December, 2015	As at 1st January, 2015
Advance income tax	150,000	150,000	150,000
TOTAL	150,000	150,000	150,000

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

8 CASH AND CASH EQUIVALENTS

	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Balance with banks	3,708,006	1,665,062	2,983,234
TOTAL	3,708,006	1,665,062	2,983,234

8.1 Balances with bank includes deposits maintained by the Company with banks, which can be withdrawn by the Company at any point of time without prior notice or penalty on the principal.

9 OTHER FINANCIAL ASSETS (CURRENT)

	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Interest receivable from subsidiaries (Refer note 31)	62,652,728	121,406	39,343,871
Receivable from subsidiaries (Refer note 31)	5,391,904	1,228,947	4,295,410
Commodity derivatives assets	-	2,867,304	327,303
Other receivables	1,471,765	580,325	565,919
TOTAL	69,516,397	4,797,982	44,532,503

10 OTHER CURRENT ASSETS

(Unsecured and considered good)

	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Advances #	139,565	268,823	4,716
TOTAL	139,565	268,823	4,716

Advances includes prepaid expenses.

11 EQUITY SHARE CAPITAL

	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Authorised share capital:			
500,000 Equity Shares of USD 0.10 each	50,000	50,000	50,000
	50,000	50,000	50,000
Issued, Subscribed and Paid up:			
500,000 Equity Shares of USD 0.10 each fully paid up	50,000	50,000	50,000
	50,000	50,000	50,000

Details of shareholders holding more than 5% shares :

Name of the Shareholder	As at 31st December, 2016		As at 31st December, 2015		As at 1st January, 2015	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Reliance Energy Generation						

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

and Distribution Limited	500,000	100	500,000	100	500,000	100
12 OTHER EQUITY						<i>In USD</i>
		As at		As at		
		31st December, 2016		31st December, 2015		
Additional paid in capital						
Opening balance	654,000,000			654,000,000		
Additions during the year	500,000,000	1,154,000,000		-	654,000,000	
Capital reserve						
Opening balance	-			-		
Additions during the year	3,000,000	3,000,000		-	-	
Retained earnings						
Opening balance	(1,326,044,825)			(609,700,918)		
(Loss)/profit for the year	(894,115,561)			(716,343,907)		
		<u>(2,220,160,386)</u>		<u>(1,326,044,825)</u>		
TOTAL		<u>(1,063,160,386)</u>		<u>(672,044,825)</u>		

Additional paid in capital

Additional paid-in-capital represents the additional contribution made by the Parent Company over and above the fully paid up share capital.

Capital reserve

Capital reserve is generated on account of acquisition RIL USA Inc. This represents excess of net assets acquired over the consideration for the acquisition.

13 BORROWINGS (NON CURRENT)

(Refer note 13.3)

		As at		As at		As at
		31st December, 2016		31st December, 2015		1st January, 2015
Unsecured						
Bonds (Refer note 13.1)	2,981,679,161		2,978,640,839		2,975,604,377	
Term loans from banks (Refer note 13.2)	1,527,160,430		2,026,919,719		-	
		<u>4,508,839,591</u>		<u>5,005,560,558</u>		<u>2,975,604,377</u>
TOTAL		<u>4,508,839,591</u>		<u>5,005,560,558</u>		<u>2,975,604,377</u>

13.1 On 19 October 2010, Reliance issued \$1,000 million of 4.50% Guaranteed Senior Notes due 2020 (the 2020 Notes) and \$500 million of 6.25% Guaranteed Senior Notes due 2040. Further, on 14 February 2012 and 28 February 2012, Reliance issued \$1,000 million and \$500 million, respectively, of 5.40% Guaranteed Senior Notes due 2022 (2022 Notes, collectively with the 2020 Notes and 2040 Notes, the Bonds). The Bonds are guaranteed on an unsecured basis by Reliance Industries Limited, India. Unless previously repurchased, cancelled or redeemed, the 2020 Notes and the 2040 Notes will mature on 19 October 2020 and 19 October 2040, respectively and 2022 Notes will mature on 14th February, 2022 and 28th February, 2022. The Bonds are unsecured and unsubordinated obligations of Reliance, rank pari-passu with all of its other existing and future unsubordinated obligations, and are effectively subordinated to secured obligations of the guarantor and the obligations of its subsidiaries. Reliance has the option to redeem all or a portion of each series of the Notes at any time. The Notes are traded on the Singapore Exchange.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

The gross unpaid principal balance and accrued interest on the Bonds were \$3,000 million and \$46.18 million respectively as at 31 December, 2016, 31 December 2015 and 1 January 2015.

13.2 As at 31 December 2016, the Company has outstanding unsecured long term loan facilities from several banks with aggregate borrowing of \$2,330 million (\$2,030 million as of 31 December 2015 and Nil as at 1 January, 2015). The effective interest rates during the year varied between 1.81% and 2.20%. The maturity of these facilities range from the first quarter to the last quarter of 2018. Summary of such debts is given in the table below.

Bank Name	Amount Outstanding as on 31st December 2016 (in USD million)	Facility Amount	Maturity Date	Rate of Interest
Bank of America Merrill Lynch	400	400	01-01-18	1.325%+LIBOR
Standard Chartered Bank	80	80	02-08-18	1.400%+LIBOR
Australia and New Zealand Banking Group Limited	350	350	05-30-18	1.650%+LIBOR
Bank of Tokyo Mitsubishi UFJ	300	300	06-22-18	1.490%+LIBOR
Societe Generale	200	200	08-24-18	1.350%+LIBOR
Hongkong and Shanghai Banking Corporation	200	250	10-25-18	1.600%+LIBOR
Long term borrowings	1,530	1,580		
Barclays Bank Plc	100	100	11-30-17	1.225%+LIBOR
JP Morgan Chase Bank N.A.	300	300	12-18-17	1.350%+LIBOR
Citi Bank N.A.	300	300	12-27-17	1.350%+LIBOR
Credit Agricole Corporate and Investment Bank	100	100	12-27-17	1.450%+LIBOR
Current maturities of long term debt #	800	800		

presented as other financial liabilities in current liabilities

13.3 The costs related to raising of the debt together with discount on issuance is amortised over the tenure of the debt. The unamortised portion of \$21 million as at 31 December, 2016, \$ 24 million as at 31 December 2015 and \$34 million as at 1 January, 2015 has been netted off against the carrying values of related borrowings.

14 OTHER FINANCIAL LIABILITIES

	As at 31st December, 2016	As at 31st December, 2015	In USD As at 1st January, 2015
Payable to Subsidiary (Refer note 31)	-	881,980,094	-
TOTAL	-	881,980,094	-

15 BORROWINGS (CURRENT)

	As at 31st December, 2016	As at 31st December, 2015	In USD As at 1st January, 2015
Unsecured			
Term loan from banks (Refer note 15.1)	40,000,000	580,000,000	1,780,000,000
TOTAL	40,000,000	580,000,000	1,780,000,000

15.1 As of 31 December 2016, the Company had outstanding unsecured short-term loan facilities from a bank with aggregate borrowings of \$40 million maturing on 17 October 2017 and carrying interest rate of 1.80%. As of 31 December 2015, the Company had outstanding unsecured short-term loan facilities from banks with aggregate borrowings of \$580 million, with maturities ranging from first to third quarters of calendar year 2016 and carrying interest rate of 1.36%. As of 1 January, 2015 the Company had outstanding unsecured short-term loan facilities from banks with aggregate available borrowings of \$1780 million with maturities ranging from first to fourth calendar quarters of 2015 and carrying effective interest rate of 1.09%.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

16 TRADE PAYABLES	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Trade payables	6,127,084	5,311,305	5,303,905
TOTAL	6,127,084	5,311,305	5,303,905
The average credit period in respect of trade payables ranges between 15 days to 3 months.			
17 OTHER FINANCIAL LIABILITIES (CURRENT)	As at 31st December, 2016	As at 31st December, 2015	<i>In USD</i> As at 1st January, 2015
Creditors for capital expenditure	33,290	-	-
Interest accrued but not due on borrowings	46,178,980	46,756,192	46,183,266
Guarantee commission payable (Refer note 31)	8,015,655	5,293,150	-
Derivative liabilities	27,350,703	-	-
Current maturities of long term debt (Refer note 13.2)	799,775,000	-	-
Payable to Subsidiaries (Refer note 31)	877,834,893	-	-
Other payable	-	2,067	2,067
TOTAL	1,759,188,521	52,051,409	46,185,333
18 OTHER INCOME	2016	2015	<i>In USD</i>
Interest income:			
From Subsidiaries (Refer note 31)	277,751,290	244,837,453	
From investments	-	65,367	
From others	19,062	10,189	
Gain on derivatives (Net)	-	10,555,245	
TOTAL	277,770,352	255,468,254	
19 EMPLOYEE BENEFITS EXPENSE	2016	2015	<i>In USD</i>
Salaries and wages	6,476,683	7,779,207	
Contribution to defined contribution scheme	966,323	846,703	
Staff welfare expenses	42,505	45,000	
TOTAL	7,485,511	8,670,910	
20 FINANCE COSTS	2016	2015	<i>In USD</i>
Interest on bonds and bank loans	203,052,626	179,652,513	
Guarantee commission (Refer note 31)	2,031,041	1,716,878	
Other borrowing costs	5,515,739	3,322,936	
TOTAL	210,599,406	184,692,327	

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

21 DEPRECIATION AND AMORTISATION EXPENSE	<i>In USD</i>	
	2016	2015
Depreciation on property, plant and equipment	114,945	165,482
Amortisation of other intangible assets	496,520	497,480
TOTAL	611,465	662,962

22 OTHER EXPENSES	<i>In USD</i>	
	2016	2015
Legal and professional fees	1,561,183	1,626,590
General expenses	5,443,897	6,559,454
Marketing and other expenses	-	10,850
Operating lease rentals (Refer note 30)	1,018,250	832,047
Rates & taxes	15,491	47,014
Travelling and conveyance expenses	1,274,128	1,543,518
Payment to auditors - audit fees #	310,000	819,870
Provision for impairment in value of investment	903,540,797	762,436,584
Impact of fair valuation of investments	10,578,000	3,593,295
Loss on derivatives (Net)	29,355,008	-
Loss on sale / discarding of property, plant and equipment	20,515	316,740
Write off of intangible assets under development	70,228	-
Loss on closure of subsidiary*	2,034	-
TOTAL	953,189,531	777,785,962

2015 expense includes USD 210 (000) paid to the erstwhile auditors

*The Company closed one of its subsidiaries, Reliance USA Gas Marketing LLC on 30 December, 2016. Member contribution by RHUSA in this subsidiary is written off to the Statement of Profit and Loss.

23 Earnings per share (EPS)

Basic earning per share is computed by dividing the net profit / (loss) after tax attributable to shareholders by the weighted average number of shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit after tax and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

	2016	2015
i) Net (Loss) as per Statement of Profit and Loss attributable to the owners of the Company	(894,115,561)	(716,343,907)
ii) Weighted average number of shares used as denominator for calculating EPS	500,000	500,000
iii) Basic and diluted earnings per share (\$)	(1,788.23)	(1,432.69)
iv) Face value per share (\$)	0.10	0.10

24. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company's financial assets comprise mainly of investment, cash and cash equivalents, loans and other receivables.

The following disclosures summarize the Company's exposure to financial risks and information regarding use of measures employed to manage exposures to such risks.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company, with the support of its parent, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

Capital Management Risk:

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes during the years ended 31 December 2016 and 2015. Capital comprises of bonds, loans, and equity. The Company is not exposed to any externally imposed capital requirements.

Gearing ratio:

The gearing ratio at the end of the period was as follows

	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Debt #	5,370,000,000	5,610,000,000	4,780,000,000
Less: Cash and cash equivalents	3,708,006	1,665,062	2,983,234
Net debt	5,366,291,994	5,608,334,938	4,777,016,766
Total equity	(1,063,110,386)	(671,994,825)	44,349,082
Net debt to equity ratio	-505%	-835%	10771%

Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.

Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk. Financial instruments affected by market risk include borrowings, trade & other payables, trade & other receivables and loans.

Interest rate risk:

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rates borrowing and through selective interest rate swaps to optimise the interest cost exposure.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

25. FIRST TIME Ind AS ADOPTION RECONCILIATIONS

Effect of Ind AS adoption on the Balance Sheet as at 31 December, 2015 and 1 January, 2015

In USD

Notes	As at 31st December, 2015			As at 1st January, 2015			
	Previous GAAP	Effect of transition to Ind AS	Ind AS	Previous GAAP	Effect of transition to Ind AS	Ind AS	
ASSETS							
Non-Current Assets							
(a)	Property, plant and equipment	615,447	-	615,447	782,484	-	782,484
(b)	Capital work-in-progress	-	-	-	316,740	-	316,740
(c)	Other intangible assets	817,766	-	817,766	1,315,246	-	1,315,246
(d)	Intangible assets under development	70,228	-	70,228	70,228	-	70,228
(e)	Financial assets						
	(i) Investments	I 1,010,693,990	(45,064,529)	965,629,461	518,912,463	(53,562,534)	465,349,929
	(ii) Loans	4,878,865,607	-	4,878,865,607	4,335,930,452	-	4,335,930,452
	(iii) Other financial assets	28,165	-	28,165	7,165	-	7,165
(f)	Non current tax assets	150,000	-	150,000	150,000	-	150,000
	Total Non-Current Assets	5,891,241,203	(45,064,529)	5,846,176,674	4,857,484,778	(53,562,534)	4,803,922,244
Current Assets							
(a)	Financial assets						
	(i) Cash and cash equivalents	1,665,062	-	1,665,062	2,983,234	-	2,983,234
	(ii) Other financial assets	4,797,982	-	4,797,982	44,532,503	-	44,532,503
(b)	Other current assets	268,823	-	268,823	4,716	-	4,716
	Total Current Assets	6,731,867	-	6,731,867	47,520,453	-	47,520,453
	Total Assets	5,897,973,070	(45,064,529)	5,852,908,541	4,905,005,231	(53,562,534)	4,851,442,697
EQUITY AND LIABILITIES							
Equity							
(a)	Equity share capital	50,000	-	50,000	50,000	-	50,000
(b)	Other equity	I (626,980,296)	(45,064,529)	(672,044,825)	97,861,616	(53,562,534)	44,299,082
	Total Equity	(626,930,296)	(45,064,529)	(671,994,825)	97,911,616	(53,562,534)	44,349,082
Liabilities							
Non-Current Liabilities							
(a)	Financial liabilities						
	(i) Borrowings	5,005,560,558	-	5,005,560,558	2,975,604,377	-	2,975,604,377
	(ii) Other financial liabilities	881,980,094	-	881,980,094	-	-	-
	Total Non-Current Liabilities	5,887,540,652	-	5,887,540,652	2,975,604,377	-	2,975,604,377
Current Liabilities							
(a)	Financial liabilities						
	(i) Borrowings	580,000,000	-	580,000,000	1,780,000,000	-	1,780,000,000
	(ii) Trade payables	5,311,305	-	5,311,305	5,303,905	-	5,303,905
	(iii) Other financial liabilities	52,051,409	-	52,051,409	46,185,333	-	46,185,333
	Total Current Liabilities	637,362,714	-	637,362,714	1,831,489,238	-	1,831,489,238
	Total Equity and Liabilities	5,897,973,070	(45,064,529)	5,852,908,541	4,905,005,231	(53,562,534)	4,851,442,697

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Reconciliation of total equity as at 31 December, 2015 and 1 January, 2015

		<i>In USD</i>	
	Notes	As at 31st December, 2015	As at 1st January, 2015
Total equity under previous GAAP		(626,930,296)	97,911,616
Fair valuation of financial assets	I	(45,064,529)	(53,562,534)
Total effect of transition to Ind AS		(45,064,529)	(53,562,534)
Total equity under Ind AS		(671,994,825)	44,349,082

Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31 December, 2015

		<i>In USD</i>		
	Notes	Year ended 31st December, 2015		Ind AS
		Previous GAAP	Effect of transition to Ind AS	
INCOME:				
Other income	I	255,518,254	(50,000)	255,468,254
Total income		255,518,254	(50,000)	255,468,254
EXPENSES:				
Employee benefits expense		8,670,910	-	8,670,910
Finance costs		184,692,327	-	184,692,327
Depreciation and amortisation expense		662,962	-	662,962
Other expenses	I	786,333,967	(8,548,005)	777,785,962
Total expenses		980,360,166	(8,548,005)	971,812,161
(Loss) for the year		(724,841,912)	8,498,005	(716,343,907)
Other comprehensive income (OCI) #		-	-	-
Total comprehensive (loss) for the year		(724,841,912)	8,498,005	(716,343,907)

under the previous GAAP, there was no concept of Other Comprehensive Income (OCI). Under Ind AS, specified items of income, expenses, gains or losses are required to be presented in OCI.

Reconciliation of total comprehensive income for the year ended 31 December, 2015

		<i>In USD</i>	
	Notes	Year ended 31st December, 2015	
Profit as per previous GAAP			(724,841,912)
Adjustments:			
Fair valuation of financial assets	I	8,498,005	8,498,005
Net profit as per Ind AS			(716,343,907)
Other comprehensive income			-
Total comprehensive income as per Ind AS			(716,343,907)

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Effect of Ind AS adoption on the Statement of Cash Flows for the year ended 31 December, 2015

	Year ended 31st December, 2015		<i>In USD</i>
	Previous GAAP	Effect of transition to Ind AS	Ind AS
Net Cash flows from operating activities	(9,299,663)	-	(9,299,663)
Net Cash flows from investing activities	(1,525,128,536)	-	(1,525,128,536)
Net Cash flows from financing activities	1,533,110,027	-	1,533,110,027
Net (decrease) in cash and cash equivalents	(1,318,172)	-	(1,318,172)
Cash and cash equivalents at the beginning of the period	2,983,234	-	2,983,234
Cash and cash equivalents at the end of the period	1,665,062	-	1,665,062

Notes:

I. Fair valuation of non-current investments in associates.

The Company has chosen to state investments in associates and others at deemed cost being fair value as on the date of transition. These investments were carried at cost in the previous GAAP financial statements. The difference between the deemed cost and previous GAAP carrying value has been adjusted in the opening reserves as at 1 January, 2015.

Overall Impact:

The net effect of the above changes is a decrease in total equity as on 1 January, 2015 of \$53 million, increase in profit for the year ended 31 December, 2015 of \$8 million and resultant decrease in total equity as on 31 December, 2015 of \$45 million.

26. CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	<i>In USD</i>		
		As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Financial assets				
A. Measured at fair value through profit or loss (FVTPL)				
(i) Investment - Others (unquoted)	4	15,408,421	15,408,421	15,408,421
(ii) Commodity derivative assets	9	-	2,867,304	327,303
B. Measured at amortised cost (AC)				
(i) Loans	5	5,111,299,304	4,878,865,607	4,335,930,452
(ii) Security deposit	6	36,916	28,165	7,165
(iii) Cash and cash equivalents	8	3,708,006	1,665,062	2,983,234
(iv) Interest receivable from subsidiaries (Refer note)	9	62,652,728	121,406	39,343,871
(v) Receivable from Subsidiaries	9	5,391,904	1,228,947	4,295,410
(vii) Other receivables	9	1,471,765	580,325	565,919
Financial liabilities				
A. Measured at fair value through profit or loss (FVTPL)				
(i) Derivative liabilities	17	27,350,703	-	-
B. Measured at amortised cost (AC)				
(i) Borrowings				
(a) Non-current	13	4,508,839,591	5,005,560,558	2,975,604,377
(b) Current	15	40,000,000	580,000,000	1,780,000,000
(c) Current maturities of long term debt	17	799,775,000	-	-
(ii) Trade payables	16	6,127,084	5,311,305	5,303,905
(iii) Payable to subsidiaries	17, 14	877,834,893	881,980,094	-
(iv) Creditors for capital expenditure	17	33,290	-	-
(v) Interest accrued but not due on borrowings	17	46,178,980	46,756,192	46,183,266
(vi) Guarantee commission payable	17	8,015,655	5,293,150	-

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

27. FAIR VALUE MEASUREMENT:

In USD

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2016	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	15,408,421	NA	NA	15,408,421
Derivative liabilities (Refer note 17)	27,350,703	27,350,703	NA	NA

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2015	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	15,408,421	NA	NA	15,408,421
Commodity derivative assets (Refer note 9)	2,867,304	2,867,304	NA	NA

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 1 January, 2015	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	15,408,421	NA	NA	15,408,421
Commodity derivative assets (Refer note 9)	327,303	327,303	NA	NA

The management has evaluated their investment based on progress till date and future outlook and concluded that the carrying value as on the dates of the respective balance sheet represents fair value of investment.

28. GOING CONCERN CONSIDERATIONS:

The accumulated losses have fully eroded the net worth of the Company. The management has evaluated and concluded on the ability of the Company to continue as a going concern in the foreseeable future basis the continued support from Reliance Industries Limited (RIL), the ultimate 100% holding company as evidenced from the fact that RIL has guaranteed the outstanding bond liability of the Company. RIL has also been steadily infusing equity into the Company and hence the accounts are prepared on a going concern basis.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

29. FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company has entered into the following derivative contracts that have not been designated as hedges; the fair value is recognised as gains or (losses) in the Statement of Profit and Loss and derivative assets and liabilities in the Balance Sheet.

Derivative	As at 31st December, 2016		As at 31st December, 2015		As at 1st January, 2015	
	Maturity period	Notional position/ value	Maturity period	Notional position/ value	Maturity period	Notional position/ value
Natural Gas - NYMEX - Fixed swap	January, 2017 to December, 2017	72,500 mmbtu/day	January, 2016 to December, 2016	5,000 mmbtu/day	January, 2015 to March, 2015	2,500 mmbtu/day
Natural Gas - NYMEX - Asian floor/ cap and	January, 2017 to December, 2017	45,500 mmbtu/day	-	-	-	-
Crude - NYMEX - Cap and basis swaps	January, 2017 to June, 2017	2,650 bbl/day	-	-	-	-
Interest rate swaptions	October, 2016 to February, 2017	\$600 million	-	-	-	-
Interest rate swap	December, 2016 to December, 2021	\$100 million	-	-	-	-

30. LEASES

Non-cancellable operating lease commitments:

The Company has taken premises on non-cancellable operating lease basis with varying tenor upto 30 June, 2023. The future minimum rentals are as follows:

	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Not later than 1 year	560,305	1,509,000	679,000
Later than 1 year and not later than 5 year	1,360,035	1,276,000	1,878,000
Later than 5 year	517,891	-	-
TOTAL	2,438,231	2,785,000	2,557,000

Lease payments recognised in the Statement of Profit and Loss in connection with the above for the year 2016 & 2015 are USD 1,018,250 and USD 832,047 respectively.

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

31. RELATED PARTY

As per Ind AS 24, list of related parties where control exists and related parties with whom transactions have taken place and relationships are given below:

Name of the related party	Relation
Reliance Energy Generation & Distribution Limited	Holding Company (Control exists)
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Eagleford Upstream LLC	Subsidiary (control exists)
Reliance Eagleford Upstream GP LLC	Subsidiary (control exists)
Reliance Eagleford Upstream Holding LP	Subsidiary (control exists)
Reliance Eagleford Midstream LLC	Subsidiary (control exists)
Reliance Marcellus LLC	Subsidiary (control exists)
Reliance Marcellus II LLC	Subsidiary (control exists)
Reliance USA Gas Marketing LLC	Subsidiary (control exists)
GenNext Investment Holdings LLC (till 30 December, 2016) (earlier known as Reliance Marcellus Holding LLC)	Subsidiary (control exists)
Affinity Names Inc.	Subsidiary (control exists)
Aurora Algae Inc. (subsidiary w.e.f 21 April, 2015)	Subsidiary (control exists)
RIL USA Inc. (subsidiary w.e.f 31 March, 2016)	Subsidiary/Fellow Subsidiary
Reliance Jio Infocomm USA Inc.	Fellow Subsidiary
Reliance Global Business B.V	Fellow Subsidiary
Reliance Jio Infocomm USA Inc.	Fellow Subsidiary
EFS Midstream LLC (till 1 July, 2015)	Associate
Matrix Genetics LLC	Associate
Algenol LLC	Associate
Walter Van de Vijver, CEO	Key Management Person
Thakur Sharma, Director	Key Management Person
Gopal Krishnan, CFO	Key Management Person
Masoud Javadi, General Counsel (w.e.f 5 January, 2015)	Key Management Person
Kelly Cope, General Counsel (till 18 December, 2015)	Key Management Person

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Related Party Transactions				<i>In USD</i>
Name of the related party	Balances as at year end	As at 31st December, 2016	As at December 2015	As at 1st December 2015
Reliance Industries Limited	Guarantee given by	3,000,000,000	3,000,000,000	3,000,000,000
Reliance Industries Limited	Guarantee commission payable	8,015,655	5,293,150	-
RIL USA Inc.	Rent receivable	23,018	48,730	47,726
Reliance Marcellus II LLC	Standby letter of credit given to	282,663	282,663	282,663
Reliance Eagleford Upstream Holding LP	Standby letter of credit given to	30,000,000	30,000,000	-
Reliance Eagleford Midstream LLC	Loan to subsidiary	-	-	128,650,000
Reliance Marcellus LLC	Loan to subsidiary	2,104,499,700	1,939,109,700	2,039,359,700
Reliance Eagleford Upstream LLC	Loan to subsidiary	2,708,382,250	2,644,682,250	1,817,182,250
Reliance Marcellus II LLC	Loan to subsidiary	298,390,000	295,050,000	350,650,000
Reliance Eagleford Upstream Holding LP	Other receivable	1,949,368	573,661	2,746,262
Reliance Marcellus LLC	Other receivable	3,187,159	417,314	1,030,980
Reliance Marcellus II LLC	Other receivable	255,064	237,972	433,190
Reliance Eagleford Midstream LLC	Other receivable	-	-	84,977
Reliance USA Gas Marketing LLC	Other payable - Current	-	2,067	2,067
Reliance Eagleford Midstream LLC	Other payable - Non-Current	-	881,980,094	-
Reliance Eagleford Midstream LLC	Other payable - Current	876,334,893	-	-
Aurora Algae Inc.	Other payable - Current	1,500,000	-	-
Reliance Marcellus II LLC	Interest receivable	3,029,865	13,697	2,688,995
Reliance Eagleford Midstream LLC	Interest receivable	-	-	594,023
Reliance Marcellus LLC	Interest receivable	38,548,008	57,694	9,802,381
Reliance Eagleford Upstream LLC	Interest receivable	21,074,855	49,745	26,258,472
Key Management Persons	Remuneration and benefits payable	1,486,910	1,239,166	1,413,718

Notes to the financial statements for the year ended 31 December, 2016 (Contd.)

Name of the related party	Nature of transaction (Refer to Statement of Profit and Loss)	<i>In USD</i>	
		For the years ended	
		31 December, 2016	31 December, 2015
Reliance Industries Limited	PCG commission	29,194,520	21,698,497
Reliance Industries Limited	Corporate office support	1,069,734	1,150,180
Reliance Eagleford Upstream Holding LP	Recovery of guarantee commission	14,948,395	10,798,788
Reliance Eagleford Midstream LLC	Recovery of guarantee commission	-	484,742
Reliance Marcellus LLC	Recovery of guarantee commission	10,718,863	6,846,208
Reliance Marcellus II LLC	Recovery of guarantee commission	1,496,219	1,819,137
Reliance Eagleford Upstream Holding LP	Recovery of employee benefit expenses	2,324,014	2,790,123
Reliance Marcellus LLC	Recovery of employee benefit expenses	1,616,745	2,174,081
Reliance Marcellus II LLC	Recovery of employee benefit expenses	393,785	572,367
Reliance Eagleford Upstream LLC	Interest income	148,606,685	103,592,350
Reliance Eagleford Midstream LLC	Interest income	-	3,668,917
Reliance Marcellus LLC	Interest income	112,785,074	119,111,684
Reliance Marcellus II LLC	Interest income	16,359,531	18,464,502
RIL USA Inc.	Rent income	319,595	243,106
Matrix Genetics LLC	R&D expense	3,982,536	4,192,535
Reliance Eagleford Upstream Holding LP	Recovery of other expenses	352,386	443,409
Reliance Marcellus LLC	Recovery of other expenses	253,292	426,657
Reliance Marcellus II LLC	Recovery of other expenses	14,928	272,569
Reliance Eagleford Midstream LLC	Recovery of other expenses	8,000	15,161,658
Key management persons	Remuneration and benefits		
	- Short term benefits	3,701,000	3,348,000
	- Long term benefits	530,529	374,511

32. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>In USD</i>		
	As at 31st December, 2016	As at 31st December, 2015	As at 1st January, 2015
Contingent liabilities - guarantees - standby letter of credit (other than those provided as security towards capital commitment)	30,000,000	30,000,000	-

33. SEGMENT REPORTING

The company is engaged in the business of exploration and production of oil and gas from shale reservoirs in the United States of America through its investments. Consequently, there is a single business and geographical segment.

34 The financial statements are approved for issue by the Board of Directors on 20 April, 2017.

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 20 April, 2017

New York
20 April, 2017