

RIL USA, Inc.

Independent Auditors' Report

To the Board of Directors

RIL USA Inc

Report on the Standalone Financial Statements

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

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records, safeguarding the assets of the Company and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

We further report that:

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

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm Registration No. 117366W / W - 100018)

Abhijit A. Damle

Mumbai, dated: April 13, 2016

(Partner) Membership No. 102912

Balance Sheet as at December 31, 2015

	Notes	(Amount in USD)	
		As at December 31, 2015	As at December 31, 2014
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	3,000,000	3,000,000
Reserves and Surplus	2	36,641,902	25,279,673
		39,641,902	28,279,673
Current Liabilities			
Short Term Borrowings	3	10,000,000	30,000,000
Trade Payables		136,377,036	192,463,373
Other Current Liabilities	4	902,175	4,314,798
Short Term Provisions	5	2,009,534	2,009,534
		149,288,745	228,787,705
TOTAL		188,930,647	257,067,378
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	6	252,579	270,997
Deferred Tax Assets (Net)	7	1,556,914	1,414,329
Long Term Loans and Advances	8	2,000,000	2,000,000
		3,809,493	3,685,326
Current Assets			
Inventories	9	129,608,294	147,529,377
Trade Receivables	10	47,739,026	101,266,275
Cash and Cash Equivalents	11	481,579	474,317
Short Term Loans and Advances	12	7,292,255	4,112,083
		185,121,154	253,382,052
TOTAL		188,930,647	257,067,378

Significant Accounting Policies

Notes to the Financial Statements

1 to 22

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

Directors

Directors

Place: Mumbai

Date: 13 April 2016

Houston

12 April 2016

Profit and Loss Statement for the year ended December 31, 2015

		(Amount in USD)	
	Notes	2015	2014
Income			
Revenue from Operations	13	1,547,626,191	2,799,109,707
Total Revenue		1,547,626,191	2,799,109,707
Expenditure			
Cost of Goods Sold	14	1,464,546,735	2,711,116,829
Employee Benefits Expense	15	3,473,420	2,310,888
Finance Costs	16	911,921	1,886,714
Depreciation Expense	6	30,047	34,007
Other Expenses	17	61,114,420	53,793,705
Total Expenses		1,530,076,543	2,769,142,143
Profit before tax		17,549,648	29,967,564
Tax Expenses			
Current tax		6,330,004	4,039,534
Deferred tax		(142,585)	7,816,330
		6,187,419	11,855,864
Profit for the year		11,362,229	18,111,700
Earnings Per Share of face value of \$10,000 each			
Basic and Diluted	18	37,874	60,372
Significant Accounting Policies			
Notes to the Financial Statements			
	1 to 22		

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

Directors

Directors

Place: Mumbai
Date: 13 April 2016

Houston
12 April 2016

Cash Flow Statement for the year ended December 31, 2015

	(Amount in USD)	
	2015	2014
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax as per Profit and Loss Statement	17,549,648	29,967,564
Adjusted for:		
Depreciation Expense	30,047	34,007
Finance Costs	911,921	1,886,714
	<u>941,968</u>	<u>1,920,721</u>
Operating Profit before Working Capital Changes	18,491,616	31,888,285
Adjusted for:		
Trade and Other Receivables	52,081,916	(92,146,750)
Inventories	17,921,083	61,331,016
Trade and Other Payables	(59,487,280)	9,434,349
	<u>10,515,719</u>	<u>(21,381,385)</u>
Cash Generated from Operations	29,007,335	10,506,900
Taxes Paid	(8,064,842)	(2,030,000)
Net Cash from Operating Activities	20,942,493	8,476,900
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(11,629)	(11,488)
Net Cash (Used in) Investing Activities	(11,629)	(11,488)
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Short Term Borrowings (net)	(20,000,000)	(9,000,000)
Interest Paid	(923,602)	(2,051,581)
Net Cash (used in) Financing Activities	(20,923,602)	(11,051,581)
Net Increase/(Decrease) in Cash and Cash Equivalents	7,262	(2,586,169)
Opening Balance of Cash and Cash Equivalents	474,317	3,060,486
Closing Balance of Cash and Cash Equivalents (refer note 11)	481,579	474,317

Significant Accounting Policies
Notes to the Financial Statements

1 to 22

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

Directors

Directors

Place: Mumbai
Date: 13 April 2016

Houston
12 April 2016

Significant Accounting Policies

A. Corporate Information

RIL USA, Inc. (the Company), a Delaware corporation, was formed on May 16, 2005. The Company was a wholly owned subsidiary of Reliance Global Business, B.V. Netherlands, a Dutch corporation, whose ultimate parent is Reliance Industries Limited, an Indian listed company. Subsequent to year-end, on March 31, 2016, the shares held by Reliance Global Business, B.V. Netherlands, have been transferred to Reliance Holding USA Inc, whose ultimate parent is also Reliance Industries Limited, an Indian listed company.

The Company 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 for inventory storage and blending. The Company had a storage location in Bahamas which expired in August 2014.

B. Basis of Preparation of Financial Statements

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

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

C. Use of Estimates

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

D. Revenue Recognition

Revenue is recognized only when risk and reward incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection. Revenue is recorded net of discounts, if any.

All amounts related to shipping, billed to a customer in a product sale transaction represents revenue earned and are reported as revenue, and cost incurred by the Company for the shipping are reported as an expense.

E. Inventories

Inventories are stated at the lower of cost and net realizable value, cost being determined on a weighted-average basis, except for inventories that are subject to fair value hedges, which are adjusted each period for changes in the fair value attributable to the risk that has been hedged.

F. Income Taxes

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

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

G. Fixed Assets and Depreciation

Tangible Assets:

Leasehold improvements, furniture and fixtures, computers and equipment are initially recognized at cost where it is probable

Significant Accounting Policies

that they will generate future economic benefits. They are subsequently carried at cost less accumulated depreciation. Depreciation on fixed assets is provided on straight line method (SLM) based on management estimated useful lives of the assets which are as under:

Particulars	Useful Life
Leasehold improvements	39 years
Furniture and fixtures	7 years
Computers and equipment	5 years

H. Impairment

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

I. Derivative Instruments

The Company is exposed to market risk primarily due to fluctuations in commodity prices between the purchase/sales and the delivery date of inventory. In order to minimize this risk, the Company enters into certain derivative instruments, primarily exchange-traded futures contracts, which allows management to significantly mitigate pricing risk.

All outstanding derivative contracts at the year-end are marked to market and resultant gain/loss is accounted for in the Profit and Loss Statement, except in respect of derivatives which relate to effective (fair value) hedges where these are adjusted in the carrying value of the inventories.

J. Provision, Contingent Liabilities and Contingent Assets

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

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote.

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

K. Leases

Operating Leases: Rentals are expensed on a straight line basis with reference to the lease terms and other considerations

L. Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognized 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 401K plan is considered as defined contribution plan and is charged as an expense as and when services are rendered by the employees.

M. Borrowing costs

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the 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 Profit and Loss Statement in the year in which they are incurred.

Notes on the Financial Statements for the year ended December 31, 2015

		(Amount in USD)	
		As at December 31, 2015	As at December 31, 2014
1	Share Capital		
	Authorised:		
	1,000 shares of \$ 10,000 each	10,000,000	10,000,000
		<u>10,000,000</u>	<u>10,000,000</u>
	Issued, Subscribed and Paid up:		
	300 shares of \$ 10,000 each fully paid up	3,000,000	3,000,000
	TOTAL	<u>3,000,000</u>	<u>3,000,000</u>

1.1 The details of shareholders holding more than 5% shares

Name of the Shareholder	As at December 31, 2015		As at December 31, 2014	
	No. of shares	% held	No. of shares	% held
Reliance Global Business B.V.	300	100%	300	100%

		(Amount in USD)	
		As at December 31, 2015	As at December 31, 2014
2	Reserves and Surplus		
a)	Additional Paid-in Capital		
	As per last Balance Sheet	22,100,000	22,100,000
b)	Profit and Loss Account		
	As per last Balance Sheet	3,179,673	(14,932,027)
	Add: Profit for the year	11,362,229	18,111,700
		<u>14,541,902</u>	<u>3,179,673</u>
	TOTAL	<u>36,641,902</u>	<u>25,279,673</u>

Notes on the Financial Statements for the year ended December 31, 2015

	(Amount in USD)	
	As at December 31, 2015	As at December 31, 2014
3 Short Tem Borrowings		
Secured (refer note 3.1)		
From banks (lines of credit)	-	20,000,000
Unsecured		
From a related party (refer note 19)	10,000,000	10,000,000
TOTAL	10,000,000	30,000,000

3.1 The line of credit is secured by guarantee given by Reliance Industries Limited, the ultimate holding company.

	(Amount in USD)	
	As at December 31, 2015	As at December 31, 2014
4 Other Current Liabilities		
Advances from customers	762,300	4,233,600
Interest accrued but not due on borrowings	39,556	46,542
Interest accrued and due on delayed payment charges	29,962	34,656
Others	70,357	-
TOTAL	902,175	4,314,798

	(Amount in USD)	
	As at December 31, 2015	As at December 31, 2014
5 Short Term Provisions		
Provision for tax (net of advance tax)	2,009,534	2,009,534
TOTAL	2,009,534	2,009,534

Notes on the Financial Statements for the year ended December 31, 2015

	(Amount in USD)							
	Gross Block		Accumulated Depreciation			Net Block		
	As at January 1, 2015	Additions December 31, 2015	As at December 31, 2015	As at January 1, 2015	For the year December 31, 2015	As at December 31, 2015	As at December 31, 2015	As at December 31, 2014
6 Fixed Assets								
Tangible Assets								
Leasehold improvements	185,276	-	185,276	16,783	4,735	21,518	163,758	168,493
Furniture and Fixtures	139,382	-	139,382	59,433	18,120	77,553	61,829	79,949
Computers and Equipment (*)	111,095	11,629	122,724	88,540	7,192	95,732	26,992	22,555
TOTAL	435,753	11,629	447,382	164,756	30,047	194,803	252,579	270,997
Previous Year	424,265	11,488	435,753	130,749	34,007	164,756	270,997	

* Includes Office Equipments

	(Amount in USD)	
	As at December 31, 2015	As at December 31, 2014
7 Deferred Tax Assets (net)		
<u>Tax effect of items constituting deferred tax liabilities:</u>		
On difference between book balance and tax balance of fixed assets	(19,896)	(22,860)
Tax effect of items constituting deferred tax liabilities	(19,896)	(22,860)
<u>Tax effect of items constituting deferred tax assets:</u>		
On expenditure deferred in the books but allowable for tax purposes	744,425	925,206
Others	832,385	511,983
Tax effect of items constituting deferred tax assets	1,576,810	1,437,189
Deferred tax assets (net)	1,556,914	1,414,329

	(Amount in USD)	
	As at December 31, 2015	As at December 31, 2014
8 Long-Term Loans and Advances (Unsecured and Considered Good)		
Security deposit	2,000,000	2,000,000
TOTAL	2,000,000	2,000,000

Notes on the Financial Statements for the year ended December 31, 2015

	(Amount in USD)	
	2015	2014
13 Revenue from Operations		
Sale of Products		
– Petroleum Products	1,545,134,927	2,798,649,588
– Others (Benzene and Sulphur credits)	1,774,437	320,000
Income from Services (refer note 19)	716,827	140,119
TOTAL	1,547,626,191	2,799,109,707
		(Amount in USD)
	2015	2014
14 Cost of Goods Sold		
Opening stock (Stock-in-Trade)	147,529,377	208,860,393
Add: Purchases of trading goods	1,452,777,078	2,678,225,089
Less: Closing stock (Stock-in-Trade)	(129,608,294)	(147,529,377)
Hedging (Gain)	(6,151,426)	(28,439,276)
TOTAL	1,464,546,735	2,711,116,829
		(Amount in USD)
	2015	2014
15 Employee Benefits Expense		
Salaries and wages	3,257,388	2,140,867
Contribution to defined contribution plans	197,978	152,068
Staff welfare expenses	18,054	17,953
TOTAL	3,473,420	2,310,888
		(Amount in USD)
	2015	2014
16 Finance Costs		
a) Interest expense on:		
i) Borrowings (net)	355,272	392,589
ii) Delayed payment charges (refer note 19)	294,150	1,214,531
b) Guarantee commission	262,499	279,594
TOTAL	911,921	1,886,714

Notes on the Financial Statements for the year ended December 31, 2015

	(Amount in USD)	
	2015	2014
17 Other Expenses		
Renewable identification number expenses	19,886,690	15,068,945
Freight	11,444,903	11,208,245
Demurrage (net)	2,666,896	2,147,749
Inspection Fees	2,800,784	2,768,400
Lease rent – storage (refer note 22)	13,553,054	11,831,732
Lease rent – others (refer note 22)	182,893	191,907
Port Fees	2,609,765	3,352,333
Terminal Costs	2,001,144	1,659,688
Insurance	441,772	445,590
Brokerage	672,457	725,614
Professional fees	1,466,720	840,053
Business promotion expenses	325,046	471,429
Custom Duty	517,663	493,181
Rates and taxes	849,613	1,108,927
Auditors remuneration - audit fees	110,000	116,540
Miscellaneous expenses	1,585,020	1,363,372
TOTAL	61,114,420	53,793,705

18 Earnings Per Share (EPS)

Basic earnings per share is computed by dividing the net profit after tax attributable to the shareholders by the weighted average number of shares outstanding during the year. For the purpose of calculating diluted earning 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.

	2015	2014
Net Profit after tax as per Profit and Loss Statement attributable to shareholders (USD)	11,362,229	18,111,700
Weighted Average number of shares outstanding during the year	300	300
Basic and Diluted Earnings per Share (USD)	37,874	60,372
Face Value per share (USD)	10,000	10,000

Notes on the Financial Statements for the year ended December 31, 2015

19 Related Party Disclosures

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

Sr. No.	Name of the Related Party	Relationship
1	Reliance Industries Limited	Ultimate Holding Company (control exists)
2	Reliance Global Business B.V.	Holding Company (control exists)
3	Reliance Europe Limited	Fellow subsidiary
4	Reliance Holding USA Inc.	Fellow subsidiary
5	P. Krishnadas (upto April 13, 2015) John Fitzgerald (from February 1, 2015)	Key managerial personnel

- (ii) List of transactions during the year with related parties:

		(Amount in USD)		
Nature of transactions	Related Parties	2015	2014	
1	Income from services	Reliance Industries Limited	716,827	140,119
2	Purchases	Reliance Industries Limited	1,081,172,555	1,806,749,006
3	a) Rent	Reliance Holding USA Inc.	182,893	191,907
	b) Other expenses	Reliance Holding USA Inc.	86,216	51,041
4	Finance Costs			
	a) Delayed payment charges	Reliance Industries Limited	294,150	1,214,531
	b) Guarantee commission	Reliance Industries Limited	262,499	279,594
	c) Interest on borrowings	Reliance Europe Limited	198,234	223,929
5	Other Expenses			
	a) Lease rent - storage	Reliance Industries Limited	-	1,012,897
	b) Demurrage cost	Reliance Industries Limited	1,628,461	1,797,407
6	Remuneration	Key managerial personnel	592,050	227,946
Balance as at year end:		Related Parties	As at December 31, 2015	As at December 31, 2014
7	Trade Receivables	Reliance Industries Limited	68,810	140,119
8	Short Term Borrowings	Reliance Europe Limited	10,000,000	10,000,000
9	Interest accrued but not due on borrowings	Reliance Europe Limited	39,556	46,542
10	Interest accrued and due on delayed payment charges	Reliance Industries Limited	29,962	34,656
11	Trade Payables	Reliance Industries Limited	92,463,594	168,260,659
12	Trade Payables	Reliance Holding USA Inc.	23,243	47,726
13	Financial Guarantees given by	Reliance Industries Limited	91,500,000	91,500,000

Notes on the Financial Statements for the year ended December 31, 2015

20 Segment Information

The Company is in the business of trading of refined / blended petroleum products in the Americas region. Consequently, there is a single business and geographical segment.

21 Financial and Derivative Instruments

	As at December 31, 2015	As at December 31, 2014
Derivative contracts entered into and outstanding by the Company:		
For Hedging Price related risks for petroleum products		
Particulars	in Lots (#)	in Lots (#)
Futures	1,253	722
Forward swaps	-	80
<i># 1 lot equals to 1000 barrels</i>		

22 Leases

The Company has entered into operating lease arrangements for certain storage facilities. The lease is non-cancellable for a period of 2 years.

	As at December 31, 2015	(Amount in USD) As at December 31, 2014
Lease payment due: within one year	8,923,743	13,636,684
Later than one year and not later than five years	710,590	9,634,333
Later than five years	-	-
TOTAL	9,634,333	23,271,017

Amount of lease rentals charged to Profit and Loss statement in respect of non-cancellable operating leases

	As at December 31, 2015	(Amount in USD) As at December 31, 2014
Lease rent – storage	13,553,054	11,831,732
Lease rent – others	182,893	191,907

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: 13 April 2016

Directors

Directors

Houston

12 April 2016