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**RECRON (MALAYSIA) SDN. BHD.**  
**ANNUAL ACCOUNTS**  
**FINANCIAL YEAR 31ST DECEMBER 2016**

## Independent Auditor's Report

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### TO THE DIRECTORS OF RECRON (MALAYSIA) SDN. BHD.

### REPORT ON THE AUDIT OF THE SPECIAL PURPOSE 'FIT-FOR-CONSOLIDATION' CONSOLIDATED FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the accompanying special purpose fit-for-consolidation consolidated financial statements ("FFC Consolidated Financial Statements") of Recron (Malaysia) Sdn. Bhd. ("the Company") and its subsidiary (the "Group") give a true and fair view of the financial position of the Group as at 1 January 2015, 31 December 2015 and 31 December 2016, and of its financial performance for the financial years ended 31 December 2015 and 31 December 2016 in accordance with group accounting policies of Reliance Industries Limited ("RIL").

#### What we have audited

We have audited the accompanying special purpose FFC Consolidated Financial Statements of the Group, which comprise the consolidated balance sheets as at 1 January 2015, 31 December 2015 and 31 December 2016, and the consolidated statements of profit and loss, statements of changes in equity and statements of cash flows for the financial years ended 31 December 2015 and 31 December 2016.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the special purpose FFC Consolidated Financial Statements" section of our report.

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

#### Emphasis of matter - Basis of preparation

We draw attention to Note B.1 to the FFC Consolidated Financial Statements of the Group, which describes the basis of its preparation. The FFC Consolidated Financial Statements of the Group dealt with by this report, have been prepared only to enable their incorporation into the consolidated financial statements of Reliance Industries Limited in accordance with the requirement of Indian Accounting Standard (Ind AS) 110 – Consolidated Financial Statements, notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 and not to report on the Group as a separate entity or a group. Our opinion is not qualified in respect of this matter.

#### Independence and other ethical responsibilities

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Responsibilities of the directors for the special purpose FFC Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the special purpose FFC Consolidated Financial Statements of the Group that give a true and fair view in accordance with the group accounting policies of Reliance Industries Limited. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of FFC Consolidated Financial Statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose FFC Consolidated Financial Statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the special purpose FFC Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose FFC Consolidated Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose FFC Consolidated Financial Statements of the Group.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the special purpose FFC Consolidated Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the special purpose FFC Consolidated Financial Statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the special purpose FFC Consolidated Financial Statements of the Group in conformity with the group accounting policies of Reliance Industries Limited, including the disclosures, and whether the special purpose FFC Consolidated Financial Statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on use and Distribution**

This special purpose FFC Consolidated Financial Statements of the Group has been prepared for purposes of providing information to Reliance Industries Limited to enable it to prepare its consolidated financial statements. The FFC Consolidated Financial Statements of the Group may, therefore, not be suitable for another purpose. We do not accept or assume any liability or duty of care for any other purpose or to any third parties to whom this report is shown, or into whose hands it may come, save where expressly agreed by our prior consent in writing.

This report is intended solely for the Directors of Recron (Malaysia) Sdn. Bhd. and should not be used by or distributed to other parties.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

6 April 2017

## Balance Sheet as at December 31, 2016

Particulars	Notes	Group		
		As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
RM Million				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	1,158.59	1,173.88	1,000.45
Capital work-in-progress	1	26.03	11.15	7.08
Deferred tax assets (net)	2	96.03	79.03	39.01
<b>Total non-current assets</b>		<b>1,280.65</b>	<b>1,264.06</b>	<b>1,046.54</b>
<b>Current assets</b>				
Inventories	3	444.92	510.29	534.11
Financial assets :-				
Trade receivables	4	209.07	143.95	125.46
Cash and cash equivalents	5	0.84	0.76	0.80
Amount due from ultimate holding company		32.49	63.59	-
Other financial assets	6	2.83	2.85	1.49
Other current assets	7	33.54	47.59	11.48
<b>Total current assets</b>		<b>723.69</b>	<b>769.03</b>	<b>673.34</b>
<b>Total assets</b>		<b>2,004.34</b>	<b>2,033.09</b>	<b>1,719.88</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8	542.99	113.19	113.19
Other equity		130.77	629.30	184.31
<b>Total equity attributable to owners of Recron (Malaysia) Sdn Bhd.</b>		<b>673.76</b>	<b>742.49</b>	<b>297.50</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial liabilities :-				
Borrowings	9	215.89	-	192.23
<b>Total non-current liabilities</b>		<b>215.89</b>	<b>-</b>	<b>192.23</b>
<b>Current liabilities</b>				
Financial liabilities :-				
Borrowings	10	800.70	705.20	524.43
Trade payables	11	226.21	279.70	196.53
Amount due to ultimate holding company		-	-	125.71
Amount due to a related company		8.54	19.08	229.34
Other financial liabilities	12	54.14	256.68	123.49
Other current liabilities	13	25.10	29.94	30.65
<b>Total current liabilities</b>		<b>1,114.69</b>	<b>1,290.60</b>	<b>1,230.15</b>
<b>Total liabilities</b>		<b>1,330.58</b>	<b>1,290.60</b>	<b>1,422.38</b>
<b>Total equity and liabilities</b>		<b>2,004.34</b>	<b>2,033.09</b>	<b>1,719.88</b>

## Profit & Loss Statement for the year ended December 31, 2016

Particulars	Notes	Group	
		Year ended December 31, 2016	Year ended December 31, 2015
RM Million			
<b>Continuing operations</b>			
Revenue from operations			
Sale of products	14	2,910.98	3,132.51
Income from services		42.56	175.46
		<u>2,953.54</u>	<u>3,307.97</u>
Other income	15	1.01	0.13
<b>Total income</b>		<b>2,954.55</b>	<b>3,308.10</b>
<b>Expenses</b>			
Cost of materials consumed		2,046.55	2,403.87
Changes in inventories of finished goods and work-in-progress	16	44.43	92.19
Employee benefit expenses	17	197.87	194.85
Finance costs	18	17.47	28.17
Depreciation / Amortisation		65.62	63.04
Other expenses	19	689.80	601.69
<b>Total expenses</b>		<b>3,061.74</b>	<b>3,383.81</b>
<b>Loss before tax</b>		<b>(107.19)</b>	<b>(75.71)</b>
Taxation			
- Current tax		-	-
- Deferred tax		17.00	40.02
<b>Loss for the year</b>		<b>(90.19)</b>	<b>(35.69)</b>
<b>Other comprehensive income</b>			
<i>a) Items that will be reclassified to profit or loss</i>			
Foreign currency translation differences		21.46	50.88
<b>Total comprehensive (loss) / income for the year attributable to equity holders</b>		<b>(68.73)</b>	<b>15.19</b>

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

RM Million

Particulars	Group					Sub Total	Total
	Equity share capital	Reserves and Surplus					
		Share application money pending allotment	Exchange fluctuation reserve	Retained earnings			
<b>Restated balance at the beginning of the reporting period</b>	<b>113.19</b>	-	<b>39.01</b>	<b>145.30</b>	<b>184.31</b>	<b>297.50</b>	
Total comprehensive income / (loss) for the year	-	-	50.88	(35.69)	<b>15.19</b>	<b>15.19</b>	
Share application money received	-	429.80	-	-	<b>429.80</b>	<b>429.80</b>	
<b>As at December 31, 2015</b>	<b>113.19</b>	<b>429.80</b>	<b>89.89</b>	<b>109.61</b>	<b>629.30</b>	<b>742.49</b>	
Changes in accounting policy or prior period errors	-	-	-	-	-	-	
<b>Restated balance at the beginning of the reporting period</b>	<b>113.19</b>	<b>429.80</b>	<b>89.89</b>	<b>109.61</b>	<b>629.30</b>	<b>742.49</b>	
Total comprehensive income / (loss) for the year	-	-	21.46	(90.19)	<b>(68.73)</b>	<b>(68.73)</b>	
Allotment of preference share capital out of share application money	429.80	(429.80)	-	-	<b>(429.80)</b>	-	
<b>As at December 31, 2016</b>	<b>542.99</b>	-	<b>111.35</b>	<b>19.42</b>	<b>130.77</b>	<b>673.76</b>	

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

Particulars	Group	
	Year ended December 31, 2016	Year ended December 31, 2015
		RM Million
<b>A. Cash flows from operating activities</b>		
Net loss before tax as per profit and loss statement	(107.19)	(75.71)
Adjusted for:		
Gain on Sale / Discard of Assets (Net)	(0.87)	(0.02)
Depreciation / Amortisation	65.62	63.04
Effect of Exchange Rate Change	(2.95)	(32.17)
Finance Costs	17.47	28.17
<b>Operating Profit before Working Capital Changes</b>	<b>(27.92)</b>	<b>(16.69)</b>
Adjusted for:		
Trade and Other Receivables	(45.55)	(57.30)
Inventories	81.73	23.82
Trade and Other Payables	(56.59)	84.56
Intercompany balances	20.86	(399.55)
<b>Cash Generated from Operations</b>	<b>(27.47)</b>	<b>(365.16)</b>
Taxes Paid (Net)	-	-
<b>Net Cash from Operating Activities</b>	<b>(27.47)</b>	<b>(365.16)</b>
<b>B. Cash flows from investing activities</b>		
Payment for Property, Plant and Equipment	(26.90)	(15.29)
Proceeds from disposal of Property, Plant and Equipment	11.05	0.02
<b>Net Cash (Used in) Investing Activities</b>	<b>(15.85)</b>	<b>(15.27)</b>
<b>C. Cash flows from financing activities</b>		
Share Application Money	-	429.80
Proceeds from Long Term Borrowings	228.01	-
Repayment of Long Term Borrowings	(228.01)	(117.60)
Short Term Borrowings (Net)	58.78	180.76
Interest Paid	(16.27)	(27.12)
<b>Net Cash (Used in) / generated from Financing Activities</b>	<b>42.51</b>	<b>465.84</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(0.81)</b>	<b>85.41</b>
Opening Balance of Cash and Cash Equivalents	0.76	0.80
Effects of exchange rate changes on cash and cash equivalents	0.89	(85.45)
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>0.84</b>	<b>0.76</b>

**NOTE – 1**  
**FIXED ASSETS**  
**GROSS BLOCK**

RM Million

Description	As at January 01, 2015	Impact on transition to new group accounting policies #	As at January 01, 2015 - Deemed cost	Forex on conversion	Additions/adjustments	Deductions/adjustments	As at December 31, 2015	Forex on conversion	Additions/adjustments	Deductions/adjustments	As at December 31, 2016
<b>Tangible assets</b>											
Leasehold land	109.93	-	109.93	25.82	-	-	135.75	6.29	-	-	142.04
Freehold land	3.31	-	3.31	-	-	-	3.31	-	-	-	3.31
Buildings	410.66	-	410.66	93.65	0.01	-	504.32	22.81	0.13	-	527.26
Plant & Machinery	1,488.05	(388.50)	1,099.55	252.15	11.78	-	1,363.48	27.44	11.33	103.67	1,298.58
Furniture & fixtures	12.55	-	12.55	2.95	1.00	0.01	16.49	0.80	0.70	0.01	17.98
Vehicles	7.85	-	7.85	1.81	0.24	0.02	9.88	0.46	0.39	0.27	10.46
<b>Total</b>	<b>2,032.35</b>	<b>(388.50)</b>	<b>1,643.85</b>	<b>376.38</b>	<b>13.03</b>	<b>0.03</b>	<b>2,033.23</b>	<b>57.80</b>	<b>12.55</b>	<b>103.95</b>	<b>1,999.63</b>
<b>Capital work-in-progress</b>	<b>7.08</b>	<b>-</b>	<b>7.08</b>	<b>1.80</b>	<b>2.27</b>	<b>-</b>	<b>11.15</b>	<b>0.53</b>	<b>14.35</b>	<b>-</b>	<b>26.03</b>

**DEPRECIATION**

Description	As at January 01, 2015	Forex on conversion	For the year	Deductions/adjustments	As at December 31, 2015	Forex on conversion	For the year	Deductions/adjustments	As at December 31, 2016
<b>Tangible assets</b>									
Leasehold land	9.71	2.36	1.54	-	13.61	0.75	1.63	-	15.99
Freehold land	-	-	-	-	-	-	-	-	-
Buildings	115.11	27.77	15.47	-	158.35	8.51	16.57	-	183.43
Plant & Machinery	501.67	118.80	44.33	-	664.80	(0.49)	45.58	93.50	616.39
Furniture & fixtures	10.71	2.53	0.93	0.01	14.16	0.73	1.07	-	15.96
Vehicles	6.20	1.48	0.77	0.02	8.43	0.34	0.77	0.27	9.27
<b>Total</b>	<b>643.40</b>	<b>152.94</b>	<b>63.04</b>	<b>0.03</b>	<b>859.35</b>	<b>9.84</b>	<b>65.62</b>	<b>93.77</b>	<b>841.04</b>
<b>Capital work-in-progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NET BLOCK**

Description	As at January 01, 2015	As at December 31, 2015	As at December 31, 2016
<b>Tangible assets</b>			
Leasehold land	100.22	122.14	126.05
Freehold land	3.31	3.31	3.31
Buildings	295.55	345.97	343.83
Plant & Machinery	597.88	698.68	682.19
Furniture & fixtures	1.84	2.33	2.02
Vehicles	1.65	1.45	1.19
<b>Total</b>	<b>1,000.45</b>	<b>1,173.88</b>	<b>1,158.59</b>
<b>Capital work-in-progress</b>	<b>7.08</b>	<b>11.15</b>	<b>26.03</b>

As at 31 December 2016, the net book value of property, plant and equipment of the Group pledged as security for working capital loan is RM 118.53 million (Gross value: RM 346.17 million) [31.12.2015: Net book value RM 117.64 million (Gross value RM 325.33 million), 01.01.2015: Net book value RM 101.24 million (Gross value RM 263.58 million)].

#Fair valuation as deemed cost for Property, Plant and Equipment: As of 1 April 2015, the date of transition to new group accounting policies, the Group in accordance with the ultimate holding company's accounting policy has elected to fair value plant and machinery and carry other items of property, plant and equipment at previous GAAP carrying amounts. The same has been considered as an adjustment to plant and machinery of RM 388.50 million with the resultant impact being accounted for in the reserves.



**NOTE – 2**

RM Million

**DEFERRED TAX ASSETS (NET)**

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate prevalent in the jurisdictions the group operates in. The movement on the deferred tax account is as follows:

Particulars	Year ended December 31, 2016	Year ended December 31, 2015
<b>At the start of the year</b>	<b>79.03</b>	<b>39.01</b>
Credit/ (Charge) to profit or loss	17.00	40.02
<b>At the end of the year</b>	<b>96.03</b>	<b>79.03</b>

Deferred tax liabilities and assets at the end of the reporting period and deferred tax (credit) / charge in profit or loss and other comprehensive income are as under:-

Particulars	At the start of the year	(Charge)/Credit to Profit or loss	Charge to Other Comprehensive Income	At the end of the year
<b>Year ended December 31, 2016</b>				
<b>Deferred tax liabilities / asset in relation to:</b>				
Property, Plant and Equipment	(165.27)	17.80	-	(147.47)
Investment tax allowance	145.87	-	-	145.87
Unutilised tax losses	99.07	(2.82)	-	96.25
Others	(0.64)	2.02	-	1.38
<b>Total</b>	<b>79.03</b>	<b>17.00</b>	<b>-</b>	<b>96.03</b>
<b>Year ended December 31, 2015</b>				
<b>Deferred tax liabilities / asset in relation to:</b>				
Property, Plant and Equipment	(177.42)	12.15	-	(165.27)
Investment tax allowance	145.87	-	-	145.87
Unutilised tax losses	65.63	33.44	-	99.07
Others	4.93	(5.57)	-	(0.64)
<b>Total</b>	<b>39.01</b>	<b>40.02</b>	<b>-</b>	<b>79.03</b>

The Group has been granted full income tax exemption on statutory income of up to 100 percent qualifying capital expenditure for a period of 10 years, commencing 9 November 2007. The Group recognises the tax impact from the Group's unutilised investment tax allowance as and when it is utilised, other than such tax arising in a business combination (i.e. the acquisition of Hualon Corporation (M) Sdn. Bhd. by the Group) during the financial year ended 31 December 2008.

RM Million

The Group will continue to recognise in profit or loss the tax credit arising from the Group's unutilised investment tax allowance as and when it is utilised. The amount of investment tax allowance (of which has no expiry date) for which no deferred tax assets is recognised is as follows:

Particulars	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Investment tax allowance	317.52	305.93	294.15
Deferred tax assets not recognised	76.21	73.42	70.59

Deferred tax assets are not recognised for temporary differences where it is not probable that the differences will reverse in the foreseeable future and taxable profits will not be available against which the temporary difference can be utilized.

Particulars	Year ended December 31, 2016	Year ended December 31, 2015
<b>Income tax recognised in profit or loss</b>		
<b>Current tax *</b>		
In respect of the current year	-	-
In respect of prior year	-	-
<b>Deferred tax</b>		
In respect of the current year	17.00	40.02
<b>Total income tax (expense) / credit</b>	<b>17.00</b>	<b>40.02</b>

\* No provision for current income tax has been made as the Group have been granted full income tax exemption on the statutory income of upto 100 percent of qualifying capital expenditure for a period of ten years, commencing 9 November 2007.

The income tax credit / (expenses) for the year can be reconciled to the accounting profit as follows:

Particulars	Year ended December 31, 2016	Year ended December 31, 2015
Loss before tax from continuing operations	(107.19)	(75.71)
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	25.73	18.93
Adjustments:		
Expenses not deducted for tax purposes	(5.83)	(3.19)
Foreign exchange differences*	(2.90)	24.28
<b>Income tax credit recognised in profit or loss</b>	<b>17.00</b>	<b>40.02</b>

\* For tax purposes, all transactions in RM are recorded in RM and transactions in currencies other than RM are translated to RM using the spot rate on date of transaction in determining taxable income/loss in deriving tax expense/credit. As a result, there is a difference between taxable income/loss and accounting profit/loss recognised using US\$ as the functional currency due to foreign exchange differences.

<b>NOTE – 3</b>		RM Million		
<b>Inventories</b>		<b>Group</b>		
<b>Particulars</b>	<b>As at December 31, 2016</b>	<b>As at December 31, 2015</b>	<b>As at January 01, 2015</b>	
Raw Materials (Including Material In Transit)*	110.06	125.83	147.39	
Work-in-Progress	37.53	38.07	34.31	
Finished Goods	228.08	262.64	293.02	
Stores, Chemicals and Packing Materials (Including Material In Transit)*	69.25	83.75	59.39	
<b>Total</b>	<b>444.92</b>	<b>510.29</b>	<b>534.11</b>	

\* Includes RM 38.54 million (31.12.2015: RM 40.20 million, 01.01.2015: RM 72.55 million) in respect of materials in transit.

Inventories and trade receivables of the Group are pledged to a financial institution as security for trade and other credit facilities up to a maximum aggregate amount of USD 25.00 million (RM 112.15 million) [31.12.2015: USD 25.00 million (RM 107.30 million), 01.01.2015: USD 25.00 million (RM 87.38 million)] .

Write-downs of inventories to net realisable value amounted to RM 38.81 million (31.12.2015: RM 26.90 million, 01.01.2015: RM 21.35 million). These were recognised as an expense during the year and included in ‘changes in value of inventories of work-in-progress, stock-in-trade and finished goods’ in statement of profit and loss.

#### **NOTE – 4**

<b>Trade receivables</b>		RM Million		
		<b>Group</b>		
<b>Particulars</b>	<b>As at December 31, 2016</b>	<b>As at December 31, 2015</b>	<b>As at January 01, 2015</b>	
Trade receivables	209.07	143.95	125.46	
<b>Total</b>	<b>209.07</b>	<b>143.95</b>	<b>125.46</b>	

Credit terms of trade receivables ranged from 0 to 90 days (31.12.2015: 0 to 90 days, 01.01.2015: 0 to 90 days), backed by letters of credit or bank guarantees.

A certain portion of the trade receivables is pledged to a financial institution as security for trade and other credit facilities.

#### **NOTE – 5**

<b>Cash and cash equivalents</b>		RM Million		
		<b>Group</b>		
<b>Particulars</b>	<b>As at December 31, 2016</b>	<b>As at December 31, 2015</b>	<b>As at January 01, 2015</b>	
Cash on Hand	0.10	0.06	0.07	
Balances with Bank	0.74	0.70	0.73	
<b>Cash and cash equivalents as per balance sheet</b>	<b>0.84</b>	<b>0.76</b>	<b>0.80</b>	

Bank balances are deposits held at call with banks.

**NOTE – 6****Other financial assets - Current**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Deposits	2.83	2.85	1.49
<b>Total</b>	<b>2.83</b>	<b>2.85</b>	<b>1.49</b>

**NOTE –7****Other current assets**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Prepayments	2.43	10.53	10.19
Other receivables	31.11	37.06	1.29
<b>Total</b>	<b>33.54</b>	<b>47.59</b>	<b>11.48</b>

Other receivables includes balance with customs authorities.

**NOTE – 8****Share capital**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
<b>Authorised:</b>			
Equity Shares of RM 1 each	200.00	800.00	350.00
Preference Shares of RM 1 each	600.00	-	-
	<b>800.00</b>	<b>800.00</b>	<b>350.00</b>
<b>Issued, Subscribed and Paid up</b>			
Equity Shares of RM 1 each fully paid up	113.19	113.19	113.19
Non Cumulative Redeemable Preference Shares of RM 1 each fully paid up	429.80	-	-
<b>Total</b>	<b>542.99</b>	<b>113.19</b>	<b>113.19</b>

In January 2016, the authorised share capital of RM 800 million was split into 200,000,000 ordinary shares of RM 1.00 each and 600,000,000 non-cumulative redeemable preference shares of RM 1.00 each. In January 2016, the Group had issued 429,800,000 non-cumulative redeemable preference shares (NCRPS) of RM 1.00 each amounted to RM 429.80 million (equivalent to US\$ 100 million) to Reliance Industries (Middle East) DMCC, a wholly-owned subsidiary company of Reliance Industries Limited by utilising the share application monies received during the financial year 2015.

The holders of the NCRPS have a right to receive out of profits of the Group a Non-Cumulative Preferential Dividend at a rate as may be determined by the Directors from time to time, in priority over the ordinary shares. Any declaration or payment of dividends shall only be made in accordance with Section 365 of the Companies Act, 1965.

The Group shall have the rights, at any time to redeem the NCRPS (in full or in part) at redemption price of RM 1.00 per NCRPS provided that not less than thirty (30) days' notice or such shorter notice as the holders may agree in writing have been given. No NCRPS shall be redeemable otherwise than in accordance with the provision of Section 61 of the Companies Act, 1965 and no NCRPS redeemed by the Group shall be capable of reissue.

**NOTE – 9****Borrowings**

RM Million

Particulars	Group					
	As at December 31, 2016		As at December 31, 2015		As at January 01, 2015	
	Non Current	Current Maturities	Non Current	Current Maturities	Non Current	Current Maturities
Unsecured - At amortised cost						
Term loans - from banks (Refer note no. 10 (c) below)	215.89	30.84	-	236.06	192.23	104.85
<b>Total</b>	<b>215.89</b>	<b>30.84</b>	<b>-</b>	<b>236.06</b>	<b>192.23</b>	<b>104.85</b>

**NOTE – 10****Short term Borrowings**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
<b>Secured</b>			
<b>Working capital loans</b>			
<b>From banks</b>			
Foreign currency loans (Refer note no. 10 (b) below)	-	48.46	104.05
<b>Unsecured</b>			
<b>Other borrowings</b>			
<b>From banks</b>			
Foreign currency loans	797.50	104.69	88.22
Other currency loans	3.20	552.05	332.16
<b>Total</b>	<b>800.70</b>	<b>705.20</b>	<b>524.43</b>

- a) All the borrowings (unsecured) are backed by a corporate guarantee / comfort letter from the ultimate holding company, Reliance Industries Limited.
- b) The working capital loan (secured) is secured against the Group's property, plant and equipment (Note 1). During December 2016, the working capital facility has been surrendered and all amounts due have been repaid. The process for vacating the charge over the Group's property, plant and equipment has been initiated.
- c) Term loan of US\$ 55 million matured in May 2016 and was repaid in full using funds from another term loan of US\$ 55 million obtained from a group of financial institutions. The term loan has a tenure of 5 years and bears interest at LIBOR + 0.89%. As at 31 December 2016, LIBOR was at 0.52% p.a. The term loan is repayable in 16 equal quarterly instalments of US\$ 3,437,500 that will begin from August 2017. The term loan is guaranteed by the ultimate holding company, Reliance Industries Limited.
- d) Payables subject to supplier finance arrangements are amounts owing to financial institutions and bears interest between 1.53 % p.a. and 1.81 % p.a. The tenure for payables subject to supplier finance arrangements is 120 days.

The maturity profile and exposure of borrowings of the Group to interest rate risks are as follows:

RM Million

Particulars	Effective interest rate at the balance sheet date	Currency exposures	Total carrying amounts	Less than 1 year	1 to 2 years	2 to 5 years
<i>As at January 01, 2015</i>						
<u>Secured</u>						
Working capital loan	1.80%	USD	104.04	104.04	-	-
<u>Unsecured</u>						
Working capital loan	4.10%	RM	100.04	100.04	-	-
Term loans - from banks	1.25%	USD	297.08	104.85	192.23	-
Bank overdraft	1.22%	USD	88.23	88.23	-	-
Bank overdraft	4.57%	RM	232.12	232.12	-	-
			<b>821.51</b>	<b>629.28</b>	<b>192.23</b>	<b>-</b>
<i>As at December 31, 2015</i>						
<u>Secured</u>						
Working capital loan	1.94%	USD	48.46	48.46	-	-
<u>Unsecured</u>						
Working capital loan	3.86%	RM	279.03	279.03	-	-
Term loans - from banks	1.52%	USD	236.06	236.06	-	-
Payable subject to supplier financing arrangements	1.34% - 1.61%	USD	101.38	101.38	-	-
Bank overdraft	1.26%	USD	3.31	3.31	-	-
Bank overdraft	4.42%	RM	273.02	273.02	-	-
			<b>941.26</b>	<b>941.26</b>	<b>-</b>	<b>-</b>
<i>As at December 31, 2016</i>						
<u>Secured</u>						
Working capital loan			-	-	-	-
<u>Unsecured</u>						
Working capital loan	1.41%	USD	22.43	22.43	-	-
Term loans - from banks	1.41%	USD	246.73	30.84	61.68	154.21
Payable subject to supplier financing arrangements	1.53% - 1.81%	USD	164.77	164.77	-	-
Bank overdraft	1.25% - 1.69%	USD	610.30	610.30	-	-
Bank overdraft	3.82% - 4.01%	RM	3.20	3.20	-	-
			<b>1,047.43</b>	<b>831.54</b>	<b>61.68</b>	<b>154.21</b>

**NOTE – 11****Trade payables**

RM million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Trade payables	173.65	222.92	177.18
Trade accruals	52.56	56.78	19.35
<b>Total</b>	<b>226.21</b>	<b>279.70</b>	<b>196.53</b>

Credit terms of trade payables granted to the Group ranged from 0 to 60 days (31.12.2015: 0 to 60 days, 01.01.2015: 0 to 60 days).

**NOTE – 12****Other financial liabilities**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Current maturities of Long Term Debt	30.84	236.06	104.85
Interest accrued but not due on Borrowings	0.04	0.04	0.15
Other Payables	23.26	20.58	18.49
<b>Total</b>	<b>54.14</b>	<b>256.68</b>	<b>123.49</b>

**NOTE – 13****Other current liabilities**

RM Million

Particulars	Group		
	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
Staff cost payables	25.10	29.94	30.65
<b>Total</b>	<b>25.10</b>	<b>29.94</b>	<b>30.65</b>

**NOTE – 14****Revenue from operations**

RM million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
Sale of Products	2,910.98	3,132.51
Income from Services		
Commission from ultimate holding company	9.39	112.94
Engineering fees	33.17	62.52
<b>Total</b>	<b>2,953.54</b>	<b>3,307.97</b>

**NOTE – 15****Other income**

RM million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
<b>Other Non Operating Income</b>		
Gain on disposal of property, plant and equipment	0.87	0.02
Others	0.14	0.11
<b>Total</b>	<b>1.01</b>	<b>0.13</b>

**NOTE – 16****Changes In Inventories Of Finished Goods, Stock-In-Trade And Work-In-Progress**

RM Million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
<b>Inventories (at close)</b>		
Finished Goods / Stock-in-Trade	228.08	262.64
Work-in-Progress	37.53	38.07
	<u>265.61</u>	<u>300.71</u>
<b>Inventories (at commencement)</b>		
Finished Goods / Stock-in-Trade	262.64	293.02
Work-in-Progress	38.07	34.31
	<u>300.71</u>	<u>327.33</u>
Exchange due to translation	9.33	65.57
<b>Total</b>	<b>(44.43)</b>	<b>(92.19)</b>



**NOTE – 17****Employee benefit expenses**

RM Million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
Salaries and Wages	172.42	168.15
Contribution to Provident and Other Funds	9.23	9.71
Staff Welfare Expenses	16.22	16.99
<b>Total</b>	<b>197.87</b>	<b>194.85</b>

Included in the staff costs is director's remuneration comprising:

Salaries and Bonus -	2.48	2.48
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The estimated monetary value of benefits-in-kind provided to the directors of the group was approximately RM 0.21 million (2015: 0.20 million)

**Defined contribution plan**

Contribution to Defined Contribution Plans, recognised as expense for the year is as under :

RM Million

<b>Particulars</b>	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
Employer's Contribution to Provident Fund	9.23	9.71
<b>Total</b>	<b>9.23</b>	<b>9.71</b>

**Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the Group. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director of the Group. The Group operates only in one Business Segment i.e. petrochemicals and hence does not have any reportable Segments as per group accounting policies.

**NOTE – 18****Finance costs**

RM Million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
Interest Expenses	17.47	28.17
<b>Total</b>	<b>17.47</b>	<b>28.17</b>

**NOTE – 19****Other expenses**

RM Million

<b>Particulars</b>	<b>Group</b>	
	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
<b>Manufacturing Expenses</b>		
Stores, Chemicals and Packing Materials	247.12	245.29
Electric Power, Fuel and Water	278.09	280.55
Labour Processing and Machinery Hire Charges	3.09	2.99
Repairs to Building	0.76	0.59
Repairs to Machinery	9.53	10.38
Exchange Difference (Net)	13.07	(102.30)
<b>Selling and Distribution Expenses</b>		
Warehousing and distribution expenses	0.25	0.15
Sales tax/VAT	10.72	11.82
Other selling and distribution expenses	79.09	101.27
<b>Establishment Expenses</b>		
Professional Fees	2.37	2.51
General Expenses	28.47	30.45
Rent	3.17	3.26
Insurance	7.94	8.05
Rates & Taxes	2.62	2.62
Other Repairs	2.62	3.25
Travelling Expenses	0.72	0.63
Payment to Auditors	0.14	0.16
Charity and Donations	0.03	0.02
<b>Total</b>	<b>689.80</b>	<b>601.69</b>

**Note - 20 Related party disclosures**

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

Sr.	Name of the related party	Relationship
1	Reliance Industries Limited	Ultimate holding company
2	Reliance Industries (Middle East) DMCC	Immediate holding company (w.e.f. 23.03.2016)
3	Reliance Brazil LLC	Subsidiary (Liquidated on 12.12.2016)
4	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary
5	Reliance Global Business B.V.	Immediate holding company (up to 23.03.2016)

**(ii) Transactions during the year with related parties :**

RM Million

Sr.	Particulars	Ultimate holding company	Key Managerial personnel	Others	Total
1	Revenue from operations	0.58	-	-	0.58
		-	-	-	-
2	Income from services - Commision received	9.39	-	-	9.39
		<i>112.94</i>	-	-	<i>112.94</i>
3	Income from services - Engineering Service Fee received	33.17	-	-	33.17
		<i>62.52</i>	-	-	<i>62.52</i>
4	Cost of materials consumed	261.09	-	-	261.09
		<i>367.68</i>	-	<i>27.11</i>	<i>394.79</i>
5	General Expenses - Payment of Corporate guarantee charges	4.27	-	-	4.27
		<i>4.32</i>	-	-	<i>4.32</i>
6	Cost of materials consumed - Payment of manufacturing service charges	-	-	227.05	227.05
		-	-	<i>411.99</i>	<i>411.99</i>
7	Employee benefit expenses	-	2.48	-	2.48
		-	<i>2.48</i>	-	<i>2.48</i>

Figures in italic represents Previous Year's amounts.

**(iii) Outstanding balances with related parties :**

RM Million

Sr.	Particulars	Relationship	As at December 31, 2016	As at December 31, 2015	As at January 01, 2015
<b>1</b>	<b>Amount Receivable :</b>				
	Reliance Industries Limited	Ultimate holding company	32.49	63.59	-
<b>2</b>	<b>Amount Payable :</b>				
	Reliance Industries Limited	Ultimate holding company	-	-	125.71
	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary	8.54	19.08	229.34

**Disclosure in Respect of Major Related Party Transactions during the year :**

RM Million

Sr.	Particulars	Relationship	Year ended December 31, 2016	Year ended December 31, 2015
1	Revenue from operations :			
	Reliance Industries Limited	Ultimate holding company	0.58	-
2	Income from services :			
	Reliance Industries Limited	Ultimate holding company	42.56	175.46
3	Purchases of raw materials :			
	Reliance Industries Limited	Ultimate holding company	261.09	367.68
	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary	227.05	439.10
4	General Expenses :			
	Reliance Industries Limited	Ultimate holding company	4.27	4.32
5	Employee benefit expenses	Key Managerial personnel	2.48	2.48

**Note - 21 Fair values**

The carrying amounts of financial assets and liabilities of the Group approximated their fair values.

**Capital Commitments**

RM Million

Particulars	Year ended December 31, 2016	Year ended December 31, 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for	9.64	7.68

**Note - 22 Effect of adopting new group accounting policies of RIL on the consolidated balance sheet**

RM Million

Particulars	As at December 31, 2015			As at January 1, 2015		
	Previous group accounting policies	Effect of transition	As per new group accounting policies	Previous group accounting policies	Effect of transition	As per new group accounting policies
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	1,651.07	(477.19)	1,173.88	1,388.95	(388.50)	1,000.45
Capital work-in-progress	11.15	-	11.15	7.08	-	7.08
Deferred tax assets (net)	79.03	-	79.03	39.01	-	39.01
<b>Total non-current assets</b>	<b>1,741.25</b>	<b>(477.19)</b>	<b>1,264.06</b>	<b>1,435.04</b>	<b>(388.50)</b>	<b>1,046.54</b>

## Effect of adopting new group accounting policies of RIL on the consolidated balance sheet (contd.)

RM Million

Particulars	As at December 31, 2015			As at January 1, 2015		
	Previous group accounting policies	Effect of transition	As per new group accounting policies	Previous group accounting policies	Effect of transition	As per new group accounting policies
<b>Current assets</b>						
Inventories	510.29	-	510.29	534.11	-	534.11
Financial assets						
Trade receivables	143.95	-	143.95	125.46	-	125.46
Cash and cash equivalents	0.76	-	0.76	0.80	-	0.80
Amount due from ultimate holding company	63.59	-	63.59	-	-	-
Other financial assets	2.85	-	2.85	1.49	-	1.49
Other current assets	47.59	-	47.59	11.48	-	11.48
<b>Total current assets</b>	<b>769.03</b>	<b>-</b>	<b>769.03</b>	<b>673.34</b>	<b>-</b>	<b>673.34</b>
<b>Total assets</b>	<b>2,510.28</b>	<b>(477.19)</b>	<b>2,033.09</b>	<b>2,108.38</b>	<b>(388.50)</b>	<b>1,719.88</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity share capital	113.19	-	113.19	113.19	-	113.19
Other equity	1,106.49	(477.19)	629.30	572.81	(388.50)	184.31
<b>Total equity</b>	<b>1,219.68</b>	<b>(477.19)</b>	<b>742.49</b>	<b>686.00</b>	<b>(388.50)</b>	<b>297.50</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Financial liabilities						
i. Borrowings	-	-	-	192.23	-	192.23
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192.23</b>	<b>-</b>	<b>192.23</b>
<b>Current liabilities</b>						
Financial liabilities						
i. Borrowings	705.20	-	705.20	524.43	-	524.43
ii. Trade payables	279.70	-	279.70	196.53	-	196.53
iii. Amount due to ultimate holding company	-	-	-	125.71	-	125.71
iv. Amount due to a related company	19.08	-	19.08	229.34	-	229.34
v. Other financial liabilities	256.68	-	256.68	123.49	-	123.49
Other current liabilities	29.94	-	29.94	30.65	-	30.65
<b>Total current liabilities</b>	<b>1,290.60</b>	<b>-</b>	<b>1,290.60</b>	<b>1,230.15</b>	<b>-</b>	<b>1,230.15</b>
<b>Total liabilities</b>	<b>1,290.60</b>	<b>-</b>	<b>1,290.60</b>	<b>1,422.38</b>	<b>-</b>	<b>1,422.38</b>
<b>Total equity and liabilities</b>	<b>2,510.28</b>	<b>(477.19)</b>	<b>2,033.09</b>	<b>2,108.38</b>	<b>(388.50)</b>	<b>1,719.88</b>

**Reconciliation of other equity between new group accounting policies and previous group accounting policies**

RM Million

Particulars	As at December 31, 2015	As at January 01, 2015
<b>Other Equity as per previous group accounting policies</b>	1,106.49	572.81
Fair valuation of Plant and Machinery	(388.59)	(388.50)
Exchange difference on PPE due to fair valuation	(88.60)	-
<b>Total adjustments</b>	<b>(477.19)</b>	<b>(388.50)</b>
<b>Other Equity as per new group accounting policies</b>	<b>629.30</b>	<b>184.31</b>

Note:- Other equity includes retained earning and foreign exchange fluctuation reserve and share application money.

**Note - 23 Effect of adopting new group accounting policies of RIL on the statement of profit and loss for the year ended December 31, 2015**

RM Million

Particulars	Previous group accounting policies	Effect of transition	As per new group accounting policies
<b>Continuing operations</b>			
Revenue from operations			
Sale of products	3,132.51	-	3,132.51
Income from services	175.46	-	175.46
	<u>3,307.97</u>	<u>-</u>	<u>3,307.97</u>
Other income	0.13	-	0.13
<b>Total income</b>	<b>3,308.10</b>	<b>-</b>	<b>3,308.10</b>
<b>Expenses</b>			
Cost of materials consumed	2,403.87	-	2,403.87
Changes in inventories of finished goods and work-in-progress	92.19	-	92.19
Employee benefit expenses	194.85	-	194.85
Finance costs	28.17	-	28.17
Depreciation/amortisation and depletion expense	62.95	0.09	63.04
Other expenses	601.69	-	601.69
<b>Total expenses</b>	<b>3,383.72</b>	<b>0.09</b>	<b>3,383.81</b>
<b>Loss before tax</b>	<b>(75.62)</b>	<b>(0.09)</b>	<b>(75.71)</b>
Tax expenses			
— Current tax	-	-	-
— Deferred tax	40.02	-	40.02
<b>Loss for the year</b>	<b>(35.60)</b>	<b>(0.09)</b>	<b>(35.69)</b>
<b>Other comprehensive income</b>			
<i>a) Items that will be reclassified to profit or loss</i>			
Foreign currency translation differences	139.48	(88.60)	50.88
<b>Total comprehensive loss for the year attributable to equity holders</b>	<b>103.88</b>	<b>(88.69)</b>	<b>15.19</b>

**Reconciliation of other comprehensive income between new group accounting policies and previous group accounting policies**

RM Million

Nature of adjustment	As at December 31, 2015
<b>Other comprehensive income as per previous group accounting policies</b>	139.48
Exchange difference on PPE due to fair valuation	(88.60)
<b>Total adjustments</b>	<b>(88.60)</b>
<b>Other comprehensive income as per new group accounting policies</b>	<b>50.88</b>

**Note - 24 Effect of adopting new group accounting policies of RIL on the statement of cash flows for the year ended December 31, 2015**

RM Million

Particulars	Previous group accounting policies	Effect of transition	As per new group accounting policies
Cash flow from operating activities	(365.16)	-	(365.16)
Cash flow from investing activities	(15.27)	-	(15.27)
Cash flow from financing activities	465.84	-	465.84
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>85.41</b>	<b>-</b>	<b>85.41</b>

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016

### A BACKGROUND AND CORPORATE INFORMATION

Recron (Malaysia) Sdn. Bhd. (“the Company”) is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business of the Company is as follows:

Suite 7.01 – 7.03  
Level 7, Wisma Goldhill,  
67, Jalan Raja Chulan,  
50200 Kuala Lumpur

The principal activities of the Group are the manufacture of polyester resin, fibre, yarn and fabric; undertaking of fabrics’ bleaching, dyeing, printing and finishing, providing engineering services; and sale and marketing activities on behalf of its ultimate holding company.

There have been no significant changes in the nature of these activities during the financial year.

### B BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### B.1 BASIS OF PREPARATION AND PRESENTATION

The Fit-for-Consolidation Consolidated Financial Statements (the “FFC CFS”) of Recron (Malaysia) Sdn. Bhd. (the “Company”) and its subsidiary (the “Group”) have been prepared in conformity with the group accounting policies of Reliance Industries Limited (“RIL”). The group accounting policies of RIL are based on the recognition and measurement principles of Indian Accounting Standard (Ind AS), other accounting principles generally accepted in India and fit-for-consolidation adjustments described below. The FFC CFS have been prepared only to enable their incorporation into the consolidated financial statements of Reliance Industries Limited in accordance with requirements of Ind AS 110 - Consolidated Financial Statements, notified under the Companies (Indian Accounting Standards) Rules, 2015, read with section 133 of the Indian Companies Act, 2013 and not to report on the Company and its subsidiary as a separate entity or a group. The FFC CFS do not include the disclosures as required under Ind AS in its entirety. The FFC CFS have been prepared on the historical cost basis except as stated in significant accounting policies in Note B.2. The Group has followed the same accounting policy choices (both mandatory exceptions and optional exemptions availed as per Ind AS 101 on the transition date i.e. 1 January 2015, as followed by Reliance Industries Limited while preparing the Fit-for-Consolidation Consolidated Financial Statements as at the transition date of the Group and for the financial years ended 31 December 2015 and 31 December 2016.

The above accounting standards and interpretations are collectively referred to as group accounting policies of RIL in the FFC CFS.

#### *Fit-for-Consolidation Adjustments*

- In accordance with the group accounting policies of RIL, the Group has elected to fair value specific items of property, plant and equipment and carry other items of property, plant and equipment at previous carrying amounts.

The preparation of FFC CFS in conformity with group accounting policies of RIL requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported financial year. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the FFC CFS are disclosed in Note C. Although these estimates are based on the Group’s best knowledge of current events and actions, actual results could differ from those estimates.

The Group incurred a loss after taxation of RM 90.19 million for the financial year ended 31 December 2016 (2015: RM 35.69 million). As at the same date, the Group had net current liabilities of RM 391.00 million (2015: RM 521.57 million). The ultimate holding company, Reliance Industries Limited, continues to provide necessary support to enable the Group to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. In view of this continuing financial support, the Directors have prepared the FFC CFS on a going concern basis.

#### B.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Consolidation:

The FFC CFS include the financial information of the Company and its subsidiary made up to the end of the financial year. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of these entities so as to obtain benefits from their activities, generally accompanying a



## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiary. The cost of a business combination is measured as the aggregate of the fair values, at the date of acquisition, of the assets given, liabilities incurred or assumed, equity instruments issued. Any costs directly attributable to the business combination is expensed to profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained investment in the former subsidiary entity is accounted for as a financial asset if it does not become an associate or a jointly controlled entity. The carrying amount of the asset on the date when the former subsidiary ceased to be a subsidiary is regarded as the cost of the financial asset.

The gain or loss on disposal of subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at the date of disposal including the cumulative amount of any differences that relate to the subsidiary is recognised in the profit or loss.

**(b) Property, plant and equipment:**

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised comprises its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not amortised as it has an infinite life. Leasehold land is amortised in equal installments over the remaining balance of the lease period since acquisition, ranging from 74 to 86 years. The straight line method is used to write off the cost of other assets over the term of their estimated useful lives as follows:

Factory buildings	30 years
Other buildings	25 years
Plant and machinery	15 - 30 years
Furniture and office equipment	5 years
Motor vehicles	5 years

Work-in-progress is not depreciated until the asset is fully completed and ready for its intended use. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and loss on disposals are determined by comparing proceeds with carrying amount of the assets, and are recognised in the profit or loss.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

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**(c) Leases:**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. All other leases are classified as operating leases.

The respective leased assets are included in the balance sheet based on their nature. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payments are structured to increase in line with expected general inflation to compensate for the lessors expected inflationary cost increases.

**(d) Borrowing costs:**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised 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 period in which they are incurred.

**(e) Inventories:**

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

**(f) Impairment of non-financial assets:**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

**(g) Provisions:**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**(h) Employee Benefits:**

Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within "Other current liabilities" in the balance sheet.

Post-Employment Benefits

Defined Contribution Plans

The Company contributes to the Employees Provident Fund, the national defined contribution plan and the Group's subsidiary contributed to the Social Contribution on Income. Once the contributions have been paid, the Group has no further payment obligations. The Group's contributions are charged to the profit or loss in the financial year to which they relate.

**(i) Taxation:**

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

The current income tax charge is calculated using the tax rates (and tax laws) enacted or substantively enacted at the end of the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is provided on all taxable temporary differences. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised. Tax benefit from investment tax allowance is recognised when the tax credit is utilised as a reduction of current tax and no deferred tax asset is recognised on the unutilised investment tax allowance, other than such tax arising in a business combination.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investment in a subsidiary where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investment in a subsidiary where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

### (j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

### (k) Foreign currencies

Items included in the FFC CFS are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's functional currency is US Dollar. The FFC CFS are presented in Ringgit Malaysia ("RM").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign exchange gains and losses are presented in profit or loss within 'other expenses'.

### (l) Revenue recognition

Revenue comprises the invoiced value for the sale of goods, net of sales taxes, rebates and discounts. Sales of goods are recognised as revenue when significant risk and rewards of ownership of the goods has been transferred to the customer.

Interest income is recognised using the effective interest method.

Commission income and engineering fee are recognised on an accrual basis in accordance with the substance of the relevant agreements.

### (m) Financial instruments

#### i) Financial assets

##### A. Initial recognition and measurement:

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

##### B. Subsequent measurement

###### a) *Financial assets carried at amortised cost (AC)*

A financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### C. Impairment of financial assets

The Group assesses impairment based on expected credit loss (ECL) model as follows:

###### Financial assets at amortised cost

The Group follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Group 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 Group 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.

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

For recognition of impairment loss on other financial assets and risk exposure, the Group 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 recognized initially at fair value and in case of loans and borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in profit or loss as finance cost.

#### B. Subsequent measurement:

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

### (n) Share capital

#### (i) Ordinary shares

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### (ii) Preference shares

Preference shares are classified as financial liabilities or as equity in accordance with the substance of the contractual arrangement, not merely its legal form.

Preference shares classified as equity are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Non-cumulative redeemable preference shares (NCRPS) issued by the Group are classified as equity as the Group has the right but not an obligation to pay dividends and has a right to redeem the NCRPS (in full or in part) at any time at redemption price of RM 1.00 per NCRPS.

## C CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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

### a) Carrying value of plant and machinery:

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying value. This evaluation is subject to changes such as market performance and economic situation of the country of the Group's key markets. The Group determines recoverable amount based on fair value less cost to sell. Significant judgement is required in the estimation of the fair value, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of replacement costs, physical depreciation, functional and economic obsolescence. Changes in assumptions could significantly affect the results of the Group's test for impairment of assets.

## Notes to the Fit-for-Consolidation Consolidated Financial Statements of the Group for the Year Ended 31 December 2016 (Continued)

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b) Depreciation and useful lives of property plant and equipment:

The Group conducts a regular operational review of the estimated useful lives and residual values of property, plant and equipment to better reflect their useful lives and residual values. The Group has changed the useful lives of certain plant and machinery following a reassessment of the assets' fair value as of 1 January 2015 and revised the useful lives of certain plant and machinery from 30 years to 15 years. There were no changes to the useful lives and residual values of the Group's property, plant and equipment as at the balance sheet date.

c) **Deferred tax assets:**

The recognition of deferred tax assets involves judgement regarding the future financial performance of the Group. The Group has recognised deferred tax assets arising from unutilised tax losses, acquired investment tax allowance and other deductible temporary differences to the extent of probable future taxable profits and taxable temporary differences available to utilise the deductible temporary differences.

### **D FIRST TIME ADOPTION OF GROUP ACCOUNTING POLICIES OF RIL:**

The ultimate holding company, Reliance Industries Limited, has adopted Ind AS with effect from 1 April 2016 with comparatives being restated. The Group is permitted to adopt a date of transition to the group accounting policies of RIL on 1 January 2015. Accordingly, the impact of transition has been recognised in the retained earnings as at 1 January 2015.

a) **Exemptions from retrospective application:**

i. **Business combinations:**

In accordance with the group accounting policies of RIL, the Group has elected to apply the accounting policies on business combination prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

ii. **Deemed cost:**

In accordance with the group accounting policies of RIL, the Group has reassessed the fair value of specific plant and machinery as of date of transition, 1 January 2015, and use that fair value as deemed cost for the purpose of the ultimate holding company's preparation of consolidated financial statements.