RELIANCE INDUSTRIES (MIDDLE EAST) DMCC

Independent Auditor's Report

To the Shareholder of
Reliance Industries (Middle East) DMCC
Dubai, U.A.E.

Report on the financial statements

We have audited the financial statements of Reliance Industries (Middle East) DMCC ("the Company") which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw attention to the following;

1. As stated in note 3 to the financial statements, under 'Basis of preparation', the Company had accumulated losses amounting to USD 43,620,286 and current liabilities exceeded current assets by USD 51,088,340. The financial statements have been prepared on a going concern basis and this depends on the continuing financial support of the shareholder. In the absence of such support, this basis would be invalid and adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively; and

2. These are the separate financial statements of Reliance Industries (Middle East) DMCC which have been prepared to comply with the requirements of Section 136 of the Indian Companies Act, 2013. A separate report will be issued on the consolidated financial statements of Reliance Industries (Middle East) DMCC.

   Our opinion is not qualified in respect of the above matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout

Independent Auditor's Report (continued)

the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Also, in our opinion, all necessary books and records were maintained in accordance with the provisions of Implementing Regulations 1/3 issued by the Dubai Multi Commodities Centre.

Deloitte & Touché (M.E)

Signed by:
Herve Ballantyne
Dubai
United Arab Emirates

Statement of financial position as at 31 December 2016

	Notes	2016 USD	2015 USD
ASSETS			
Non-current assets			
Property and equipment	5	**168,607**	251,413
Investments in subsidiaries	7	**426,650,445**	2,054,723
Investment in non-cumulative redeemable preference shares	14.1	**-**	100,000,000
Total non-current assets		**426,819,052**	102,306,136
Current assets			
Accrued income and other current assets	8	**49,546,727**	15,882,050
Due from related parties	14.1	**23,262,832**	-
Cash and bank balances	9	**477,584**	286,546
Total current assets		**73,287,143**	16,168,596
Total assets		**500,106,195**	118,474,732
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**11,535,326**	11,535,326
Preference share capital	10	**407,545,000**	17,238,000
Share application money	10	**-**	100,000,000
Accumulated losses		**(43,620,286)**	(25,499,545)
Net equity		**375,460,040**	103,273,781
Non-current liability			
Provision for employees' end of service benefit	11	**270,672**	237,503
Current liabilities			
Bank overdraft	13	**4,880,255**	1,668,045
Due to a related party	14.1	**-**	166,499
Trade and other payables	12	**46,559,215**	13,128,904
Advance from a subsidiary	7 (v)	**72,936,013**	-
Total current liabilities		**124,375,483**	14,963,448
Total liabilities		**124,646,155**	15,200,951
Total equity and liabilities		**500,106,195**	118,474,732

These financial statements were approved and authorised for issue by the Board of Directors on 21 May 2017 and were signed on their behalf by:

DipankarDhruba Sen
Director

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

Statement of Comprehensive Income for the year ended 31 December 2016

	Notes	2016 USD	2015 USD
Revenue	15	**395,353,171**	353,446,641
Cost of sales		**(394,848,806)**	(352,516,117)
Gross profit		**504,365**	930,524
General and administrative expenses		**(6,473,922)**	(1,221,149)
Dividend income		**17,814,760**	-
Finance cost	16	**(210,723)**	(974,437)
Finance income	17	**163,184**	1,039,249
Profit /(loss) for the year	19	**11,797,664**	(225,813)
Other comprehensive income		**-**	-
Total comprehensive profit /(loss) for the year		**11,797,664**	(225,813)

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

Statement of Changes in Equity for the year ended 31 December 2016

	Share capital USD	Preference share capital USD	Share application money USD	Accumulated losses USD	Net equity USD
Balance at 1 January 2015	11,535,326	17,238,000	-	(25,273,732)	3,499,594
Share application money received (note 14.2)	-	-	100,000,000	-	100,000,000
Total comprehensive loss for the year	-	-	-	(225,813)	(225,813)
Balance at 1 January 2016	11,535,326	17,238,000	100,000,000	(25,499,545)	103,273,781
Share application money received (note 14.3)	-	-	297,100,000	-	297,100,000
Preference shares issued from share application money (note 14.3)	-	390,307,000	(390,307,000)	-	-
Transfer of investment to group company (note 4 and 7 (v))	-	-	-	(42,122,387)	(42,122,387)
Refund of share application money (note 14.3)	-	-	(6,793,000)	-	(6,793,000)
Sale of subsidiaries to the Parent Company (note 4 and 7)	-	-	-	12,203,982	12,203,982
Total comprehensive profit for the year	-	-	-	11,797,664	11,797,664
Balance at 31 December 2016	**11,535,326**	**407,545,000**	**-**	**(43,620,286)**	**375,460,040**

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

Statement of cash flows for the year ended 31 December 2016

	2016 USD	2015 USD
Cash flows from operating activities		
Profit /(loss) for the year	**11,797,664**	(225,813)
Adjustments for:		
Depreciation of property and equipment	**83,459**	79,571
Provision for employees' end of service benefit	**33,169**	77,737
Finance cost	**210,723**	974,437
Interest on term deposits	**(33,958)**	(36,203)
Interest charged to related parties	**-**	(976,841)
Unrealised exchange loss	**734,560**	-
Dividend income	**(17,814,760)**	-
Operating cash flows before movements in working capital	**(4,989,143)**	(107,112)
Change in accrued income and other current assets	**(33,630,719)**	7,588,035
Change in due from related parties	**(6,182,632)**	69,480,000
Change in trade and other payables	**33,430,311**	(7,535,795)
Cash (used in) / generated from operating activities	**(11,372,183)**	69,425,128
Finance costs paid	**(210,723)**	(3,736,081)
Net cash (used in) / generated from operating activities	**(11,582,906)**	65,689,047
Cash flows from investing activities		
Investment in non-cumulative redeemable shares	**-**	(100,000,000)
Payments for property and equipment	**(653)**	(111,172)
Investment in subsidiaries	**(295,836,817)**	-
Proceeds from sale of investments	**14,258,703**	-
Finance income received	**-**	3,743,730
Net cash used in investing activities	**(281,578,767)**	(96,367,442)
Cash flows from financing activities		
Share application money received	**297,100,000**	100,000,000
Share application money refunded	**(6,793,000)**	-
Repayment of loan from a related party	**-**	(70,000,000)
Change in due to a related party	**(166,499)**	(3,245,107)
Net cash generated by financing activities	**290,140,501**	26,754,893
Net decrease in cash and cash equivalents	**(3,021,172)**	(3,923,502)
Cash and cash equivalents at beginning of the year	**(1,381,499)**	2,542,003
Cash and cash equivalents at the end of the year (note 9)	**(4,402,671)**	(1,381,499)
Non-cash items:		
Transfer of investment to group company (note 7 (v))	**42,122,387**	-
Payable to related party for the acquisition of subsidiaries (note 7 (v))	**72,936,013**	-

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

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

1 Legal status and principal activities

Reliance Industries (Middle East) DMCC ("the Company") is a limited liability company incorporated on 2 May 2005 and registered with Dubai Multi Commodities Centre (DMCC) under the DMCC Company Regulations No. 1/03. The Company is a wholly owned subsidiary of Reliance Industries Limited ("the Parent Company" or "RIL"), a company incorporated in India.

The Company's registered office is located at Unit No. 1801, Jumeirah Business Centre 3, Plot No. Y1, Jumeirah Lakes Towers, Dubai, United Arab Emirates (UAE).

The principal activities of the Company are trading of crude oil, petroleum and petrochemical product and refined oil products, bunkering and charter services.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: *Bearer Plants*
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associatesand Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017

Notes to the financial statements for the year ended 31 December 2016 (continued)

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Notes to the financial statements for the year ended 31 December 2016 (continued)

• **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.	
• **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	
• **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 (*), may have no material impact on the financial statements of the Company in the period of initial application.

Notes to the financial statements for the year ended 31 December 2016 (continued)

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3 Summary of significant accounting policies

3.1 Statement of compliance

These financial statements represent only the financial position and results of the Company. The financial statements have been prepared in accordance to IFRSs.

3.2 Basis of preparation

The Company has accumulated losses amounting to USD 43,620,286 and current liabilities exceeded current assets by USD 51,088,340. The financial statements have been prepared on a going concern basis as the shareholder has undertaken to support the Company. In the event that this support is withdrawn, the going concern basis would be invalid and adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Furthermore, these are the separate financial statements of Reliance Industries (Middle East) DMCC which have been prepared to comply with the requirements of Section 136 of the Indian Companies Act, 2013.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and other similar allowances.

3.3.1 Sale of goods

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which the time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.3.2 Dividend income

Dividend income from investments is recognised when the Company's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

3.3.3 Interest income

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

3.3.4 Other income

Other income generated outside the Company's normal business operation is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

3.3.5 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

3.4 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. All other leases are classified as operating leases.

3.4.1 The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Leasehold improvements	4
Computer and office equipment	4
Furniture and fixtures	4
Motor vehicles	4

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Notes to the financial statements for the year ended 31 December 2016 (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful life is 4 years.

3.7 Investments in subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Company.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Investments in subsidiaries is carried in the Company's financial statements initially at cost and subsequently measured at the end of each reporting period at cost less any accumulated impairment loss.

The investments in subsidiaries are derecognised upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiaries and is recognised in profit or loss.

3.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 Provisions

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Employee benefits

Provision is made for estimated liability for employees' entitlement to annual leave as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for the full amount of end of service benefits due to non-UAE national employees in accordance with the Company's policy, which is at least equal to the benefits payable in accordance with UAE Laws, for their period of service up to the end of the reporting period. The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

3.11 Foreign currencies

For the purpose of these financial statements, US Dollars (USD) is the functional and presentation currency of the Company.

Transactions in currencies other than USD (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in which they arise.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 Financial assets

The Company's financial assets comprise of accrued income and other current assets (excluding advances and prepayments), due from related parties, fixed deposit under lien, cash and bank balances and investment in non-cumulative redeemable preference shares. These financial assets are classified as 'loans and receivables', 'cash and cash equivalents' and 'available for sale (AFS) investments'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

3.13.1 Cash and cash equivalents

Cash and cash equivalents are comprised of cash and balances with banks in current accounts or deposits which mature within three months of the date of placement.

3.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including accrued income and other current assets (excluding advances and prepayments), due from related parties and fixed deposit under lien, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3.13.3 AFS investments

AFS investments are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The Company has investment in non-cumulative redeemable preference shares that are not traded in an active market and whose fair value cannot be reliably measured are accounted for at cost less any identified impairment losses at the end of each reporting period.

3.13.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.13.5 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

3.14 Financial liabilities and equity instruments

3.14.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.14.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.14.3 Financial liabilities

Trade and other payables (excluding advance from customer), bank overdraft, due to related party and advance from a subsidiary are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term payables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3.14.4 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.15 Disposal of entities which lack commercial substance

Gains or losses arising on disposal of subsidiaries are recorded within retained earnings if the disposal lacks commercial substance and is based on a decision of the Parent Company.

4 Critical accounting judgments and key sources of uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4.1 Critical judgments in applying accounting policies

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Below are the critical judgments, apart from those including estimations, that the management has made in the process of applying the Company's accounting policies and has the most significant effect on the amounts recognised in the financial statements.

4.1.1 Revenue recognition

In determining whether the Company is acting as a principal or as an agent with its customer, a related party, management considered the detailed criteria for the recognition of revenue in accordance with IAS 18 *Revenue*. This require an assessment of whether the Company has exposure to the significant risks and rewards associated with the sale of goods. After an assessment of the relevant factors, management and the directors of the Company have concluded that the arrangement with customer exposes the Company to the significant risks and rewards associated with the sale of goods and the recognition of the revenue in accordance with the Company's role as a principal rather than agent is appropriate and in accordance to IAS 18 *Revenue*.

4.1.2 Classification of preference shares

In the process of classifying preference shares, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. In making its judgment, management considered the detailed criteria and related guidance for the classification of financial instruments as set out in IAS32 *Financial Instruments: Presentation*, in particular, whether the instrument includes a contractual obligation to a fixed number of ordinary shares for each preference share at the point of conversion. Management and the directors of the Company have concluded that the classification of the preference shares as an equity instrument in the financial statements is appropriate and in accordance to IAS32 *Financial Instruments: Presentation.*

4.1.3 Functional currency

Management considers USD to be the currency that most faithfully represents the economic effect of underlying transactions, events and conditions. USD is the currency in which the Company measures the performance and reports its results, as well as the currency in which it receives from the Parent Company.

4.1.4 Transfer of investment in RIL USA Inc. to Reliance Holding USA Inc.

Management was required to take a judgement as to whether the disposal of the Company's investment in RIL USA Inc. to Reliance Holding USA Inc. contained commercial substance. Management has determined that, on the basis that the transfer was done in order to facilitate a group reorganisation with no transfer of cash, the transaction lacks commercial substance. Accordingly, the loss on disposal of USD 42,122,387 has been recognised within accumulated losses. Refer to note 7 (v).

4.1.5 Sale of subsidiaries to Reliance Industries Limited

During the year, the Company entered share purchase agreements with Reliance Industries Limited to sell its holdings in two subsidiaries, Reliance Global Energy Services (Singapore) PTE Ltd and Reliance Global Energy Services Ltd. (London). The proceeds from sales

Notes to the financial statements for the year ended 31 December 2016 (continued)

of Reliance Global Energy Services (Singapore) PTE Ltd and Reliance Global Energy Services Ltd. (London) was USD 9.61 million and USD 4.65 million respectively, resulting in a total gain of USD 12.20 million. The gain on the sale of subsidiaries was directly adjusted in the accumulated losses and not passed through the statement of profit and loss, since it was a transaction between parties under common control.

4.1.6 Classification of leases as financing or operating in nature

The Company enters into continuous voyage charter agreement for all of its ethane vessels. Where management has determined, based on an evaluation of the terms and conditions, that the lessor retains all significant risks and rewards of these properties, it will account for the contracts as operating leases even though the contract may not be in the form of lease.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Allowance for impairment losses on trade receivables and other current assets

An estimate of the collectible amount of trade receivables and other current assets is made when collection of the full amount is no longer probable. The allowance for impairment losses for all customers is based on a variety of factors, including the overall quality and ageing of the receivables and continuing credit evaluation of the customers' financial conditions. Also, specific provisions for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations. Management is satisfied that no impairment provision is required on trade receivables and other current assets as at 31 December 2016 and 2015.

4.2.2 Impairment of investments in subsidiaries

The Company asses, at each reporting date, whether there is any indication that investments in subsidiaries is impaired. If any such indication exists, the Company estimates the recoverable amount of investment. An investment's recoverable amount is the higher of an investment's fair value less cost to sell and its value in use and is determined for an individual investment if the investment generates cash inflows that are largely independent. Whether the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. In determining the fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples like available fair value indicators.

The value in use calculation requires the Company to estimate the future cash flows expected to arise from the investment and a suitable discount rate in order to calculate the present value. Significant judgments, estimates and associated assumptions are involved in determining the expected cash flows and discount rates.

Management is satisfied that there are no indicators of objective evidence of impairment for its investments in subsidiaries as at 31 December 2016 and 2015.

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

5 Property and equipment

	Leasehold improvements USD	Computer and office equipment USD	Furniture and fixtures USD	Motor vehicles USD	Total USD
Cost					
At 1 January 2015	102,397	190,449	152,166	67,663	512,675
Additions	40,745	34,849	35,578	-	111,172
At 1 January 2016	143,142	225,298	187,744	67,663	623,847
Additions	-	653	-	-	653
At 31 December 2016	**143,142**	**225,951**	**187,744**	**67,663**	**624,500**
Accumulated depreciation					
At 1 January 2015	-	170,094	55,106	67,663	292,863
Charge for the year	28,195	15,118	36,258	-	79,571
At 1 January 2016	28,195	185,212	91,364	67,663	372,434
Charge for the year	25,599	11,643	46,217	-	83,459
At 31 December 2016	**53,794**	**196,855**	**137,581**	**67,663**	**455,893**
Carrying amount					
At 31 December 2016	**89,348**	**29,096**	**50,163**	**-**	**168,607**
At 31 December 2015	114,947	40,086	96,380	-	251,413

6 Intangible assets

	2016 USD	2015 USD
Cost		
At 1 January and 31 December	21,794,014	21,794,014
Accumulated amortisation		
At 1 January and 31 December	21,794,014	21,794,014
Carrying amount at 31 December	-	-

7 Investments in subsidiaries

	2016 2016	2015 2015 % Holding	**2016** USD	2015 USD
Reliance Global Energy Services Limited (London) *(i)*	**-**	100	**-**	999,998
Reliance Global Energy Services (Singapore) Pte. Ltd. *(ii)*	**-**	100	**-**	1,054,725
R.P Chemicals (Malaysia) Sdn. Bhd.*(iii)*	**100**	-	**229,000,000**	-
Reliance Global Business BV *(iv)*	**100**	-	**66,836,819**	-
Recron (Malaysia) Sdn. Bhd. ("Recron") *(v)*	**100**	-	**130,813,626**	-
			426,650,445	2,054,723

(i) Reliance Global Energy Services Limited (London) ("RGES")

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

RGES was incorporated in England and Wales on 20 June 2009. The registered office of the Company is situated in England and Wales. The principal activities of RGES are to carry on business as a general commercial company.

During the year, the Company sold this subsidiary to the Parent Company. The share purchase agreement for the sale of RGES was signed on 29 April 2016 and was sold for GBP 3,210,000 (USD 4,648,720).

(ii) Reliance Global Energy Services (Singapore) Pte. Ltd.("RGESS")

RGESS was incorporated in the Republic of Singapore under Companies Act, Cap 50. The registered office of RGESS is 250 North Bridge Road, # 16-01, Raffles Tower, Singapore 179101. As per memorandum of RGESS, it can carry on or undertake any business activity subject to provisions of the Companies Act, Cap 50, Singapore.

During the year, the Company sold this subsidiary to the Parent Company. The share purchase agreement for the sale of Reliance Global Energy Services (Singapore) PTE Ltd was signed on 6 June 2016 and was sold for USD 9,609,983.

(iii) R.P Chemicals (Malaysia) Sdn. Bhd. ("RPCM")

RPCM is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Symphony House, PusatDagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan. The holding company is Reliance Global Holdings Pte. Ltd., ("RGBBV") a private company incorporated in Singapore. The principal activities of RPCM are producing, marketing, selling of Purified Terephthalic Acid ("PTA"), trading of chemicals products and providing manufacturing services.

During the year, the Company purchased 358,643,545 ordinary shares of Malaysian Ringgit (RM) 1 each and 79,800 class A redeemable preference shares RM 1 each of R.P Chemicals (Malaysia) Sdn. Bhd, amounting to USD 229,000,000.

(iv) Reliance Global Business BV ("RGBBV")

RGBBV is incorporated in the Netherlands registered under the Commercial Register under number 34298281. The registered office of RGBBV is at Hoogoorddreef 15, 1101 BA Amsterdam. The principal activities of RGBBV comprise mainly of the investment all the other activities revolve around its main business.

During the year, the Company purchased the investment in RGBBV from the Parent Company, at a purchase consideration of USD 66,836,219. During the year, the liquidation process of the Company commenced and a liquidator had been appointed on 22 March 2016. The liquidation is still in process as at 31 December 2016. The value of net assets of RGBBV as at 22 March 2016 was USD 67,609,094 (EUR 59,410,452) which is higher than the investment of the Company, hence no impairment loss is recognised.

(v) Recron (Malaysia) Sdn. Bhd. ("Recron")

Recron is a private limited liability company, incorporated and domiciled in Malaysia. The address of the registered office and principal place of business is at Suite 7.01 – 7.03, Level 7, WismaGoldhill, 67, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal activities of Recron are the manufacturing 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.

As disclosed in 7 (iv), the liquidation of RGBV is in process, but on 23 March 2016, the liquidator distributed the shares in capital of Recron amounting to USD 30,813,626 (EUR 27,077,000) and RIL USA Inc. amounting to USD 42,122,387 (EUR 37,014,400) as liquidation share in advance to the Company being the sole shareholder of RGBBV. Further as at year end, the Company had transferred its investment in RIL USA Inc. to RIL USA Holdings without any consideration. The title of the shares had been transferred before 31 December 2016. Since the transfer of shares of RIL USA Inc. had been made to a company under common control within the group and had no commercial substance, the loss on disposal of investment has been adjusted directly within the equity.

In addition to the USD 30,813,626 described above, the Company provided Recron, a related party, an amount of USD 100,000,000 as share application money. On 29 January 2016, Recron allotted and issued to the Company 429,800,000 non-cumulative redeemable preference shares with par value of RM 1.00 per share towards the share application money. Based on the terms of the issuance of the preference shares, Recron has the right to redeem such shares at any time for a redemption price of RM 1.00 per share.

The gain on disposal of RGES and RGESS of USD 12,203,982 has been adjusted directly in the equity for the same reasons as stated in note 7(v).

Management has assessed as at the reporting date that there are no indicators of objective evidence of impairment for its investments in subsidiaries.

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Accrued income and other current assets

	2016 USD	2015 USD
Accrued income*	**41,907,182**	13,177,601
Fixed deposit under lien**	**2,254,006**	2,220,047
Deposits	**21,866**	86,183
Advances	**2,417,127**	77,574
Prepayments	**2,764,072**	138,171
Other receivables	**182,474**	182,474
	49,546,727	15,882,050

* Accrued income include an amount of USD 41,765,088 (2015: USD 12,825,931) outstanding from the Parent Company (note 14.1).

**Fixed deposit amounting to USD 2,254,006 as at 31 December 2016 (2015: USD 2,220,047) with original maturity of 15 months have been pledged for bank guarantees granted to a customer. Such deposits earn an interest of 1.5% (2015: 1.5%). As at 31 December 2016, fixed deposit under lien has remaining maturity of 4 months (2015: 1 month), and has been presented under accrued income and other receivables as current asset.

The average credit period on sale of goods and render of services is 30 days. No interest is charged on trade receivables.

The Company's exposure to credit and currency risks and impairment losses related to trade receivables and other current assets is disclosed in note 20.

9 Cash and bank balances

	2016 USD	2015 USD
Cash on hand	**13,484**	5,327
Banks balances	**464,100**	281,219
Cash and bank balances	**477,584**	286,546
Less: Bank overdraft (note 13)	**(4,880,255)**	(1,668,045)
Cash and cash equivalents	**(4,402,671)**	(1,381,499)

10 Share capital/preference share capital

	2016 USD	2015 USD
Authorised, issued and fully paid up: 42,450 ordinary shares of AED 1,000 each (2015: 42,450 shares of AED 1,000 each)	**11,535,326**	11,535,326
1,499,765 (2015: 63,436 shares), 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**407,545,000**	17,238,000

The 5% Non-cumulative compulsorily convertible preference shares will have to be converted into equity shares at any time during the first 5 years in the ratio of 1:1 and at any time after 5 years till 10 years in the same ratio of 1:1. Based on terms of issuance of preference shares, the Company will issue fixed number of ordinary shares for each preference share. Accordingly, these preference shares have been classified as part of equity in the financial statements.

On 18 March 2016, the Board had resolved for the issue and allotment of 1,214,400 5% non-cumulative compulsory convertible preference shares of AED 1000 each to Reliance Industries Limited amounting to USD 330,000,000. Subsequently, on 10 August 2016, the Board had resolved for further issue and allotment of 221,929 5% non-cumulative compulsory convertible preference shares of AED 1000 each to Reliance Industries Limited amounting to USD 60,307,000. The tenure for the shares is 10 years. Reliance

Notes to the financial statements for the year ended 31 December 2016 (continued)

Industries Limited will have to convert the subject preference shares into equity shares at any time during the first 5 years in the ratio of 1:1 and at any time after 5 years till 10 years in the same ratio of 1:1. The Company has refunded share application money of USD 6,793,000 to RIL.

11 Provision for employees' end of service benefit

Movements in the provision are as follows:

	2016 USD	2015 USD
At 1 January	**237,503**	159,766
Charge during the year	**33,169**	77,737
At 31 December	**270,672**	237,503

12 Trade and other payables

	2016 USD	2015 USD
Trade payables	**41,568,415**	12,810,904
Advance from customer	**2,550,000**	-
Payable for acquisition of a subsidiary	**-**	300,000
Accruals	**2,440,800**	18,000
	46,559,215	13,128,904

13 Bank overdraft

The Company has obtained an overdraft facility of USD 10 million from a bank in the UAE. The facility is secured against a corporate guarantee issued by the Parent Company to the extent of USD 15 million (2015: USD 15 million). The facility carries interest rate of EIBOR plus 0.8% p.a. for amounts withdrawn in AED and LIBOR plus 0.8% p.a. for amounts withdrawn in USD. As at 31 December 2016, the Company has a bank overdraft balance amounting to USD 4,880,255 (2015: USD 1,668,045).

14 Transactions and balances with related parties

Related parties comprise the shareholder, directors and key management personnel of the Company and entities in which they have the ability to control or exercise significant influence. Balances with related parties generally arise from commercial transactions in the normal course of business at agreed terms.

14.1 Related party balances

Balances arising from transactions with related parties in the statement of financial position are as follows:

	2016 USD	2015 USD
Accrued income - Reliance Industries Limited (note 8)	**41,765,088**	12,825,931
Advances from Reliance Global Business BV (note 7 (v))	**72,936,013**	-
Advance from Reliance Industries Limited	**2,550,000**	-
Investment in non-cumulative redeemable preference shares:		
Recron (Malaysia) Sdn. Bhd. ("Recron")	**-**	100,000,000

Notes to the financial statements for the year ended 31 December 2016 (continued)

Investment in subsidiaries:		
R.P Chemicals (Malaysia) Sdn. Bhd.	**229,000,000**	-
Reliance Global Business BV	**66,836,819**	-
Recron (Malaysia) Sdn. Bhd. (“Recron”)	**130,813,626**	-
Reliance Global Energy Services Ltd. (London)	**-**	999,998
Reliance Global Energy Services (Singapore) PTE Ltd.	**-**	1,054,726
	426,650,445	2,054,724
Due from related parties:		
Reliance Exploration & Production DMCC	**273,091**	-
Reliance Global Business BV (i)	**5,878,200**	-
RP Chemicals (Malaysia) SdnBhd	**17,080,200**	-
Reliance Industries Limited	**31,341**	
	23,262,832	-
Due to a related party:		
Reliance Exploration & Production DMCC	**-**	166,499
	-	166,499

(i) During the year, the Company received a loan of USD 5,528,200 from the Parent Company which was subsequently loaned to Reliance Global Business BV.

14.2 Related party transactions

The Company has entered into transactions with related parties which were made on substantially the same terms as those prevailing at the same time for comparable transaction with third parties.

Significant transactions with related parties in the statement of comprehensive income are as follows:

	2016 USD	2015 USD
Sales of crude oil	**365,910,714**	353,446,641
Ocean Freight*	**5,279,486**	-
Interest charged to related parties (notes 17)	**-**	976,841
Guarantee commission to a related party (note 16)	**33,000**	33,000
Interest on loan from a related party (note 16)	**127,580**	904,078
Dividend income from RP Chemicals (Malaysia) SdnBhd	**17,814,760**	-
Expenses paid on behalf of the Parent Company	**117,478**	-
Expenses recovered from the Parent Company	**129,226**	-

* On 25 October 2016, the Company has signed a contract of affreightment with the Parent Company for provision of charter hire services to the Parent Company.

Notes to the financial statements for the year ended 31 December 2016 (continued)

14.3 Other transactions with related parties

	2016 USD	2015 USD
Payments made to RIL USA, Inc.	**209,791,394**	190,800,009
Sale of investment in subsidiaries to Parent Company	**14,258,703**	-
Transfer of investment to group company (7 (v))	**42,122,387**	-
Refund of share application money	**6,793,000**	-
Share application money received from RIL	**297,100,000**	100,000,000

*As per agreement between the Company and its supplier, certain amounts due to the supplier were assigned in favour of RIL USA, Inc., a related party. In turn, this assignment extinguished the liability of the Company towards the supplier.

The Company did not incur key management compensation expenses during the years ended 31 December 2016 and 2015.

14.4 Terms and conditions of transactions with related parties

Outstanding balances at the end of the reporting period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has not recorded any impairment owed by related parties (2015: USD Nil). This assessment is undertaken each financial year through an examination of the financial position of the related party and the market in which the related party operates.

15 Revenue

	2016 USD	2015 USD
Sale of		
- Crude oil	**365,910,714**	353,446,641
- Gas oil	**24,162,971**	-
Charter services	**5,279,486**	-
	395,353,171	353,446,641

16 Finance costs

	2016 USD	2015 USD
Interest on loan from a related party (note 14.2)	**127,580**	904,078
Bank interest expense	**50,143**	37,359
Guarantee commission to a related party (note 14.2)	**33,000**	33,000
	210,723	974,437

17 Finance income

	2016 USD	2015 USD
Interest charged to a related party (note 14.2)	**-**	976,841
Interest on term deposits	**33,958**	36,203
Miscellaneous income	**129,226**	26,205
	163,184	1,039,249

Notes to the financial statements for the year ended 31 December 2016 (continued)

18 Commitments and contingencies

	2016	2015
	USD	USD
Guarantee issued on behalf of a customer	**1,765,000**	1,600,000
Bank guarantees	**320,000**	40,000
Commitment for acquisition of a subsidiary	**-**	229,000,000

The above bank guarantees were issued in the normal course of business.

	2016	2015
	USD	USD
Operating lease commitments:		
Within one year	**61,380,000**	128,751
After one year but not more than five years	**271,560,000**	156,679
More than five years	**678,900,000**	-
	1,011,840,000	285,430

19 Profit /(loss) for the year

Profit /(loss) for the year is after charging:

	2016	2015
	USD	USD
Staff costs	**546,733**	404,948
Depreciation of property and equipment	**83,459**	79,571

20 Financial instruments

20.1 Capital management

The Company's policy is to maintain a strong capital base with the financial assistance of Parent Company in order to support the operations and to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital to ensure to be able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Company's overall strategy remains unchanged from 2015.

20.2 Financial risk management objectives

The Company is exposed to the following risks related to financial instruments - credit risk, liquidity risk, interest risk and foreign currency risk. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative or risk management purposes.

20.2.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade receivables and other current assets (excluding advances and prepayments), due from related parties and bank balances.

The Company's exposure to credit risk is not considered to be significant since majority of the receivables are with a related party. At the end of the reporting period, trade receivables and other current assets (excluding advances and prepayments) and due from related parties are concentrated to related parties. The balances with banks are assessed to have low credit risk of default since the banks are among the major banks operating in the UAE and are highly regulated by the central bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of each reporting period was:

Notes to the financial statements for the year ended 31 December 2016 (continued)

	2016 USD	2015 USD
Due from related parties	**23,262,832**	-
Accrued income and other current assets (excluding advances and prepayments)	**44,365,528**	15,666,305
Bank balances	**464,100**	281,219
	68,092,460	15,947,524

Impairment losses

The ageing of accrued income at 31 December was:

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
USD				
Not past due	**41,765,088**	**-**	12,825,931	-
Less than 120 days	**-**	**-**	-	-
More than 120 days	**142,094**	**-**	351,670	-
	41,907,182	**-**	13,177,601	-

Management believes that no impairment loss should be recognised in respect of past due balances as they relate to a customer with long term agreement.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

20.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses. The Company also has bank overdraft facility as disclosed in note 13.

The following are the contractual maturities including estimated payments of financial liabilities:

	Current Less than 1 year USD	**Non-current Greater than 1 year USD**
31 December 2016		
Advances from a subsidiary	**72,936,013**	-
Bank overdraft	**4,880,255**	-
Trade and other payables (excluding advance from customer)	**44,009,215**	-
	121,825,483	-

	Current Less than 1 year USD	**Non-current Greater than 1 year USD**
31 December 2015		
Due to a related party	**166,499**	-
Bank overdraft	**1,668,045**	-
Trade and other payables	**13,128,904**	-
	14,963,448	-

Notes to the financial statements for the year ended 31 December 2016 (continued)

20.2.3 Currency risk

A majority of the Company's transactions are in USD or currencies that are pegged to the USD (AED) and therefore the Company is not exposed to significant foreign currency risks.

The Company's currency risk arises primarily in respect of receivable from RP Chemicals (Malaysia) Sdn Bhd. Amounts receivable in foreign currency expose the Company to currency risk. As at 31 December 2016, the Company has such receivable amounting to USD 17,080,200 (2015: USD nil).

At December 31,2016 if USD had weakened/strengthened by 10% against the Malaysian Ringgit with all other variables held constant, profit for the year would have been lower/higher by USD 73,456 (2015: Nil)

20.2.4 Interest rate risk

Interest rate risk is the risk that arises from timing difference in the maturity of Company's interest bearing assets and liabilities.

Interest rate on fixed term financial instruments (fixed deposit under lien, due from related parties and loan from a related party) is fixed until maturity of the instrument. Since the interest rate is fixed, the Company is not exposed to any significant interest risk on financial assets.

The Company's interest rate risk arises primarily from bank overdraft. Borrowings at variable rates expose the Company to cash flow interest rate risk. As at 31 December 2016, the Company has bank overdraft of USD 4,880,255 (2015: USD 1,668,045). If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Company's profit/(loss) for the year December 31,2016 would increase/decrease by USD 48,802 (2015: increase/decrease by USD 16,680).

20.3 Fair value measurements

Management considers that the fair values of financial assets and financial liabilities approximate their carrying amounts as stated in the financial statements.

21 Events after the reporting period

None