

RECRON (Malaysia) SDN. BHD.
Financial Statements
for the year ended 31st December, 2021

RECRON (MALAYSIA) SDN. BHD.**INDEPENDENT AUDITOR'S REPORT**

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

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

Our opinion

In our opinion, the accompanying special purpose fit-for-consolidation financial statements ("FFC Financial Statements") of Recron (Malaysia) Sdn. Bhd. ("the Company") are prepared, in all material respects, in accordance with group accounting policies of Reliance Industries Limited.

What we have audited

We have audited the accompanying special purpose FFC Financial Statements of the Company, which comprise the balance sheet as at 31 December 2021, and the profit and loss statement, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 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 special purpose FFC Financial Statements of the Company, which describes the basis of its preparation. The special purpose FFC Financial Statements of the Company dealt with by this report, have been prepared in accordance with the group accounting policies of Reliance Industries Limited to enable their incorporation into the consolidated financial statements of Reliance Industries Limited and not to report on the Company as a separate entity. Our opinion is not modified in respect of this matter.

Independence and other ethical responsibilities

We are independent of the Company 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 Financial Statements

The Directors of the Company are responsible for the preparation of the special purpose FFC Financial Statements of the Company in accordance with the group accounting policies of Reliance Industries Limited described in Note B.1 to the special purpose FFC Financial Statements of the Company. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of special purpose FFC Financial Statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose FFC Financial Statements of the Company, the Directors are 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

RECRON (MALAYSIA) SDN. BHD.**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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

Our objectives are to obtain reasonable assurance about whether the special purpose FFC Financial Statements of the Company 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 Financial Statements of the Company.

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 Financial Statements of the Company, 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 Company'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 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 auditors' report to the related disclosures in the special purpose FFC Financial Statements of the Company 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 Company to cease to continue as a going concern.

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 Financial Statements of the Company has been prepared for purposes of providing information to Reliance Industries Limited to enable it to prepare its consolidated financial statements. As a result, the special purpose FFC Financial Statements of the Company may not be suitable for another purpose.

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 PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

HERBERT CHUA GUAN HENG (03483/01/2024 J)

Chartered Accountant

Kuala Lumpur

25 March 2022

Recron (Malaysia) Sdn Bhd.
Balance Sheet
As at December 31, 2021

RM Million

Particulars	Notes	As at December 31, 2021	As at December 31, 2020
ASSETS			
Non- Current Assets			
Property, plant and equipment	1	853.12	863.34
Capital working-in-progress	1	29.06	22.90
Deferred tax assets (net)	2	56.44	112.32
Total Non- Current Assets		938.62	998.56
Current Assets			
Inventories	3	368.05	282.28
Financial Assets			
Trade receivables	4	203.67	131.49
Cash and cash equivalents	5	0.19	0.19
Other financial assets	6	1.39	1.39
Other Current Assets	7	2.40	2.61
Total Current Assets		575.70	417.96
Total Assets		1,514.32	1,416.52
EQUITY AND LIABILITIES			
Equity			
Share Capital	8	542.99	542.99
Other Equity		307.78	212.64
Total equity attributable to owners of Recron (Malaysia) Sdn Bhd.		850.77	755.63
LIABILITIES			
Current Liabilities			
Financial Liabilities			
Borrowings	9	253.51	407.72
Trade payables	10	160.64	73.40
Amount due to ultimate holding company		109.59	11.01
Amount due to a related company		76.28	119.81
Other financial liabilities	11	38.47	26.23
Other current liabilities	12	25.06	22.72
Total Current Liabilities		663.55	660.89
Total Liabilities		663.55	660.89
Total Equity and Liabilities		1,514.32	1,416.52

Recron (Malaysia) Sdn Bhd.

Profit & Loss Statement

RM Million

For the Year ended December 31, 2021

Particulars	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Continuing operations			
Revenue from operations			
Sale of products	13	3,317.50	2,385.79
		3,317.50	2,385.79
Other income	14	0.03	0.21
Total income		3,317.53	2,386.00
Expenses			
Cost of materials consumed		2,180.12	1,609.93
Changes in inventories of finished goods and work-in-progress	15	41.12	42.06
Employee benefit expenses	16	134.03	127.47
Finance costs	17	4.85	8.70
Depreciation / Amortisation		67.30	74.83
Other expenses	18	683.17	519.11
Total expenses		3,110.59	2,382.10
Profit before tax		206.94	3.90
Taxation			
- Deferred tax		(55.88)	(1.96)
Profit for the year		151.06	1.94
Other comprehensive income			
<i>a) Items that will be reclassified to profit or loss</i>			
Foreign currency translation differences		27.74	(12.89)
Total comprehensive income for the year attributable to equity holders		178.80	(10.95)

Recron (Malaysia) Sdn Bhd.

Statement of changes in equity for the period ended December 31, 2021

RM Million

Particulars	Share capital	Reserves and Surplus		Sub Total	Total
		Exchange fluctuation reserve	Retained earnings		
As at December 31, 2020	542.99	49.05	163.59	212.64	755.63
Total comprehensive income for the year		27.74	151.06	178.80	178.80
Dividends			(83.66)	(83.66)	(83.66)
As at December 31, 2021	542.99	76.79	230.99	307.78	850.77

Recron (Malaysia) Sdn Bhd.
Statement of Cash Flows
For the Year ended December 31, 2021

Particulars	RM Million	
	Year ended December 31, 2021	Year ended December 31, 2020
A. Cash flows from operating activities		
Net profit before tax as per profit and loss statement	206.94	3.90
Adjusted for:		
Loss on Sale / Discard of Assets (Net)	0.01	0.43
Depreciation / Amortisation	67.30	74.83
Effect of Exchange Rate Change	(1.43)	0.30
Finance Costs	4.85	8.70
Operating Profit before Working Capital Changes	277.67	88.16
Adjusted for:		
Trade and Other Receivables	(64.97)	44.75
Inventories	(73.87)	106.94
Trade and Other Payables	96.05	(111.20)
Intercompany balances	49.71	(88.83)
Cash Generated from Operations	284.59	39.82
Taxes Paid (Net)	-	-
Net Cash from Operating Activities	284.59	39.82
B. Cash flows from investing activities		
Payment for Property, Plant and Equipment (net)	(27.75)	(23.35)
Proceeds from disposal of Property, Plant and Equipment	0.35	1.88
Net Cash Used in Investing Activities	(27.40)	(21.47)
C. Cash flows from financing activities		
Payment of Dividend	(83.64)	(30.28)
Repayment of Long Term Borrowings	(23.03)	(47.26)
Short Term Borrowings (Net)	(145.62)	68.14
Interest Paid	(4.88)	(8.66)
Net Cash Used in Financing Activities	(257.17)	(18.06)
Net Increase in Cash and Cash Equivalents	0.02	0.29
Opening Balance of Cash and Cash Equivalents	0.19	0.32
Effects of exchange rate changes on cash and cash equivalents	(0.02)	(0.42)
Closing Balance of Cash and Cash Equivalents	0.19	0.19

RECRON (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021**

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 Company 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 period.

B BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

B.1 BASIS OF PREPARATION AND PRESENTATION

The Fit-for-Consolidation Financial Information (the “FFC Financial Information”) of Recron (Malaysia) Sdn. Bhd. (the “Company”) has 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 Financial Information have been prepared only to enable their incorporation into the consolidated financial statements of Reliance Industries Limited and not to report on the Company as a separate entity. The FFC Financial Information do not include the disclosures as required under Ind AS in its entirety. The FFC Financial Information have been prepared on the historical cost basis except as stated in significant accounting policies in Note B.2.

The preparation of FFC Financial Information 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 period. Although these estimates are based on the Company’s best knowledge of current events and actions, actual results could differ from those estimates.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B.1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

As at 31 December 2021, the Company had net current liabilities of RM87.85 million. The ultimate holding company, Reliance Industries Limited, continues to provide necessary support to enable the Company 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 Financial Information on a going concern basis.

B.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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 Company.

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

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) **Property, plant and equipment (continued)**

At each reporting date, the Company 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.

b) **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 lease 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 Company 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 profit and loss statement 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.

c) **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.

d) **Inventories**

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

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
 31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Inventories (continued)

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.

e) 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.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) **Provisions**

Provisions are recognised when the Company 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.

g) **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. Once the contributions have been paid, the Company has no further payment obligations. The Company's contributions are charged to the profit or loss in the financial period to which they relate.

h) **Taxation**

The tax expense for the financial period 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.

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.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Taxation (continued)

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.

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.

i) 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 balance sheet.

j) Foreign currencies

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

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 and loss statement.

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 and loss statement within 'other expenses'.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Foreign currencies (continued)

The results and financial position of the Company are translated from the functional currency into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- b) Income and expenses for each profit and loss statement are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- c) All resulting exchange differences are recognised in other comprehensive income.

k) Revenue recognition

Revenue comprises the invoiced value for the sale of goods, net of GST, 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.

l) 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.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Financial instruments (continued)

B. Subsequent measurement

Financial assets carried at amortised cost (AC)

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

C. Impairment of financial assets

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

Financial assets at amortised cost

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

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

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

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

ii) Financial liabilities

A. Initial recognition and measurement

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

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.

m) 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 Company are classified as equity as the Company 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.

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**NOTES TO THE FIT-FOR-CONSOLIDATION FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021 (CONTINUED)**

B.2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) **Share capital (continued)**

(iii) **Dividend distribution**

The Company establishes a distribution policy whereby cash dividends can only be paid out of retained profits.

Dividend distribution to the Company's shareholders is recognised directly in equity and as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

Note – 1
Fixed assets

RM Million

Description	Gross Block					Depreciation					Net Block	
	As at December 31, 2020	Forex on conversion	Addition/ adjustments	Deduction/ adjustments	As at December 31, 2021	As at December 31, 2020	Forex on conversion	For the year	Deduction/ adjustments	As at December 31, 2021	As at December 31, 2020	As at December 31, 2021
Tangible assets												
Leasehold land	126.71	5.29	-	-	132.00	20.59	0.86	1.62	-	23.07	106.12	108.93
Freehold land	3.31	-	-	-	3.31	-	-	-	-	-	3.31	3.31
Buildings	471.67	19.10	0.16	-	490.93	228.99	9.43	17.14	-	255.56	242.68	235.37
Plant & Machinery	1,155.30	47.23	21.54	(0.86)	1,223.21	646.57	26.59	47.31	(0.50)	719.97	508.73	503.24
Furniture & fixtures	20.05	0.82	0.91	-	21.78	17.87	0.73	1.10		19.70	2.18	2.08
Vehicles	4.71	0.19	-	-	4.90	4.39	0.19	0.13	-	4.71	0.32	0.19
Total	1,781.75	72.63	22.61	(0.86)	1,876.13	918.41	37.80	67.30	(0.50)	1,023.01	863.34	853.12
Capital work-in-progress	22.90	1.02	5.14	-	29.06	-	-	-	-	-	22.90	29.06

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****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 Company operates in. The movement on the deferred tax account is as follows:

Particulars	As at December 31, 2021	As at December 31, 2020
At the start of the year	112.32	114.28
Credit/ (Charge) to profit or loss	(55.88)	(1.96)
At the end of the year	56.44	112.32

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
Year ended December 31, 2021				
Deferred tax liabilities / asset in relation to:				
Property, Plant and Equipment	(177.53)	(9.69)	-	(187.22)
Investment tax allowance	226.09	(43.00)	-	183.09
Unutilised tax losses	64.11	(5.47)	-	58.64
Others	(0.35)	2.28	-	1.93
Total	112.32	(55.88)	-	56.44
Year ended December 31, 2020				
Deferred tax liabilities / asset in relation to:				
Property, Plant and Equipment	(172.59)	(4.94)	-	(177.53)
Investment tax allowance	226.09	-	-	226.09
Unutilised tax losses	58.24	5.87	-	64.11
Others	2.54	(2.89)	-	(0.35)
Total	114.28	(1.96)	-	112.32

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Note- 2 (continued)**

RM Million

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	As at December 31, 2021	As at December 31, 2020
Income tax recognised in profit or loss		
Current tax *		
In respect of the current year	-	-
Deferred tax		
In respect of the current year	(55.88)	(1.96)
Total income tax expense	(55.88)	(1.96)

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

Particulars	As at December 31, 2021	As at December 31, 2020
Profit/ (Loss) before tax from continuing operations	206.94	3.90
Tax calculated at the Malaysian tax rate of 24% (2020: 24%)	49.67	0.94
Adjustments:		
Expenses not deducted for tax purposes	5.59	1.02
Foreign exchange differences*	0.62	-
Income tax expenses recognised in profit or loss	55.88	1.96

* 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.

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

Note – 3

RM Million

Inventories

Particulars	As at December 31, 2021	As at December 31, 2020
Raw Materials (Including Material In Transit)*	189.19	72.61
Work-in-Progress	25.42	24.15
Finished Goods	96.06	133.45
Stores, Chemicals and Packing Materials (Including Material In Transit)*	57.38	52.07
Total	368.05	282.28

* Includes RM 99.90 million (2020: RM 5.09 million) in respect of materials in transit.

Inventories and trade receivables of the Company are pledged to a financial institution as security for trade and other credit facilities up to a maximum aggregate amount of USD 25 million (RM 104.40 million) (2020: USD 25 million (RM 100.33 million)).

Note - 4

Trade receivables

Particulars	As at December 31, 2021	As at December 31, 2020
Trade receivables	203.67	131.49
Total	203.67	131.49

Credit terms of trade receivables ranged from 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

Cash and cash equivalents

Particulars	As at December 31, 2021	As at December 31, 2020
Cash and bank balances	0.19	0.19
Cash and cash equivalents as per balance sheet	0.19	0.19

Bank balances are deposits held at call with banks.

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

Note - 6

RM Million

Other financial assets - Current

Particulars	As at December 31, 2021	As at December 31, 2020
Deposits	1.39	1.39
Total	1.39	1.39

Note - 7

Other current assets

Particulars	As at December 31, 2021	As at December 31, 2020
Prepayments	1.59	1.68
Other receivables	0.81	0.93
Total	2.40	2.61

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Note - 8**

RM Million

Share capital

Particulars	As at December 31, 2021	As at December 31, 2020
Issued, Subscribed and Paid up		
Equity Shares of RM 1 each fully paid up	113.19	113.19
Non Cumulative Redeemable Preference Shares of RM 1 each fully paid up	429.80	429.80
Total	542.99	542.99

The holders of the NCRPS have a right to receive out of profits of the Company 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.

The Company shall have the rights, at any time to redeem the NCRPS (in full or in part) at redemption price of RM1.00 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 72 of the Companies Act 2016 and no NCRPS redeemed by the Company shall be capable of reissue.

Note - 9**Short term Borrowings**

Particulars	As at December 31, 2021	As at December 31, 2020
Unsecured		
Other borrowings		
From banks		
Foreign currency loans	252.06	392.94
Other currency loans	1.45	14.78
Total	253.51	407.72

- a) All the borrowings (unsecured) are backed by a corporate guarantee / comfort letter from the ultimate holding company, Reliance Industries Limited.
- b) The term loan was fully repaid in May 2021. Term loan had a tenure of 5 years and bears interest at LIBOR + 0.89%. The term loan was repayable in 16 equal quarterly instalments of US\$ 3,437,500 each, with the first quarterly instalment being paid in August 2017.

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

Note - 9

Short term Borrowings (continued)

RM Million

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

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 December 31, 2021</i>						
<u>Unsecured</u>						
Working capital loan	0.83%	USD	99.68	99.68	-	-
Bank overdraft	1.29%	USD	152.38	152.38	-	-
Bank overdraft	4.88%	MYR	1.45	1.45	-	-
			253.51	253.51	-	-
<i>As at December 31, 2020</i>						
<u>Unsecured</u>						
Working capital loan	0.92%	USD	124.40	124.40	-	-
Term loans - from banks	1.04%	USD	22.57	22.57	-	-
Bank overdraft	1.37%	USD	245.96	245.96	-	-
Bank overdraft	4.39%	MYR	14.79	14.79	-	-
			407.72	407.72	-	-

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Note - 10****Trade payables****RM Million**

Particulars	As at December 31, 2021	As at December 31, 2020
Trade payables	130.31	47.77
Trade accruals	30.33	25.63
Total	160.64	73.40

Credit terms of trade payables granted to the Company ranged from 0 to 60 days.

Note - 11**Other financial liabilities**

Particulars	As at December 31, 2021	As at December 31, 2020
Interest accrued but not due on Borrowings	0.03	0.07
Other payables	38.44	26.16
Total	38.47	26.23

Note - 12**Other current liabilities**

Particulars	As at December 31, 2021	As at December 31, 2020
Staff cost payables	25.06	22.72
Total	25.06	22.72

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

Note - 13	RM Million	
Revenue from operations		
Particulars	Year 2021	Year 2020
Sale of Products	3,317.50	2,385.79
Total	3,317.50	2,385.79

Note - 14		
Other income		
Particulars	Year 2021	Year 2020
Other Non Operating Income		
Gain on disposal of property, plant and equipment	0.03	0.16
Others	-	0.05
Total	0.03	0.21

Note - 15
Changes In Inventories Of Finished Goods, Stock-In-Trade And Work-In-Progress

Particulars	Year 2021	Year 2020
Inventories (at close)		
Finished Goods / Stock-in-Trade	96.06	133.45
Work-in-Progress	25.42	24.15
	121.48	157.60
Inventories (at commencement)		
Finished Goods / Stock-in-Trade	133.45	160.19
Work-in-Progress	24.15	40.72
	157.60	200.91
Exchange due to translation	5.00	(1.25)
Total	(41.12)	(42.06)

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Employee benefit disclosures****Note - 16****RM Million****Employee benefit expenses**

Particulars	Year 2021	Year 2020
Salaries and Wages	117.08	111.60
Contribution to Provident and Other Funds	7.11	7.45
Staff Welfare Expenses	9.84	8.42
Total	134.03	127.47

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

RM million

Salaries and Bonus -	2.72	2.61
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The estimated monetary value of benefits-in-kind provided to the Directors of the Company was approximately RM 0.18 million (2020: 0.15 million)

Defined contribution plan**RM Million**

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

Particulars	Year 2021	Year 2020
Employer's Contribution to Provident Fund	7.11	7.45
Total	7.11	7.45

Segment information

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

Note - 17**Finance costs**

Particulars	Year 2021	Year 2020
Interest Expenses	4.85	8.70
Total	4.85	8.70

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Note - 18****RM Million****Other expenses**

Particulars	Year 2021	Year 2020
Manufacturing Expenses		
Stores, Chemicals and Packing Materials	166.04	142.76
Electric Power, Fuel and Water	179.61	201.75
Labour Processing and Machinery Hire Charges	2.40	2.89
Repairs to Building	1.22	1.49
Repairs to Machinery	6.61	7.29
Exchange Difference (Net)	(2.77)	2.06
Selling and Distribution Expenses		
Warehousing and distribution expenses	285.29	114.42
Brokerage, Commission and Discounts	6.54	6.75
Other selling and distribution expenses	0.11	0.13
Establishment Expenses		
Professional Fees	3.01	1.57
General Expenses	20.77	20.12
Rent	3.75	2.18
Insurance	6.84	10.87
Rates & Taxes	2.73	2.73
Other Repairs	0.72	1.19
Travelling Expenses	0.05	0.14
Payment to Auditors	0.17	0.17
Loss on Sale /Discard of Fixed Assets	0.07	0.59
Charity and Donations	0.01	0.01
Total	683.17	519.11

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Fair values****RM Million**

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

Capital Commitments

Particulars	Year ended December 31, 2021	Year ended December 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for	24.38	13.39

Recron (Malaysia) Sdn Bhd.

Notes to the financial statements for the year ended 31 December 2021

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
3	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary

(ii) Transactions during the year with related parties :

RM Million

Sr.	Particulars	Ultimate holding company	Key Managerial personnel	Others	Total
1	Cost of materials consumed - Purchase of Raw material	1,067.77	-	-	1,067.77
		<i>830.03</i>	-	-	<i>830.03</i>
2	General Expenses - Payment of Corporate guarantee charges	3.20	-	-	3.20
		<i>3.51</i>	-	-	<i>3.51</i>
3	Cost of materials consumed - Manufacturing service charges	-	-	282.91	282.91
		-	-	<i>274.45</i>	<i>274.45</i>
4	Employee benefit expenses	-	2.72	-	2.72
		-	<i>2.61</i>	-	<i>2.61</i>

Figures in italic represents Previous Year's amounts.

Recron (Malaysia) Sdn Bhd.**Notes to the financial statements for the year ended 31 December 2021****Related party disclosures (continued)****(iii) Outstanding balances with related parties :****RM Million**

Sr.	Particulars	Relationship	As at December 31, 2021	As at December 31, 2020
1	Amount Payable :			
	Reliance Industries Limited	Ultimate holding company	109.59	11.01
	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary	76.28	119.81

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

Sr.	Particulars	Relationship	As at December 31, 2021	As at December 31, 2020
1	Purchases of raw materials :			
	Reliance Industries Limited	Ultimate holding company	1,067.77	830.03
	RP Chemicals (Malaysia) Sdn. Bhd.	Fellow subsidiary	282.91	274.45
2	General Expenses :			
	Reliance Industries Limited	Ultimate holding company	3.20	3.51

RECRON (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, Narang Tarun and Sanjay Kumar, two of the Directors of Recron (Malaysia) Sdn. Bhd, (the “Company”) state that, in the opinion of the Directors, the fit-for-consolidation condensed balance sheet of the Company as of 31 December 2021 and the related condensed profit and loss statement, statement of changes in equity and statement of cash flows for the year then ended (“FFC financial information”) and notes to the FFC financial information including a summary of significant accounting policies, as set out on pages 1 to 28 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2021 and of the results and cash flows of the Company for the year ended on that date in accordance with the group accounting policies of Reliance Industries Limited (“RIL”).

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 March 2022.

NARANG TARUN
DIRECTOR

SANJAY KUMAR
DIRECTOR