Reliance Exploration & Production DMCC

Financial Statements

2019-20

Independent Auditor's Report

Report in connection with Agreed-upon Procedures in respect of Financial Statements for the year ended 31st December 2019 prepared in compliance with the Accounting Principles Generally Accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 ("the Ind AS financial statements"), of Reliance Exploration & Production DMCC (REP DMCC)

To,

Mr. D.D. SEN
Director
Reliance Exploration & Production DMCC
Dubai

Dear Sirs,

This is in reference to your engagement letter dated 3rd April, 2020, appointing us to perform Agreed-upon Procedures in respect of the 'Financial Statements for the year ended 31st December 2019 prepared in compliance with the Accounting Principles Generally Accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 ("the Ind AS financial statements"), of Reliance Exploration & Production DMCC (REP DMCC), an indirect subsidiary of Reliance Industries Limited (the "Company" / "entity"), prepared by the management of the Company solely to incorporate it into the consolidated financial statements of the Company.

Our engagement was undertaken in accordance with the Standard on Related Services (SRS 4400), "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India.

We have performed the following procedures and noticed that no findings including errors in excess of USD 1,206,000 resulted from our work:

a) Obtained the IFRS financial statements of REP DMCC for the year ended 31st December, 2019 as audited by Deloitte & Touche (M.E) ("D&T").

b) Reviewed the adjustments identified by the management of the Company, required to be made to the IFRS Financial Statements so as to ensure compliance with the Ind AS.

c) Reviewed the Ind AS financial statements of REP DMCC to ensure that these reflect the adjustments identified by the management of the Company.

d) Reviewed the Ind AS financial statements prepared by the management of the Company to ensure compliance with the presentation and disclosure requirements specified by Schedule III to the Companies Act, 2013 and the Ind AS as applicable to REP DMCC.

e) Verified the arithmetical accuracy of the Ind AS financial statements.

The procedures that we performed are solely to assist you in preparation of the consolidated financial statements of the Company. These procedures have been established based on discussions with you. The sufficiency of the work is solely the responsibility of the Management of the Company. Consequently, we make no representation regarding the sufficiency of the work for any purpose.

The procedures that we performed do not constitute an audit or a review made in accordance with the generally accepted auditing standards in India and, consequently, we do not express any assurance.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the generally accepted auditing standards in India, other matters might have come to our attention that would have been reported by you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the amounts and items specified above and do not extend to any other items in the Ind AS financial statements, taken as a whole.

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

Abhijit A. Damle
(Partner)
(Membership No. 102912)
UDIN: 20102912AAAADC7007

Mumbai, dated: 8th June, 2020

Balance Sheet as at 31 December, 2019

In USD

	Notes	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	**47,954**	69,991
Total Non Current assets		**47,954**	69,991
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	4	**816,280**	136,011
(ii) Other financial assets	5	**241,233,453**	241,233,453
(b) Other current assets	6	**320,282**	533,763
Total Current assets		**242,370,015**	241,903,227
Total Assets		**242,417,969**	241,973,218
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	7	**47,985,402**	47,985,402
(b) Preference Share capital	7 A	**405,633,057**	404,903,057
(b) Other Equity	8	**(225,126,492)**	(213,898,165)
Total Equity		**228,491,967**	238,990,294
Liabilities			
Non-Current Liabilities			
(a) Provisions	9	**-**	39,259
Total Non Current liabilities		**-**	39,259
Current Liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	10	**13,926,002**	2,943,665
Total Current liabilities		**13,926,002**	2,943,665
Total Equity and Liabilities		**242,417,969**	241,973,218
Corporate information and significant accounting policies and notes to the financial statements	1 to 22		

For Reliance Exploration & Production DMCC

Director
Date: 8th June, 2020
Place: Dubai

Statement of Profit and Loss for the year ended 31 December, 2019

			In USD
	Notes	**2019**	2018
INCOME		**-**	-
Total Income		**-**	-
EXPENSES			
Employee benefits expense	11	**109,375**	390,729
Finance costs	12	**1,051**	2,114
Depreciation expense	3	**7,270**	13,172
Other expenses	13	**10,380,631**	2,438,085
Total Expenses		**10,498,327**	2,844,100
(Loss) for the year		**(10,498,327)**	(2,844,100)
Other comprehensive income (OCI)		**-**	-
Total comprehensive (loss) for the year		**(10,498,327)**	(2,844,100)
Earnings per share of face value of AED 1,000 each.			
(i) Basic (in USD)	14	**(59.58)**	**(16.14)**
(ii) Diluted (in USD)	14	**(6.30)**	**(1.71)**
Corporate information and significant accounting policies and notes to the financial statements	1 to 22		

For Reliance Exploration & Production DMCC

Director
Date: 8th June, 2020
Place: Dubai

Statement of Changes in Equity for the year ended 31 December, 2019

A. EQUITY SHARE CAPITAL

In USD

	Balance at 1 January 2018	**Changes during the year 2018**	**Balance at 31 December 2018**	**Changes during the year 2019**	**Balance at 31 December 2019**
Share capital	47,985,402	-	47,985,402	-	47,985,402
Preference share capital	404,903,057	-	404,903,057	730,000	405,633,057

B. OTHER EQUITY

In USD

	Share application money	**Retained Earnings**	**Total**
Year ended 31 December 2018			
Balance as at 1 January, 2018	-	(211,784,065)	(211,784,065)
Application money received during 2018 (Refer Note 8.1 & 8.2)	730,000	-	730,000
(Loss) for the year	-	(2,844,100)	(2,844,100)
Balance as at 31 December, 2018	**730,000**	**(214,628,165)**	**(213,898,165)**
Year ended 31 December 2019			
Balance as at 1 January, 2019	730,000	(214,628,165)	(213,898,165)
Issued and Allotted during 2019 (Refer Note 8.1 & 8.2)	(730,000)	-	(730,000)
(Loss) for the year	-	(10,498,327)	(10,498,327)
Balance as at 31 December, 2019	**-**	**(225,126,492)**	**(225,126,492)**

Corporate information and significant accounting policies and notes to the financial statements 1 to 22

For Reliance Exploration & Production DMCC

Director
Date: 8th June, 2020
Place: Dubai

Cash Flow Statement for the year ended 31 December, 2019

		Notes	2019	*In USD* 2018
A:	**Cash flow from operating activities:**			
	Net (Loss) as per Statement of Profit and Loss		**(10,498,327)**	(2,844,100)
	Adjusted for:			
	Depreciation Expense	3	**7,270**	13,172
	Loss on sale of assets	13	**5,239**	-
	Finance cost	12	**1,051**	2,114
	Operating (loss) before working capital changes		**(10,484,767)**	(2,828,814)
	Adjusted for:			
	Increase in other current assets	6	**213,481**	72,210
	(Decrease) in provisions	9	**(39,259)**	(19,711)
	Increase in other payables	10	**10,982,337**	1,105,235
	Cash generated from/(used in) operating activities		**671,792**	(1,671,080)
B:	**Cash flow from investing activities:**			
	Proceeds from sale of property, plant and equipment	3	**9,528**	-
	Net cash generated from investing activities		**9,528**	-
C:	**Cash flow from financing activities:**			
	Share application money received	8	**-**	730,000
	Finance cost	12	**(1,051)**	(2,114)
	Net cash (used in)/generated from financing activities		**(1,051)**	727,886
	Net increase/(decrease) in cash and cash equivalents		**680,269**	(943,194)
	Cash and cash equivalents at the beginning of the year	4	**136,011**	1,079,205
	Cash and cash equivalents at the end of the year	4	**816,280**	136,011
	<u>Non cash item:</u> Conversion of share application money received into 5% Non -cumulative compulsorily convertible preference shares during the year of USD 730,000 (previous year USD NIL)			
	Corporate information and significant accounting policies and notes to the financial statements	1 to 22		

For Reliance Exploration & Production DMCC

Director
Date: 8th June, 2020
Place: Dubai

Notes to Financial Statements for the year ended 31 December 2019

1 GENERAL INFORMATION

A. Reliance Exploration & Production DMCC ("the Company") is a limited liability company registered in Dubai Multi Commodities Centre ("DMCC") under the DMCC company regulations No. 1/03. The Company was incorporated on 6 December 2006. The Company is engaged in the business of well drilling, oil and natural gas development abroad, onshore and offshore oil and gas field services and repairing oil and natural gas well equipment abroad. However, the Company does not currently have any working interest in any exploration blocks.

The Company is a wholly owned subsidiary of Reliance Industrial Investments and Holdings Limited ("RIIHL"), an entity incorporated in India. RIIHL is a wholly owned subsidiary of Reliance Industries Limited ("RIL"). During the year, ownership of the Company has been decided to be transferred from RIIHL to Reliance Strategic Business Ventures Limited and the Company is in the process of applying for the transfer of shares with the Dubai Multi Commodities Center.

The registered office of the Company is located at Unit No. 1801-A, Plot No. JLT-PH2-YIA, Jumeirah Lakes Towers, Dubai, United Arab Emirates ("UAE").

B. Business activities

The Company's previous assets primarily included working interests in oil and gas blocks situated in the Republic of Yemen and Peru.

Country	*Block Name*	*Working interest*		*Remarks*	*Area in (Sq. Km.)*
		2019	**2018**		
Republic of Yemen*	Block 34	-	-	Operator	7,016
	Block 37	-	-	Operator	6,894
Peru **	Block 39	-	-	Non-Operator	865

*Production Sharing Agreements (PSAs) for Yemen Blocks 34 and 37 were terminated on 5 October 2015.

** The Company has withdrawn from License Contract and Joint Operating agreement for Exploration and Exploitation of Hydrocarbons in Peru through the Deed of Assignment and Indemnity effective as of 31 December 2016. Pursuant to Supreme Decree 001-2019-EM, published on 3 January 2019, and Public Deed of Assignment of the License Contract, signed on 10 July 2019, the company has no working interest in the block.

2.1 STATEMENT OF COMPLIANCE

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

The Company prepares financial statements as per International Financial Reporting Standards (IFRS) as notified by International Accounting Standard Board and the same has been re-prepared under Ind AS for limited purpose of its consolidation into Reliance Industries Limited (the ultimate holding company).

Changes in accounting policies:

The Company has applied Indian Accounting Standard (Ind AS) 116 leases, to its lease using prospective approach, effective annual reporting period beginning 01 January 2019 and applied the standard to its leases from this date. Ind AS 116 'Leases' is effective for annual periods beginning after 1 April 2019. However, the Company has early adopted the new standard as permitted by the transitional guidance. However, the Company does not have any long term lease agreements. There is no impact of above on the opening balance sheet as at 1 January 2018.

Refer note 2.3.C for significant accounting policies on 'Leases' in the annual financial statement of the Company for the year ended 31 December 2018, for the policy as per Ind AS 17.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting polices below. The accounting policies have been applied consistently over all period presented in these financial statements.

Notes to Financial Statements for the year ended 31 December 2019

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

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

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Property Plant and Equipment:

The Company is carrying values of property plant and equipment as deemed cost as at January 1, 2015 (date of transition to lnd AS). They are subsequently carried at cost less accumulated depreciation. Depreciation is provided on written down value method (WDV) based on management estimated useful lives of the assets as under. The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Particulars	Useful life
Computers	40%
Furniture & fixtures	18%
Office equipments	14%
Vehicles	26%

B. Intangible Assets under Development and Intangible Assets - Development Rights (Oil and Gas):

The Company has adopted Successful Efforts Method (SEM) of accounting for its' Oil and Gas activities. Costs incurred on acquisition of interest in oil and gas blocks and on exploration and evaluation are accounted for as intangible assets under development. Upon a well is ready to commence commercial production, the costs accumulated in intangible assets under development are capitalised to intangible assets rateably based on the drilling progress made under the overall capital expenditure program. The drilling progress determines the technical feasibility and commercial viability of the assets. Development costs incurred thereafter are capitalised to the said intangible asset. All costs relating to production and the exploration and evaluation expenditure which does not result in discovery of proved developed oil and gas reserve are charged as expenses in Statement of Profit and Loss.

No depletion is charged during exploration and evaluation phase.

C. Leases:

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Notes to Financial Statements for the year ended 31 December 2019

Lease payments included in the measurement of the lease liability which comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line item in the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

a) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

b) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

c) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other expenses’ in the statement of profit and loss.

D. Borrowing costs:

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

E. Inventories:

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method and comprises direct purchase costs. Full provision is made for obsolete supplies. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

F. Impairment of Non-Financial assets:

Impairment indicators

The recoverable amounts of cash-generating units or individual assets as applicable are determined based on higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that oil and gas price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of intangible assets under development and development rights (oil and gas).

(i) Oil Gas assets

Intangible assets under development and intangible assets-development rights (oil and gas) are treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of fair value less costs to sell and value in use. ln assessing value in use, the estimated future cash flows are discounted to their present value, using discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, oil and gas property subject to testing, are grouped within the joint venture for determining the cash generating unit.

Notes to Financial Statements for the year ended 31 December 2019

For the purpose of calculating the value in use, future cash flows emanating from proved, unproved and contingent resources are discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

(ii) Others

At each balance sheet date, the Company assesses whether there is any indication that any property, plant, equipment and intangible assets may be impaired. lf any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Company monitors other internal and external indicators of impairment relating to its tangible and intangible assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. ln assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

lf the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

G. Provisions, Contingent Liabilities and Contingent Assets:

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 amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Balance Sheet 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.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote. Contingent assets are not recognised but disclosed in the financial statements only where inflow of economic benefits is probable.

H. 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.

I. Revenue recognition:

Revenue is recognized based on the delivery of performance obligation and assessment of when control of promised goods / services is transferred to a customer, at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for those goods / services. Revenue is measured at the amount of the transaction price allocated to that performance obligation. Revenue from the production of oil and gas in which the Company has an interest with other producers is recognised based on the Company's working interest (the entitlement method).

Sale of products

Revenue from sale of products is recognised when the control on the goods has been transferred to a customer. The performance obligation in case of sale of products is satisfied at a point in time as per the terms of agreement with the individual customer.

Notes to Financial Statements for the year ended 31 December 2019

lnterest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. lnterest 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.

J. 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.

K 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.

L. Foreign currencies:

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 statement of profit and loss which they arise.

M. Interest in joint operations:

Oil and Gas Joint Ventures are in the nature of joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a company undertake its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

1. lts assets, including its share of any assets held jointly;
2. lts liabilities, including its share of any liabilities incurred jointly;
3. lts revenue from the sale of its share of the output arising from the joint operations;
4. lts share of revenue from the sale of the output by the joint operation; and
5. lts expenses, including its share of any expenses incurred jointly.

N. Reimbursements of costs of the operator of the joint arrangement:

When the Company, acting as an operator or manager of a joint arrangement, receives reimbursements of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on statement of profit and loss.

O. Financial Instruments:

I. Non-derivative financial instruments

i. Financial assets

a. Initial recognition and measurement

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

Notes to Financial Statements for the year ended 31 December 2019

b. Subsequent measurement

Financial assets carried at amortised cost (AC)

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

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

c. Equity instruments

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

d. Impairment of financial assets

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

(a) Financial assets at amortised cost

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

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.

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, 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.

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 statement of profit and 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 statement of profit and 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.

Notes to Financial Statements for the year ended 31 December 2019

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 statement of profit and loss as finance cost.

b. Subsequent measurement

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

II. De-recognition of financial instruments

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.

III. Fair value of financial instruments

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

2.4 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTINITY:

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

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.

i) Critical judgments in applying accounting policies

Below are the critical judgment, 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.

a. 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 components, 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 Ind AS 32 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 Ind AS 32 Financial Instruments: Presentation.

Notes to Financial Statements for the year ended 31 December 2019

b. Contingencies

By nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment regarding the outcome of future events.

c. Significant increase in credit risk

As explained in note O, ECL are measured as an allowance equal to lifetime ECL for assets. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

ii) Key sources of estimation uncertainty

No key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period exists that may have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to Financial Statements for the year ended 31 December 2019

3. PROPERTY, PLANT AND EQUIPMENT

In USD

Description	Gross Block				Depreciation				Net Block
	As at 01-01-2019	Additions	Deductions	**As at 31-12-2019**	As at 01-01-2019	For the year	Deductions	**Upto 31-12-2019**	**As at 31-12-2019**
TANGIBLE ASSETS									
Computers	35,897	-	-	**35,897**	32,608	1,329	-	**33,937**	**1,960**
Furniture & Fixtures	58,251	-	-	**58,251**	17,945	3,704	-	**21,649**	**36,602**
Office equipment	17,721	-	-	**17,721**	7,087	1,242	-	**8,329**	**9,392**
Vehicles	52,856	-	52,856	**-**	37,094	995	38,089	**-**	**-**
Total	164,725	-	52,856	**111,869**	94,734	7,270	38,089	**63,915**	**47,954**

In USD

Description	Gross Block				Depreciation				Net Block
	As at 01-01-2018	Additions	Deductions	**As at 31-12-2018**	As at 01-01-2018	For the year	Deductions	**Upto 31-12-2018**	**As at 31-12-2018**
TANGIBLE ASSETS									
Computers	35,897	-	-	**35,897**	30,319	2,289	-	**32,608**	**3,289**
Furniture & Fixtures	58,251	-	-	**58,251**	13,990	3,955	-	**17,945**	**40,306**
Office equipment	17,721	-	-	**17,721**	5,667	1,420	-	**7,087**	**10,634**
Vehicles	52,856	-	-	**52,856**	31,586	5,508	-	**37,094**	**15,762**
Total	164,725	-	-	**164,725**	81,562	13,172	-	**94,734**	**69,991**

4. CASH AND CASH EQUIVALENTS

In USD

	As at 31 December 2019	As at 31 December 2018
Cash on hand	**157**	157
Balance with banks	**816,123**	135,854
Total	**816,280**	136,011

5. OTHER FINANCIAL ASSETS (CURRENT)

In USD

	As at 31 December 2019	As at 31 December 2018
Unsecured and considered good		
Advance to related parties (Refer Note 5A, 20)	**241,233,453**	241,233,453
Unsecured and considered doubtful	**-**	-
Receivable from JV partner	**1,510,575**	1,510,575
Less: Provision for impairment	**(1,510,575)**	(1,510,575)
	-	-
Total	**241,233,453**	241,233,453

5A During the year 2017, Company disbursed a loan to Reliance Industries Middle East DMCC, amounting to 241,233,453. The loan is interest free and recoverable on demand.

Notes to Financial Statements for the year ended 31 December 2019

6. OTHER CURRENT ASSETS ***In USD***

(Unsecured and considered good)

	As at 31 December 2019	As at 31 December 2018
Deferred input VAT (Refer note 6A)	310,466	512,603
Deposits	9,816	11,406
Prepaid Expenses	-	9,754
TOTAL	**320,282**	**533,763**

6A Included in the Company's account receivables is a balance with a carrying amount of USD 310,466 (2018: USD 512,603) which are past due at the reporting date for which the Company has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.
The Company's exposure to credit and currency risks related to accounts receivable are disclosed in note 16.

7. EQUITY SHARE CAPITAL ***In USD***

	As at 31 December 2019	As at 31 December 2018
Authorised:		
176,200 Equity Shares of AED 1,000 each	**47,985,402**	47,985,402
Total	**47,985,402**	47,985,402
Issued, Subscribed and Paid up:		
176,200 Equity Shares of AED 1,000 each fully paid up (Refer Note 7.1)	**47,985,402**	47,985,402
Total	**47,985,402**	47,985,402

7.1 1,50,000 (Previous year 1,50,000) equity shares issued for consideration other than cash.

7.2 **Details of shareholders holding more than 5% shares:**

Equity Shareholder

Name of the Shareholder	**As at 31 December 2019**		As at 31 December 2018	
	No. of Shares	% held	No. of Shares	% held
Reliance Industrial Investments and Holdings Limited	**176,200**	100%	176,200	100%

7A PREFERENCE SHARE CAPITAL ***In USD***

	As at 31 December 2019	As at 31 December 2018
Authorised:		
2,756,250 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**750,000,000**	750,000,000
Total	**750,000,000**	750,000,000
Issued, Subscribed and Paid up:		
5% Non-cumulative compulsorily convertible preference shares of AED 1000 fully paid up (Refer Note 7.A.1,7.A.2, 7.A.3,7.A.4 & 8.2)	**405,633,057**	404,903,057
Total	**405,633,057**	**404,903,057**

7A.1 Issued and fully paid 5% Non-cumulative compulsorily convertible preference shares represent 1,490,700 (2018: 1,488,017) 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each issued by way of conversion of loan and share application money.

7A.2 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.

7A.3 Based on the terms of issue of preference shares, the Company will issue fixed number of equity shares for each preference share. Accordingly, these preference shares have been classified as part of equity in the financial statements.

Notes to Financial Statements for the year ended 31 December 2019

7A.4 **Details of shareholders holding more than 5% shares:**

Preference Shareholder

Name of the Shareholder

	As at 31 December 2019		As at 31 December 2018	
	No. of Shares	% held	No. of Shares	% held
Reliance Industrial Investments and Holdings Limited	**1,490,700**	100%	1,488,017	100%

8. OTHER EQUITY

In USD

	As at 31 December 2019	As at 31 December 2018
Share Application money pending allotment:		
Opening balance	**730,000**	-
Share Application money received during the period (Ref Note 8.1 & 8.2)	**-**	730,000
Preference share allotment (Ref Note 8.2)	**(730,000)**	-
Closing balance	**-**	**730,000**
Retained Earnings:		
Opening balance	**(214,628,165)**	(211,784,065)
Add: Total comprehensive loss for the period	**(10,498,327)**	(2,844,100)
Closing balance	**(225,126,492)**	**(214,628,165)**
Total	**(225,126,492)**	**(213,898,165)**

8.1 Share application money pending for allotment represents application money received from parent company 'Reliance Industrial Investments and Holdings Limited' on account of 5% Non-cumulative compulsorily convertible preference shares.

8.2 During the year, the Company received an amount of USD nil (2018: USD 7,30,000) from RIIHL as share application money. In the year 2019, the Company issued and allotted aggregated 2683 5% Non-Cumulative compulsorily convertible preference shares of AED 1,000 each aggregating AED 2,683,000 equivalent to USD 730,000 against the share application money.

9. PROVISIONS (NON CURRENT)

In USD

	As at 31 December 2019	As at 31 December 2018
Movement in the provision as follows:		
Opening balance	**39,259**	58,970
Charges during the year	**8,568**	8,660
Paid during the year	**(47,827)**	(28,371)
Closing balance	**-**	**39,259**

Above provision is for gratuity payment for employees of the Company.

10. OTHER FINANCIAL LIABILITIES (CURRENT)

In USD

	As at 31 December 2019	As at 31 December 2018
Advance from related party (Refer Note 20)	**1,145,662**	233,088
Other Payables*	**12,780,340**	2,710,577
	13,926,002	**2,943,665**

* Includes creditors & liabilities for relinquished/divested blocks.

Notes to Financial Statements for the year ended 31 December 2019

11. EMPLOYEE BENEFITS EXPENSE

In USD

	2019	2018
Salaries and wages	**91,052**	369,079
Provision for employee benefits	**8,568**	8,660
Staff welfare expenses	**9,755**	12,990
Total	**109,375**	**390,729**

12. FINANCE COSTS

In USD

	2019	2018
Bank charges	**1,051**	2,114
TOTAL	**1,051**	**2,114**

13. OTHER EXPENSES

In USD

	2019	2018
Professional fees	**425,559**	1,040,286
General expenses	**9,888,764**	565,249
Lease rental (Refer note 19)	**19,055**	19,058
Travelling expenses	**20,288**	62,440
Audit fees	**21,726**	21,052
Loss on sale of assets	**5,239**	-
Peru block abandonment	**-**	730,000
TOTAL	**10,380,631**	**2,438,085**

Expense for 2019 relates to short-term lease payment of USD 19,055 (2018 USD 19,058)

14. EARNINGS PER SHARE (EPS)

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

		2019	2018
i)	Net (Loss) as per Statement of Profit and Loss attributable to the owners of the Company (USD)	(10,498,327)	(2,844,100)
ii)	Weighted average number of shares used as denominator for calculating Basic EPS	176,200	176,200
iii)	Basic earnings per share (USD)	(59.58)	(16.14)
iv)	Weighted average number of shares used as denominator for calculating diluted EPS	1,666,577	1,664,217
v)	Diluted earnings per share (USD)	(6.30)	(1.71)

15. 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.

(a) 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 accounts receivable and prepayments (excluding deferred input VAT and prepayments) and bank balances.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually. The Company uses its own trading records to rate its major customers.

Notes to Financial Statements for the year ended 31 December 2019

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:

		In USD
	2019	2018
Loan to a a related party	**241,233,453**	241,233,453
Accounts receivable and prepayments (excluding deferred input VAT and prepayments)	**9,816**	11,406
Bank balances	**816,123**	135,854
	242,059,392	**241,380,713**

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

(b) Liquidity risk:

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and support from shareholder, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses.

The contractual maturities of the financial instruments, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

		In USD
	Current Less than 1 year	**Non-current Greater than 1 year**
31 December 2019		
Due to a related party	1,145,662	-
Other payables	12,780,340	-
	13,926,002	**-**
31 December 2018		
Due to a related party	233,088	-
Other payables	2,710,577	-
	2,943,665	-

(c) 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. The Company does not have any significant exposure to interest rate risk.

(d) 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.

(e) Capital management:

The Company's policy is to maintain a strong capital base with the financial assistance of RIIHL 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 2018.

The Company's capital structure comprises cash and bank balances and equity, comprising issued capital, preference share capital, share application money and accumulated losses as disclosed in the statement of changes in equity.

(f) 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.

Notes to Financial Statements for the year ended 31 December 2019

16. CATEGORY-WISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	As at 31 December 2019	As at 31 December 2018
Financial Assets			
Measured at amortised cost (AC)			
(i) Cash and cash equivalents	4	816,280	136,011
(ii) Loans to a related party	5	241,233,453	241,233,453
Financial liabilities			
Measured at amortised cost (AC)			
(i) Advance from related party	10	1,145,662	233,088
(ii) Other payables	10	12,780,340	2,710,577

17. GOING CONCERN CONSIDERATIONS:

The Company had accumulated losses amounting to USD 225,126,492 (2018: USD 214,628,165). Furthermore, the Company no longer has any working interest in any exploration block as stated in Note 1. Notwithstanding all of the above, the financial statements have been prepared on a going concern basis as the shareholder has expressed its continuing support and does not intend to liquidate the Company. 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.

18. RELATED-PARTY DISCLOSURES

As per Ind As 24, the disclosures of transaction with the related parties are given below:

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

Name of the related party	Relationship
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Industrial Investments and Holdings Limited	Parent Company (Control exists)
Reliance Industries (Middle East) DMCC	Fellow Subsidiary

(ii) Transaction during the year with related parties

In USD

Name of the related party	Nature of Transaction	2019	2018
Reliance Industrial Investments and Holdings Limited	Share Application money received	-	730,000
Reliance Industrial Investments and Holdings Limited	Preference share allotment	**730,000**	-
Reliance Industries (Middle East) DMCC	Advance taken	**892,565**	499,984
Reliance Industries (Middle East) DMCC	Expenses paid on behalf of behalf of company	**20,010**	17,469
Reliance Industries (Middle East) DMCC	Advance given	-	876,000

Name of the related party	Balances as at year end	As at 31 December 2019	As at 31 December 201
Reliance Industrial Investments and Holdings Limited	Share application money pending for allotment	-	730,000
Reliance Industries (Middle East) DMCC	Loan given	**241,233,453**	241,233,453
	Advance taken	**1,145,662**	233,088

Notes to Financial Statements for the year ended 31 December 2019

(iii) Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. 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.

(iv) During the year 2019, Company didn't disbursed any further loan to Reliance Industries Middle East DMCC. The loan is interest free and recoverable on demand.

(v) The Company did not incur key management compensation expenses during the years ended 31 December 2019 and 2018.

19. CONTINGENT LIABILITIES AND COMMITMENTS ***In USD***

	As at 31 December 2019	As at 31 December 2018
(I) Contingent liabilities		
Guarantees issued on behalf of the Company	**-**	50,000
Liability towards GAPCO agreement	**32,028,466**	-

(II) The Company along with its Partner (Hood Energy Limited) (hereinafter together referred to as "Joint Operation") are parties to a working interest in oil and gas blocks situated in the Republic of Yemen, as disclosed in note 1. A commitment arose as a result of a possible obligation relating to the Work Programs governed under the PSAs which were executed between the Joint Operation and the Republic of Yemen for Blocks 34 and 37 amounting to USD 25 million (the Company's interest is USD 17.5 million). This commitment was secured by standby letters of credits amounting to USD 25 million (the Company's interest is USD 17.5 million) issued by the Joint Operation to the Republic of Yemen, represented by the Yemeni Ministry of Oil and Minerals (MOM).

Considering the civil war and deplorable security situation in Yemen, the Joint Operation declared force majeure and thereafter terminated the PSAs for the Yemen Blocks 34 and 37. As the force majeure declaration was rejected by the Republic of Yemen, the Joint Operation obtained injunction from Honourable Bombay High Court for restraining bankers from honouring any demand of the Republic of Yemen under the standby letters of credits. An appeal was filed by United Bank Limited (UBL) before the Bombay High Court for vacating the injunction. A Consent Order was passed by the Court thereof stating that the banks shall not make any payment till the International Chamber of Commerce (ICC) Arbitration being pursued by parties remained pending unless any challenges to an adverse Arbitral Award have been set aside.

The Joint Operation as Claimants pursued an arbitration against the Republic of Yemen before the ICC Paris in accordance with the dispute resolution clause of the PSAs for declaring validity of the force majeure notice and subsequent termination (resulting in the termination of standby letters of credits). The ICC Tribunal has ruled in favour of the Claimants stating that Force Majeure event existed and the PSAs were validly terminated by the Claimants and that Letter of Credit for non-fulfilment of Minimum Work Obligation cannot be drawn by the Republic of Yemen. It has also awarded the Claimants legal costs and Republic of Yemen accrued bonus and fixed taxes. Both the parties have filed clarification applications regarding payment of interest on the amount awarded and unpaid bonus. Subsequently in 2019, The Republic of Yemen had withdrawn its appeal which was confirmed by ICC Paris on 29 March 2019. Company is evaluating options to formally close out the standby letters of credit.

20. UNHEDGED FOREIGN CURRENCY EXPOSURE

Foreign Currency Exposure that are not hedged by derivative instruments as on 31 December 2019 amount to USD 91,108 (previous year USD 3,008)

21. SEGMENT REPORTING

The Company is in the business of exploration, evaluation, development and production of oil and gas resources. However, currently the Company does not hold interest in any Oil & Gas blocks. Consequently there is a single business segment.

22. These Financial Statements are approved for issue by the management of the company.