

RELIANCE HOLDING USA INC.
Financial Statements
for the Year ended 31st December, 2018

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF RELIANCE HOLDING USA INC.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reliance Holding USA Inc. ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss including other comprehensive income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2018, and its loss, its total comprehensive loss, its cash flows and changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

As informed to us, there is no information other than the financial statements. Consequently, in our opinion, the reporting requirement under SA 720 "The Auditor's Responsibilities Relating to Other Information" are not applicable.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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.
- 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 our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Reporting Requirements

We further report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements.
- b) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and Statement of Changes in Equity, and dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the financial statements.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W/W-100018)

(Abhijit A. Damle)
Partner
Membership No: 102912

Mumbai, April 15, 2019

Balance Sheet as at 31 December, 2018

	Notes	As at 31 December, 2018	<i>In USD</i> As at 31 December, 2017
ASSETS			
Non-Current Assets			
(a) Property, plant and equipment	3	371,749	429,108
(b) Other intangible assets	3	15,789	68,540
(c) Financial assets			
(i) Investments	4	1,744,641,196	18,432,573
(ii) Loans	5	161,148,377	2,903,680,649
(iii) Other financial assets	6	58,165	58,165
(d) Non current tax assets	7	150,000	150,000
Total Non-Current Assets		1,906,385,276	2,922,819,035
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	8	9,622,965	3,916,230
(ii) Other financial assets	9	227,495,446	254,892,067
Total Current Assets		237,118,411	258,808,297
Total Assets		2,143,503,687	3,181,627,332
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	10	1,754,050,000	50,000
(b) Other equity	11	(4,698,848,569)	(1,726,152,690)
Total Equity		(2,944,798,569)	(1,726,102,690)
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	12	3,867,328,945	3,459,716,555
Total Non-Current Liabilities		3,867,328,945	3,459,716,555
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	13	677,000,000	346,000,000
(ii) Trade payables	14	4,139,374	5,074,556
(iii) Other financial liabilities	15	539,833,937	1,096,938,911
Total Current Liabilities		1,220,973,311	1,448,013,467
Total Equity and Liabilities		2,143,503,687	3,181,627,332
Corporate information and significant accounting policies and notes to the financial statements	1-31		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 12 April, 2019

New York
12 April, 2019

Statement of Profit and Loss for the year ended 31 December, 2018

	Notes	2018	<i>In USD</i> 2017
INCOME:			
Other Income	16	186,263,669	308,987,073
Total Income		186,263,669	308,987,073
EXPENSES:			
Employee benefits expense	17	5,443,902	6,664,646
Finance costs	18	263,994,042	210,130,966
Depreciation and amortisation expense	19	110,110	332,404
Other expenses	20	1,135,411,494	2,184,390,317
Total expenses		1,404,959,548	2,401,518,333
(Loss) for the year		(1,218,695,879)	(2,092,531,260)
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		(1,218,695,879)	(2,092,531,260)
Earnings per equity share of face value of USD 10,000 each			
Basic (in USD)	21	(8,025)	(418,506,252)
Diluted (in USD)		(6,948)	(12,918)
Corporate information and significant accounting policies and notes to the financial statements	1-31		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 12 April, 2019

New York
12 April, 2019

Statement of changes in equity for the year ended 31 December, 2018

A. EQUITY SHARE CAPITAL

In USD

Balance at 1 January, 2017	Changes during the year 2017	Balance at 31 December, 2017	Changes during the year 2018	Balance at 31 December, 2018
50,000	-	50,000	1,754,000,000	1,754,050,000

B. OTHER EQUITY

In USD

	Reserves and Surplus			Total
	Additional Paid in Capital	Capital Reserve	Retained Earnings	
Year ended 31 December 2017				
Balance as at 1 January, 2017	1,154,000,000	3,000,000	(2,220,160,386)	(1,063,160,386)
Tranferred on merger of a subsidiary (Refer note 1C & 30)	-	-	829,538,956	829,538,956
Restated balance as on 1 January, 2017	1,154,000,000	3,000,000	(1,390,621,430)	(233,621,430)
Additional capital received	600,000,000	-	-	600,000,000
(Loss) for the year	-	-	(2,092,531,260)	(2,092,531,260)
Balance as at 31 December, 2017	1,754,000,000	3,000,000	(3,483,152,690)	(1,726,152,690)
Year ended 31 December 2018				
Balance as at 1 January, 2018	1,754,000,000	3,000,000	(3,483,152,690)	(1,726,152,690)
Additional paid in capital converted into Equity share capital (Refer note 10.2)	(1,754,000,000)	-	-	(1,754,000,000)
(Loss) for the year	-	-	(1,218,695,879)	(1,218,695,879)
Balance as at 31 December, 2018	-	3,000,000	(4,701,848,569)	(4,698,848,569)

Statement of Cash Flows for the year ended 31 December, 2018

	Notes	2018	2017	In USD
Cash flows from operating activities				
(Loss) as per Statement of Profit and Loss		(1,218,695,879)		(2,092,531,260)
Adjustments for:				
Finance costs recognised in profit or loss	18	263,994,042		210,130,966
Finance income recognised in profit or loss	16	(186,006,997)		(281,948,767)
Gain on sale of investments in associates	16	-		(8,113,252)
Depreciation and amortisation expense	19	110,110		332,404
Provision for Impairment in value of investment (net)	16, 20	1,123,810,627		2,000,024,712
Impact of fair valuation of investments	20	-		130,785
Write off of loan and interest receivable from a subsidiary	20	-		176,364,095
Unrealised gain on derivatives (net)	16, 20	(1,499,666)		(15,253,896)
		<u>1,200,408,116</u>		<u>2,081,667,047</u>
Operating (loss) before working capital changes		<u>(18,287,763)</u>		<u>(10,864,213)</u>
Movements in working capital:				
(Increase) in other receivables	9	(5,376,772)		(16,189,657)
(Decrease) in trade payables	14	(935,182)		(1,831,164)
		<u>(6,311,954)</u>		<u>(18,020,821)</u>
Cash (used in) operating activities		<u>(24,599,717)</u>		<u>(28,885,034)</u>
Cash flows from investing activities				
Payment for property, plant and equipment	3	-		(33,290)
Investment in subsidiaries	4	(19,250)		(23,500)
Sale of investments	4, 16	-		8,113,252
Finance income	16	220,053,195		112,393,860
Loan to subsidiaries (net)	5	(107,485,000)		32,553,000
Movement in loans and deposits	5	17,272		(32,594)
Net cash generated from investing activities		<u>112,566,217</u>		<u>152,970,728</u>
Cash flows from financing activities				
Proceeds from long term borrowings	12	75,000,000		190,000,000
Repayment of long term borrowings	12	(257,000,000)		(718,000,000)
Additional paid in capital	11	-		600,000,000
Repayment of short term borrowings (net)	13	331,000,000		16,000,000
Finance costs	18	(231,259,765)		(211,881,533)
Net cash (used in) financing activities		<u>(82,259,765)</u>		<u>(123,881,533)</u>
Net increase in cash and cash equivalents		5,706,735		204,161
Cash and cash equivalents at the beginning of the year	8	3,916,230		3,708,006
Add: Pursuant to merger	1C & 30	-		4,063
Cash and cash equivalents at the end of the year	8	<u>9,622,965</u>		<u>3,916,230</u>
Non cash item:				
During the year 2018 loan to subsidiaries of USD 2.85 billion was converted into non-current investment. (USD 2 billion during the year 2017). Corporate information and significant accounting policies and notes to the financial statements	1-31			
Change in liabilities arising from financing activities		1 January, 2018	Cash Flow	Deferred Revenue Expenditure
Borrowings - Non Current (Refer note 12)		3,459,716,555	404,220,776	3,391,614
Borrowings - Current maturities of long term debt (Refer note 15)		1,036,220,776	(586,220,776)	-
Borrowings - Current (Refer note 13)		346,000,000	331,000,000	-
		<u>4,841,937,331</u>	<u>149,000,000</u>	<u>3,391,614</u>
				<u>4,994,328,945</u>

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 12 April, 2019

New York
12 April, 2019

Notes to the financial statements for the year ended 31 December, 2018

1. GENERAL INFORMATION

- A. Reliance Holding USA Inc. (the “Company”, “Reliance”, “RHUSA”) was incorporated as a Delaware corporation on 30 March 2010, under Delaware General Corporation Law. The principal office of the Company is situated at 2000 W Sam Houston Parkway S, Houston, Texas 77042 in the United States of America.

The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from mineral properties, commercialization of gasoline & blended gasoline products and related businesses through its investments. The Company also has investments in other businesses, including domain names and biotechnology.

The shares of the Company are wholly held by Reliance Energy Generation and Distribution Limited (the “Parent”), a company incorporated in Mumbai, India. Reliance is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed company.

The extent of the Company’s shareholding in and the principal business activities of the subsidiaries and associates are as follows:

Company Incorporation	Country of Shareholding	Percentage of Activities	Principle Business
Reliance Marcellus LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream Holding LP	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Upstream GP LLC	USA	100.00	Exploration and production of oil and gas
Reliance Eagleford Midstream LLC (till 19 January, 2018)	USA	100.00	Midstream business for oil and gas
Reliance Marcellus II LLC	USA	100.00	Exploration and production of oil and gas
Affinity Names Inc.	USA	100.00	Domain names
Aurora Algae Inc.	USA	100.00	Biotechnology
Aurora Algae Pty Ltd. (till 3 March, 2018)	Australia	100.00	Biotechnology
RIL USA Inc.	USA	100.00	Commercialization of gasoline and blended gasoline products

- B. Aurora Algae Pty Ltd has been deregistered and closed on 3 March, 2018 .

- C. Reliance Eagleford Midstream LLC is merged with the Company on 19 January, 2018 .

2.1 STATEMENT OF COMPLIANCE

The 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.

Changes in accounting policies:

The Company has adopted Ind AS 115, Revenue from Contract with Customers with effect from 1st January 2018. Accordingly, the Company has changed its accounting policy on revenue recognition as detailed in note 2.3 H.

There is no impact of above on the opening balance sheet as at 1st January 2018.

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 policies below. The accounting policies have been applied consistently over all period presented in these financial statements.

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.

Notes to the financial statements for the year ended 31 December, 2018

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 and Intangible Assets:

The Company is carrying values of property, plant and equipment as deemed cost as at January 1, 2015 (date of transition to Ind AS). They are subsequently carried at cost less accumulated depreciation/amortisation. Depreciation/amortisation is provided on straight line method (SLM) based on management estimated useful lives of the assets as under. The estimated useful life and amortisation 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
Office Equipments	4 years
Furniture & Fixtures	15 years
Software	3-5 years

B. Leases:

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis with reference to the lease terms and other consideration.

C. 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.

D. 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.

Property plant & equipment

At each balance sheet date, the Company assesses whether there is any indication that any property, plant, equipment and intangible assets may be impaired. If 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. In 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.

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

Notes to the financial statements for the year ended 31 December, 2018

E. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Company has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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 benefit is probable.

F. Employee Benefits:

The undiscounted amount of short term and long term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services. These benefits include performance incentive.

Defined contribution plans:

The Company's contribution under the 401 (k) plan is considered as defined contribution and is charged as an expense when services are rendered by the employees.

G. Taxation:

The Company on standalone basis is not a tax paying entity for federal or state income tax purposes, and, accordingly, it does not recognise any expense for such taxes. The income tax liability resulting from the Company's activities is the responsibility of the Group.

H. 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.

Interest 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. 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.

I. Investment in Subsidiaries:

The Company has elected to recognize its investments in subsidiary companies at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The details of such investments are given in Note 4. Impairment policy applicable on such investments is explained in note 2.3 (J).

J. Impairment of Investment:

Assets representing investment in subsidiary company is reviewed for impairment, whenever events or changes in circumstances indicate that carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.

Impairment losses, if any, are recognized in the Statement of Profit and Loss. Impairment losses are reversed in the Statement of Profit and Loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognized.

K. 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 profit or loss, are added to the fair value on initial recognition. Regular purchase and sale of financial assets are recognised using trade date accounting.

Notes to the financial statements for the year ended 31 December, 2018

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

The 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

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.

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 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. Derivative financial instruments (not designated as hedges)

Derivative financial instruments arising out of derivative contracts which are not designated as hedges by the Company, changes in fair value of such open derivatives instruments and gains / losses on derivative transaction settled within the year are accounted through Statement of Profit and Loss.

All financial instruments are measured at valuation techniques, as applicable.

Notes to the financial statements for the year ended 31 December, 2018

III. De-recognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in the Statement of Profit and Loss. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the Statement of Profit and Loss.

IV. 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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.

(a) Depreciation and useful lives of property plant and equipment

Property, plant and equipment are depreciated over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets periodically in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and take into account anticipated technological changes. The depreciation for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

(c) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5 NEW AND REVISED Ind AS IN ISSUE BUT NOT EFFECTIVE YET

The Ministry of Corporate Affairs (MCA) has notified Ind AS 116 to be effective from accounting periods starting from 1st April, 2019. Ind AS 116 will supersede the current standard on leases i.e. Ind AS 17 – Leases. The application of this standard could have an impact on the Balance Sheet of the Company though it is not expected to have significant impact on the profit/loss. The management is in the process of making detailed computations to quantify the said impact.

Notes to the financial statements for the year ended 31 December, 2018

In USD

3. PROPERTY, PLANT AND EQUIPMENT

Description	Gross block			Depreciation and amortisation			Net block As at 31 December, 2018
	As at 1 January, 2018	Additions	As at 31 December, 2018	As at 1 January, 2018	For the Year	As at 31 December, 2018	
TANGIBLE ASSETS							
Furniture & fixtures	547,367	-	547,367	144,351	48,010	192,361	355,006
Office equipments (includes computer equipments)	159,667	-	159,667	133,575	9,349	142,924	16,743
Sub-Total	707,034	-	707,034	277,926	57,359	335,285	371,749
INTANGIBLE ASSETS (other than internally generated)							
Software	1,315,246	-	1,315,246	1,246,706	52,751	1,299,457	15,789
Sub-Total	1,315,246	-	1,315,246	1,246,706	52,751	1,299,457	15,789
Total	2,022,280	-	2,022,280	1,524,632	110,110	1,634,742	387,538

Description	Gross block			Depreciation and amortisation			Net block As at 31 December, 2017
	As at 1 January, 2017	Additions	As at 31 December, 2017	As at 1 January, 2017	For the Year	As at 31 December, 2017	
TANGIBLE ASSETS							
Furniture & fixtures	547,367	-	547,367	87,547	56,804	144,351	403,016
Office equipments (includes computer equipments)	159,667	-	159,667	110,681	22,894	133,575	26,092
Sub-Total	707,034	-	707,034	198,228	79,698	277,926	429,108
INTANGIBLE ASSETS (other than internally generated)							
Software	1,315,246	-	1,315,246	994,000	252,706	1,246,706	68,540
Sub-Total	1,315,246	-	1,315,246	994,000	252,706	1,246,706	68,540
Total	2,022,280	-	2,022,280	1,192,228	332,404	1,524,632	497,648

Notes to the financial statements for the year ended 31 December, 2018

4 NON CURRENT INVESTMENTS

Investment in Subsidiaries

Members Contribution / Equity Shares

In USD

Particulars	As at 31 December, 2018		As at 31 December, 2017	
	Qty.	Amount	Qty.	Amount
Reliance Marcellus LLC	-	3,413,246,000	-	1,913,246,000
Less: Provision for impairment		2,402,726,732		1,913,246,000
		1,010,519,268		-
Reliance Marcellus II LLC	-	525,605,000	-	525,605,000
Less: Provision for impairment		525,605,000		525,605,000
		-		-
Aurora Algea Inc.	75,763,427	63,935,902	75,763,427	63,935,902
Less: Provision for impairment		63,935,902		63,935,902
		-		-
Reliance Eagleford Upstream LLC	-	3,078,443,150		1,728,430,150
Less: Provision for impairment		2,362,983,772		1,728,416,127
		715,459,378		14,023
Reliance Eagleford Upstream GP LLC	-	36,800	-	36,800
Less: Provision for impairment		26,946		26,946
		9,854		9,854
Affinity Names Inc.	-	265,224		258,974
Less: Provision for impairment		20,949		258,699
		244,275		275
RIL USA Inc	300	3,000,000	300	3,000,000
Total investment in Subsidiaries		1,729,232,775		3,024,152

Investment in others (unquoted)

Particulars	As at 31 December, 2018		As at 31 December, 2017	
	Qty.	Amount	Qty.	Amount
Terra Power LLC	4,454,799	15,408,421	4,454,799	15,408,421
Ecorithm Inc.	-	-	-	-
Total investments in others		15,408,421		15,408,421
Total non-current investments		1,744,641,196		18,432,573

5 LOANS (NON-CURRENT)

(Unsecured considered good)

In USD

	As at	As at
	31 December, 2018	31 December, 2017
Employee car loans	21,427	38,699
Loans to subsidiaries (Refer note 28)	161,126,950	2,903,641,950
TOTAL	161,148,377	2,903,680,649

Notes to the financial statements for the year ended 31 December, 2018

6 OTHER FINANCIAL ASSETS (NON-CURRENT)	<i>In USD</i>			
	As at 31 December, 2018	As at 31 December, 2017		
Security deposits	58,165	58,165		
TOTAL	58,165	58,165		
7 NON-CURRENT TAX ASSETS	<i>In USD</i>			
	As at 31 December, 2018	As at 31 December, 2017		
Advance income tax	150,000	150,000		
TOTAL	150,000	150,000		
8 CASH AND CASH EQUIVALENTS	<i>In USD</i>			
	As at 31 December, 2018	As at 31 December, 2017		
Balance with banks	9,622,965	3,916,230		
TOTAL	9,622,965	3,916,230		
9 OTHER FINANCIAL ASSETS (CURRENT)	<i>In USD</i>			
	As at 31 December, 2018	As at 31 December, 2017		
Interest receivable from subsidiaries (Refer note 28)	196,586,550	230,920,540		
Guarantee commission receivable (Refer note 28)	21,145,141	20,857,349		
Receivable from subsidiaries (Refer note 28)	7,270,174	1,646,532		
Commodity derivatives assets	1,272,805	-		
Other receivables	1,220,776	1,467,646		
TOTAL	227,495,446	254,892,067		
10 EQUITY SHARE CAPITAL	<i>In USD</i>			
	As at 31 December, 2018	As at 31 December, 2017		
Authorised share capital:				
520,005 Equity Shares of USD 10,000 each	5,200,050,000	-		
500,000 Equity Shares of USD 0.10 each	-	50,000		
TOTAL	5,200,050,000	50,000		
Issued, Subscribed and Paid up:				
175,405 Equity Shares of USD 10,000 each fully paid up	1,754,050,000	-		
500,000 Equity Shares of USD 0.10 each fully paid up	-	50,000		
TOTAL	1,754,050,000	50,000		
10.1 Details of shareholders holding more than 5% shares :				
Name of the Shareholder	As at 31 December, 2018		As at 31 December, 2017	
	No. of shares	% held	No. of shares	% held
Reliance Energy Generation and Distribution Limited	175,405	100	500,000	100

Notes to the financial statements for the year ended 31 December, 2018

10.2 The Company carried out reverse stock split of entire outstanding 500,000 common stock of \$0.10 each as at 11th January, 2018 and converted them into 5 common stock of \$10,000 each. Following this, the Company also increased its authorized capital from 500,000 common stock of \$0.10 each to 520,005 common stock of \$10,000 each vide restated certificate of incorporation dated 12th January, 2018. Further, the Company, on 19th February, 2018, converted its entire additional paid-in capital of \$1,754 million into 175,400 common stock of \$10,000 each and issued necessary share certificates to its shareholder.

11 OTHER EQUITY

In USD

	As at 31 December, 2018		As at 31 December, 2017	
Additional paid in capital				
Opening balance	1,754,000,000		1,154,000,000	
(Conversion) / addition during the year	<u>(1,754,000,000)</u>	-	<u>600,000,000</u>	1,754,000,000
Capital reserve				
Opening balance	3,000,000		3,000,000	
Additions during the year	<u>-</u>	3,000,000	<u>-</u>	3,000,000
Retained earnings				
Opening balance	(3,483,152,690)		(2,220,160,386)	
Transferred on merger of a subsidiary (Refer note 1C & 30)	<u>-</u>		<u>829,538,956</u>	
Restated balance as on 1 January, 2017	<u>-</u>		<u>(1,390,621,430)</u>	
(Loss) for the year	<u>(1,218,695,879)</u>		<u>(2,092,531,260)</u>	
		<u>(4,701,848,569)</u>		<u>(3,483,152,690)</u>
TOTAL		<u>(4,698,848,569)</u>		<u>(1,726,152,690)</u>

Additional paid in capital

Additional paid-in-capital represents the additional contribution made by the Parent Company over and above the fully paid up share capital.

Capital reserve

Capital reserve is generated on account of acquisition RIL USA Inc. This represents excess of net assets acquired over the consideration for the acquisition.

12 BORROWINGS (NON CURRENT)

(Refer note 12.3)

In USD

	As at 31 December, 2018		As at 31 December, 2017	
Unsecured - at amortised cost				
Bonds (Refer note 12.1)	2,987,753,945		2,984,716,555	
Term loans from banks (Refer note 12.2)	<u>879,575,000</u>		<u>475,000,000</u>	
		<u>3,867,328,945</u>		<u>3,459,716,555</u>
TOTAL		<u>3,867,328,945</u>		<u>3,459,716,555</u>

Notes to the financial statements for the year ended 31 December, 2018

12.1 On 19 October 2010, Reliance issued \$1,000 million of 4.50% Guaranteed Senior Notes due 2020 (the 2020 Notes) and \$500 million of 6.25% Guaranteed Senior Notes due 2040. Further, on 14 February 2012 and 28 February 2012, Reliance issued \$1,000 million and \$500 million, respectively, of 5.40% Guaranteed Senior Notes due 2022 (2022 Notes, collectively with the 2020 Notes and 2040 Notes, the Bonds). The Bonds are guaranteed on an unsecured basis by Reliance Industries Limited, India. Unless previously repurchased, cancelled or redeemed, the 2020 Notes and the 2040 Notes will mature on 19 October 2020 and 19 October 2040, respectively and 2022 Notes will mature on 14 February, 2022 and 28 February, 2022. The Bonds are unsecured and unsubordinated obligations of Reliance, rank pari-passu with all of its other existing and future unsubordinated obligations, and are effectively subordinated to secured obligations of the guarantor and the obligations of its subsidiaries. Reliance has the option to redeem all or a portion of each series of the Notes at any time. The Notes are traded on the Singapore Exchange.

The gross unpaid principal balance and accrued interest on the Bonds were \$3,000 million and \$46.18 million respectively as at 31 December, 2018 & 31 December, 2017.

12.2 As at 31 December 2018, the Company has outstanding unsecured long term loan facilities from several banks with aggregate borrowing of \$1,330 million (\$1,512 million as of 31 December 2017). The effective interest rates during the year varied between 2.83% and 3.99%. The maturity of these facilities range from the second quarter of 2019 to the first quarter of 2021. Summary of such debts is given in the table below.

	<i>In USD</i>		Non-Current Total	Current # Total
	Maturity Profile			
	Above 5 years	1-5 years		
Term loans from banks	-	880,000,000	880,000,000	450,000,000

presented as other financial liabilities in current liabilities

12.3 The costs related to raising of the debt together with discount on issuance is amortised over the tenure of the debt. The unamortised portion of \$13 million as at 31 December, 2018 and \$ 16 million as at 31 December 2017 has been netted off against the carrying values of related borrowings.

13 BORROWINGS (CURRENT)

	<i>In USD</i>	
	As at 31 December, 2018	As at 31 December, 2017
Unsecured - at amortised cost		
Term loan from banks (Refer note 13.1)	677,000,000	346,000,000
TOTAL	677,000,000	346,000,000

13.1 As of 31 December 2018, the Company had outstanding unsecured short-term loan facilities from banks with aggregate borrowings of \$677 million. The maturity of these loans ranging from the first quarter of 2019 to the third quarter of 2019 and carrying interest rates ranging from 2.44% to 3.44%. As of 31 December 2017, the Company had outstanding unsecured short-term loan facilities from banks with aggregate borrowings of \$346 million maturing in last quarter of 2018 and carrying interest rates ranging from 2.17% to 2.49%.

14 TRADE PAYABLES

	<i>In USD</i>	
	As at 31 December, 2018	As at 31 December, 2017
Trade payables	3,953,340	5,074,556
Payable to related party (Refer note 28)	186,034	-
TOTAL	4,139,374	5,074,556

The average credit period in respect of trade payables ranges between 15 days to 30 days.

Notes to the financial statements for the year ended 31 December, 2018

15 OTHER FINANCIAL LIABILITIES (CURRENT)	<i>In USD</i>	
	As at 31 December, 2018	As at 31 December, 2017
Interest accrued but not due on borrowings	46,178,978	46,773,677
Guarantee commission payable (Refer note 28)	7,486,026	-
Derivative liabilities in respect of interest rates swaps / swaptions	34,668,933	12,217,597
Commodity derivative liabilities	-	226,861
Current maturities of borrowings - non current (Refer note 12.2)	450,000,000	1,036,220,776
Payable to Subsidiary (Refer notes 28)	1,500,000	1,500,000
TOTAL	539,833,937	1,096,938,911

16 OTHER INCOME	<i>In USD</i>			
	2018		2017	
Interest income:				
From Subsidiaries (Refer note 28)	185,885,923		281,948,767	
From others	121,074	186,006,997	-	281,948,767
Gain on sale of investments in associates #		-		8,113,252
Gain on commodity derivatives (Net)		-		18,922,219
Provision for impairment in value of investment reversed		237,750		-
Miscellaneous Income		18,922		2,835
TOTAL		186,263,669		308,987,073

In 2017, gain of \$8 million on sale of investment in Algenol LLC and receipt of \$0.1 million on dissolution of Matrix Genetics LLC.

17 EMPLOYEE BENEFITS EXPENSE	<i>In USD</i>	
	2018	2017
Salaries and wages #	4,384,332	5,726,184
Contribution to defined contribution scheme	858,789	910,405
Staff welfare expenses	200,781	28,057
TOTAL	5,443,902	6,664,646

net of expenses recharged to subsidiaries

18 FINANCE COSTS	<i>In USD</i>	
	2018	2017
Interest on bonds and bank loans	223,280,588	207,698,173
Guarantee commission (Refer note 28) #	6,004,633	2,255,761
Other borrowing costs	4,319,512	5,588,518
Loss / (gain) on interest rate swaps / swaptions	30,389,309	(5,411,486)
TOTAL	263,994,042	210,130,966

net of expenses recharged to subsidiaries

19 DEPRECIATION AND AMORTISATION EXPENSE	<i>In USD</i>	
	2018	2017
Depreciation on property, plant and equipment	57,359	79,698
Amortisation of other intangible assets	52,751	252,706
TOTAL	110,110	332,404

Notes to the financial statements for the year ended 31 December, 2018

20 OTHER EXPENSES #	2018	2017	<i>In USD</i>
Legal and professional fees	2,948,129		2,303,010
General expenses	2,719,370		2,618,301
Operating lease rentals (Refer note 27)	571,148		773,868
Rates & taxes	26,112		709,164
Travelling and conveyance expenses	908,524		1,156,382
Payment to auditors - audit fees	310,000		310,000
Provision for impairment in value of investment	1,124,048,377		2,000,024,712
Impact of fair valuation of investments	-		130,785
Loss on derivatives (Net)	3,879,834		-
Write off of loan and interest receivable from a subsidiary	-		176,364,095
TOTAL	1,135,411,494		2,184,390,317
# net of expenses recharged to subsidiaries			

21 EARNINGS PER SHARE (EPS)

Basic earnings per share is computed by dividing the net profit / (loss) after tax 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 profit / (loss) after tax and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

	2018	2017
i) Net (Loss) as per Statement of Profit and Loss attributable to the owner of the Company	(1,218,695,879)	(2,092,531,260)
ii) Weighted average number of shares used as denominator for calculating basic EPS	151,858	5
iii) Basic earnings per share (\$)	(8,025)	(418,506,252)
iv) Weighted average number of shares used as denominator for calculating diluted EPS	175,405	161,980
v) Diluted earnings per share (\$)	(6,948)	(12,918)
vi) Face value per share (\$)	10,000	0.10

22 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company's financial assets comprise mainly of investment, cash and cash equivalents, loans and other receivables.

The following disclosures summarize the Company's exposure to financial risks and information regarding use of derivatives employed to manage exposures to such risks.

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company, with the support of its parent, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

Capital Management Risk:

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises of bonds, loans, and equity. The Company is not exposed to any externally imposed capital requirements.

Notes to the financial statements for the year ended 31 December, 2018

Net gearing ratio:

The gearing ratio at the end of the year was as follows

	As at 31st December, 2018	As at 31st December, 2017
Debt #	5,007,000,000	4,858,000,000
Less: Cash and cash equivalents	9,622,965	3,916,230
Net debt	4,997,377,035	4,854,083,770
Total equity	(2,944,798,569)	(1,726,102,690)
Net debt to equity ratio	-170%	-281%

Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.

Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk. Financial instruments affected by market risk include borrowings, trade & other payables, trade & other receivables and loans.

Interest rate risk:

The Company is exposed to interest rate risk because Company borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rates borrowing and through selective interest rate swaps to optimise the interest cost exposure.

23 CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	As at 31st December, 2018	In USD As at 31st December, 2017
Financial assets			
A. Measured at fair value through profit or loss (FVTPL)			
(i) Investment - Others (unquoted)	4	15,408,421	15,408,421
(ii) Commodity derivative assets	9	1,272,805	-
B. Measured at amortised cost (AC)			
(i) Loans	5	161,148,377	2,903,680,649
(ii) Security deposit	6	58,165	58,165
(iii) Cash and cash equivalents	8	9,622,965	3,916,230
(iv) Interest receivable from subsidiaries	9	196,586,550	230,920,540
(v) Guarantee commission receivable	9	21,145,141	20,857,349
(vi) Receivable from Subsidiaries	9	7,270,174	1,646,532
(vii) Other receivables	9	1,220,776	1,467,646
Financial liabilities			
A. Measured at fair value through profit or loss (FVTPL)			
(i) Derivative liabilities in respect of interest rates swaps / swaptions	15	34,668,933	12,217,597
(ii) Commodity derivative liabilities	15	-	226,861
B. Measured at amortised cost (AC)			
(i) Borrowings			
(a) Non-current	12	3,867,328,945	3,459,716,555
(b) Current	13	677,000,000	346,000,000
(c) Current maturities of long term debt	15	450,000,000	1,036,220,776
(ii) Trade payables	14	4,139,374	5,074,556
(iii) Payable to subsidiaries	15	1,500,000	1,500,000
(iv) Interest accrued but not due on borrowings	15	46,178,978	46,773,677
(v) Guarantee commission payable	15	7,486,026	-

Notes to the financial statements for the year ended 31 December, 2018

24 FAIR VALUE MEASUREMENT:

In USD

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2018	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	15,408,421	NA	NA	15,408,421
Commodity derivative assets (Refer note 9)	1,272,805	NA	1,272,805	NA
Derivative liabilities in respect of interest rates swaps / swaptions (Refer note 15)	34,668,933	NA	34,668,933	NA

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2017	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	15,408,421	NA	NA	15,408,421
Commodity derivative liabilities (Refer note 15)	226,861	NA	226,861	NA
Derivative liabilities in respect of interest rates swaps / swaptions (Refer note 15)	12,217,597	NA	12,217,597	NA

The management has evaluated their investment based on progress till date and future outlook and concluded that the carrying value as on the dates of the respective balance sheet represents fair value of investment.

25 GOING CONCERN CONSIDERATIONS

The accumulated losses have fully eroded the net worth of the Company. The management has evaluated and concluded on the ability of the Company to continue as a going concern in the foreseeable future basis the continued support from Reliance Industries Limited (RIL), the ultimate 100 % holding company as evidenced from the fact that RIL has guaranteed the outstanding bond liability of the Company. Holding Company has also been steadily infusing equity into the Company over the years and hence the accounts are prepared on a going concern basis.

26 FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company has entered into the following derivative contracts that have not been designated as hedges; the fair value is recognised as gains or (losses) in the Statement of Profit and Loss and derivative assets and liabilities in the Balance Sheet.

Derivative	As at 31 December, 2018		As at 31 December, 2017	
	Maturity period	Notional position/ value	Maturity period	Notional position/ value
Natural Gas - NYMEX - Fixed swaps	February, 2019 to December, 2019	429,000 mmbtu/day	January, 2018 to June, 2018	27,217 mmbtu/day
Natural Gas - NYMEX - Asian floor/ cap and basis swaps	January, 2019 to December, 2019	587,000 mmbtu/day	January, 2018 to December, 2018	504,000 mmbtu/day
Crude - NYMEX - Cap, Floor and basis swaps	-	-	January, 2018 to June, 2018	16,950 bbl/day
Refined - OPIS Ethane - Fixed swaps	-	-	January, 2018 to December, 2018	504,000 gal/day
Refined - NYMEX - Fixed swaps	-	-	February, 2018 to December, 2018	30,613 mmbtu/day
Interest rate swaptions	January, 2019 to March, 2019	\$4,550 million	October, 2017 to March, 2018	\$3,300 million
Interest rate swap	November, 2022 to December, 2023	\$900 million	Novemebr, 2017 to December, 2022	\$1,150 million

Notes to the financial statements for the year ended 31 December, 2018

27 LEASES

Non-cancellable operating lease commitments:

The Company has taken premises on non-cancellable operating lease basis with varying tenor upto 30 June, 2023. The future minimum rentals are as follows:

	As at 31 December, 2018	As at 31 December, 2017
Not later than 1 year	329,321	497,767
Later than 1 year and not later than 5 year	1,187,076	1,516,397
Later than 5 year	-	-
TOTAL	1,516,397	2,014,164

Lease payments recognised in the Statement of Profit and Loss in connection with the above for the year 2018 & 2017 are USD 571,148 and USD 773,868 respectively.

28 RELATED PARTY

As per Ind AS 24, list of related parties where control exists and related parties with whom transactions have taken place and relationships are given below:

Name of the related party	Relation
Reliance Energy Generation & Distribution Limited	Holding Company (Control exists)
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Eagleford Upstream LLC	Subsidiary (control exists)
Reliance Eagleford Upstream GP LLC	Subsidiary (control exists)
Reliance Eagleford Upstream Holding LP	Subsidiary (control exists)
Reliance Marcellus LLC	Subsidiary (control exists)
Reliance Marcellus II LLC	Subsidiary (control exists)
Affinity Names Inc.	Subsidiary (control exists)
Aurora Algae Inc.	Subsidiary (control exists)
RIL USA Inc.	Subsidiary (control exists)
Matrix Genetics LLC (till 8 December, 2017)	Associate
Walter Van de Vijver, CEO	Key Management Person
Thakur Sharma, Director	Key Management Person
Masoud Javadi, General Counsel	Key Management Person

Related Party Transactions

Name of the related party	Balances as at year end	In USD	
		As at 31 December, 2018	As at 31 December, 2017
Reliance Industries Limited	Guarantee given by	3,000,000,000	3,000,000,000
Reliance Industries Limited	Guarantee commission payable	7,486,026	-
Reliance Industries Limited	Corporate office support payable	186,034	-
RIL USA Inc.	Rent receivable	25,745	20,392
Reliance Eagleford Upstream Holding LP	Standby letter of credit given to	28,500,000	30,000,000
Reliance Marcellus LLC	Loan to subsidiary	137,209,700	1,613,144,700
Reliance Eagleford Upstream LLC	Loan to subsidiary	23,917,250	1,290,497,250
Reliance Eagleford Upstream Holding LP	Guarantee commission receivable	2,135,154	12,724,653
Reliance Marcellus LLC	Guarantee commission receivable	19,009,987	8,132,696
Reliance Eagleford Upstream Holding LP	Other receivable	520,195	424,073
Reliance Marcellus LLC	Other receivable	3,073,912	1,222,459
Reliance Marcellus II LLC	Other receivable	3,676,068	-
Aurora Algae Inc.	Other payable - Current	1,500,000	1,500,000
Reliance Marcellus LLC	Interest receivable	187,353,340	99,626,905
Reliance Eagleford Upstream LLC	Interest receivable	9,233,210	131,293,635
Key Management Persons	Remuneration and benefits payable	1,455,169	1,292,226

Notes to the financial statements for the year ended 31 December, 2018

Name of the related party	Nature of transaction	In USD	
		For the years ended	
		31 December, 2018	31 December, 2017
Reliance Industries Limited	Guarantee commission	29,626,026	29,991,782
Reliance Industries Limited	Corporate office support	1,008,238	1,277,268
Reliance Eagleford Upstream Holding LP	Recovery of guarantee commission	12,744,102	15,356,614
Reliance Marcellus LLC	Recovery of guarantee commission	10,877,291	11,011,580
Reliance Marcellus II LLC	Recovery of guarantee commission	-	1,367,827
Reliance Eagleford Upstream Holding LP	Recovery of employee benefit expenses	2,174,451	2,191,490
Reliance Marcellus LLC	Recovery of employee benefit expenses	1,615,342	1,508,103
Reliance Marcellus II LLC	Recovery of employee benefit expenses	-	175,251
Reliance Eagleford Upstream LLC	Loan given to	83,420,000	82,115,000
Reliance Marcellus II LLC	Loan given to	-	10,000
Reliance Marcellus LLC	Loan given to	24,065,000	8,645,000
Reliance Marcellus II LLC	Loan repaid by	-	123,323,000
Reliance Marcellus II LLC	Loan written off	-	175,077,000
Reliance Eagleford Upstream LLC	Conversion of loan given into investment	1,350,000,000	1,500,000,000
Reliance Marcellus LLC	Conversion of loan given into investment	1,500,000,000	500,000,000
Reliance Eagleford Upstream LLC	Interest income	85,266,358	151,717,119
Reliance Marcellus LLC	Interest income	100,619,565	115,802,675
Reliance Marcellus II LLC	Interest income	-	14,428,973
Reliance Marcellus II LLC	Interest written off	-	1,287,095
RIL USA Inc.	Rent income	255,551	372,533
Matrix Genetics LLC	R&D expense	-	1,000,000
Reliance Eagleford Upstream Holding LP	Recovery of other expenses	606,661	601,780
Reliance Marcellus LLC	Recovery of other expenses	236,111	379,644
Reliance Marcellus II LLC	Recovery of other expenses	-	85,000
Reliance Marcellus II LLC	Liabilities paid on behalf of Subsidiary	3,676,068	-
Reliance Eagleford Upstream LLC	Investment	13,000	11,000
Affinity Names Inc.	Investment	6,250	12,500
Key management persons	Remuneration and benefits		
	- Short term benefits	3,021,110	3,420,232
	- Long term benefits	539,646	536,150

29 SEGMENT REPORTING

The company is engaged in the business of exploration and production of oil and gas from shale reservoirs in the United States of America through its investments. Consequently, there is a single business and geographical segment.

30 BUSINESS COMBINATIONS (Subsidiary Merged)

During 2019	Principal activity	Date of acquisition	Proportion of equity interest acquired (%)	Consideration transferred
Reliance Eagleford Midstream LLC	Subsidiary was engaged in the midstream business for oil and gas industries.	19 January, 2018	100%	Nil

Notes to the financial statements for the year ended 31 December, 2018

Reliance Eagleford Midstream LLC (REMLLC), a wholly owned subsidiary of the Company has been merged with the Company w.e.f. 19th January, 2018 after receipt of certificate of merger from the Secretary of State of Delaware on 19 January, 2018. The assets and liabilities of REMLLC are pooled line by line into the Company, and all inter company balances are eliminated as on the date of merger.

Assets and liabilities pooled into the Company at the date of merger (net of eliminations)

In USD Thousands

Assets

Cash and cash equivalents 3,392

Equity

Share of net income 828,759,650

The above numbers of REMLLC are as at close of business as on 19 January, 2018 when REMLLC has been merged with the Company. As per Ind AS 103 Business Combinations, the financial statements in respect of the prior periods have been restated as if the business combination had occurred from the beginning of the preceding period in the financial statements. Accordingly, the business combination has been accounted for as at 1 January, 2017 in the financial statements of the Company.

31 The financial statements are approved for issue by the Board of Directors on 12 April, 2019.

For and on behalf of the Board

Walter Van de Vijver
Director

Thakur Sharma
Director

Place: Houston
Date: 12 April, 2019

New York
12 April, 2019