Reliance Industries (Middle East) DMCC

Financial Statements

for the year ended 31 December, 2019

Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Reliance Industries (Middle East) DMCC ("the Company") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of a matter

We draw attention to note 3 to the financial statements, which describes that the financial statements have been prepared on a going concern basis as the shareholder has committed to providing financial support to the Company to meet its financial obligations when they fall due. Our opinion is not modified with respect to this matter.

Other matter

These are the separate financial statements of Reliance Industries (Middle East) DMCC which have been prepared to comply with the requirements of Section 136 of the Indian Companies Act, 2013. Our report is intended solely for management to comply with these requirements and may not be suitable for another purpose. Our report is intended solely for management, the Company and Reliance Industries Limited ("the Parent Company") and should not be distributed to or used by parties other than management, the Company and the Parent Company.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit 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.

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.

Deloitte & Touche (M.E.)
Rama Padmanabha Acharya

30 April 2020
Abu Dhabi
United Arab Emirates

Statement of financial position as at 31 December 2019

	Notes	2019 USD	2018 USD
ASSETS			
Non-current assets			
Property and equipment	5	**83,092**	86,686
Investments in subsidiaries	6	**396,937,060**	396,937,060
Total non-current assets		**397,020,152**	397,023,746
Current assets			
Trade and other receivables	7	**47,149,891**	205,995,663
Due from related parties	12	**8,190,923**	233,088
Cash and bank balances	8	**5,659,857**	13,742,648
Total current assets		**61,000,671**	219,971,399
Total assets		**458,020,823**	616,995,145
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**11,535,326**	11,535,326
Preference share capital	9	**167,094,047**	167,094,047
Accumulated losses		**(14,319,552)**	(15,349,184)
Net equity		**164,309,821**	163,280,189
Non-current liability			
Provision for employees' end of service benefit	10	**867,875**	761,441
Current liabilities			
Trade and other payables	11	**51,609,674**	211,720,062
Loan from a related party	12	**241,233,453**	241,233,453
Total current liabilities		**292,843,127**	452,953,515
Total liabilities		**293,711,002**	453,714,956
Total equity and liabilities		**458,020,823**	616,995,145

These financial statements were approved and authorised for issue by the Board of Directors on 30 April 2020 and were signed on their behalf by:

Dipankar Dhruba Sen
Director

Statement of comprehensive income for the year ended 31 December 2019

	Notes	2019 USD	2018 USD
Revenue	13	**666,700,941**	3,109,002,063
Cost of sales	14	**(662,936,034)**	(3,100,077,204)
Gross profit		**3,764,907**	8,924,859
General and administrative expenses	15	**(9,994,001)**	(13,123,404)
Dividend income	12	**7,000,000**	15,000,000
Exchange loss, net		**(21,226)**	(104,746)
Other income		**230,931**	169,725
Finance cost	16	**(63,428)**	(89,069)
Finance income		**112,449**	30,237
Profit for the year	18	**1,029,632**	10,807,602
Other comprehensive income		**-**	-
Total comprehensive profit for the year		**1,029,632**	10,807,602

Statement of changes in equity for the year ended 31 December 2019

	Share capital USD	Preference share capital USD	Share application money USD	Accumulated losses USD	Net equity USD
Balance at 1 January 2018	11,535,326	166,311,547	-	(26,156,786)	151,690,087
Share application money received during the year	-	-	782,500	-	782,500
Preference shares issued from share application money (note 12.3)	-	782,500	(782,500)	-	-
Total comprehensive profit for the year	-	-	-	10,807,602	10,807,602
Balance at 1 January 2019	**11,535,326**	**167,094,047**	**-**	**(15,349,184)**	**163,280,189**
Total comprehensive profit for the year	-	-	-	1,029,632	1,029,632
Balance at 31 December 2019	**11,535,326**	**167,094,047**	**-**	**(14,319,552)**	**164,309,821**

Statement of cash flows for the year ended 31 December 2019

	2019 USD	2018 USD
Cash flows from operating activities		
Profit for the year	**1,029,632**	10,807,602
Adjustments for:		
Depreciation of property and equipment	**55,030**	106,134
Provision for employees' end of service benefit	**106,434**	454,376
Finance cost	**63,428**	89,069
Interest on term deposits	**(112,449)**	(30,237)
Dividend income	**(7,000,000)**	(15,000,000)
Operating cash flows before movements in working capital	**(5,857,925)**	(3,573,056)
Change in trade and other receivables	**158,958,221**	(23,319,322)
Change in due from related parties	**(957,835)**	358,547
Change in due to a related party	**-**	(8,412,128)
Change in trade and other payables	**(160,110,388)**	31,321,317
Cash used in operating activities	**(7,967,927)**	(3,624,642)
Finance costs paid	**(63,428)**	(89,069)
Net cash used in operating activities	**(15,031,355)**	(3,713,711)
Cash flows from investing activities		
Payments for property and equipment	**(51,436)**	(83,135)
Dividends received	**-**	15,000,000
Net cash generated from investing activities	**(51,436)**	14,916,865
Cash flows from financing activities		
Share application money received	**-**	782,500
Net cash generated from financing activities	**-**	782,500
Net (decrease)/increase in cash and cash equivalents	**(8,082,791)**	11,985,654
Cash and cash equivalents at beginning of the year	**13,742,648**	1,756,994
Cash and cash equivalents at the end of the year (note 8)	**5,659,857**	13,742,648
Non-cash items:		
Conversion of share application money to preference shares (note 9)	**-**	782,500
Conversion of dividend receivable to investment in subsidiary (note 6)	**-**	37,123,434

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

Notes to the financial statements for the year ended 31 December 2019

1 Legal status and principal activities

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

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

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

The Company has registered its establishment in the United Kingdom under UK Establishment License No. BR019189. These financial statements include operations of the establishment for the year.

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2019

Impact of initial application of IFRS 16 *Leases*

The Company adopted IFRS 16 '*Leases*' the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 '*Determining whether an Arrangement contains a Lease*", SIC 15 "*Operating Leases – Incentives*" and SIC 27 "*Evaluating the Substance of Transactions in the Legal Form of a Lease*".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Company's financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "*Leases*" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the useful life.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease.

The Company's leasing activities and how these are accounted for:

The Company leases vessels, and offices. Rental contracts are typically made for various period ranging from 1 to 15 years and have extension options. Management judgement has been considered for assessing the term of each lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of vessels and offices were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

During 2019, Company has applied IFRS 16 "*Leases*" requirements and in the process of identification of leases, management has made various judgments. Judgment is needed to determine whether the charter party contracts and office rentals meets the requirements of leases in accordance the definitions of a Leases as set out in IFRS 16 "*Leases*". In making its judgment, management considered the detailed criteria and related guidance of IFRS 16. The Management has concluded that the input of IFRS 16 for office rental is immaterial.

The Company concluded that at 1 January 2019, its contract for lease of vessels met the definition of a lease as per IFRS 16. Accordingly, a right of use of asset and a corresponding liability equivalent to the present value of minimum lease payments for the remaining 21 years required to be recognised as at 1 January 2019. Subsequently on 28 June 2018 an amendment (modification) to the lease contract was executed and the Company has re-assessed the identification of lease and concluded that although the assets were explicitly identified in the charter party contracts, after the modification supplier has substantive right to substitute the assets, which restricts the classification of the charter party contracts as leases, hence the contract no longer meets the definition of a lease after the modification and rentals are to be charge to profit or loss on a straight-line basis over the period of the "lease".

The Company has opted for the modified retrospective application permitted by IFRS 16 to recognise right of use asset and

Notes to the financial statements for the year ended 31 December 2019

lease liability with respect to vessel rentals, upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Company to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognised the lease liabilities as of January 1, 2019.

	USD' 000
Operating lease commitments disclosed as of December 31, 2018	**886,984**
Effect of 3% increment in rentals	**18,784**
Effect of the extension in the period of lease	**763,553**
Lease liability recognised as at January 1, 2019	**1,669,321**

The associated right-of-use assets for land leases were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The lease has been derecognised on the modification of the lease contract and the effect of modification is as follows.

The Company's leasing activities and how these are accounted for: (continued)

Effect of modification of the lease:

	USD' 000 Lease liability	USD' 000 Right of use of asset	USD' 000 Total
Lease liability and right of use of asset recognised as at January 1, 2019	**(1,669,321)**	**1,669,321**	**-**
Effect of interest and depreciation until 28 June 2019	**(22,892)**	**(38,766)**	**(61,658)**
Modification of lease contract as at 28 June 2019	**1,692,213**	**(1,630,555)**	**61,658**
Lease liability and right of use of asset recognised as at 31 December 2019	**-**	**-**	**-**

The effect of depreciation on the right of use of asset and interest expense on the lease liability equals the amount of operating lease rentals to be recorded as at 31 December 2019 so no gain/loss on modification of the lease contract is recognised as at 31 December 2019.

2.2 New and revised IFRSs in issue but not yet effective

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019

Notes to the financial statements for the year ended 31 December 2019

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in statement of profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether	
a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
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IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	

Notes to the financial statements for the year ended 31 December 2019

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

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

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.	

Notes to the financial statements for the year ended 31 December 2019

New and revised IFRSs	Effective for annual periods beginning on or after
The amendments in *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. They: – clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; – clarify that classification is unaffected by expectations about whether an entity will exercise its right to differ settlement of a liability; – make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The Company has accumulated losses amounting to USD 14,319,552 and its current liabilities exceeded its current assets by USD 231,842,456 at 31 December 2019. The financial statements have been prepared on a going concern basis as the shareholder has undertaken to support the Company. In the event that this support is withdrawn, the going concern basis would be invalid and adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

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

The principal accounting policies are set out below:

3.3 Revenue recognition

The Company recognise revenue from the following sources:

- trading of crude oil, petroleum and petrochemical product and refined oil products;
- bunkering and charter services; and
- dividend/interest earned.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of a product or service to a customer.

Notes to the financial statements for the year ended 31 December 2019

3.3.1 Trading of crude oil, petroleum and petrochemical product and refined oil products

For trading of crude oil, petroleum and petrochemical product and refined oil products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Company when the goods are delivered to the Customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

3.3.2 Bunkering and charter services.

Bunkering and charter services are recognised as a performance obligation is satisfied over time. Revenue is recognised for these bunkering and charter services based on the stage of completion of the contract period for each vessel.

3.3.3 Dividend income

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

3.3.4 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.

3.3.5 Other income

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

3.4 Leases (applicable after 1 January 2019)

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.

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 statement of financial position.

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:

- 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.
- 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).
- 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.

Notes to the financial statements for the year ended 31 December 2019

The Company has made adjustments as disclosed in note 2.1.

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.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

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 'General and administrative expenses' in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

3.5 Leases (applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.5.1 The Company as lessee

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

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

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

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

3.6 Property and equipment

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

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2019

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3.7 Intangible assets

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

3.8 Investments in subsidiaries

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

Control is achieved when the Company:

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

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

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

3.9 Impairment of tangible and intangible assets

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

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

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

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

3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present

Notes to the financial statements for the year ended 31 December 2019

value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 Employee benefits

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

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

3.12 Foreign currencies

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

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

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

3.13 Borrowing costs

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

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

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

3.14 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Company has the following financial assets: Cash and bank balances, due from a related party, and trade and other receivables. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

Notes to the financial statements for the year ended 31 December 2019

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The effective interest method

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

Cash and cash equivalents

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

Notes to the financial statements for the year ended 31 December 2019

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 60 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the financial statements for the year ended 31 December 2019

(iv) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 and also recognises a collateralised borrowing for the proceeds received.

3.15 Financial liabilities and equity instruments

3.15.1 Classification as debt or equity

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

3.15.2 Equity instruments

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

Notes to the financial statements for the year ended 31 December 2019

3.15.3 Financial liabilities

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

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

3.15.4 Derecognition of financial liabilities

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

3.16 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and the Company intends to settle on a net basis.

4 Critical accounting judgments and key sources of uncertainty

4.1 Critical judgments in applying accounting policies

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

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

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

4.1.1 Revenue recognition

In determining whether the Company is acting as a principal or as an agent with its customer, a related party, management considered the detailed criteria for the recognition of revenue in accordance with IFRS 15 *Revenue from contracts with customers.* This require an assessment of whether the Company has exposure to the significant risks and rewards associated with the sale of goods. After an assessment of the relevant factors, management and the directors of the Company have concluded that the arrangement with customer exposes the Company to the significant risks and rewards associated with the sale of goods and the recognition of the revenue in accordance with the Company's role as a principal rather than agent is appropriate and in accordance to IFRS 15 *Revenue from contracts with customers.*

4.1.2 Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. 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.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

4.1.3 Judgement in identifying whether a contract includes a lease (applicable after 1 January 2019)

The Company has entered into a contract with Mitsui O.S.K. Lines Ltd for lease of Very Large Ethane Carriers (VLEC).

Notes to the financial statements for the year ended 31 December 2019

The Management has assessed whether or not the Company has contracted for the rights to substantially all of the economic benefits and whether the contract with Mitsui O.S.K. Lines Ltd contains a lease for the Very Large Ethane Carriers (VLEC) and therefore the Company has the right to obtain substantially all of the economic benefits from the use of the Very Large Ethane Carriers (VLEC). As a result the Company has concluded that the contract does contain a lease at initial recognition. Judgement was also required to determine whether the lease modification during the year required derecognition of the lease liability recorded at 1 January 2019. Refer to note 2.1.

4.1.4 Classification of leases as financing or operating in nature (applicable before 1 January 2019)

The Company enters into continuous voyage charter agreement for all of its ethane vessels. Where management has determined, based on an evaluation of the terms and conditions, that the lessor retains all significant risks and rewards of these properties, it will account for the contracts as operating leases.

4.1.5 Classification of preference shares

In the process of classifying preference shares, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. In making its judgment, management considered the detailed criteria and related guidance for the classification of financial instruments as set out in IAS 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 IAS 32 *Financial Instruments: Presentation.*

4.1.6 Classification of a loan received from a related party

In the process of classifying loan received from related party, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability or as 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 IAS 32 Financial Instruments: Presentation. Management and the directors of the Company have concluded that the classification of the loan received as financial liability in the financial statements as there is a contractual obligation to deliver cash.

4.2 Key sources of estimation uncertainty

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

4.2.1 Impairment of investments in subsidiaries

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

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

Management is satisfied that there are no indicators of objective evidence of impairment for its investments in subsidiaries as at 31 December 2019 and 2018.

Notes to the financial statements for the year ended 31 December 2019

5 Property and equipment

	Leasehold improvements	Computer and office equipment	Furniture and fixtures	Motor vehicles	Total
	USD	USD	USD	USD	USD
Cost					
At 1 January 2018	143,142	245,347	192,874	67,663	649,026
Additions	-	3,662	-	79,473	83,135
At 1 January 2019	**143,142**	**249,009**	**192,874**	**147,136**	**732,161**
Additions	-	2,095	-	49,341	51,436
Disposal	-	(196,915)	(190,314)	-	(387,229)
At 31 December 2019	**143,142**	**54,189**	**2,560**	**196,477**	**396,386**
Accumulated depreciation					
At 1 January 2018	89,560	208,495	173,623	67,663	539,341
Charge for the year	53,582	16,747	19,251	16,554	106,134
At 1 January 2019	**143,142**	**225,242**	**192,874**	**84,217**	**645,475**
Charge for the year	-	25,862	-	29,168	55,030
Disposal	-	(196,915)	(190,314)	-	(387,229)
At 31 December 2019	**143,142**	**54,189**	**2,560**	**113,385**	**313,092**
Carrying amount					
At 31 December 2019	**-**	**-**	**-**	**83,092**	**83,092**
At 31 December 2018	-	23,767	-	62,919	86,686

6 Investments in subsidiaries

	2019	2018	2019	2018
	% Holding		USD	USD
R.P Chemicals (Malaysia) Sdn. Bhd. *(i)*	**100**	100	**266,123,434**	266,123,434
Recron (Malaysia) Sdn. Bhd. ("Recron") *(ii)*	**100**	100	**130,813,626**	130,813,626
			396,937,060	396,937,060

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

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

In 2016, the Company purchased 358,643,545 ordinary shares of Malaysian Ringgit (RM) 1 each and 79,800 class A redeemable preference shares RM 1 each of R.P Chemicals (Malaysia) Sdn. Bhd, amounting to USD 229,000,000.

During 2018, RP Chemicals (Malaysia) Sdn. Bhd. issued 417,500,000 class A redeemable preference shares RM 1 each amounting to USD 100,575,750, and converted cumulative preferential dividends from 2012 to 2017. Of the total value of USD 100,575,750, an amount of USD 37,123,434 was against the dividend receivable by the Company since its acquisition. The remaining USD 63,452,316 was issued against the dividend receivable by Reliance Global Holdings Pte Ltd, the preceding shareholder of RP Chemicals (Malaysia) Sdn. Bhd and a sister company. Reliance Global Holdings Pte Ltd, has waived its right, at nil consideration, to receive its share of class A redeemable preference shares and accordingly, the full amount of 417,500,000 class A redeemable preference shares has been issued to the Company.

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

Recron is a private limited liability company, incorporated and domiciled in Malaysia. The address of the registered office and principal place of business is at Suite 7.01 – 7.03, Level 7, Wisma Goldhill, 67, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal activities of Recron are the manufacturing of polyester resin, fibre, yarn and fabric; undertaking of fabrics' bleaching, dyeing, printing and finishing, providing engineering services; and sale and marketing activities on behalf of its ultimate holding company.

Notes to the financial statements for the year ended 31 December 2019

During the process of liquidation of Reliance Global Business BV (RGBBV), the liquidator distributed the shares in capital of Recron amounting to USD 30,813,626 (EUR 27,077,000).

In addition to the USD 30,813,626 described above, the Company provided Recron, a related party, an amount of USD 100,000,000 as share application money during the year 2017. On 29 January 2016, Recron allotted and issued to the Company 429,800,000 non-cumulative redeemable preference shares with par value of RM 1.00 per share towards the share application money. Based on the terms of the issuance of the preference shares, Recron has the right to redeem such shares at any time for a redemption price of RM 1.00 per share. Accordingly, the investment in these shares had been classified as investment in a subsidiary.

7 Trade and other receivables

	2019	2018
	USD	USD
Accrued income (note 12.1)	**642,317**	169,185,761
Trade receivable	**20,094,769**	26,700,191
Advances	**12,595,276**	9,055,108
Prepayments	**133,777**	112,369
Fixed deposit*	**13,595,782**	890,116
Deposits	**35,515**	36,806
Other receivables	**52,455**	15,312
	47,149,891	205,995,663

* Fixed deposit amounting to USD 13,595,782 as at 31 December 2019 (2018: USD 890,116) with original maturity of 12 months, starting from 30 Dec 2019 earn an interest of 1% (2017 1.5%) per annum.

The Company measures the provision for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Before accepting any new customer, the Company assesses the potential credit quality of the customer. As at 31 December 2019, 100% (2018:100%) of trade receivable balances are due from one (2018: one) customer. Management considers these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Company.

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

The Company's exposure to credit and currency risks and impairment losses related to trade receivables and other current assets is disclosed in note 19.

8 Cash and cash equivalent

	2019	2018
	USD	USD
Cash on hand	**6,755**	13,260
Banks balances	**5,653,102**	13,729,388
Cash and bank balances	**5,659,857**	13,742,648

9 Share capital/preference share capital

	2019	2018
	USD	USD
Authorised, issued and fully paid up:		
42,450 ordinary shares of AED 1,000 each (2018: 42,450 shares of AED 1,000 each)	**11,535,326**	11,535,326
614,905 shares (2018: 614,905 shares), 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**167,094,047**	167,094,047

Notes to the financial statements for the year ended 31 December 2019

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

10 Provision for employees' end of service benefit

Movements in the provision are as follows:

	2019	2018
	USD	USD
At 1 January	**761,441**	307,065
Charge for the year	**106,434**	454,376
At 31 December	**867,875**	761,441

11 Trade and other payables

	2019	2018
	USD	USD
Trade payables	**32,741,504**	192,360,284
Accruals	**12,323,081**	11,082,757
Advance from a related party (note 12)	**6,531,823**	8,264,930
Others	**13,266**	12,091
	51,609,674	211,720,062

12 Transactions and balances with related parties

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

12.1 Related party balances

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

	2019	2018
	USD	USD
Accrued income - Reliance Industries Limited (note 7)	**642,317**	169,185,761
Trade receivable from Reliance Industries Limited (note 7)	**20,094,769**	26,700,191
Advance from Reliance Industries Limited (note 11)	**6,531,823**	8,264,930
Due from related parties:		
Recron (Malaysia) Sdn. Bhd.	**7,000,000**	-
Reliance Exploration & Production DMCC	**1,145,692**	233,088
RIL Consultancy Services	**45,231**	-
	8,190,923	233,088
Loan from a related party:		
Reliance Exploration & Production DMCC *(i)*	**241,233,453**	241,233,453

(i) In 2017, the Company received a loan from Reliance Exploration and Production DMCC, amounting to USD 241,233,453, which was used for the redemption of preference shares from Reliance Industries Limited. The loan received is interest free and repayable on demand.

12.2 Related party transactions

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

Notes to the financial statements for the year ended 31 December 2019

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

	2019 USD	2018 USD
Sales of crude oil	**254,050,885**	2,946,834,048
Purchase of High Speed Diesel Oil	**252,403,102**	-
Ocean Freight*	**160,246,954**	162,168,015

12 Transactions and balances with related parties (continued)

	2019 USD	2018 USD
Purchase of High Speed Diesel	**252,323,926**	-
Guarantee commission to a related party (note 16)	**60,675**	50,493
Dividend income from Recron (Malaysia) Sdn. Bhd	**7,000,000**	15,000,000
Rental Income from Reliance Exploration & Production DMCC	**19,056**	17,469
Expenses recovered from the Parent Company	**177,100**	137,287
Compensation to key management personnel	**418,049**	795,924
Corporate guarantee received from Parent Company	**20,000,000**	20,000,000

12.3 Other transactions with related parties

	2019 USD	2018 USD
Payments made to RIL USA, Inc.*	**177,418,429**	2,865,312,132
Conversion of preference shares (note 9)	**-**	782,500

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

12.4 Terms and conditions of transactions with related parties

Outstanding balances at the end of the reporting period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Company has not recorded any impairment owed by related parties (2019: Nil). This assessment is undertaken each financial year through an examination of the financial position of the related party and the market in which the related party operates

13 Revenue

	2019 USD	2018 USD
Sale of		
– Crude oil	**254,050,885**	2,946,834,048
– High Speed Diesel (HSD)	**252,403,102**	-
Charter services*	**160,246,954**	162,168,015
	666,700,941	3,109,002,063

* An incident took place with the VLEC Ethane Opal on 15 January 2018 while transiting the Suez Canal on account of a steering failure. The vessel lost approximately 19.60 days due to this incident. Owing to the incident, RIME incurred propane coolant costs USD 344,000 towards cooling the VLEC cargo tanks. It is included in the cost of sales.

Further, RIME has recovered USD 997,000 as full and final settlement to cover all costs incurred on account of the incident.

Notes to the financial statements for the year ended 31 December 2019

14 Cost of sales

	2019 USD	2018 USD
Cost of		
Crude oil and HSD	**506,118,241**	2,944,467,494
Charter services	**156,817,793**	155,609,710
	662,936,034	3,100,077,204

15 General and administrative expenses

	2019 USD	2018 USD
Business promotion	**2,457,960**	2,667,588
Brokerage and commission	**1,625,000**	225,000
Salaries and wages	**1,264,376**	1,491,446
Rent	**237,848**	231,242
Depreciation	**55,029**	106,134
Others general and administrative expenses	**4,353,788**	8,401,994
	9,994,001	13,123,404

16 Finance costs

	2019 USD	2018 USD
Bank interest expense	**2,753**	38,576
Guarantee commission to a related party (note 12.2)	**60,675**	50,493
	63,428	89,069

17 Commitments and contingencies

	2019 USD	2018 USD
Bank guarantees	**20,000**	20,000

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

	2019 USD	2018 USD
Operating lease commitments:		
Within one year	**67,989,901**	68,020,353
After one year but not more than five years	**271,708,719**	272,141,712
More than five years	**479,322,000**	547,212,000
	819,020,620	887,374,065

The commitments relate to contracts that do not meet the definition of a lease as per IFRS 16 - "*Leases*".

18 Profit for the year

Profit for the year is after charging:

	2019 USD	2018 USD
Staff costs	**1,264,376**	1,491,446
Depreciation of property and equipment	**55,030**	106,136

Notes to the financial statements for the year ended 31 December 2019

19 Financial instruments

19.1 Capital management

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

The Company manages its capital to ensure to be able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Company's overall strategy remains unchanged from 2018.

19.2 Financial risk management objectives

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

19.2.1 Credit risk

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

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

	2019 USD	2018 USD
Bank rated		
A+	**3,524,522**	7,461,192
Baa2	**60,262**	515,232
A	**2,068,337**	5,752,964
Total cash at banks	**5,653,102**	13,729,388

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:

	2019 USD	2018 USD
Due from related parties	**8,190,923**	233,088
Accrued income and other current assets (excluding advances and prepayments)	**34,420,838**	196,828,186
Bank balances	**5,653,102**	13,729,388
	48,264,863	210,790,662

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

19.2.2 Liquidity risk

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

Notes to the financial statements for the year ended 31 December 2019

19.2.2 Liquidity risk (continued)

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

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

	Current Less than 1 year USD	Non-current Greater than 1 year USD
31 December 2019		
Trade and other payables (excluding advance from customer)	**45,077,851**	**-**
Loan from a related party	**241,233,453**	**-**
	286,311,304	**-**
31 December 2018		
Trade and other payables (excluding advance from customer)	203,455,132	-
Loan from a related party	241,233,453	-
	423,784,609	-

19.2.3 Currency risk

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

19.2.4 Interest rate risk

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

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

19.3 Fair value measurements

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

20 Event after the reporting period

Subsequent to the year end, macro-economic uncertainty has arisen with regards to sharp drop in the oil prices caused by the COVID-19 outbreak in early 2020. Management considers this outbreak to be a non-adjusting post reporting date event which could impact the Company's earnings and cash flow in future periods. The management did not foresee the potential impacts of this outbreak on the Company's results, warrants recording of provisions and impairment of investments in the financial statements as at 31 December 2019. However, impact of COVID-19 on the ECL allowance and impairment of investments on re-assessment will be taken into account in 2020.