RELIANCE INDUSTRIES (MIDDLE EAST) DMCC

Financial Statements

For the Year ended 31st December, 2018

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 2018, 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 2018, 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 states that the Company had accumulated losses amounting to USD 15,349,184 and the Company's current liabilities exceeded its current assets by USD 232,982,116. The financial statements has been prepared on a going concern basis as the Shareholder has committed to provide continued financial support for the foreseeable future. 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. As a result, these financial statements should not be distributed to other parties nor used for filing purposes with Dubai Multi Commodities Centre.

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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
17 April, 2019
Abu Dhabi
United Arab Emirates

Statement of financial position as at 31 December 2018

	Notes	2018 USD	2017 USD
ASSETS			
Non-current assets			
Property and equipment	**5**	**86,686**	109,685
Investments in subsidiaries	**6**	**396,937,060**	359,813,626
Total non-current assets		**397,023,746**	359,923,311
Current assets			
Trade and other receivables	**7**	**205,995,663**	182,646,104
Due from a related party	**13**	**233,088**	37,715,069
Cash and bank balances	**8**	**13,742,648**	3,756,204
Total current assets		**219,971,399**	224,117,377
Total assets		**616,995,145**	584,040,688
EQUITY AND LIABILITIES			
Equity			
Share capital	**9**	**11,535,326**	11,535,326
Preference share capital	**9**	**167,094,047**	166,311,547
Accumulated losses		**(15,349,184)**	(26,156,786)
Net equity		**163,280,189**	151,690,087
Non-current liability			
Provision for employees' end of service benefit	**10**	**761,441**	307,065
Current liabilities			
Bank overdraft	**12**	**-**	1,999,212
Due to a related party	**13**	**-**	8,412,128
Trade and other payables	**11**	**211,720,062**	180,398,743
Loan from a related party	**13**	**241,233,453**	241,233,453
Total current liabilities		**452,953,515**	432,043,536
Total liabilities		**453,714,956**	432,350,601
Total equity and liabilities		**616,995,145**	584,040,688

These financial statements were approved and authorised for issue by the Board of Directors on 17 April, 2019 and were signed on their behalf by:

Dipankar Dhruba Sen
Director

Statement of comprehensive income for the year ended 31 December 2018

	Notes	**2018 USD**	2017 USD
Revenue	**14**	**3,109,002,063**	970,909,754
Cost of sales	**15**	**(3,100,077,204)**	(963,701,267)
Gross profit		**8,924,859**	7,208,487
General and administrative expenses		**(13,123,404)**	(12,284,152)
Dividend income		**15,000,000**	19,426,083
Exchange (loss)/gain, net		**(104,746)**	2,259,843
Other income		**169,725**	970,271
Finance cost	**16**	**(89,069)**	(152,906)
Finance income		**30,237**	35,874
Profit for the year	**18**	**10,807,602**	17,463,500
Other comprehensive income		**-**	-
Total comprehensive profit for the year		**10,807,602**	17,463,500

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

	Share capital	Preference share capital	Share application money	Accumulated losses	Net equity
	USD	**USD**	**USD**	**USD**	**USD**
Balance at 1 January 2017	11,535,326	407,545,000	-	(43,620,286)	375,460,040
Redemption of preference shares (note 13.3)	-	(241,233,453)	-	-	(241,233,453)
Total comprehensive profit for the year	-	-	-	17,463,500	17,463,500
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 13.3)	-	782,500	(782,500)	-	-
Total comprehensive profit for the year	-	-	-	10,807,602	10,807,602
Balance at 31 December 2018	**11,535,326**	**167,094,047**	**-**	**(15,349,184)**	**163,280,189**

Statement of cash flows for the year ended 31 December 2018

	2018 USD	2017 USD
Cash flows from operating activities		
Profit for the year	**10,807,602**	17,463,500
Adjustments for:		
Depreciation of property and equipment	**106,134**	83,448
Provision for employees' end of service benefit	**454,376**	36,393
Finance cost	**89,069**	152,906
Interest on term deposits	**(30,237)**	(35,874)
Unrealised exchange gain	**-**	(2,294,804)
Other income	**-**	(970,271)
Dividend income	**(15,000,000)**	(19,426,083)
Operating cash flows before movements in working capital	**(3,573,056)**	(4,990,785)
Change in trade and other receivables	**(23,319,322)**	(132,528,610)
Change in due from a related party	**358,547**	(287,203)
Change in due to a related party	**(8,412,128)**	8,412,128
Change in trade and other payables	**31,321,317**	133,839,529
Cash (used in)/ generated from operating activities	**(3,624,642)**	4,445,059
Finance costs paid	**(89,069)**	(152,906)
Net cash (used in)/ generated from operating activities	**(3,713,711)**	4,292,153
Cash flows from investing activities		
Payments for property and equipment	**(83,135)**	(24,526)
RGBBV Liquidation proceeds	**-**	214,383
Dividends received	**15,000,000**	1,677,653
Net cash generated from investing activities	**14,916,865**	1,867,510
Cash flows from financing activities		
Share application money received	**782,500**	-
Redemption of Preference shares	**-**	(241,233,453)
Loan from a related party	**-**	241,233,453
Net cash generated from financing activities	**782,500**	-
Net decrease in cash and cash equivalents	**11,985,654**	6,159,663
Cash and cash equivalents at beginning of the year	**1,756,994**	(4,402,671)
Cash and cash equivalents at the end of the year (note 8)	**13,742,648**	1,756,992
Non-cash items:		
Conversion of share application money to preference shares (note 9)	**782,500**	-
Conversion of dividend receivable to investment in subsidiary (note 9)	**37,123,434**	-

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

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 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from contracts with customers and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

In the current year, the Company has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In the current period, the Company has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions
- Amendments to IAS 40 Investment properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurement.
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

Impact of initial application of IFRS 9 *Financial Instruments*

The Company has adopted IFRS 9 issued in July 2014 with a date of initial application of 1 January 2018.

The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 did not lead to reclassification of previous financial assets and liabilities recognised under IAS 39.

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

Impairment of financial assets

IFRS 9 replaces the 'Incurred Loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. Accordingly, the Company applies the new impairment model for its financial assets. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL - For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired : Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Management has compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2018 as follows:

Items existing datas at 1 January 2018 that are subject to the impairment provisions	Notes	Credit risk attributes at 1 January 2018	Cumulative additional provision for impairment as at 1 January 2018 (AED '000)
Due from a related party	13	The Company applied the simplified approach and assessed lifetime ECL for due from a related party	Based on the management's assessment, no material additional loss allowance is required to be recognised as at 1 January 2018.
Trade receivable	7	The Company applied the simplified approach and assessed lifetime ECL for account receivables.	Based on the management's assessment, no material additional loss allowance is required to be recognised as at 1 January 2018.
Bank balances	8	All bank balances are assessed to have low credit risk at each reporting date as they have held with reputable international banking institution.	Based on the management's assessment, no material additional loss allowance is required to be recognised as at 1 January 2018.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Objective evidence that financial instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Company assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)	1 January 2019
Amendments to IAS 19 *Employee Benefits*	1 January 2019
Amendments to IAS 28 *Investments in Associates and Joint Ventures*	1 January 2020
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.

Amendments to IFRS 9 *Financial Instruments*	1 January 2019
IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 *Leases*
The Company is in the processing of assessing the potential impacts on the financial statements due to the initial application of IFRS 16.

IFRS 17 *Insurance Contracts*	1 January 2021

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 of 1 January 2021.

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 15,349,184 and current liabilities exceeded current assets by USD 232,982,116. 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.

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

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 (applicable after 1 January 2018)

The Company recognise revenue from the following sources:

- trading of crude oil, petroleum and petrochemical product and refined oil products
- bunkering and charter services.

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.

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 Revenue recognition (applicable before 1 January 2018)

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

3.4.1 *Sale of goods*

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

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

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

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

3.4.2 *Dividend income*

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

3.4.3 *Interest income*

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

3.4.4 *Other income*

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

3.4.5 *Rendering of services*

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

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

3.5 Leases

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

3.5.1 *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:

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

	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.

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.

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

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 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.

3.13 Financial instruments (applicable after 1 January 2018)

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.

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

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.

Classification of financial assets

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):

- 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

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

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;
- 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.

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

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.

(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,

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

the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.14 Financial assets (applicable before 1 January 2018)

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

3.14.1 *Cash and cash equivalents*

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

3.14.2 *Loans and receivables*

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

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

3.14.3 *Impairment of financial assets*

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

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

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

3.14.4 *Derecognition of financial assets*

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

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

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.

3.15.3 *Financial liabilities*

Trade and other payables, due to related parties 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 (continued)

4.1 Critical judgments in applying accounting policies (continued)

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 (applicable after 1 January 2018)*

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 (applicable after 1 January 2018)*

As explained in note 3, ECL are measured as an allowance equal to lifetime ECL for assets. 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.

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

4.1.3 ***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.*

4.1.4 ***Functional currency***

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

4.1.5 ***Classification of leases as financing or operating in nature***

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

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 ***Calculation of loss allowance (applicable after 1 January 2018)***

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2.2 ***Allowance for impairment losses on trade receivables and amount due from related parties (applicable before 1 January 2018)***

An estimate of the collectible amount of trade receivables and other current assets is made when collection of the full amount is no longer probable. The allowance for impairment losses for all customers is based on a variety of factors, including the overall quality and ageing of the receivables and continuing credit evaluation of the customers' financial conditions. Also, specific provisions for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations. Management is satisfied that no impairment provision is required on trade receivables and amount due from related parties as at 31 December 2018 and 2017.

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

4.2.3 ***Impairment of investments in subsidiaries***

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

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

Management is satisfied that there are no indicators of objective evidence of impairment for its investments in subsidiaries as at 31 December 2018 and 2017.

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

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 2017	143,142	225,951	187,744	67,663	624,500
Additions	-	19,396	5,130	-	24,526
At 1 January 2018	143,142	245,347	192,874	67,663	649,026
Additions	-	3,662	-	79,473	83,135
At 31 December 2018	**143,142**	**249,009**	**192,874**	**147,136**	**732,161**
Accumulated depreciation					
At 1 January 2017	53,794	196,855	137,581	67,663	455,893
Charge for the year	35,766	11,640	36,042	-	83,448
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 31 December 2018	**143,142**	**225,242**	**192,874**	**84,217**	**645,475**
Carrying amount					
At 31 December 2018	-	23,767	-	62,919	86,686
At 31 December 2017	53,582	36,852	19,251	-	109,685

6 Investments in subsidiaries

	2018	2017	**2018**	2017
	% Holding		**USD**	USD
R.P Chemicals (Malaysia) Sdn. Bhd. *(i)*	**100**	100	**266,123,434**	229,000,000
Recron (Malaysia) Sdn. Bhd. ("Recron") *(ii)*	**100**	100	**130,813,626**	130,813,626
			396,937,060	359,813,626

(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 the year, 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 (note 13.1). 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 2018

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) and RIL USA Inc. amounting to USD 42,122,387 (EUR 37,014,400) as liquidation share in advance to the Company being the sole shareholder of RGBBV. Further, in 2017 the Company had transferred its investment in RIL USA Inc. to RIL USA Holdings without any consideration. The title of the shares had been transferred before 31 December 2017. Since the transfer of shares of RIL USA Inc. had been made to a company under common control within the group and had no commercial substance, the loss on disposal of investment had been adjusted directly within equity.

In addition to the USD 30,813,626 described above, the Company provided Recron, a related party, an amount of USD 100,000,000 as share application money 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

	2018 USD	2017 USD
Accrued income (note 13.1)	**169,185,761**	163,798,785
Trade receivable	**26,700,191**	5,655,071
Advances	**9,055,108**	10,015,372
Prepayments	**112,369**	119,085
Fixed deposit	**890,116**	2,289,880
Deposits	**36,806**	50,544
Other receivables	**15,312**	717,367
	205,995,663	182,646,104

**Fixed deposit amounting to USD 890,116 as at 31 December 2018 (2017: USD 2,289,880) with original maturity of 12 months, starting from 30 Dec 2018 earn an interest of 1.5% (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 2018, 100% (2017:100%) of trade receivable balances are due from one (2017: one) major customers. 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

	2018 USD	2017 USD
Cash on hand	**13,260**	13,943
Banks balances	**13,729,388**	3,742,261
Cash and bank balances	**13,742,648**	3,756,204
Less: Bank overdraft (note 12)	**-**	(1,999,212)
Cash and cash equivalents	**13,742,648**	1,756,992

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

9 Share capital/preference share capital

	2018 USD	2017 USD
Authorised, issued and fully paid up:		
42,450 ordinary shares of AED 1,000 each (2017: 42,450 shares of AED 1,000 each)	**11,535,326**	11,535,326
614,905 shares (2017: 612,026 shares), 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**167,094,047**	166,311,547

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.

On 18 March 2016, the Board had resolved for the issue and allotment of 1,214,400 5% non-cumulative compulsory convertible preference shares of AED 1,000 each to Reliance Industries Limited amounting to USD 330,000,000. Subsequently, on 10 August 2016, the Board had resolved for further issue and allotment of 221,929 5% non-cumulative compulsory convertible preference shares of AED 1000 each to Reliance Industries Limited amounting to USD 60,307,000. The tenure for the shares is 10 years. Reliance Industries Limited will have to convert the subject preference shares into equity shares at any time during the first 5 years in the ratio of 1:1 and at any time after 5 years till 10 years in the same ratio of 1:1. In 2016, the Company has refunded share application money of USD 6,793,000 to RIL.

On 29 March 2017, the Directors resolved to redeem 887,739 5% non-cumulative compulsorily convertible preference shares of AED 1,000/ each (the “5% NCCPS”) at par, from Reliance Industries Limited, the sole holder of the 5% NCCPS, for an aggregate amount of AED 887,739,000 (equivalent to USD 241,233,453), out of the total issued, subscribed, paid-up and outstanding preference share capital of the Company of 1,499,765 5% NCCPS aggregating to AED 1,499,765,000 (equivalent to USD 407,545,000).

On 3 September 2018, the Board had resolved for the issue and allotment of 2,879 5% non-cumulative compulsory convertible preference shares of AED 1,000 each to Reliance Industries Limited amounting to USD 782,500.

10 Provision for employees’ end of service benefit

Movements in the provision are as follows:

	2018 USD	2017 USD
At 1 January	**307,065**	270,672
Charge during the year	**454,376**	36,393
At 31 December	**761,441**	307,065

11 Trade and other payables

	2018 USD	2017 USD
Trade payables	**192,360,284**	165,320,176
Accruals	**11,082,757**	6,819,640
Advance from a related party (note 13)	**8,264,930**	8,258,927
Others	**12,091**	-
	211,720,062	180,398,743

12 Bank overdraft

The Company has obtained an overdraft facility of USD 10 million from a bank in the UAE. The facility is secured against a corporate guarantee issued by the Parent Company to the extent of USD Nil (2017: USD 15 million). The facility carries interest rate of EIBOR plus 0.8% p.a. for amounts withdrawn in AED and LIBOR plus 0.8% p.a. for amounts withdrawn in USD. As at 31 December 2018, the Company has a bank overdraft balance amounting to USD Nil (2017: USD 1,999,212). In the current year, the Company has obtained an additional overdraft facility of USD 5 million from a bank in the UAE. The facility is secured against a corporate guarantee issued by the Parent Company to the extent of USD 5 million. The

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

facility carries interest rate of EIBOR plus 0.6% p.a. for amounts withdrawn in AED and LIBOR plus 0.6% p.a. for amounts withdrawn in USD. As at 31 December 2018, the Company has a bank overdraft balance amounting to USD Nil.

13 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.

13.1 Related party balances

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

	2018 **USD**	2017 USD
Accrued income - Reliance Industries Limited (note 7)	**169,185,761**	163,798,785
Advance from Reliance Industries Limited (note 11)	**8,264,930**	8,258,927
Due from a related party:		
RP Chemicals (Malaysia) Sdn Bhd	**-**	37,123,434
Reliance Exploration & Production DMCC	**233,088**	591,635
	233,088	37,715,069
Due to a related party:		
Reliance Industries Limited	**-**	8,412,128
Loan from a related party:		
Reliance Exploration & Production DMCC *(i)*	**241,233,453**	241,233,453

(i) In the prior year, 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 (note 9).

13.2 Related party transactions

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

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

	2018 **USD**	2017 USD
Sales of crude oil	**2,946,834,048**	838,542,989
Ocean Freight*	**162,168,015**	140,584,607
Guarantee commission to a related party (note 16)	**50,493**	39,551
Dividend income from RP Chemicals (Malaysia) Sdn Bhd	**-**	17,749,027
Dividend income from Recron (Malaysia) Sdn. Bhd	**15,000,000**	-
Dividend income from Reliance Global Business BV	**-**	1,677,055
Rental Income from Reliance Exploration & Production DMCC	**17,469**	-
Expenses recovered from the Parent Company	**137,287**	152,551
Compensation to key management personnel	**795,924**	-
Corporate guarantee received from Parent Company	**20,000,000**	-

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

13.3 Other transactions with related parties

	2018 USD	2016 USD
Payments made to RIL USA, Inc.*	**2,865,312,132**	613,202,827
Conversion of preference shares (note 9)	**782,500**	-
Redemption of preference shares (note 9)	**-**	241,233,453

*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.

13.4 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 2018, the Company has not recorded any impairment owed by related parties (2017: USD Nil). This assessment is undertaken each financial year through an examination of the financial position of the related party and the market in which the related party operates.

Parties (2017: USD Nil). This assessment is undertaken each financial year through an examination of the financial position of the related party and the market in which the related party operates.

14 Revenue

	2018 USD	2017 USD
Sale of		
- Crude oil	**2,946,834,048**	838,542,989
- High-density polyethylene	**-**	41,085
Charter services	**162,168,015**	132,325,680
	3,109,002,063	970,909,754

15 Cost of sales

	2018 USD	2017 USD
Cost of		
- Crude oil and high-density polyethylene	**2,944,467,494**	837,792,861
- Charter services	**155,609,710**	125,908,406
	3,100,077,204	963,701,267

16 Finance costs

	2018 USD	2017 USD
Bank interest expense	**38,576**	113,355
Guarantee commission to a related party (note 13.2)	**50,493**	39,551
	89,069	152,906

17 Commitments and contingencies

	2018 USD	2017 USD
Guarantee issued on behalf of a customer	**-**	1,600,000
Bank guarantees	**20,000**	20,000

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

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

	2018	2017
	USD	USD
Operating lease commitments:		
Within one year	**68,020,353**	67,999,812
After one year but not more than five years	**272,141,712**	271,633,401
More than five years	**547,212,000**	615,102,000
	887,374,065	954,735,213

18 Profit for the year

Profit for the year is after charging:

	2018	2017
	USD	USD
Staff costs	**1,491,446**	754,235
Depreciation of property and equipment	**106,136**	83,448

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 2017.

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 a related party 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: 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:

	2018	2017
	AED	AED
Bank rated		
AA -	**7,461,192**	712,087
Baa 2	**515,232**	227,544
Aa3	**5,752,964**	2,802,630
Total cash at banks	**13,729,388**	3,742,261

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

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:

	2018	2017
	USD	USD
Due from a related party	**233,088**	37,715,069
Accrued income and other current assets (excluding advances and prepayments)	**196,828,186**	172,511,647
Bank balances	**13,729,388**	3,742,261
	210,790,662	213,968,977

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.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses. The Company also has bank overdraft facility as disclosed in note 12.

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 2018		
Trade and other payables (excluding advance from customer)	**203,455,132**	**-**
Loan from a related party	**241,233,453**	**-**
	444,688,585	**-**
31 December 2017		
Due to a related party	8,412,128	-
Bank overdraft	1,999,212	-
Trade and other payables (excluding advance from a related party)	172,139,816	-
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.

The Company's currency risk arises primarily in respect of receivable from RP Chemicals (Malaysia) Sdn Bhd. Amounts receivable in foreign currency expose the Company to currency risk. As at 31 December 2018, the Company has such receivable amounting to USD Nil (2017: USD 37,123,434).

At 31 December 2018 if USD had weakened/strengthened by 10% against the Malaysian Ringgit with all other variables held constant, profit for the year would have been lower/higher by USD Nil (2017: USD 3,374,858).

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.

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

The Company's interest rate risk arises primarily from bank overdraft. Borrowings at variable rates expose the Company to cash flow interest rate risk. As at 31 December 2018, the Company has bank overdraft of USD Nil (2017: USD 1,999,212). If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year 31 December 2018 would increase/decrease by USD Nil (2017: increase/decrease by USD 19,992).

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.