RELIANCE INDUSTRIES (MIDDLE EAST) DMCC

Reports and financial statements for the year ended 31 December 2017

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 2017, 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 2017, 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 tonote 3 to the financial statements, which states that the Company had accumulated losses amounting to USD 26,156,786 and the Company's current liabilities exceeded current assets by USD 207,926,159. Notwithstanding all of the above, the financial statements have been prepared on a going concern basis as the shareholder has expressed its continuing support. In the absence of such support, this basis would be invalid and adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. 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.

INDEPENDENT AUDITOR'S REPORT (CONTD.)

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)

Signed by:
Rama Padmanabha Acharya
24 April 2018
Abu Dhabi
United Arab Emirates

Statement of financial position as at 31 December 2017

	Notes	2017 USD	2016 USD
ASSETS			
Non-current assets			
Property and equipment	**5**	**109,685**	168,607
Investments in subsidiaries	**7**	**359,813,626**	426,650,445
Total non-current assets		**359,923,311**	426,819,052
Current asset			
Trade and other receivables	**8**	**182,646,104**	49,546,727
Due from related parties	**14**	**37,715,069**	23,262,832
Cash and bank balances	**9**	**3,756,204**	477,584
Total current assets		**224,117,377**	73,287,143
Total assets		**584,040,688**	500,106,195
EQUITY AND LIABILITIES			
Equity			
Share capital	**10**	**11,535,326**	11,535,326
Preference share capital	**10**	**166,311,547**	407,545,000
Accumulated losses		**(26,156,786)**	(43,620,286)
Net equity		**151,690,087**	375,460,040
Non-current liability			
Provision for employees' end of service benefit	**11**	**307,065**	270,672
Current liabilities			
Bank overdraft	**13**	**1,999,212**	4,880,255
Due to a related party	**14**	**8,412,128**	-
Trade and other payables	**12**	**180,398,743**	46,559,215
Advance from a subsidiary	**7**	**-**	72,936,013
Loan from a related party	**14**	**241,233,453**	-
Total current liabilities		**432,043,536**	124,375,483
Total liabilities		**432,350,601**	124,646,155
Total equity and liabilities		**584,040,688**	500,106,195

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2018 and were signed on their behalf by:

Dipankar Dhruba Sen
Director

Statement of comprehensive income for the year ended 31 December 2017

	Notes	2017 USD	2016 USD
Revenue	**15**	**970,909,754**	395,353,171
Cost of sales	**16**	**(963,701,267)**	(394,848,806)
Gross profit		**7,208,487**	504,365
General and administrative expenses		**(12,284,152)**	(5,552,621)
Dividend income		**19,426,083**	17,814,760
Exchange gain/(loss),net		**2,259,843**	(792,075)
Other income		**970,271**	-
Finance cost	**17**	**(152,906)**	(210,723)
Finance income		**35,874**	33,958
Profit for the year	**19**	**17,463,500**	11,797,664
Other comprehensive income		**-**	-
Total comprehensive profit for the year		**17,463,500**	11,797,664

Statement of changes in equity for the year ended 31 December 2017

	Share capital USD	Preference share capital USD	Share application money USD	Accumulated losses USD	Net equity USD
Balance at 1 January 2016	11,535,326	17,238,000	100,000,000	(25,499,545)	103,273,781
Share application money received	-	-	297,100,000	-	297,100,000
Preference shares issued from share application money	-	390,307,000	(390,307,000)	-	-
Transfer of investment to group company	-	-	-	(42,122,387)	(42,122,387)
Refund of share application money	-	-	(6,793,000)	-	(6,793,000)
Sale of subsidiaries to the Parent Company	-	-	-	12,203,982	12,203,982
Total comprehensive profit for the year	-	-	-	11,797,664	11,797,664
Balance at 1 January 2017	11,535,326	407,545,000	-	(43,620,286)	375,460,040
Preference shares issued from share application money (note 14.3)	-	(241,233,453)	-	-	(241,233,453)
Total comprehensive profit for the year	-	-	-	17,463,500	17,463,500
Balance at 31 December 2017	**11,535,326**	**166,311,547**	**-**	**(26,156,786)**	**151,690,087**

Statement of cash flows for the year ended 31 December 2017

	2017 USD	2016 USD
Cash flows from operating activities		
Profit for the year	**17,463,500**	11,797,664
Adjustments for:		
Depreciation of property and equipment	**83,448**	83,459
Provision for employees' end of service benefit	**36,393**	33,169
Finance cost	**152,906**	210,723
Interest on term deposits	**(35,874)**	(33,958)
Unrealised exchange (gain)/loss	**(2,294,804)**	734,560
Other income	**(970,271)**	-
Dividend income	**(19,426,083)**	(17,814,760)
Operating cash flows before movements in working capital	**(4,990,785)**	(4,989,143)
Change in trade and other receivables	**(132,528,609)**	(33,630,719)
Change in due from related parties	**(287,203)**	(6,182,632)
Change in due to a related party	**8,412,128**	-
Change in trade and other payables	**133,839,529**	33,430,311
Cash generated from/(used in) operating activities	**4,445,059**	(11,372,183)
Finance costs paid	**(152,906)**	(210,723)
Net cash generated from/(used in) from operating activities	**4,292,153**	(11,582,906)
Cash flows from investing activities		
Investment in non-cumulative redeemable shares		-
Payments for property and equipment	**(24,526)**	(653)
Investment in subsidiaries	**-**	(295,836,817)
Proceeds from sale of investments	**-**	14,258,703
RGBBV Liquidation proceeds	**214,383**	-
Dividends received	**1,677,653**	-
Net cash generated from/(used in) investing activities	**1,867,510**	(281,578,767)
Cash flows from financing activities		
Share application money received	**-**	297,100,000
Share application money refunded	**-**	(6,793,000)
Redemption of Preference shares	**(241,233,453)**	-
Loan from a related party	**241,233,453**	-
Change in due to a related party	**-**	(166,499)
Net cash generated by financing activities	**-**	290,140,501
Net decrease in cash and cash equivalents	**6,159,663**	(3,021,172)
Cash and cash equivalents at beginning of the year	**(4,402,671)**	(1,381,499)
Cash and cash equivalents at the end of the year (note 9)	**1,756,992**	(4,402,671)
Non-cash items:		
Transfer of investment to group company (note 7 *(ii)*)	**-**	42,122,387
Payable to related party for the acquisition of subsidiaries (note 7 *(ii)*)	**-**	72,936,013

Notes to the financial statements for the year ended 31 December 2017

I 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.

During the period, the Company registered its establishment in the United Kingdom under UK Establishment License No. BR019189. These financial statements include operations of the establishment for the period.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 12 *Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 7 *Disclosure Initiative*

Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 12

2.2 New and revised IFRS 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 2014 - 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

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;

Notes to the financial statements for the year ended 31 December 2017

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
● 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 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 I*nsurance Contracts:* Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property:* Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments*: *Recognition and Measurement*. The standard contains requirements in the following areas:	
● **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments.	
● **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised	1 January 2018
● **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	
● **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
Amendments to IFRS 9 *Financial Instruments:* Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019

Notes to the financial statements for the year ended 31 December 2017

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017, the Directors of the Company have assessed the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9, which may lead to additional allowances being recognised in future periods.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its amounts due from related parties as required or permitted by IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* — 1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 *Revenue from Contracts with Customers* — 1 January 2018

The application of IFRS 15 from the annual period beginning 1 January 2018 will not have material impact on the Company's financial statements in respect of revenue from contracts with customers. Based on analysis of the Company's revenues from contracts with customers as at 31 December 2017, management of the Company has assessed the impact of IFRS 15 to the Company's financial statements and believe there will be no significant impact upon implementation of the standard other than certain disclosure and presentation requirements under the new standard, which will be applied.

IFRS 16 *Leases* — 1 January 2019

Notes to the financial statements for the year ended 31 December 2017

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
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.	1 January 2019
Impact assessment of IFRS 16 Leases	
The Company is in the process of assessing the potential impact on the financial statements due to the initial application of IFRS 16.	When IFRS 9 is first applied
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied	When IFRS 9 is first applied
Amendments to IFRS 7 *Financial Instruments*: *Disclosures* relating to disclosures about the initial application of IFRS 9.	1 January 2021
IFRS 7 *Financial Instruments*: *Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	
IFRS 17 *Insurance Contracts*	Effective date deferred indefinitely. Adoption is still permitted.

IFRS 17 requires insurance liabilities to be measured at a current fulfillment 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.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Management anticipates that these new standards, interpretations and amendments will be applied in the Company's financial statements as and when they are applicable and application of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, 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 26,156,786and current liabilities exceeded current assets by USD207,926,159. The financial statements have been prepared on a going concern basis as the shareholder has undertaken to support the Company. In the event that this support is withdrawn, the going concern basis would be invalid and adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

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

Notes to the financial statements for the year ended 31 December 2017

The principal accounting policies are set out below:

3.3 Revenue recognition

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

3.3.1 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.

3.3.2 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).

3.3.3 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.

3.3.4 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.

3.3.5 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.

3.4 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.

3.4.1 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.

Notes to the financial statements for the year ended 31 December 2017

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.

3.5 Property and equipment

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

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

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

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

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

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

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.

3.6 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.

3.7 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.

Notes to the financial statements for the year ended 31 December 2017

3.8 Impairment of tangible and intangible assets

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

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

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

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

3.9 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.

3.10 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.

3.11 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.

3.12 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.

Notes to the financial statements for the year ended 31 December 2017

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 assets

The Company's financial assets comprise of trade and other receivables (excluding advances and prepayments), due from related parties, fixed deposit under lien, 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.

3.13.1 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.

3.13.2 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 under lien, 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.

3.13.3 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.

3.13.4 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 2017

3.14 Financial liabilities and equity instruments

3.14.1 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.

3.14.2 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.

3.14.3 Financial liabilities

Trade and other payables (excluding advance from customer), bank overdraft, due to related party and advance from a subsidiary 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.

3.14.4 Derecognition of financial liabilities

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

3.15 Disposal of entities which lack commercial substance

Gains or losses arising on disposal of subsidiaries are recorded within retained earnings if the disposal lacks commercial substance and is based on a decision of the Parent Company.

4 Critical accounting judgments and key sources of uncertainty

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.

4.1 Critical judgments in applying accounting policies

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

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

4.1.1 Revenue recognition

In determining whether the Company is acting as a principal or as an agent with its customer, a related party, management considered the detailed criteria for the recognition of revenue in accordance with IAS 18 *Revenue*. 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 IAS 18 Revenue.

Notes to the financial statements for the year ended 31 December 2017

4.1.2 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 IAS32 *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 IAS32 *Financial Instruments: Presentation.*

4.1.3 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.

4.1.4 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.

4.1.5 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 Allowance for impairment losses on trade receivables and amount due from related parties

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 2017 and 2016.

Notes to the financial statements for the year ended 31 December 2017

4.2.2 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 2017 and 2016.

5 Property and equipment

	Leasehold improvements USD	Computer and office equipment USD	Furniture and fixtures USD	Motor vehicles USD	Total USD
Cost					
At 1 January 2016	143,142	225,298	187,744	67,663	623,847
Additions	-	653	-	-	653
At 1 January 2017	143,142	225,951	187,744	67,663	624,500
Additions	-	19,396	5,130	-	24,526
At 31 December 2017	**143,142**	**245,347**	**192,874**	**67,663**	**649,026**
Accumulated depreciation					
At 1 January 2016	28,195	185,212	91,364	67,663	372,434
Charge for the year	25,599	11,643	46,217	-	83,459
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 31 December 2017	**89,560**	**208,495**	**173,623**	**67,663**	**539,341**
Carrying amount					
At 31 December 2017	**53,582**	**36,852**	**19,251**	**-**	**109,685**
At 31 December 2016	89,348	29,096	50,163	-	168,607

Notes to the financial statements for the year ended 31 December 2017

6 Intangible assets

	2017	2016
	USD	USD
Cost		
At 1 January and 31 December	**21,794,014**	21,794,014
Accumulated amortisation		
At 1 January and 31 December	**21,794,014**	21,794,014
Carrying amount at 31 December	-	-

7 Investments in subsidiaries

	2016	2015	**2017**	2016
	% Holding		**USD**	USD
R.P Chemicals (Malaysia) Sdn. Bhd. *(i)*	**100**	100	**229,000,000**	229,000,000
Recron (Malaysia) Sdn. Bhd. ("Recron") *(ii)*	**100**	100	**130,813,626**	130,813,626
Reliance Global Business BV *(iii)*	-	100	**-**	66,836,819
			359,813,626	426,650,445

(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.

(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.

During the process of liquidation of RGBBV as disclosed in 7 (iii), 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 2016 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 2016. 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 2016. 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.

Notes to the financial statements for the year ended 31 December 2017

(iii) Reliance Global Business BV ("RGBBV")

RGBBV is incorporated in the Netherlands registered under the Commercial Register under number 34298281. The registered office of RGBBV is at Hoogoorddreef 15, 1101 BA Amsterdam. The principal activities of RGBBV comprise mainly of the investment all the other activities revolve around its main business.

In 2016, the Company purchased the investment in RGBBV from the Parent Company, at a purchase consideration of USD 66,836,219. During 2016, the liquidation process of the Company commenced and a liquidator was appointed on 22 March 2016.

The liquidation process was finalised and RGBBV de-registered on 27 December 2017. On finalisation of liquidation, the Company received USD 214,383 (Euro 185,738) for the capital repayment and dividend distribution of USD 1,677,055 (Euro 1,452,972). The Company settled the advances received from RGBBV amounting to USD 72,936,013 against dis-investment in RGBBV amounting USD 66,836,819 and derecognition of loan receivable amounting to USD 5,878,200, resulting net gain on dissolution of investment amounting USD 435,377 recorded as gain on liquidation of subsidiary.

Management has assessed as at the reporting date that there are no indicators of objective evidence of impairment for its investments in subsidiaries.

8 Trade and other receivables

	2017 USD	2016 USD
Trade and other receivable	**169,018,558**	-
Accrued income*	**435,298**	41,907,182
Fixed deposit under lien**	**2,289,880**	2,254,006
Deposits	**50,544**	21,866
Advances	**10,015,372**	2,417,127
Prepayments	**119,085**	2,764,072
Other receivables***	**717,367**	182,474
	182,646,104	49,546,727

* Accrued income include an amount of USD 435,298 (2016: USD 41,765,088) outstanding from the Parent Company (note 14.1).

**Fixed deposit amounting to USD 2,289,880as at 31 December 2017 (2016: USD 2,254,006) with original maturity of 15 months, starting from 1 May 2017, have been pledged for bank guarantees granted to a customer. Such deposits earn an interest of 1.5% (2016: 1.5%). As at 31 December 2017, fixed deposit under lien had remaining maturity of 7 months (2016: 4 month).

*** During the period, Wave Land Developers Limited assigned its receivable from Delta Square Limited amounting to USD 534,894 (EUR 432,412) to RGBBV, due to its voluntary liquidation. On this assignment, RGBBV re-assigned the amount to Reliance Industries Limited DMCC, being the sole shareholder of RGBBV. The amount was re-assigned due to the liquidation of the RGBBV as disclosed in note 7(iii) and disclosed as gain on liquidation of subsidiary.

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 20.

Notes to the financial statements for the year ended 31 December 2017

9 Cash and bank balances

	2017 USD	2016 USD
Cash on hand	**13,943**	13,484
Banks balances	**3,742,261**	464,100
Cash and bank balances	**3,756,204**	477,584
Less: Bank overdraft (note 13)	**(1,999,212)**	(4,880,255)
Cash and cash equivalents	**1,756,992**	(4,402,671)

10 Share capital/preference share capital

	2017 USD	2016 USD
Authorised, issued and fully paid up:		
42,450 ordinary shares of AED 1,000 each (2016: 42,450 shares of AED 1,000 each)	**11,535,326**	11,535,326
612,026 shares (2016: 1,499,765 shares), 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**166,311,547**	407,545,000

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 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 1000 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).

11 Provision for employees' end of service benefit

Movements in the provision are as follows:

	2017 USD	2016 USD
At 1 January	270,672	237,503
Charge during the year	36,393	33,169
At 31 December	**307,065**	270,672

Notes to the financial statements for the year ended 31 December 2017

12 Trade and other payables

	2017 USD	2016 USD
Trade payables	**165,320,176**	41,568,415
Advance from a related party (note 14)	**8,258,927**	2,550,000
Accruals	**6,819,640**	2,440,800
	180,398,743	46,559,2105

13 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 15 million (2016: 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 2017, the Company has a bank overdraft balance amounting to USD 1,999,212 (2016: USD 4,880,255).

14 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.

14.1 Related party balances

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

	2017 USD	2016 USD
Accrued income - Reliance Industries Limited (note 8)	**435,298**	41,765,088
Advances from Reliance Global Business BV *(note 7 (ii)& (iii))*	**-**	72,936,013
Advance from Reliance Industries Limited (note 12)	**8,258,927**	2,550,000
Investment in subsidiaries:		
R.P Chemicals (Malaysia) Sdn. Bhd.	**229,000,000**	229,000,000
Recron (Malaysia) Sdn. Bhd. (“Recron”)	**130,813,626**	130,813,626
Reliance Global Business BV	**-**	66,836,819
	359,813,626	426,650,445
Due from related parties:		
RP Chemicals (Malaysia) Sdn Bhd	**37,123,434**	17,080,200
Reliance Exploration & Production DMCC	**591,635**	273,091
Reliance Global Business BV *(i)*	**-**	5,878,200
Reliance Industries Limited	**-**	31,341
	37,715,069	23,262,832
Due to a related party:		
Reliance Industries Limited	**8,412,128**	-
Loan from a related party:		
Reliance Exploration & Production DMCC	**241,233,453**	-

Notes to the financial statements for the year ended 31 December 2017

(i) During the year 2016, the Company received a loan of USD 5,528,200 from the Parent Company, which was subsequently loaned to Reliance Global Business BV. The loan has been de-recognised on liquidation of RGBBV as disclosed in note 7(iii).

(ii) During the period, 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 10).

14.2 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:

	2017 USD	2016 USD
Sales of crude oil	**838,542,989**	365,910,714
Ocean Freight*	**140,584,607**	5,279,486
Guarantee commission to a related party (note 17)	**39,551**	33,000
Interest on loan from a related party (note 17)	**-**	127,580
Dividend income from RP Chemicals (Malaysia) Sdn Bhd	**17,749,027**	17,814,760
Dividend income from Reliance Global Business BV	**1,677,055**	-
Expenses paid on behalf of the Parent Company	**-**	117,478
Expenses recovered from the Parent Company	**152,551**	129,226

* On 25 October 2016, the Company has signed a contract of affreightment with the Parent Company for provision of charter hire services to the Parent Company.

14.3 Other transactions with related parties

	2017 USD	2016 USD
Payments made to RIL USA, Inc.*	**613,202,827**	191,908,003
Sale of investment in subsidiaries to Parent Company**	**-**	14,258,703
Transfer of investment to group company (7 (ii))	**-**	42,122,387
Refund of share application money	**-**	6,793,000
Share application money received from RIL	**-**	297,100,000
Redemption of preference shares (note 10)	**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.

Notes to the financial statements for the year ended 31 December 2017

** The Company sold two of its subsidiaries, Reliance Global Energy Services (Singapore) Pte Ltd and Reliance Global Energy Services Limited to its Parent Company Reliance Industries Limited in 2016. The share purchase agreement for the sale of Reliance Global Energy Services (Singapore) Pte Ltd was signed on 6 June 2016 and as per the agreement, the total share capital of the subsidiary of 1.5 million ordinary shares have been transferred to Reliance Industries Limited. The sale proceeds as per the agreement was USD 9.61 million. The share purchase agreement for the sale of Reliance Global Energy Services Limited was signed on 29 April 2016 and the sale proceeds as per the agreement was GBP 3.21 million (USD 4.65 million). The gain on disposal of these subsidiaries of USD 12,203,982 was adjusted directly in the equity in the prior period,for the same reasons as stated in note 7(ii).

The Company did not incur key management compensation expenses during the years ended 31 December 2017 and 2016.

14.4 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 2017, the Company has not recorded any impairment owed by related parties (2016: 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.

15 Revenue

	2017 USD	2016 USD
Sale of		
- Crude oil	**838,542,989**	365,910,714
- Gas oil	**-**	24,162,971
- High-density polyethylene	**41,085**	-
Charter services	**132,325,680**	5,279,486
	970,909,754	395,353,171

16 Cost of sales

	2017 USD	2016 USD
Cost of		
- Crude oil, Gas oil and high-density polyethylene	**837,792,861**	389,680,367
- Charter services	**125,908,406**	5,168,439
	963,701,267	394,848,806

17 Finance costs

	2017 USD	2016 USD
Bank interest expense	**113,355**	50,143
Guarantee commission to a related party (note 14.2)	**39,551**	33,000
Interest on loan from a related party (note 14.2)	**-**	127,580
	152,906	210,723

Notes to the financial statements for the year ended 31 December 2017

18 Commitments and contingencies

	2017 USD	2016 USD
Guarantee issued on behalf of a customer	**1,600,000**	1,765,000
Bank guarantees	**20,000**	320,000

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

Operating lease commitments:		
Within one year	**67,999,812**	61,380,000
After one year but not more than five years	**271,633,401**	271,560,000
More than five years	**615,102,000**	678,900,000
	954,735,213	1,011,840,000

19 Profit for the year

Profit for the year is after charging:

	2017 USD	2016 USD
Staff costs	**754,235**	546,733
Depreciation of property and equipment	**83,448**	83,459

20 Financial instruments

20.1 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 2016.

20.2 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.

20.2.1 Credit risk

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

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

Notes to the financial statements for the year ended 31 December 2017

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:

	2017 USD	2016 USD
Due from related parties	**37,715,069**	23,262,832
Accrued income and other current assets (excluding advances and prepayments)	**172,511,647**	44,365,528
Bank balances	**3,742,261**	464,100
	213,968,977	68,092,460

Impairment losses

The ageing of trade receivable at 31 December was:

	2017		2016	
	Gross	**Impairment**	Gross	Impairment
USD				
Not past due	**169,018,558**	-	41,765,088	-
Less than 120 days	**-**	-	-	-
More than 120 days	**-**	-	142,094	-
	169,018,558	-	41,907,182	-

Management believes that no impairment loss should be recognised in respect of past due balances as they relate to a customer with long term agreement.

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

20.2.2 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 13.

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 2017		
Due to a related party	**8,412,128**	-
Bank overdraft	**1,999,212**	-
Trade and other payables (excluding advance from customer)	**172,139,816**	-
Loan from a related party	**241,233,453**	-
	423,784,609	-

Notes to the financial statements for the year ended 31 December 2017

	Current Less than 1 year USD	Non-current Greater than 1 year USD
31 December 2016		
Advances from a subsidiary	72,936,013	-
Bank overdraft	4,880,255	-
Trade and other payables (excluding advance from customer)	44,009,215	-
	121,825,483	-

20.2.3 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 2017, the Company has such receivable amounting to USD 37,123,434 (2016: USD 17,080,200).

At 31 December 2017 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 3,374,858 (2016: USD 73,456).

20.2.4 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 under lien, 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.

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 2017, the Company has bank overdraft of USD 1,999,212. (2016: USD 4,880,255). If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year December 31,2017 would increase/decrease by USD 19,992(2016: increase/decrease by USD 48,802).

20.3 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.

21 Comparatives

Certain comparative figures have been restated due to the reclassification of the following figures of the prior year to conform to the current year presentation:

	As previously reported USD	Reclassification USD	As restated USD
2016			
General and administrative expenses	(6,473,922)	921,301	(5,552,621)
Exchange gain/(loss), net	-	(792,075)	(792,075)
Finance income	163,184	(129,226)	33,958

The above reclassifications had no effect on the profit as reported in the statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015. Accordingly, the statement of financial position as at 31 December 2015 was not presented.