

Reliance Industries (Middle East) DMCC
Reports and Financial Statements
for the year ended 31 December 2014

Independent Auditor's Report

**To the Shareholder of
RELIANCE INDUSTRIES (MIDDLE EAST) DMCC
Dubai, U.A.E.**

Report on the financial statements

We have audited the accompanying financial statements of Reliance Industries (Middle East) DMCC ("the Company") which comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

Without qualifying our opinion, as stated in note 3, we draw attention to the fact that the Company incurred a loss of USD 825,254 for the year ended 31 December 2014 (2013: USD 6,350,669) and its current liabilities exceeded its current assets by USD 804,264 as at 31 December 2014. The financial statements have been prepared on a going concern basis and this depends on the continuing financial support of the shareholders. 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.

Independent Auditor's Report

We draw attention to the fact that these are the separate financial statements of Reliance Industries (Middle East) DMCC. A separate report will be issued on the consolidated financial statements of Reliance Industries (Middle East) DMCC.

Other matters

The Company's financial statements as at 31 December 2013 were audited by another auditor whose report dated 2 March 2014 expressed a qualified opinion on the basis that the Company has not prepared consolidated financial statements as required by "IAS 27 Consolidated and Separate Financial Statements".

Basis of preparation and restriction on distribution

Without modifying our opinion, we draw attention to note 3 to the financial statements, under 'Basis of preparation and restriction on distribution', which states that these financial statements have been prepared in accordance with management's requirements for the purpose of consolidation with the parent company, Reliance Industries Limited, and to present the Company's financial position as at 31 December 2014 and its financial performance and cash flows for the period from 1 January to 31 December 2014. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the use of management and should not be distributed to or used by other parties.

Report on other legal and regulatory requirements

Also, in our opinion, all necessary books and records were maintained in accordance with the provisions of Implementing Regulations 1/3 issued by the Dubai Multi Commodities Centre.

8 April 2015

Statement of Financial Position as at 31 December 2014

	Notes	2014 USD	2013 USD
ASSETS			
Non-current assets			
Property and equipment	5	219,812	19,120
Intangible assets	6	-	416,795
Investment in subsidiaries	7	2,054,723	2,054,723
Fixed deposit under lien	8	2,189,089	-
Total non-current assets		4,463,624	2,490,638
Current assets			
Trade receivables and other current assets	9	21,250,038	42,234,037
Due from related parties	15.1	72,241,644	-
Cash and bank balances	10	2,542,003	81,295
Total current assets		96,033,685	42,315,332
Total assets		100,497,309	44,805,970
EQUITY AND LIABILITIES			
Equity			
Share capital	11	11,535,326	11,535,326
Preference share capital	11	17,238,000	17,238,000
Accumulated losses		(25,273,732)	(24,448,478)
Net equity		3,499,594	4,324,848
Non-current liability			
Provision for employees' end of service benefit	12	159,766	136,854
Current liabilities			
Loan from a related party	15.1	70,000,000	-
Bank overdraft	14	-	656,503
Due to related parties	15.1	6,173,250	-
Trade and other payables	13	20,664,699	39,687,765
Total current liabilities		96,837,949	40,344,268
Total liabilities		96,997,715	40,481,122
Total equity and liabilities		100,497,309	44,805,970

These financial statements were approved and authorised for issue by the Board of Directors on 8 April 2015 and were signed on their behalf by:

Dipankar Dhruba Sen
Director

Sairam Vengatraman
Director

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

Statement of Comprehensive Income for the year ended 31 December 2014

	Notes	2014 USD	2013 USD
Revenue		286,230,158	471,004,381
Cost of sales		<u>(286,082,951)</u>	<u>(471,139,727)</u>
Gross profit/(loss)		147,207	(135,346)
Other income	16	3,308,342	193,415
Amortisation of intangible assets	6	(416,795)	(5,448,514)
General and administrative expenses		(1,033,474)	(915,281)
Finance costs	17	<u>(2,830,534)</u>	<u>(44,943)</u>
Loss for the year	19	(825,254)	(6,350,669)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(825,254)</u></u>	<u><u>(6,350,669)</u></u>

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

Statement of Changes in Equity for the year ended 31 December 2014

	Share capital USD	Preference share capital USD	Accumulated losses USD	Net equity USD
Balance at 1 January 2013	11,535,326	17,238,000	(18,097,809)	10,675,517
Total comprehensive loss for the year	-	-	(6,350,669)	(6,350,669)
Balance at 1 January 2014	11,535,326	17,238,000	(24,448,478)	4,324,848
Total comprehensive loss for the year	-	-	(825,254)	(825,254)
Balance at 31 December 2014	<u>11,535,326</u>	<u>17,238,000</u>	<u>(25,273,732)</u>	<u>3,499,594</u>

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

Statement of Cash Flows for the year ended 31 December 2014

	2014 USD	2013 USD
Cash flows from operating activities		
Loss for the year	(825,254)	(6,350,669)
Adjustments for:		
Finance costs	2,830,534	44,943
Amortisation of intangible assets	416,795	5,448,514
Employees' end of service benefit charge	22,912	54,880
Depreciation of property and equipment	21,563	14,801
Finance income	(46,854)	(53,260)
Dividend income	(499,844)	(140,155)
Interest charged to related parties	(2,761,644)	-
Financial assets written off	-	87,645
Operating cash flows before movements in working capital	(841,792)	(893,301)
Change in trade receivables and other current assets	20,969,591	2,342,578
Change in due from related parties	(69,480,000)	-
Change in trade and other payables	(19,023,066)	(1,540,068)
Cash used in operating activities	(68,375,267)	(90,791)
Finance costs paid	(68,890)	(44,943)
Employees' end of service benefit paid	-	(6,116)
Net cash used in operating activities	(68,444,157)	(141,850)
Cash flows from investing activities		
Net movement in fixed deposit under lien	(2,181,850)	-
Payments for property and equipment	(222,255)	(2,722)
Finance income received	54,023	53,260
Dividend received	499,844	140,155
Net cash (used in)/generated by investing activities	(1,850,238)	190,693
Cash flows from financing activities		
Proceeds of loan from a related party	70,000,000	-
Change in due to a related party	3,411,606	-
Net cash generated by financing activities	73,411,606	-
Net increase in cash and cash equivalents	3,117,211	48,843
Cash and cash equivalents at beginning of the year	(575,208)	(624,051)
Cash and cash equivalents at the end of the year (note 10)	2,542,003	(575,208)

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

Notes to the Financial Statements for the year ended 31 December 2014

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 (“Parent Company”), a company incorporated in India.

The address of the registered office is 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 and bunkering.

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

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

The following new and revised IFRSs have been applied in these financial statements. The application of these new and 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.

<u>New and revised IFRSs</u>	<u>Summary of requirements</u>
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to offsetting financial assets and liabilities	The amendments clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: (a) the meaning of ‘currently has a legally enforceable right of set-off’ (b) the application of simultaneous realisation and settlement (c) the offsetting of collateral amounts and (d) the unit of account for applying the offsetting requirements.
Amendments to IAS 36 <i>Impairment of Assets</i> relating to recoverable amount disclosures for non-financial assets	The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.
Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> relating to novation of derivatives and continuation of hedge accounting	The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

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

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

<u>New and revised IFRSs</u>	<u>Summary of requirements</u>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 27 <i>Separate Financial Statements</i> relating to investment entities and exemption of consolidation of particular subsidiaries	Amends <u>IFRS 10</u> <i>Consolidated Financial Statements</i> , <u>IFRS 12</u> <i>Disclosure of Interests in Other Entities</i> and <u>IAS 27</u> <i>Separate Financial Statements</i> to: (a) provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with <u>IFRS 9</u> <i>Financial Instruments</i> or <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i> (b) require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries and (c) require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).
IFRIC 21 <i>Levies</i>	<p>IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with <u>IAS 37</u> <i>Provisions, Contingent Liabilities and Contingent Assets</i> and those where the timing and amount of the levy is certain.</p> <p>The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (a) the liability is recognised progressively if the obligating event occurs over a period of time and (b) if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.</p>

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendments to IAS 19 <i>Employee Benefits</i> clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 July 2014
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business	1 January 2016

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendments to IAS 19 <i>Employee Benefits</i> clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 July 2014
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> to clarify accounting for acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> to clarify the acceptable methods of depreciation and amortization	1 January 2016
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
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 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective.	

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>The core principle of IFRS 15 is that an entity should recognise 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:</p> <ul style="list-style-type: none"> • 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. <p>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. 1 January 2017</p>	
<p>IFRS 9 <i>Financial Instruments</i> (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 <i>Financial Instruments</i> (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>IFRS 9 <i>Financial Instruments</i> (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.</p>	1 January
<p>Finalised version of IFRS 9 (IFRS 9 <i>Financial Instruments</i> (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.</p>	1 January 2018
<p>IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.</p>	

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments</i> : Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

Management anticipates that these new standards, interpretations and amendments will be applied in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and application of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be applied in the Company's financial statements for the annual period beginning 1 January 2017 and 1 January 2018, respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

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 International Financial Reporting Standards (IFRS).

3.2 Basis of preparation and restriction on distribution

The Company incurred a loss of USD 825,254 for the year ended 31 December 2014 (2013: USD 6,350,669) and its current liabilities exceeded its current assets by USD 804,264 as at 31 December 2014. 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 financial statements have been prepared in accordance with management's requirements for the purpose of consolidation with the parent company, Reliance Industries Limited, and to present the Company's financial position as at 31 December 2014 and its financial performance and cash flows for the period from 1 January to 31 December 2014.

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

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 shareholder'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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

3 Summary of significant accounting policies (continued)

3.3 Revenue recognition (continued)

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.

3.4 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.

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 so as to write off the cost of property and equipment on a straight-line basis over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are:

	<i>Years</i>
Leasehold improvement	4
Computer and office equipment	4
Furniture and fixtures	4
Motor vehicles	4

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

3 Summary of significant accounting policies (continued)

3.5 Property and equipment (continued)

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 lives for the current and comparative periods is 4 years.

3.7 Investment 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. Investment 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 investment in subsidiaries is 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.

3.8 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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

3 Summary of significant accounting policies (continued)

3.8 Impairment of tangible and intangible assets (continued)

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 UAE Dirhams (AED) (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.

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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

3 Summary of significant accounting policies (continued)

3.13 Financial assets

The Company's financial assets comprise of trade receivables and other current assets (excluding advances and prepayments), due from related parties, fixed deposit under lien and cash and bank balances. These financial assets are classified as 'loans and receivables' and 'cash and cash equivalents'. 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 receivables and other current assets (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.

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 2014 (continued)

3 Summary of significant accounting policies (continued)

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, bank overdraft, 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.

3.14.4 Derecognition of financial liabilities

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

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.

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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

4 Critical accounting judgments and key sources of uncertainty (continued)

4.1 Critical judgments in applying accounting policies

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

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 required 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*.

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 Assignment agreement of advances paid on behalf of related parties

Management has considered all relevant factors and circumstances in determining whether the advances to a supplier for the purchase of assets are to be recognised as a balance due from related parties at the end of the reporting period. Based on the substance of the transaction and the novation agreements entered into between the Company and the related parties, management and the directors of the Company have concluded that the recognition of the balances and transactions as that of a related party balance in the financial statements is appropriate and in accordance to IAS 1 *Presentation of Financial Statements* and IAS 10 *Events After the Reporting Period*.

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 its Parent Company.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

4 Critical accounting judgments and key sources of uncertainty (continued)

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 Provision for impairment losses on trade receivables and other current assets

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 provision 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. Provision for impairment losses as at 31 December 2014 is USD Nil (2013: USD Nil).

4.2.2 Impairment of investment in subsidiaries

The Company assesses, at each reporting date, whether there is any indication that investment 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 investment in subsidiaries as at 31 December 2014 and 2013.

4.2.3 Useful lives of property and equipment

Management reviews the estimated useful lives of property and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management determined that current year expectations do not differ from previous estimates based on its review.

4.2.4 Impairment of property and equipment

Property and equipment are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash-generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property and equipment.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

5 Property and equipment

	Leasehold Improvement USD	Computer and office equipment USD	Furniture and Fixtures USD	Motor Vehicles USD	Total USD
Cost					
At 1 January 2013	-	176,610	43,425	67,663	287,698
Additions	-	2,722	-	-	2,722
At 1 January 2014	-	179,332	43,425	67,663	290,420
Additions	102,397	11,117	108,741	-	222,255
At 31 December 2014	102,397	190,449	152,166	67,663	512,675
Accumulated depreciation					
At 1 January 2013	-	145,816	43,020	67,663	256,499
Charge for the year	-	14,434	367	-	14,801
At 1 January 2014	-	160,250	43,387	67,663	271,300
Charge for the year	-	9,844	11,719	-	21,563
At 31 December 2014	-	170,094	55,106	67,663	292,863
Carrying amount					
At 31 December 2014	102,397	20,355	97,060	-	219,812
At 31 December 2013	-	19,082	38	-	19,120

6 Intangible assets

	2014 USD	2013 USD
Cost		
At 1 January and 31 December	21,794,014	21,794,014
Accumulated amortisation		
At 1 January 2014	21,377,219	15,928,705
Charge for the year	416,795	5,448,514
At 31 December	21,794,014	21,377,219
Net carrying amount at 31 December	-	416,795

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

7 Investment in subsidiaries

	2014 % Holding	2013 % Holding	2014 USD	2013 USD
Reliance Global Energy Services Limited (i)	100	100	999,998	999,998
Reliance Global Energy Services (Singapore) Pte. Ltd. (ii)	100	100	1,054,725	1,054,725
			<u>2,054,723</u>	<u>2,054,723</u>

(i) *Reliance Global Energy Services Limited (London) (“RGES”)*

RGES was incorporated in England and Wales on 20 June 2009. The registered office of the Company is situated in England and Wales. The principal activities of RGES are to carry on business as a general commercial company.

(ii) *Reliance Global Energy Services (Singapore) Pte. Ltd. (“RGESS”)*

RGESS was incorporated in the Republic of Singapore under Companies Act, Cap 50. The registered office of RGESS is 250 North Bridge Road, # 16-01, Raffles Tower, Singapore 179101. As per memorandum of RGESS, it can carry on or undertake any business activity subject to provisions of the Companies Act, Cap 50, Singapore.

Management has assessed as at the reporting date whether there is objective evidence that its investment in subsidiaries amounting to USD 2,054,723 as at the date is impaired and have concluded that there are no indicators of objective evidence of impairment for its investment in subsidiaries.

8 Fixed deposit under lien

Fixed deposit amounting to USD 2,189,089 as at 31 December 2014 (2013: USD Nil) with original maturity of 15 months has been pledged for bank guarantees granted to a customer. Such deposit earns an interest of 1.5% (2013: Nil).

9 Trade receivables and other current assets

	2014 USD	2013 USD
Trade receivables	20,287,825	39,705,908
Fixed deposit	-	2,142,235
Deposits	241,336	235,196
Advances	100,968	60,359
Prepayments	201,844	90,339
Other receivables (note 15.1)	418,065	-
	<u>21,250,038</u>	<u>42,234,037</u>

Trade receivables include an amount of USD 19,936,155 (2013: USD 39,353,400) outstanding from the Parent Company (note 15.1).

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

9 Trade receivables and other current assets (continued)

The average credit period on sale of goods 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 are disclosed in note 20.

10 Cash and bank balances

	2014	2013
	USD	USD
Cash on hand	11,975	6,012
Balance with banks:		
- in current accounts	530,028	75,283
- in term deposit	2,000,000	-
Cash and bank balances	2,542,003	81,295
Less: Bank overdraft (note 14)	-	(656,503)
Cash and cash equivalents	2,542,003	(575,208)

Original maturity of term deposit is three months. Such deposit earns interest of 0.85% (2013: Nil).

11 Share capital/Preference share capital

	2014	2013
	USD	USD
<i>Authorised, issued and fully paid up:</i>		
42,250 ordinary shares of AED 1,000 each (2013: 42,250 shares of AED 1,000 each)	11,535,326	11,535,326
63,436 (2013: 63,436 shares), 5% Non-cumulative compulsory convertible preference shares of AED 1,000 each	17,238,000	17,238,000

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 issue 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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

12 Provision for employees' end of service benefit

Movements in the provision are as follows:

	2014 USD	2013 USD
At 1 January	136,854	88,090
Charge during the year	22,912	54,880
Paid during the year	-	(6,116)
At 31 December	159,766	136,854

13 Trade and other payables

	2014 USD	2013 USD
Trade payables	19,927,052	39,370,833
Payable for acquisition of a subsidiary	300,000	300,000
Accruals	437,647	16,932
	20,664,699	39,687,765

14 Bank overdraft

The Company has obtained an overdraft facility of USD 10 million (2013: 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 (2013: USD 15 million). The facility carries interest rate of EIBOR plus 0.8% p.a. (2013: EIBOR plus 0.8% p.a.) for amounts withdrawn in AED and LIBOR plus 0.8% p.a. (2013: LIBOR plus 0.8% p.a.) for amounts withdrawn in USD. As at 31 December 2014, the Company has a bank overdraft balance amounting to USD Nil (31 December 2013: USD 656,503).

15 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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

15 Transactions and balances with related parties (continued)

15.1 Related party balances

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

	2014 USD	2013 USD
Trade receivables (note 9)		
Reliance Industries Limited	<u>19,936,155</u>	<u>39,353,400</u>
Other receivables (note 9)		
Reliance Industries Limited	<u>418,065</u>	<u>-</u>
Due from related parties: (i)		
Ethane Crystal LLC	12,040,274	-
Ethane Emerald LLC	12,040,274	-
Ethane Opal LLC	12,040,274	-
Ethane Pearl LLC	12,040,274	-
Ethane Sapphire LLC	12,040,274	-
Ethane Topaz LLC	<u>12,040,274</u>	<u>-</u>
	<u>72,241,644</u>	<u>-</u>
Due to related parties:		
Reliance Exploration & Production DMCC	3,411,606	-
Reliance Industries Limited	<u>2,761,644</u>	<u>-</u>
	<u>6,173,250</u>	<u>-</u>
Loan from a related party(ii)		
Reliance Industries Limited	<u>70,000,000</u>	<u>-</u>

(i) Due from related parties pertain to advances given to a supplier for the purchase of assets which were charged back to six subsidiaries of Reliance Ethane Holdings Pte. Ltd., a subsidiary of the Parent Company, who will be the ultimate owner of those assets through an Assignment Agreement between the Company and those subsidiaries. According to the said agreement, the Company will charge those subsidiaries the amount of advances including the interest charged by the Parent Company for the loan provided to the Company. As at 31 December 2014, total advances paid to a supplier amounted to USD 69,480,000 and total interest accrued on the loan from the Parent Company amounted to USD 2,761,644.

(ii) Loan from a related party earns an interest of 9% p.a.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

15 Transactions and balances with related parties (continued)

15.2 Related party transactions

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

	2014	2013
	USD	USD
Sales of crude oil	<u>273,138,395</u>	<u>466,365,089</u>
Interest charged to a related party (notes 15.1(i), 16)	<u>2,761,644</u>	<u>-</u>
Guarantee commission (note 17)	<u>33,000</u>	<u>33,000</u>
Interest on loan from a related party (notes 15.1(ii), 17)	<u>2,761,644</u>	<u>-</u>
Dividend income (note 16)	<u>499,844</u>	<u>140,155</u>

15.3 Other transactions with related parties

Significant transactions with related parties in the statement of financial position are as follows:

	2014	2013
	USD	USD
Payments made to RIL USA, Inc.*	<u>249,455,104</u>	<u>363,609,530</u>

*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.

The Company did not incur key management compensation expenses during the years ended 31 December 2014 and 2013.

15.4 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 2014, the Company has not recorded any impairment owed by related parties USD Nil (2013: 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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

16 Other income

	2014 USD	2013 USD
Interest charged to a related party (note 15.2)	2,761,644	-
Dividend income (note 15.2)	499,844	140,155
Interest on term deposit	46,854	53,260
	<u>3,308,342</u>	<u>193,415</u>

17 Finance costs

	2014 USD	2013 USD
Interest on loan from a related party (note 15.2)	2,761,644	-
Interest on bank overdraft	35,890	11,943
Guarantee commission to a related party (note 15.2)	33,000	33,000
	<u>2,830,534</u>	<u>44,943</u>

18 Commitments and contingencies

	2014 USD	2013 USD
Guarantee issued on behalf of a related party	<u>2,500,000</u>	<u>2,500,000</u>
Guarantee issued on behalf of a customer	<u>1,600,000</u>	<u>-</u>
Bank guarantees	<u>155,870</u>	<u>285,870</u>

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

	2014 USD	2013 USD
Operating lease commitments:		
Within one year	100,295	-
After one year but not more than five years	184,715	-
	<u>285,010</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

19 Loss for the year

Loss for the year is after charging:

	2014	2013
	USD	USD
Staff costs	<u>339,199</u>	<u>386,831</u>
Depreciation of property and equipment	<u>21,563</u>	<u>14,801</u>
Amortisation of intangible assets	<u>416,795</u>	<u>5,448,514</u>

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 2013.

20.1.1 Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2014	2013
	USD	USD
Debt (i)	70,000,000	656,503
Cash and bank balances	(2,542,003)	(81,295)
Net debt	<u>67,457,997</u>	<u>575,208</u>
Equity (ii)	<u>3,499,594</u>	<u>4,324,848</u>
Net debt to equity ratio	<u>1927.59%</u>	<u>13.30%</u>

(i) Debt includes a loan from a related party and a bank overdraft facility.

(ii) Equity comprises issued capital, preference share capital and accumulated losses as disclosed in the statement of changes in equity.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

20 Financial instruments (continued)

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, fixed deposit under lien 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 United Arab Emirates and are highly regulated by the central bank.

Management is satisfied that no impairment provision is necessary on trade receivables and other current assets as at 31 December 2014 and 2013.

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:

	2014	2013
	USD	USD
Fixed deposit under lien	2,189,089	-
Due from related parties	72,241,644	-
Trade receivables and other current assets (excluding advances and prepayments)	20,947,226	42,083,339
Cash and bank balances	2,542,003	81,295
	<u>97,919,962</u>	<u>42,164,634</u>

Impairment losses

The ageing of trade receivables at 31 December was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
USD				
Not past due	19,936,155	-	39,569,790	-
Less than 120 days	-	-	136,118	-
More than 120 days	351,670	-	-	-
	<u>20,287,825</u>	<u>-</u>	<u>39,705,908</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

20 Financial instruments (continued)

20.2 Financial risk management objectives (continued)

20.2.1 Credit risk (continued)

Management believes that no impairment loss should be recognised in respect of past due trade receivables 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 14, and loan from a related party as disclosed in note 15.1.

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 2014		
Loan from a related party	70,000,000	-
Due to related parties	6,173,250	-
Bank overdraft	-	-
Trade and other payables	20,664,699	-
	<u>96,837,949</u>	<u>-</u>
31 December 2013		
Bank overdraft	656,503	-
Trade and other payables	39,687,765	-
	<u>40,344,268</u>	<u>-</u>

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.

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

20 Financial instruments (continued)

20.2 Financial risk management objectives (continued)

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 (term deposit, 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 2014, the Company does not have bank overdraft (2013: USD 656,503).

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 Events after the reporting period

On 11 February 2015, the assignment of the Company's interest as a buyer on a construction contract with a third party was novated to related parties as disclosed in note 15.1(i).

22 Comparative figures

The presentation of certain notes to the financial statements has been enhanced over the prior year's presentation. These reclassifications to the comparative figures have had no impact on the current and previously reported loss or statement of financial position. Accordingly, a statement of financial position as at the beginning of the earliest comparative period is not presented.