RELIANCE EXPLORATION & PRODUCTION DMCC
ANNUAL ACCOUNTS 2016

Independent Auditor's Report

Report in connection with Agreed-upon Procedures in respect of Financial Statements for the year ended 31st December 2016prepared in compliance with the Accounting Principles Generally Accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 ("the Ind AS financial statements"), of Reliance Exploration & Production DMCC (REP DMCC)

To,
Shri Raj Mullick
Chief Accounting Officer
Reliance Industries Limited

Dear Sirs,

This is in reference to your engagement letter dated 18th April, 2017, appointing us to perform Agreed-upon Procedures in respect of the 'Financial Statements for the year ended 31st December 2016 prepared in compliance with the Accounting Principles Generally Accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 ("the Ind AS financial statements"), of Reliance Exploration & Production DMCC (REP DMCC), anindirect subsidiary of Reliance Industries Limited (the "Company" / "entity"), prepared by the management of the Company solely to incorporate it into the consolidated financial statements of the Company.

Our engagement was undertaken in accordance with the Standard on Related Services (SRS 4400), "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India.

We have performed the following procedures and noticed that no findings including errors in excess of USD 795,000resulted from our work:

a) Obtained the IFRS financial statements of REP DMCC for the year ended 31st December, 2015 and 31st December, 2016 as audited by Deloitte &Touche(M.E) ("D&T").

b) Reviewed the adjustments, identified by the management of the Company, required to be made to the IFRS Financial Statements so as to ensure compliance with the Ind AS.

c) Reviewed the Ind AS financial statements of REP DMCC to ensure that these reflect the adjustments identified by the management of the Company.

d) Reviewed the Ind AS financial statements prepared by the management of the Company to ensure compliance with the presentation and disclosure requirements specified by Schedule III to the Companies Act, 2013 and the Ind AS as applicable to REP DMCC.

e) Verified the arithmetical accuracy of the Ind AS financial statements.

The procedures that we performed are solely to assist you in preparation of the consolidated financial statements of the Company. These procedures have been established based on discussions with you. The sufficiency of the work is solely the responsibility of the Management of the Company. Consequently, we make no representation regarding the sufficiency of the work for any purpose.

The procedures that we performed do not constitute an audit or a review made in accordance with the generally accepted auditing standards in India and, consequently, we do not express any assurance.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the generally accepted auditing standards in India, other matters might have come to our attention that would have been reported by you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the amounts and items specified above and do not extend to any other items in the Ind AS financial statements, taken as a whole.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
(Partner)
(Membership No. 102912)

Mumbai, dated: 22ndApril, 2017

Balance Sheet as at 31 December 2016

In USD

	Notes	As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
ASSETS				
Non-current assets				
(a) Property, plant and equipment	3	**1,00,841**	1,24,076	1,41,254
(b) Financial assets				
(i) Investments	4	**-**	7,94,96,172	7,94,96,172
Total Non Current assets		**1,00,841**	7,96,20,248	7,96,37,426
Current Assets				
(a) Inventories	5	**-**	-	2,22,000
(b) Financial assets				
(i) Cash and cash equivalents	6	**57,002**	3,24,889	2,07,273
(ii) Other financial assets	7	**-**	7,34,184	35,80,023
(c) Other current assets	8	**5,98,979**	7,39,262	6,69,764
Total Current assets		**6,55,981**	17,98,335	46,79,060
Assets classified as held for sale	4A	**7,94,96,172**	-	-
Total Assets		**8,02,52,994**	8,14,18,583	8,43,16,486
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	9	**45,10,38,459**	44,71,45,459	44,71,45,459
(b) Other Equity	10	**(37,41,83,057)**	(37,05,43,755)	(36,82,28,629)
Total Equity		**7,68,55,402**	7,66,01,704	7,89,16,830
Liabilities				
Non-Current Liabilities				
(a) Provisions	11	**50,043**	80,575	1,03,122
Total Non Current liabilities		**50,043**	80,575	1,03,122
Current Liabilities				
(a) Financial liabilities				
(i) Other financial liabilities	12	**33,47,549**	47,36,304	48,82,048
(b) Provisions	13	**-**	-	4,14,486
Total Current liabilities		**33,47,549**	47,36,304	52,96,534
Total Equity and Liabilities		**8,02,52,994**	8,14,18,583	8,43,16,486
Corporate information and significant accounting policies and notes to the financial statements	1 to 27			

For Reliance Exploration & Production DMCC

Director

Statement of Profit and Loss for the year ended 31 December 2016

In USD

	Notes	2016	2015
INCOME			
Other income	14	**50,536**	2,86,124
Total Income		**50,536**	2,86,124
EXPENSES			
Employee benefits expense	15	**3,28,394**	4,84,393
Finance costs	16	**1,455**	2,039
Depreciation expense	3	**23,235**	40,649
Other expenses	17	**32,59,324**	31,74,169
Total Expenses		**36,12,408**	37,01,250
(Loss) for the year		**(35,61,872)**	(34,15,126)
Other comprehensive income (OCI)		**-**	-
Total comprehensive (loss) for the year		**(35,61,872)**	(34,15,126)
Earnings per share of face value of AED 1,000 each.			
(i) Basic (in USD)	18	**(20.21)**	(19.38)
(ii) Diluted (in USD)	18	**(2.16)**	(2.08)

Corporate information and significant accounting policies and notes to the financial statements	1 to 27

For Reliance Exploration & Production DMCC

Director

Statement of changes in equity for the year ended 31 December 2016

A. EQUITY SHARE CAPITAL

In USD

	Balance at 1 January 2015	Changes during the year 2015	Balance at 31 December 2015	Changes during the year 2016	Balance at 31 December 2016
Share capital	4,79,85,402	-	4,79,85,402	-	4,79,85,402
Preference share capital	39,91,60,057	-	39,91,60,057	38,93,000	40,30,53,057

B. OTHER EQUITY

(i) Share application money

In USD

Balance at 1 January, 2015	Application money received during 2015	Balance at 31 December 2015	Received during 2016	Issued and Allotted during 2016	Balance at 31 December 2016
-	11,00,000	11,00,000	38,15,570	(38,93,000)	10,22,570

(ii) Retained earnings

In USD

	Retained Earnings
Year ended 31 December 2015	
Balance as at 1 January, 2015	(36,82,28,629)
(Loss) for the year	(34,15,126)
Balance as at 31 December, 2015	**(37,16,43,755)**
Year ended 31 December 2016	
Balance as at 1 January, 2016	(37,16,43,755)
(Loss) for the year	(35,61,872)
Balance as at 31 December, 2016	**(37,52,05,627)**

Cash Flow Statement for the year ended 31 December 2016

In USD

	Particulars	Notes	2016	2015
A:	**Cash flow from operating activities:**			
	Net (Loss) as per Statement of Profit and Loss		**(35,61,872)**	(34,15,126)
	Adjusted for:			
	Excess provision in respect of earlier year written back	14	**-**	(2,80,069)
	(Profit) on sale/ discarding of assets	14	**-**	(6,055)
	Depreciation Expense	3	**23,235**	40,649
	Loss on sale of inventory	17	**-**	1,43,350
	Impairment loss on other receivable	17	**6,31,913**	-
	Impairment loss on receivables from related party	17	**1,81,016**	-
	Operating loss before working capital changes		**(27,25,708)**	(35,17,251)
	Adjusted for:			
	Increase in other receivables	7	**(2,12,982)**	(3,80,123)
	Increase in other current assets	8	**1,40,283**	(69,498)
	Decrease in provisions	11	**(30,532)**	(22,547)
	Increase in inventories	5	**-**	78,650
	Decrease in other payables	12-13	**(13,88,755)**	(1,45,744)
	Cash used in operating activities		**(42,17,694)**	(40,56,513)
B:	**Cash flow from investing activities:**			
	Purchase of fixed assets	3	-	(26,162)
	Sale of fixed assets	3	**-**	8,746
	Tax on sale of intangible assets under development		**-**	(1,34,417)
	Movement in advance to related parties	7	**1,34,237**	32,25,962
	Net cash generated from investing activities		**1,34,237**	30,74,129
C:	**Cash flow from financing activities:**			
	Share application money received	10	**38,15,570**	11,00,000
	Net cash generated from financing activities		**38,15,570**	11,00,000
	Net (decrease)/increase in cash and cash equivalents		**(2,67,887)**	1,17,616
	Cash and cash equivalents at the beginning of the year	6	**3,24,889**	2,07,273
	Cash and cash equivalents at the end of the year		**57,002**	3,24,889
	Non cash items:			
	Conversion of share application money received into 5% Non -cumulative compulsorily covertible preference shares during the year of USD 3,893,000 (previous year USD Nil)		**-**	-
	Corporate information and significant accounting policies and notes to the financial statements	1 to 27		

For Reliance Exploration & Production DMCC

Director

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

1 GENERAL INFORMATION

A. Reliance Exploration & Production DMCC ("the Company") is a limited liability company registered in Dubai Multi Commodities Centre ("DMCC") under the DMCC company regulations No. 1/03. The Company was incorporated on 6 December 2006. The Company is engaged in the business of well drilling, oil and natural gas development abroad, onshore and offshore oil and gas field services and repairing oil and natural gas well equipment abroad.

The Company is a wholly owned subsidiary of Reliance Industrial Investments and Holdings Limited ("RIIHL"), an entity incorporated in India. RIIHL is a wholly owned subsidiary of Reliance Industries Limited ("RIL").

The registered office of the Company is located at Unit No. 1801-A, Plot No. JLT-PH2-YIA, Jumeirah Lakes Towers, Dubai, United Arab Emirates ("UAE").

B. Business activities

The Company's assets primarily include working interests in oil and gas blocks as follows:

Country	*Block Name*	*Partners*	*Working interest*		*Remarks*	*Area-*
			2016	**2015**		*(Sq. Km.)*
Republic of Yemen*	Block 34	Hood Energy- 30%	-	-	Operator	7,016
	Block 37	Hood Energy- 30%	-	-	Operator	6,894
Peru **	Block 39	Perenco -55%. PetroVietnam -35%	-	10%	Non- Operator	865

*Production Sharing Agreements (PSAs) for Yemen Blocks 34 and 37 were terminated on 5 October 2015.

**The Company has withdrawn from License Contract and Joint Operating agreement for Exploration and exploitation of Hydrocarbons in Peru through letter dated 22 November 2016.

2.1 STATEMENT OF COMPLIANCE

The financial statements of the company have been prepared in accordance with the Indian Accounting Standards ('Ind AS'), notified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015.

Upto the year ended December 31, 2015, the company prepared its financial statements in accordance with the requirement of previous GAAP, which includes standards notified under the Companies (Accounting Standards) Rules, 2006.These are the Company`s first Ind AS financial statements. The date of transition to Ind AS is 1 January, 2015. Refer note 2.5 for the details of first time adoption exemptions availed by the company.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting polices below. The accounting policies have been applied consistently over all period presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised within the fair value hierarchy into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Property Plant and Equipment:

Under the previous GAAP, property, plant and equipments were carried in the balance sheet at historical cost less accumulated depreciation, if any. The Company has elected to regard those carrying values of property as deemed cost as at January 1, 2015 (date of transition to lnd AS). They are subsequently carried at cost less accumulated depreciation. Depreciation is provided on written down value method (WDV) based on management estimated useful lives of the assets as under. The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Particulars	Useful life
Computers	40%
Furniture & fixtures	18%
Office equipments	14%
Vehicles	26%

B. Intangible Assets under Development and Intangible Assets - Development Rights (Oil and Gas):

Pursuant to migration to Ind AS from 1 January, 2015, the Company has adopted Successful Efforts Method (SEM) of accounting for its' Oil and Gas activities. Costs incurred on acquisition of interest in oil and gas blocks and on exploration and evaluation are accounted for as intangible assets under development. Upon a well is ready to commence commercial production, the costs accumulated in intangible assets under development are capitalised to intangible assets rateably based on the drilling progress made under the overall capital expenditure program. The drilling progress determines the technical feasibility and commercial viability of the assets. Development costs incurred thereafter are capitalised to the said intangible asset. All costs relating to production and the exploration and evaluation expenditure which does not result in discovery of proved developed oil and gas reserve are charged as expenses in Statement of Profit and Loss.

The costs of development rights (leasehold interest costs) are depleted using the unit of production method in proportion of oil and gas production achieved vis-à-vis Proved Reserves on developing the reserves as per technical evaluation. The development costs (which include integrated drilling and other cost) are depleted in proportion of oil and gas production achieved vis-à-vis Proved developed reserves.

C. Leases:

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.

D. Borrowing costs:

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

E. Inventories:

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method and comprises direct purchase costs. Full provision is made for obsolete supplies. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

F. Impairment of Non-Financial assets:

Impairment indicators

The recoverable amounts of cash-generating units or individual assets as applicable are determined based on higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that oil and gas price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of intangible assets under development and development rights (oil and gas).

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

(i) Oil Gas assets

Intangible assets under development and intangible assets-development rights (oil and gas) are treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of fair value less costs to sell and value in use. ln assessing value in use, the estimated future cash flows are discounted to their present value, using discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, oil and gas property subject to testing, are grouped within the joint venture for determining the cash generating unit. For the purpose of calculating the value in use, future cash flows emanating from proved, unproved and contingent resources are discounted at differential rates calculated based on the weighted average cost of capital of the Company. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

(ii) Others

At each balance sheet date, the Company assesses whether there is any indication that any property, plant, equipment and intangible assets may be impaired. lf any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Company monitors other internal and external indicators of impairment relating to its tangible and intangible assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. ln assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

G. Provisions, Contingent Liabilities and Contingent Assets:

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 Balance Sheet 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.

H. 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.

I. Revenue recongition:

Revenue is recognised only when risks and rewards incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

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.

J. Foreign currencies:

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 statement of profit and loss which they arise.

K. 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.

Investment 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 statement of profit and loss.

L. Interest in joint operations:

Oil and Gas Joint Ventures are in the nature of joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a company undertake its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

1. Its assets, including its share of any assets held jointly;
2. Its liabilities, including its share of any liabilities incurred jointly;
3. Its revenue from the sale of its share of the output arising from the joint operations;
4. Its share of revenue from the sale of the output by the joint operation; and
5. Its expenses, including its share of any expenses incurred jointly.

M. Reimbursements of costs of the operator of the joint arrangement:

When the Company, acting as an operator or manager of a joint arrangement, receives reimbursements of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on statement of profit and loss.

N. Non-current assets held for sale:

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

O. **Financial Instruments:**

I. Non-derivative financial instruments

i. Financial assets

a. Initial recognition and measurement

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are recognised using trade date accounting.

b. Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

c. Equity instruments

Equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income'.

d. Impairment of financial assets

Company assesses impairment based on expected credit loss (ECL) model to the following:

(a) Financial assets at amortised cost

(b) Financial assets measured at fair value through Other Comprehensive Income

Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Company uses historical loss experience to determine the impairment loss allowance on the portfolio of trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

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 statement of profit and 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 statement of profit and 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.

ii. Financial liabilities

a. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in case of loans and borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in statement of profit and loss as finance cost.

b. Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

II. De-recognition of financial instruments

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.

III. Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realization on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTINITY:

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amount of the assets and liability that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

i) Critical judgments in applying accounting policies

Below are 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.

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

a) 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 RIIHL.

b) Classification of joint arrangements as joint operations

The Company's joint arrangements are not structured through a separate vehicle. Furthermore, there is a contractual arrangement entered into by way of joint operating arrangements between the Company and its partners which indicates that the parties to the joint arrangement have the rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, the Company's working interests in oil and gas blocks are classified as joint operations under Ind AS 111 Joint Arrangements.

c) 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 components, 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 Ind As 32 Financial Instruments: Presentation, in particular, whether the instrument includes a contractual obligation to a fixed number of ordinary shares for each preference share at the point of conversion. Management and the directors of the Company have concluded that the classification of the preference shares as an equity instrument in the financial statements is appropriate and in accordance to Ind As 32 Financial Instruments: Presentation.

d) Contingencies

By nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment regarding the outcome of future events

ii) 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.

a) Allowance for impairment losses on receivables

An estimate of the collectible amount of receivable is made when collection of the full amount is no longer probable. The allowance for impairment losses for all counterparties is based on variety of factors, including the overall quality and ageing of the receivables and continuing credit evaluation of the counterparties' financial conditions. Allowance for impairment losses on other receivable and deposits as at 31 December 2016 is USD 1,510,575 (2015: USD 878,662).

b) Impairment of investments in subsidiaries

The Company assess, at each reporting date, whether there is any indication that investments in subsidiaries are 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 no additional impairment is required for the year ended 31 December 2016 as there are no indicators of objective evidence of impairment for its investments in subsidiaries as at 31 December 2016.

Notes to the Financial Statements for the year ended 31 December 2016

Corporate information and significant accounting policies for the year ended 31 December 2016

c) Impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Management has estimated the recoverability of inventories and has considered the allowance required for obsolescence. Management has estimated the allowance for inventory obsolescence on the basis of prior experience and the current economic environment. During 2015, the management has not recognised any impairment loss on inventory (2015: USD 143,350).

d) Estimated useful lives of furniture and equipment

Management reviews the estimated useful lives of furniture and equipment at the end of each annual reporting period. Management determined that current year expectations do not differ from previous estimates based on its review.

e) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of the reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the exploration and evaluation expenditure. Management makes certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

f) Decommissioning and other environmental liabilities

Management periodically assesses the numerous uncertainties inherent in estimating the decommissioning and other environmental liabilities, including judgments relating to cost estimation and the timing of these costs. Management has assessed that no provisioning for decommissioning and other environmental liabilities is required.

2.5 FIRST TIME ADOPTION OF IND AS

The Company has adopted Ind AS with effect from 1 January, 2016 with comparatives being restated. Accordingly, the impact of transition has been provided in the opening reserve as on 1 January, 2015 and all the periods presented have been restated accordingly. The overarching principle is to recognise all assets and liabilities whose recognition was required by Ind AS and de-recognise those where recognition is not so permitted. This however has certain exceptions together with optional exemptions availed, which are described below.

(i) Designation of previously recognised financial instruments exemption

The Company does not have any financial assets or liabilities as of the transition date which were required to be designated, and which met the required criteria given in Ind AS 101, as a financial asset or financial liability at fair value through profit or loss.

(ii) Fair value as deemed cost exemption

The Company has elected to measure all items of property, plant and equipment (except oil & gas assets) at their respective carrying values under the previous GAAP.

(iii) Estimates

Upon an assessment of the estimates made under previous GAAP, the Company has concluded that there was no necessity to revise the estimates under Ind AS except where estimates were required by Ind AS and not required by previous GAAP.

(iv) Derecognition of financial assets and liabilities

Financial assets and liabilities derecognised before transition date are not re-recognised under Ind AS.

(v) Hedge accounting

The Company has not identified any hedging relationships existing as of the transition date. Consequently, this exception, of not reflecting in its opening Ind AS Balance Sheet a hedging relationship of a type that does not qualify for hedge accounting under Ind AS 109, is not applicable to the Company.

Notes to the Financial Statements for the year ended 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT

In USD

Description	Gross Block				Depreciation				Net Block
	As at 01-01-2016	Additions	Deductions	**As at 31-12-2016**	As at 01-01-2016	For the year	Deductions	**Upto 31-12-2016**	**As at 31-12-2016**
TANGIBLE ASSETS									
Computers	35,897	-	-	**35,897**	19,389	6,640	-	**26,029**	**9,868**
Furniture & Fixtures	58,251	-	-	**58,251**	4,972	4,693	-	**9,665**	**48,586**
Office equipments	17,721	-	-	**17,721**	2,169	1,870	-	**4,039**	**13,682**
Vehicles	52,856	-	-	**52,856**	14,119	10,032	-	**24,151**	**28,705**
Total	1,64,725	-	-	**1,64,725**	40,649	23,235	-	**63,884**	**1,00,841**

In USD

Description	Gross Block				Depreciation				Net Block
	As at 01-01-2015	Additions	Deductions	**As at 31-12-2015**	As at 01-01-2015	For the Year	Deductions	**Upto 31-12-2015**	**As at 31-12-2015**
TANGIBLE ASSETS									
Computers	13,165	22,732	-	**35,897**	-	19,389	-	**19,389**	**16,508**
Furniture & Fixtures	58,251	-	-	**58,251**	-	4,972	-	**4,972**	**53,279**
Office equipments	14,854	3,430	563	**17,721**	-	2,169	-	**2,169**	**15,552**
Vehicles	54,984	-	2,128	**52,856**	-	14,119	-	**14,119**	**38,737**
Total	1,41,254	26,162	2,691	**1,64,725**	-	40,649	-	**40,649**	**1,24,076**

Cash Flow Statement for the year ended 31 December 2016

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
4	**NON CURRENT INVESTMENTS**			
	Investments in Subsidiaries			
	In Equity Shares-Unquoted, fully paid up			
	16,720 Gulf Africa Petroleum Corporation (Refer note 4A) (16,720) of USD 1,000 each	**-**	7,94,96,172	7,94,96,172
	367 Central Park Enterprises DMCC (367) of AED 1,000 each	**1,00,000**	1,00,000	1,00,000
	Less: Provision for impairment	**(1,00,000)**	(1,00,000)	(1,00,000)
	TOTAL	**-**	7,94,96,172	7,94,96,172

In USD

		% Holding 2016	% Holding 2015	As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
4A.	**ASSETS CLASSIFIED AS HELD FOR SALE**					
	Gulf Africa Petroleum Corporation (i)	**76%**	76%	7,94,96,172	-	-
	TOTAL			**7,94,96,172**	**-**	**-**

Gulf Africa Petroleum Corporation (GAPCO) has entered into an agreement with Total Outre-Mer S.A. ("Total") on 30th May 2016 for transfer of their entire shareholding in Gulf Africa Petroleum Corporation ("GAPCO"), a private company incorporated in Mauritius. The Company's shareholding comprises of 16,720 Ordinary Shares of the face value of USD 1000 each and constituting 76% of the Equity Share Capital of GAPCO. As is customary for similar transactions, the proposed transaction is subject to regulatory approvals. Management has assessed as at the reporting date that there are no indicators of objective evidence of impairment for its investment in GAPCO, since as per the agreement, the fair value less cost to sell of the investment is higher than the carrying amount, hence no impairment was recognised on reclassification of investments at held for sale as at 31 December 2016.

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
5	**INVENTORIES**			
	Chemicals, drilling & other materials	-	-	2,22,000
	TOTAL	**-**	-	2,22,000

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
6	**CASH AND CASH EQUIVALENTS**			
	Cash on hand	**462**	8,403	9,595
	Balance with banks	**56,540**	3,16,486	1,97,678
	TOTAL	**57,002**	3,24,889	2,07,273

Notes to the Financial Statements for the year ended 31 December 2016

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
7	**OTHER FINANCIAL ASSETS (CURRENT)**			
	Unsecured and Considered Good			
	Advance to related parties (Refer Note 24)	**-**	3,15,253	35,41,215
		-	3,15,253	35,41,215
	Unsecured and considered doubtful			
	Receivable from JV partner	**15,10,575**	12,97,593	9,17,470
	Less: Provision for impairment	**(15,10,575)**	(8,78,662)	(8,78,662)
		-	4,18,931	38,808
	TOTAL	**-**	**7,34,184**	**35,80,023**

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
8	**OTHER CURRENT ASSETS**			
	(Unsecured and considered good)			
	Deferred input VAT	5,68,868	5,51,082	5,22,364
	Advance to vendor	-	1,30,497	83,239
	Advance to employees	-	12,252	2,722
	Deposits	14,561	20,210	27,522
	Prepaid Expenses	15,550	25,221	33,917
	TOTAL	**5,98,979**	**7,39,262**	**6,69,764**

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
9	**EQUITY SHARE CAPITAL**			
	Authorised:			
	176,200 Equity Shares of AED 1,000 each	**4,79,85,402**	4,79,85,402	4,79,85,402
	2,756,250 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each	**75,00,00,000**	75,00,00,000	75,00,00,000
	TOTAL	**79,79,85,402**	79,79,85,402	79,79,85,402
	Issued, Subscribed and Paid up:			
	176,200 Equity Shares of AED 1,000 each fully paid up (Refer Note 9.1)	**4,79,85,402**	4,79,85,402	4,79,85,402
	5% Non-cumulative compulsorily convertible preference shares of AED 1000 fully paid up (Refer note 9.2 & 9.3)	**40,30,53,057**	39,91,60,057	39,91,60,057
	TOTAL	**45,10,38,459**	**44,71,45,459**	**44,71,45,459**

Notes to the Financial Statements for the year ended 31 December 2016

9.1 150,000 (previous year 150,000) equity shares issued for consideration other than cash.

9.2 Issued and fully paid 5% Non-cumulative compulsorily convertible preference shares represent 1,481,219 (2015: 1,466,913) 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each issued by way of conversion of loan and share application money.

9.3 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.

9.4 **Details of shareholders holding more than 5% shares :**

Equity Shareholder

Name of the Shareholder	**As at 31.12.2016**		31.12.2015		01.01.2015	
	No. of Shares	% held	No. of Shares	% held	No. of Shares	% held
Reliance Industrial Investments and Holdings Limited	**1,76,200**	100%	1,76,200	100%	1,76,200	100%

Preference Shareholder

Name of the Shareholder	**As at 31.12.2016**		31.12.2015		01.01.2015	
	No. of Shares	% held	No. of Shares	% held	No. of Shares	% held
Reliance Industrial Investments and Holdings Limited	**14,81,219**	100%	14,66,913	100%	14,66,913	100%

In USD

		As at 31.12.2016	As at 31.12.2015
10	**OTHER EQUITY**		
	Share Application money pending allotment:		
	Opening balance	**11,00,000**	-
	Share Application money received during the period (Ref Note 10.1 & 10.2)	**38,15,570**	11,00,000
	Preference share allotment	**(38,93,3000)**	-
	Closing balance	**10,22,570**	11,00,000
	Retained Earnings :		
	Opening balance	**(37,16,43,755)**	(36,82,28,629)
	Add : Total comprehensive loss for the period	**(35,61,872)**	(34,15,126)
	Closing balance	**(37,52,05,627)**	(37,16,43,755)
	TOTAL	**(37,41,83,057)**	**(37,05,43,755)**

10.1 Share application money pending for allotment represents application money received from parent company 'Reliance Industrial Investments and Holdings Limited' on account of 5% Non-cumulative compulsorily convertible preference shares.

10.2 During the year, the Company received an amount of USD 3,815,570 (2015: USD 1,100,000) from Reliance Industrial Investments and Holdings Ltd as share application money. The Company issued and allotted aggregated 14,306 5% Non-cumulative compulsorily convertible preference shares of AED 1,000 each aggregating to AED 14,306,000 equivalent to USD 3,893,000 against the share application money. Out of which 4,042 shares are issued on 30 March 2016 and 10,264 shares were issued on 31 July 2016. No preference shares were issued in 2015.

Notes to the Financial Statements for the year ended 31 December 2016

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
11	**PROVISIONS (NON CURRENT)**			
	Movement in the provision as follows:			
	Opening balance	**80,575**	1,03,122	84,687
	Charges during the year	**11,609**	25,994	18,435
	Paid during the year	**(42,141)**	(48,541)	-
	Closing balance	**50,043**	**80,575**	**1,03,122**

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
12	**OTHER FINANCIAL LIABILITIES (CURRENT)**			
	Creditors for Capital Expenditure	**1,49,384**	1,52,108	2,05,672
	Payable to a related party (Refer Note 24)	**6,34,971**	6,34,971	6,91,137
	Advance from related party (Refer Note 24)	**2,73,091**	-	-
	Other Payables*	**22,90,103**	39,49,225	39,85,239
		33,47,549	**47,36,304**	**48,82,048**

* Includes creditors & liabilities for relinquished/divested blocks.

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
13	**PROVISIONS (CURRENT)**			
	Provision for Income Tax (net of advance tax)	-	-	4,14,486
	TOTAL	-	-	4,14,486

In USD

		2016	2015
14	**OTHER INCOME**		
	Profit on sale of fixed asset	**-**	6,055
	Tax refund received	**50,536**	**-**
	Excess provision in respect of earlier year written back	**-**	2,80,069
	TOTAL	**50,536**	2,86,124

Notes to the Financial Statements for the year ended 31 December 2016

In USD

		2016	2015
15	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and wages	**2,84,317**	4,07,611
	Provision for employee benefits	**11,609**	25,994
	Staff welfare expenses	**32,468**	50,788
	TOTAL	**3,28,394**	4,84,393

In USD

		2016	2015
16	**FINANCE COSTS**		
	Bank charges	**1,455**	2,039
	TOTAL	**1,455**	2,039

In USD

		2016	2015
17	**OTHER EXPENSES**		
	Professional fees	**13,23,455**	9,98,016
	General expenses	**1,99,020**	5,36,666
	Rent	**19,066**	19,057
	Travelling expenses	**1,62,960**	1,43,361
	Audit fees	**40,122**	35,973
	Impairment loss on other financial assets	**6,31,913**	-
	Impairment loss on receivable from Related party	**1,81,016**	-
	Peru block- Geological and Geophysical & other expenses	**1,54,593**	2,08,304
	Impairment provision for Intangible Assets under Development	-	1,74,587
	Legal & other expenses- Yemen block 34 and 37	**5,47,179**	9,14,855
	Loss on sale of inventory	**-**	1,43,350
	TOTAL	**32,59,324**	31,74,169

18 EARNINGS PER SHARE (EPS)

Basic earning per share is computed by dividing the net loss attributable to shareholders by the weighted average number of shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

		2016	2015
i)	Net (Loss) as per Statement of Profit and Loss attributable to the owners of the Company (USD)	(35,61,872)	(34,15,126)
ii)	Weighted average number of shares used as denominator for calculating Basic EPS	1,76,200	1,76,200
iii)	Basic earnings per share (USD)	(20.21)	(19.38)
iv)	Weighted average number of shares used as denominator for calculating diluted EPS	16,50,511	16,44,342
v)	Diluted earnings per share (USD)	(2.16)	(2.08)

Notes to the Financial Statements for the year ended 31 December 2016

19. 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.

(a) 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 accounts receivable and prepayments (excluding advances, advance tax, deferred input VAT and prepayments) and bank balances.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually. The Company uses its own trading records to rate its major customers.

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:

	2016	2015
Due from related parties	**-**	3,15,253
Accounts receivable and prepayments (excluding advances, advance tax, deferred input VAT and prepayments)	**14,561**	4,39,502
Bank balances	**56,540**	3,16,486
	71,101	**10,71,241**

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

(b) Liquidity risk:

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and support from shareholder, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

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

The contractual maturities of the financial instruments, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

	Current Less than 1 year USD	**Non-current Greater than 1 year USD**
31 December 2016		
Due to a related party	**9,08,062**	-
Accounts payable and accruals	**24,39,487**	-
	33,47,549	**-**
31 December 2015		
Due to a related party	6,34,971	-
Accounts payable and accruals	41,01,433	-
	47,36,404	**-**

Notes to the Financial Statements for the year ended 31 December 2016

(c) 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.

(d) 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. The Company does not have any significant exposure to interest rate risk.

(e) Capital management

The Company's policy is to maintain a strong capital base with the financial assistance of RIIHL 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 2015.

The Company's capital structure comprises cash and bank balances and equity, comprising issued capital, preference share capital, share application money and accumulated losses as disclosed in the statement of changes in equity.

(f) Fair value measurements

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

20. CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

In USD

Financial assets	Notes	As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
Financial Assets				
Measured at amortised cost (AC)				
(i) Cash and cash equivalent	6	**57,002**	3,24,889	2,07,273
(ii) Advance to related parties	7	**-**	3,15,253	35,41,215
(iii) Receivable from JV partner	7	**-**	4,18,931	38,808
Financial liabilities				
Measured at amortised cost (AC)				
(i) Creditors for Capital expenditure	12	**1,49,384**	1,52,108	2,05,672
(ii) Payable to a related party	12	**6,34,971**	6,34,971	6,91,137
(iii) Advance from related party	12	**2,73,091**	-	-
(iv) Other payable	12	**22,90,103**	39,49,225	39,85,239

Notes to the Financial Statements for the year ended 31 December 2016

21 FIRST TIME Ind AS ADOPTION RECONCILIATIONS

Effect of Ind AS adoption on the Balance Sheet as at 31 December, 2015 and 1 January, 2015

In USD

	Notes	As at 31st December, 2015			As at 1st January, 2015		
		Previous GAAP	Effect of transition to Ind AS	Ind AS	Previous GAAP	Effect of transition to Ind AS	Ind AS
ASSETS							
Non-Current Assets							
(a) Property, plant and equipment	3	1,24,076	-	1,24,076	1,41,254	-	1,41,254
Intangible assets under development		1,90,04,024	1,90,04,024	-	1,87,95,720	1,87,95,720	-
(b) Financial assets		-	-	-	-	-	-
(i) Investments	4	7,94,96,172	-	7,94,96,172	7,94,96,172	-	7,94,96,172
Total Non-Current Assets		**9,86,24,272**	**1,90,04,024**	**7,96,20,248**	**9,84,33,146**	**1,87,95,720**	**7,96,37,426**
Current Assets							
(a) Inventories		-	-	-	2,22,000	-	2,22,000
(b) Financial assets		-	-	-	-	-	-
(i) Cash and cash equivalents	6	3,24,889	-	3,24,889	2,07,273	-	2,07,273
(ii) Other financial assets	7	7,34,184	-	7,34,184	35,80,023	-	35,80,023
(c) Other current assets	8	7,39,262	-	7,39,262	6,69,764	-	6,69,764
Total Current Assets		**17,98,335**	**-**	**17,98,335**	**46,79,060**	**-**	**46,79,060**
Total Assets		**10,04,22,607**	**1,90,04,024**	**8,14,18,583**	**10,31,12,206**	**1,87,95,720**	**8,43,16,486**
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	9	44,71,45,459	-	44,71,45,459	44,71,45,459	-	44,71,45,459
(b) Other Equity	10	(35,15,39,731)	1,90,04,024	(37,05,43,755)	(34,94,32,909)	1,87,95,720	(36,82,28,629)
Total Equity		**9,56,05,728**	**1,90,04,024**	**7,66,01,704**	**9,77,12,550**	**1,87,95,720**	**7,89,16,830**
Liabilities							
Non-Current Liabilities							
(a) Provisions	11	80,575	-	80,575	1,03,122	-	1,03,122
Total Non-Current Liabilities		**80,575**	**-**	**80,575**	**1,03,122**	**-**	**1,03,122**
Current Liabilities							
(a) Financial liabilities	-						
(i) Other financial liabilities	12	47,36,304	-	47,36,304	48,82,048	-	48,82,048
(b) Provisions	13	-	-	-	4,14,486	-	4,14,486
Total Current Liabilities		**47,36,304**	**-**	**47,36,304**	**52,96,534**	**-**	**52,96,534**
Total Equity and Liabilities		**10,04,22,607**	**1,90,04,024**	**8,14,18,583**	**10,31,12,206**	**1,87,95,720**	**8,43,16,486**

Reconciliation of total equity as at 31 December, 2015 and 1 January, 2015

	Notes	As at 31.12.2015	As at 01.01.2015
Total equity under previous GAAP		**9,56,05,728**	**9,77,12,550**
Change in accounting policy for Oil & Gas Activity - From Full Cost Method (FCM) to Successful Effort Method (SEM)	I	(1,90,04,024)	(1,87,95,720)
Total effect of transition to Ind AS		**(1,90,04,024)**	**(1,87,95,720)**
Total equity under Ind AS		**7,66,01,704**	**7,89,16,830**

Notes to the Financial Statements for the year ended 31 December 2016

Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31 December, 2015

In USD

	Notes	Year ended 31st December, 2015 Previous GAAP	Effect of transition to Ind AS	Ind AS
INCOME:				
Other income	14	2,86,124	-	2,86,124
Total income		**2,86,124**	**-**	**2,86,124**
EXPENSES:				
Employee benefits expense	15	4,84,393	-	4,84,393
Finance costs	16	2,039	-	2,039
Depreciation expenses	3	40,649	-	40,649
Other expenses	17	29,65,865	(2,08,304)	31,74,169
Total Expenses		**34,92,946**		**37,01,250**
(Loss) for the year		**(32,06,822)**	**2,08,304**	**(34,15,126)**
Other Comprehensive Income (OCI)*		-	-	-
Total comprehensive (loss) for the year		**(32,06,822)**	**2,08,304**	**(34,15,126)**

** under the previous GAAP, there was no concept of other Comprehensive Income (OCI). Under Ind AS, specified items of income, expenses, gains or losses are required to presented in OCI

Reconciliation of total comprehensive income for the year ended 31 December, 2015

In USD

	Year ended 31.12.2015
Profit as per previous GAAP	**(32,06,822)**
Adjustments:	
Change in accounting policy for Oil & Gas Activity - From Full Cost Method (FCM) to Successful Effort Method (SEM)	(2,08,304)
Net profit as per Ind AS	**(34,15,126)**

Effect of Ind AS adoption on the Statement of Cash Flows for the year ended 31 December, 2015

In USD

	Year ended 31st December, 2015 Previous GAAP	Effect of transition to Ind AS	Ind AS
Net Cash flows from operating activities	(36,40,091)	4,16,422	(40,56,513)
Net Cash flows from investing activities	26,57,707	(4,16,422)	30,74,129
Net Cash flows from financing activities	11,00,000	-	11,00,000
Net increase in cash and cash equivalents	**1,17,616**	-	**1,17,616**
Cash and cash equivalents at the beginning of the period	2,07,273	-	2,07,273
Cash and cash equivalents at the end of the period	**3,24,889**	-	**3,24,889**

Notes to the Financial Statements for the year ended 31 December 2016

Notes:

I. Change in accounting policy for Oil & Gas Activity – from Full Cost Method (FCM) to Successful Efforts Method (SEM):

The impact on account of change in accounting policy from FCM to SEM is recognised in the Opening Reserves on 1 January, 2015 consequential impact of write off is recognised in the Statement of Profit and Loss for the year ended 31 December, 2015.

Major differences impacting such change of accounting policy are in the areas of;

- Expenditure on unproved wells, abandoned wells, seismic and expired leases and licenses which have been expensed under SEM which were hitherto being capitalised as per FCM in the previous GAAP.

Overall Impact:

The effect of the above change is a decrease in total equity as on 1 January, 2015 of $18.8 million, increase in loss for the year ended 31 December, 2015 of $0.2 million and resultant decrease in total equity as on 31 December, 2015 of $19 million.

22. GOING CONCERN CONSIDERATIONS

The Company incurred a loss of USD 3,561,872 for the year ended 31 December 2016. Additionally, as stated in note 4A, the Company has entered into an agreement for the sale of its investment in Gulf Africa Petroleum Corporation (GAPCO), subsequent to the year end, the Board of Directors of the Company passed a resolution to dissolve investment in Central Park Enterprise DMCC. Furthermore, the Company no longer has any working interest in any exploration block as stated in Note 1. Notwithstanding all of the above, the financial statements have been prepared on a going concern basis as the shareholder has expressed its continuing support and does not intend to liquidate 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 Balance sheet 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.

23 LEASES

The company has taken premise on non-cancellable operating lease basis with varying tenor upto 1 March 2019. The future minimum rentals are as follows:

In USD

		As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
i)	**Operating lease commitments**			
	Due within one year	20,472	20,472	31,784
	Later than one year but and not later than 5 years	20,798	41,270	57,220
		41,270	61,742	89,004

Lease payments recognises in the statement of profit and loss in connection with the above for the year 2016 and 2015 are USD 19,066 (previous year USD 19,057).

Notes to the Financial Statements for the year ended 31 December 2016

24 RELATED-PARTY DISCLOSURES

As per Ind AS 24, the disclosures of transaction with the related parties are given below:

(i) List of related parties where control exists and related parties with whom transactions have taken place and relationship

Name of related party	Relationship
Reliance Industries Limited	Ultimate Holding Company
Reliance Industrial Investments and Holdings Limited	Parent Company
Central Park Enterprises DMCC	Subsidiary
Reliance Industries (Middle East) DMCC	Fellow Subsidiary

(ii) Transaction during the year with related parties

In USD

Name of the related party	Nature of Transaction	2016	2015
Reliance Industries Limited	Business Support Service	**4,27,446**	8,56,309
Reliance Industries Limited	Business Support Service included in intangible assets	**-**	1,99,142
Reliance Industrial Investments and Holdings Limited	Share Application money received	**38,15,570**	11,00,000
Central Park Enterprises DMCC	Advance given	**32,262**	21,640
Central Park Enterprises DMCC	Advance received back	**-**	1,607
Reliance Industries (Middle East) DMCC	Advance taken	**2,73,091**	-
Reliance Industries (Middle East) DMCC	Advance received back	**1,66,499**	32,45,995

In USD

Name of the related party	Balances as at year end	As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
Reliance Industries Limited	Other Payable	**6,34,971**	6,34,971	6,91,137
Reliance Industrial Investments and Holdings Limited	Share application money pending for allotment	**10,22,570**	11,00,000	-
Central Park Enterprises DMCC	Advances given	**-**	1,48,754	1,28,721
Reliance Industries (Middle East) DMCC	Advances given	**-**	1,66,499	34,12,494
Reliance Industries (Middle East) DMCC	Advances taken	**2,73,091**	-	-

Notes to the Financial Statements for the year ended 31 December 2016

25 CONTINGENT LIABILITIES AND COMMITMENTS

In USD

	As at 31.12.2016	As at 31.12.2015	As at 01.01.2015
(I) Contingent liabilities			
A. Guarantee issued on behalf of the company	**50,000**	50,000	50,000
(II) Commitments			
A. Estimated amount of contracts remaining to be executed on capital account and not provided for:			
(a) In respect of Joint Ventures	**-**	83,200	62,225

(III) The Company along with its Partner (Hood Energy Limited) (hereinafter together referred to as "Joint Operation") are parties to a working interest in oil and gas blocks situated in the Republic of Yemen, as disclosed in note 1. A commitment arose as a result of a possible obligation relating to the Work Programs governed under the PSAs which were executed between the Joint Operation and the Republic of Yemen for Blocks 34 and 37 amounting to USD 25 million (the Company's interest is USD 17.5 million). This commitment was secured by standby letters of credits amounting to USD 25 million (the Company's interest is USD 17.5 million) issued by the Joint Operation to the Republic of Yemen, represented by the Yemeni Ministry of Oil and Minerals.

Considering the civil war and deplorable security situation in Yemen, the Joint Operation declared force majeure and thereafter terminated the PSAs for the Yemen Blocks 34 and 37. As the force majeure declaration was rejected by the Republic of Yemen, the Joint Operation obtained injunction from Honourable Bombay High Court for restraining bankers from honouring any demand of the Republic of Yemen under the standby letters of credits. An appeal was filed by United Bank Limited before the Bombay High Court for vacating the injunction. A Consent Order was passed by the Court thereof stating that the banks shall not make any payment till the International Chamber of Commerce (ICC) Arbitration being pursued by parties remained pending and/ or unless any challenges to an adverse Arbitral Award have been set aside.

The Joint Operation is also pursuing an arbitration against the Republic of Yemen before the ICC Paris in accordance with the dispute resolution clause of the PSAs for declaration of the force majeure notice and subsequent termination (resulting in the termination of standby letters of credits). The hearing is now over and the Parties are awaiting the Arbitral Award.

26. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end, the Board of Directors of the Company has agreed and resolved, at the meeting held on 13 February 2017, to dissolve Central Park Enterprises effective from that date due to close of its business operation.

27. UNHEDGED FOREIGN CURRENCY EXPOSURE

Foreign Currency Exposure that are not hedged by derivative instruments as on 31 December 2016 amount to USD 92,923 (previous year USD 44,323).