## 4 Critical accounting judgments and key sources of uncertainty

### 4.1 Critical judgments in applying accounting policies

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

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

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

4.1.1 Revenue recognition

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

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

### 4.1 Critical judgments in applying accounting policies (continued)

4.1.2 Classification of a loan received from a related party

In the process of classifying loan received from related party, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability or as an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. In making its judgment, management considered the detailed criteria and related guidance for the classification of financial instruments as set out in *IAS 32 Financial Instruments: Presentation*. Management and the directors of the Company have concluded that the classification of the loan received as financial liability in the financial statements as there is a contractual obligation to deliver cash.

### 4.2 Key sources of estimation uncertainty

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

4.2.1 Impairment of investments in subsidiaries

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

Management is satisfied that there are no indicators of objective evidence of impairment for its investments in subsidiaries as at 31 December 2021 and 2020.

4.2.2 Derecognition of financial liability

The Company shall remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit and loss.

**Notes to the financial statements**
**for the year ended 31 December 2021 (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 2020 | 143,142 | 54,189 | 2,560 | 196,477 | 396,368 |
| Additions | - | 7,897 | - | - | 7,897 |
| At 1 January 2021 | 143,142 | 62,086 | 2,560 | 196,477 | 404,265 |
| **At 31 December 2021** | **143,142** | **62,086** | **2,560** | **196,477** | **404,265** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2020 | 143,142 | 54,189 | 2,560 | 113,385 | 313,276 |
| Charge for the year | - | 987 | - | 32,266 | 33,253 |
| At 1 January 2021 | 143,142 | 55,176 | 2,560 | 145,651 | 346,529 |
| Charge for the year | - | 1,977 | - | 32,265 | 34,242 |
| **At 31 December 2021** | **143,142** | **57,153** | **2,560** | **177,916** | **380,771** |
| **Carrying amount** | | | | | |
| **At 31 December 2021** | **-** | **4,933** | **-** | **18,561** | **23,494** |
| At 31 December 2020 | - | 6,910 | - | 50,826 | 57,736 |

## 6 Investments in subsidiaries

| | **2021** % Holding | 2020 % Holding | **2021** **USD** | 2020 USD |
|---|---|---|---|---|
| R.P Chemicals (Malaysia) Sdn. Bhd. *(i)* | **100** | 100 | **266,123,434** | 266,123,434 |
| Recron (Malaysia) Sdn. Bhd. (“Recron”) *(ii)* | **100** | 100 | **130,813,626** | 130,813,626 |
| | | | **396,937,060** | 396,937,060 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 6 Investments in subsidiaries (continued)

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

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

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

During 2020, RP Chemicals (Malaysia) Sdn. Bhd. issued 417,500,000 class A redeemable preference shares RM 1 each amounting to USD 100,575,750, and converted cumulative preferential dividends from 2012 to 2017. Of the total value of USD 100,575,750, an amount of USD 37,123,434 was against the dividend receivable by the Company since its acquisition. The remaining USD 63,452,316 was issued against the dividend receivable by Reliance Global Holdings Pte Ltd, the preceding shareholder of RP Chemicals (Malaysia) Sdn. Bhd and a sister company. Reliance Global Holdings Pte Ltd, has waived its right, at nil consideration, to receive its share of class A redeemable preference shares and accordingly, the full amount of 417,500,000 class A redeemable preference shares has been issued to the Company.

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

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

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

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 7 Trade and other receivables

| | 2021<br>USD | 2020<br>USD |
|---|---|---|
| Trade receivable | **66,117,470** | 21,965,961 |
| Fixed deposit* | **25,518,215** | 21,745,206 |
| Advances | **16,676,635** | 9,288,548 |
| Accrued income (note 12.1) | **1,329,125** | 171,826 |
| Prepayments | **276,746** | 133,869 |
| Deposits | **46,804** | 30,163 |
| Other receivables | **105,737** | 73,999 |
| | **110,070,732** | 53,409,572 |

*Fixed deposit amounting to USD 25,518,215 as at 31 December 2021 (2020: USD 21,745,206) with original maturity of 12 months, starting from 17 January 2022 earn an interest in the range of 0.08% to 0.12% (2020: 1%) per annum.

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

Before accepting any new customer, the Company assesses the potential credit quality of the customer. As at 31 December 2021, 100% (2020:100%) of trade receivable balances are due from two customers (2020: one) customer. Management considers these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Company.

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

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

## 8 Cash and cash equivalent

| | 2021<br>USD | 2020<br>USD |
|---|---|---|
| Cash on hand | **20,840** | 6,209 |
| Banks balances | **15,826,561** | 8,318,256 |
| Cash and bank balances | **15,847,401** | 8,324,465 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 9 Share capital/preference share capital

| | 2021 USD | 2020 USD |
|---|---|---|
| *Authorised, issued and fully paid up:* | | |
| 762,235 ordinary shares of AED 1,000 each (2020: 105,886 shares of AED 1,000 each) | **207,129,373** | 28,773,369 |
| 551,469 shares (2020: 551,469 shares), 5% non-cumulative compulsorily convertible preference shares of AED 1,000 each | **-** | 149,856,004 |

The 5% non-cumulative compulsorily convertible preference shares were 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. During the year, the total non-cumulative compulsorily convertible preference shares were converted to ordinary shares.

During the year share application money amounting to USD 28,500,000 had been received from Reliance Industries Limited to repay the loan received from Reliance Exploration and Production DMCC (note 12.1). The application money, along with the existing preference share capital, has been converted to 762,236 ordinary shares of AED 1000 each on 10 October 2021.

## 10 Provision for employees' end of service benefit

Movements in the provision are as follows:

| | 2021 USD | 2020 USD |
|---|---|---|
| At 1 January | **822,296** | 867,875 |
| Charge for the year | **80,941** | 67,929 |
| Payments | **(14,466)** | (113,508) |
| **At 31 December** | **888,771** | 822,296 |

## 11 Trade and other payables

| | 2021 USD | 2020 USD |
|---|---|---|
| Trade payables | **74,351,365** | 29,352,704 |
| Accruals | **21,295,475** | 19,398,314 |
| Advance from a related party (note 12) | **9,268,765** | 8,360,068 |
| Others | **22,508** | 25,892 |
| | **104,938,113** | 57,136,978 |

## Notes to the financial statements
## for the year ended 31 December 2021 (continued)

### 12 Transactions and balances with related parties

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

12.1 Related party balances

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

| | **2021 USD** | 2020 USD |
|---|---|---|
| Accrued income - Reliance Industries Limited (note 7) | **1,329,125** | 171,826 |
| Trade receivable from Reliance Industries Limited (note 7) | **21,494,359** | 21,965,961 |
| Trade receivable from Reliance Industries USA (note 7) | **44,623,112** | - |
| Advance from Reliance Industries Limited (note 11) | **9,268,765** | 8,360,068 |
| **Due from related parties:** | | |
| Reliance Exploration & Production DMCC | **-** | 1,145,692 |
| RIL Consultancy Services | **-** | 73,468 |
| | **-** | 1,219,160 |
| **Loan from a related party:** | | |
| Reliance Exploration & Production DMCC *(i)* | **345,085,287** | 241,233,453 |

*(i)* In 2017, the Company received a loan from Reliance Exploration and Production DMCC ("REP"), amounting to USD 241,233,453, which was used for the redemption of preference shares from Reliance Industries Limited. During the year, loan amounting to USD 28,500,000 has been repaid to REP. Further, during the year, an agreement has been amended with REP to charge cumulative interest on loan equivalent to LIBOR plus 5% per annum from the loan commencement date. Furthermore, an incremental premium equal to the premium was charged on account of late payment for the first 3 years from date of commencement of loan till 28 March 2020.. Reconciliation of the borrowings movement to the cash flows arising from financing activities is as follows:

| | **2021 USD** | 2020 USD |
|---|---|---|
| At 1 January | **241,233,453** | 241,233,453 |
| Repayment | **(28,500,000)** | - |
| Effect of extinguishment of loan | **132,351,834** | - |
| **At 31 December** | **345,085,287** | 241,233,453 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

**12 Transactions and balances with related parties (continued)**

12.2 Related party transactions

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

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

| | **2021 USD** | 2020 USD |
|---|---|---|
| Sales of Crude Oil | **53,764,725** | - |
| Lease rental income (Oxygen tank) | **680,843** | - |
| Purchase of Crude Oil | **53,764,725** | - |
| Ocean Freight* | **168,043,643** | 156,295,741 |
| Guarantee commission to a related party (note 16) | **70,027** | 65,255 |
| Dividend income from Recron (Malaysia) Sdn. Bhd | **20,000,000** | - |
| Effect of extinguishment of loan -Reliance Exploration and Production DMCC | **132,351,834** | - |
| Expenses recovered from the Parent Company | **96,683** | 354,742 |
| Compensation to key management personnel | **416,750** | 409,099 |
| Corporate guarantee received from Parent Company | **20,000,000** | 20,000,000 |

12.3 Other transactions with related parties

| | **2021 USD** | 2020 USD |
|---|---|---|
| Payments made to RIL USA, Inc.* | **9,141,613** | - |
| Conversion of preference shares (note 9) | **149,856,004** | 17,238,043 |

## Notes to the financial statements
## for the year ended 31 December 2021 (continued)

### 12 Transactions and balances with related parties (continued)

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

12.4 Terms and conditions of transactions with related parties

Outstanding balances at the end of the reporting period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Company has not recorded any impairment owed by related parties (2020: Nil). This assessment is undertaken each financial year through an examination of the financial position of the related party and the market in which the related party operates.

### 13 Revenue

| | **2021 USD** | 2020 USD |
|---|---|---|
| Sale of alkylate | **53,764,725** | - |
| Rental income | **680,843** | - |
| Charter services | **168,043,643** | 156,295,741 |
| | **222,489,211** | 156,295,741 |

### 14 Cost of sales

| | **2021 USD** | 2020 USD |
|---|---|---|
| Purchase of alkylate | **53,764,725** | - |
| Rental expense | **680,843** | |
| Charter expenses | **163,143,793** | 150,909,314 |
| | **217,589,361** | 150,909,314 |

RIME has incurred vessel related non-recurring expenditure of USD 1,55,232 for CY 2020 and USD 26,400 for CY 2021 towards underwater Propeller polishing charges and cost of improvement & new equipment towards International Maritime Organization 2020 regulations, respectively. It is included in the cost of sales.

## 15 General and administrative expenses

| | 2021 USD | 2020 USD |
|---|---|---|
| Donations and gifts | **3,817,595** | 3,091,586 |
| Travelling expenses | **2,049,289** | 2,034,437 |
| Salaries and wages | **1,440,333** | 1,527,528 |
| Professional fees | **840,000** | 840,000 |
| Rent | **292,800** | 246,808 |
| Depreciation | **34,242** | 33,253 |
| Others general and administrative expenses | **1,629,704** | 1,590,668 |
| | **10,103,963** | 9,364,280 |

## 16 Finance costs

| | 2021 USD | 2020 USD |
|---|---|---|
| Effect of extinguishment of loan | **132,351,834** | - |
| Bank interest expense | **-** | 112 |
| Guarantee commission to a related party (note 12.2) | **70,027** | 65,255 |
| | **132,421,861** | 65,367 |

## 17 Commitments and contingencies

| | 2021 USD | 2020 USD |
|---|---|---|
| Bank guarantees | **269,600** | 20,000 |

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

| | 2021 USD | 2020 USD |
|---|---|---|
| Operating lease commitments: | | |
| Within one year | **66,106,829** | 67,994,891 |
| After one year but not more than five years | **264,376,800** | 271,603,828 |
| More than five years | **334,454,760** | 411,432,000 |
| | **664,938,389** | 751,030,719 |

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 18 Loss for the year

Loss for the year is after charging:

| | **2021** **USD** | 2017 USD |
|---|---|---|
| Staff costs | **1,440,333** | 1,527,528 |
| Depreciation of property and equipment | **34,242** | 33,253 |

## 19 Financial instruments

### 19.1 Capital management

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

The Company manages its capital to ensure to be able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Company's overall strategy remains unchanged from 2020.

### 19.2 Financial risk management objectives

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

19.2.1 Credit risk

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 19 Financial instruments (continued)

### 19.2 Financial risk management objectives (continued)

19.2.1 Credit risk (continued)

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

| | **2021** | 2020 |
|---|---|---|
| | **USD** | USD |
| **Bank rated** | | |
| A+ | **5,007,533** | 2,406,452 |
| Baa2 | **15,861** | 15,861 |
| A | **10,803,167** | 5,895,943 |
| **Total cash at banks** | **15,826,561** | 8,318,256 |

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:

| | **2021** | 2020 |
|---|---|---|
| | **USD** | USD |
| Due from related parties | **-** | 1,219,160 |
| Trade receivables and other current assets (excluding advances and prepayments) | **93,117,351** | 43,987,155 |
| Bank balances | **15,826,561** | 8,318,256 |
| | **108,943,912** | 53,524,571 |

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

19.2.2 Liquidity risk

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

**19 Financial instruments (continued)**

**19.2 Financial risk management objectives (continued)**

19.2.2 Liquidity risk (continued)

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

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

| | **Current Less than 1 year USD** | **Non-current Greater than 1 year USD** |
|---|---|---|
| **31 December 2021** | | |
| Trade and other payables (excluding advance from customer) | **95,669,348** | **-** |
| Loan from a related party | | **345,085,287** |
| | **95,669,348** | **345,085,287** |
| **31 December 2020** | | |
| Trade and other payables (excluding advance from customer) | 48,776,910 | - |
| Loan from a related party | 241,233,453 | - |
| | 290,010,363 | - |

19.2.3 Currency risk

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

19.2.4 Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing financial instruments at the end of the reporting period. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 75 basis points more/lower throughout the year and all other variables were held constant, the Company's profit and equity for the year ended 31 December 2021 would decrease/increase by approximately USD 133,500.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 19 Financial instruments (continued)

### 19.3 Fair value measurements

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

## 20 Approval of financial statements

The financial statements were approved by management and authorized for issue on 10-April-2022.