**Sterling and Wilson Engineering Proprietary Limited**
**(Registration number 2013/189325/07)**
**Annual financial statements**
**for the year ended 31 March 2020**

# General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Design, engineering, procurement, fabrication, construction, installation, commissioning, testing and handing over of solar generation facilities. |
| **Directors** | A Choudhuri<br>ND Madan<br>MP Nyama |
| **Registered office** | 119-123 Hertzog Boulevard<br>Foreshore<br>Cape Town<br>8001 |
| **Business address** | 119-123 Hertzog Boulevard<br>Foreshore<br>Cape Town<br>8001 |
| **Postal address** | PO Box 3883<br>Cape Town<br>8000 |
| **Bankers** | First National Bank |
| **Auditors** | RSM South Africa Incorporated<br>Chartered Accountants (SA)<br>Registered Auditors |
| **Company registration number** | 2013/189325/07 |
| **Level of assurance** | These annual financial statements have been audited voluntarily in compliance with Section 30(2)(b)(ii)(aa) of the Companies Act as required by the shareholders. |
| **Preparer** | The annual financial statements were independently compiled by:<br>Lisa Roodt<br>CA (SA) |
| **Issued** | 09-Jun-2020 |

# Index

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

## Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year from date of approval and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 4 to 36, which have been prepared on the going concern basis, were approved by the directors on 09-Jun-2020 and were signed on their behalf by:

**Approval of financial statements**

**Director**

## Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Sterling and Wilson Engineering Proprietary Limited for the year ended 31 March 2020.

### 1. Nature of business

Sterling and Wilson Engineering Proprietary Limited was incorporated in South Africa with interests in the solar generation industry. The company operates in South Africa, rest of Africa and Europe.

There have been no material changes to the nature of the company's business from the prior year.

### 2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

### 3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

### 4. Dividends

No dividends were declared for the year end 31 March 2020 (2019: Nil).

### 5. Directorate

The directors in office at the date of this report are as follows:

| Directors | Nationality |
| --- | --- |
| A Choudhuri | Indian |
| ND Madan | Indian |
| MP Nyama | South African |

### 6. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

### 7. Events after the reporting period

Between the end of the reporting period and the date when the financial statements have been authorised for issue, there has been a worldwide outbreak of the COVID-19 virus that has, to date, had a significant negative impact on the global economy including South Africa. At the time of reporting, South Africa is in the mid-stages of the outbreak and there is a high level of uncertainty as to containment and prevention and as to what the impact might be on the economy, making reasonable impact estimates difficult at this point in time but it is considered that the financial impact will not be significant.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

# Directors' Report

### 8. Going concern

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of R33 430 565 and that the company's total liabilities exceed its assets by R33 430 445.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Sterling and Wilson, being a leading Solar EPC contractor in construction and maintenance of Solar power plants provides essential services and has had no adverse impact due to the COVID-19 virus lockdown.

Other than as disclosed in paragraph 7 above, the directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the company.

Based on management evaluation, the event mention in the note above does not raise a concern of the Company's ability to continue as going concern since the Company has a long term fixed price Operation and Maintenance contract with the customer. Also, the Company has a contract in hand for construction of a power plant which is expected to commence in next 12 months from the end of the financial year. Management are also under discussion with the customer for replacement of the defective material. Considering the Order in hand and expected volume discount during the procurement towards the new order same is expected to be replaced towards the end of next financial year.

We also draw attention to Note 10 to the financial statements whereby the shareholder has subordinated its loan in favor of the creditors, until such time as the assets of the company, fairly.

### 9. Auditors

RSM South Africa Incorporated continued in office in accordance with section 90 of the Companies Act of South Africa.

### 10. Secretary

The company had no secretary during the year.

### 11. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF STERLING AND WILSON ENGINEERING PROPRIETARY LIMITED

### Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Sterling and Wilson Engineering Proprietary Limited set out on pages 9 to 35, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sterling and Wilson Engineering Proprietary Limited as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The directors are responsible for the other information. The other information comprises the directors' responsibilities and approval statement, the directors' report as required by the Companies Act of South Africa and the detailed income statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the Financial Statements**

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM South Africa Incorporated

**RSM South Africa Incorporated**
**Registered Auditors**

**Per Rieyaaz Rawoot CA(SA) RA**
**Director**

09-Jun-2020

**Date**
**Cape Town**

## Statement of Financial Position as at 31 March 2020

| Figures in Rand | Notes | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 627 990 | 825 283 |
| Deferred tax | 4 | 9 416 705 | 3 065 062 |
| | | **10 044 695** | **3 890 345** |
| **Current Assets** | | | |
| Inventories | 5 | 25 000 000 | - |
| Trade and other receivables | 6 | 199 227 212 | 216 864 169 |
| Current tax receivable | | 1 851 813 | 1 756 647 |
| Cash and cash equivalents | 7 | 26 910 204 | 22 103 504 |
| | | **252 989 229** | **240 724 320** |
| **Total Assets** | | **263 033 924** | **244 614 665** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 8 | 120 | 120 |
| Accumulated loss | | (33 430 565) | (16 854 640) |
| | | **(33 430 445)** | **(16 854 520)** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 164 576 735 | 153 633 496 |
| Loan from group company | 10 | 98 253 154 | 70 938 595 |
| Provisions | 11 | 33 634 480 | 36 897 094 |
| | | **296 464 369** | **261 469 185** |
| **Total Equity and Liabilities** | | **263 033 924** | **244 614 665** |

## Statement of Profit or Loss and Other Comprehensive Income

| Figures in Rand | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue | 12 | 25 419 246 | 24 853 424 |
| Cost of sales | 13 | (8 377 920) | (7 848 731) |
| **Gross profit** | | **17 041 326** | **17 004 693** |
| Other operating gains (losses) | | (19 026 873) | (9 351 129) |
| Other operating expenses | | (29 261 457) | (27 589 631) |
| **Operating loss** | 14 | **(31 247 004)** | **(19 936 067)** |
| Investment income | 15 | 19 502 540 | 19 592 569 |
| Finance costs | 16 | (11 183 101) | (10 827 569) |
| **Loss before taxation** | | **(22 927 565)** | **(11 171 067)** |
| Taxation | 17 | 6 351 640 | 485 590 |
| **Loss for the year** | | **(16 575 925)** | **(10 685 477)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the year** | | **(16 575 925)** | **(10 685 477)** |

# Statement of Changes in Equity

| Figures in Rand | Share capital | Accumulated loss | Total equity |
|---|---|---|---|
| **Balance at 01 April 2018** | **100** | **(6 169 163)** | **(6 169 063)** |
| Loss for the year | - | (10 685 477) | (10 685 477) |
| Other comprehensive income | - | - | - |
| **Total comprehensive Loss for the year** | **-** | **(10 685 477)** | **(10 685 477)** |
| Issue of shares | 20 | - | 20 |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **20** | **-** | **20** |
| **Balance at 01 April 2019** | **120** | **(16 854 640)** | **(16 854 520)** |
| Loss for the year | - | (16 575 925) | (16 575 925) |
| Other comprehensive income | - | - | - |
| **Total comprehensive Loss for the year** | **-** | **(16 575 925)** | **(16 575 925)** |
| **Balance at 31 March 2020** | **120** | **(33 430 565)** | **(33 430 445)** |
| Note | 8 | | |

## Statement of Cash Flows

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | (22 927 565) | (11 171 067) |
| **Adjustments for:** | | | |
| Depreciation | | 241 190 | 132 071 |
| Losses (gains) on foreign exchange | | 19 026 873 | 9 351 129 |
| Interest received | | (19 502 540) | (19 592 569) |
| Finance costs | | 11 183 100 | 10 827 569 |
| Movements in provisions | | (3 262 614) | (17 927 397) |
| IFRS adjustment in debtors and creditors | | 7 157 724 | 7 378 874 |
| **Changes in working capital:** | | | |
| Inventories | | (25 000 000) | - |
| Trade and other receivables | | 17 636 957 | (31 491 559) |
| Trade and other payables | | 10 954 793 | 16 815 257 |
| **Cash used in operations** | | **(4 492 082)** | **(35 677 692)** |
| Interest income | | 1 066 624 | 1 277 155 |
| Finance costs | | (75) | (187) |
| Tax paid | 18 | - | 2 |
| **Net cash from (used in) operating activities** | | **(3 425 533)** | **(34 400 722)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (43 896) | (781 344) |
| Proceeds on sale of property, plant and equipment | 3 | - | 19 759 |
| **Net cash used in investing activities** | | **(43 896)** | **(761 585)** |
| **Cash flows from financing activities** | | | |
| Proceeds on share issue | 8 | - | 20 |
| Net movement in other financial liabilities | | 8 276 129 | 37 044 092 |
| **Net cash from financing activities** | | **8 276 129** | **37 044 112** |
| **Total cash movement for the year** | | **4 806 700** | **1 881 805** |
| Cash at the beginning of the year | | 22 103 504 | 20 221 699 |
| **Total cash at end of the year** | 7 | **26 910 204** | **22 103 504** |

## Accounting Policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

### 1.2 Critical accounting estimates, judgements and assumptions

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

**Critical judgements in applying accounting policies**

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

**Key sources of estimation uncertainty**

**Impairment losses on trade receivables**

The company reviews its trade receivables to assess impairment at regular intervals. In determining whether impairment losses should be reported in the Statement of Profit and Loss, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for expected credit loss is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

# Accounting Policies

### 1.2 Critical accounting estimates, judgements and assumptions (continued)

**Impairment testing**

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

**Residual values and useful lives**

The company assesses the appropriateness of the useful lives and residual values of property, plant and equipment at the end of each reporting period. In determining whether there is a change in the useful lives and residual values of the property, plant and equipment of the company, the company makes judgements as to whether there is observable data indicating such changes e.g a change in the manner of use or technological development. Actual results in the future could differ from these estimates which may impact the depreciation change for the year.

**Provisions**

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 11.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset. (the client's borrowing costs are expensed per the policy and there is no hedging)

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer equipment | Straight line | 3 years |
| Computer software | Straight line | 2 years |
| Motor vehicles | Straight line | 5 years |
| Office equipment | Straight line | 5 years |
| Other fixed assets | Straight line | 10 years |
| Tools & equipment | Straight line | 6 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# Accounting Policies

### 1.3 Property, plant and equipment (continued)

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are debt instruments:
- Amortised cost.

Financial liabilities:
- Amortised cost.

Note 22 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

**Trade and other receivables**

**Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

**Recognition and measurement**

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Credit risk**

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note (note 22).

# Accounting Policies

**1.4 Financial instruments (continued)**

**Loans from group companies**

**Classification**

Loans from group companies (note 10) are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

Loans from group companies are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 16).

Loans from group companies expose the company to liquidity risk and interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

**Trade and other payables**

**Classification**

Trade and other payables (note 9), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 16).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and other short-term financial assets readily realisable in cash. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

# Accounting Policies

### 1.5 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
  - a transaction or event which is recognised, in the same or a different period, directly to equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.6 Leases (Comparatives under IAS 17)

The following accounting policy applies to the comparative disclosures of leases. The company has adopted IFRS 16 in the current year, but has not restated the comparatives. These accounting policies are prepared on the basis of IAS 17. Refer to the note on changes in accounting policies for details of the impact of the adoption of IFRS 16 on these financial statements.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

# Accounting Policies

### 1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

### 1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

## Accounting Policies

### 1.10 Employee benefits

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.11 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised.

### 1.12 Revenue from contracts with customers

The company recognises revenue from the following major sources:
- Provision of operations and maintenance contract services
- Sale of goods - Procuring and replacing spare parts
- Additional services rendered

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product to a customer.

**Sale of goods - Procuring and replacing spare parts**

For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer’s specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

**Provision of operations and maintenance contract services**

Included in the transaction price for the provision of operations and maintenance contract services. This service relates to maintenance work that may be required to be carried out on the equipment for a three year period after the initial sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the three year period will be for the price at which these are sold by the entity to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

# Accounting Policies

**Revenue from contracts with customers (continued)**

Revenue relating to the services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is recognised as revenue on a straight line basis over the three year service period.

**Additional services rendered**

The company provides additional support services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spend relative to the total expected labour hours.

Interest is recognised, in profit or loss, using the effective interest method.

**1.13 Turnover**

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

**1.14 Cost of sales**

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

**1.15 Borrowing costs**

Finance costs comprise interest expense on borrowings and trade payables and are recognised as an expense in the period in which they are incurred.

**1.16 Translation of foreign currencies**

**Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Impact: |
|---|---|---|
| • Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle | 01 January 2019 | No impact |
| • Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle | 01 January 2019 | No impact |
| • Uncertainty over Income Tax Treatments | 01 January 2019 | No impact |
| • IFRS 16 Leases | 01 January 2019 | No impact |

### 2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company’s accounting periods beginning on or after 01 April 2020 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • IFRS 17 Insurance Contracts | 01 January 2021 | Unlikely there will be a material impact |

# Notes to the Annual Financial Statements

## 3. Property, plant and equipment

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Computer equipment | 178 715 | (105 544) | 73 171 | 134 819 | (62 206) | 72 613 |
| Computer software | 12 949 | (11 723) | 1 226 | 3 096 | - | 3 096 |
| Motor vehicles | 64 499 | (22 320) | 42 179 | 64 499 | (9 421) | 55 078 |
| Office equipment | 156 580 | (140 004) | 16 576 | 156 580 | (108 688) | 47 892 |
| Other fixed assets | 523 628 | (155 224) | 368 404 | 523 628 | (35 342) | 488 286 |
| Tool & equipment | 207 017 | (80 583) | 126 434 | 207 017 | (48 699) | 158 318 |
| **Total** | **1 143 388** | **(515 398)** | **627 990** | **1 089 639** | **(264 356)** | **825 283** |

**Reconciliation of property, plant and equipment - 2020**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Computer equipment | 72 613 | 43 898 | (43 340) | 73 171 |
| Computer software | 3 096 | - | (1 870) | 1 226 |
| Motor vehicles | 55 078 | - | (12 899) | 42 179 |
| Office equipment | 47 892 | - | (31 316) | 16 576 |
| Other fixed assets | 488 286 | - | (119 882) | 368 404 |
| Tool & equipment | 158 318 | - | (31 884) | 126 434 |
| | **825 283** | **43 898** | **(241 191)** | **627 990** |

**Reconciliation of property, plant and equipment - 2019**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Computer equipment | 51 477 | 55 846 | (6 944) | (27 766) | 72 613 |
| Computer software | 4 875 | 3 739 | (4 874) | (644) | 3 096 |
| Motor vehicles | - | 64 499 | - | (9 421) | 55 078 |
| Office equipment | 69 231 | 9 125 | - | (30 464) | 47 892 |
| Other fixed assets | 60 588 | 450 128 | - | (22 430) | 488 286 |
| Tool & equipment | 9 598 | 198 007 | (7 941) | (41 346) | 158 318 |
| | **195 769** | **781 344** | **(19 759)** | **(132 071)** | **825 283** |

A register containing the information required by Regulation 25 (3) of the Companies Regulations is available for inspection at the registered office of the company.

## Notes to the Annual Financial Statements

### 4. Deferred tax

| | | |
|---|---|---|
| Deferred tax liability | (348 790) | (137 157) |
| Deferred tax asset | 9 765 496 | 3 202 222 |
| **Total net deferred tax asset** | **9 416 705** | **3 065 065** |

The major components of the deferred tax balance are as follows:

| | | |
|---|---|---|
| **Deferred tax liability** | | |
| **Arising as a result of temporary differences on:** | | |
| Prepayments and deposits | (348 790) | (137 157) |
| **Deferred tax asset** | | |
| **Arising as a result of temporary differences on:** | | |
| Provision for bad debts | 4 200 | 4 200 |
| Income in advance | 893 778 | 859 511 |
| Leave pay accrual | 63 632 | 23 274 |
| Deferred tax balance from temporary differences other than unused tax losses | 961 610 | 886 985 |
| Tax losses available for set off against future taxable income | 8 803 886 | 2 315 237 |
| **Total deferred tax asset** | **9 765 496** | **3 202 222** |

**Reconciliation of deferred tax asset/(liability)**

| | | |
|---|---|---|
| At beginning of year | 3 065 065 | 2 579 475 |
| **Recognised in profit or loss:** | | |
| Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance | 6 488 649 | 85 212 |
| Taxable / (deductible) temporary difference movement on prepayments | (211 633) | (122 606) |
| Taxable / (deductible) temporary difference movement on Leave pay | 40 357 | 16 396 |
| Taxable / (deductible) temporary difference on income received in advance | 34 267 | 506 588 |
| | **6 351 640** | **485 590** |
| **At end of year** | **9 416 705** | **3 065 065** |

Considering the future business plan and projected taxable profits from order in hand, deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which they can be used.

### 5. Inventories

| | | |
|---|---|---|
| Finished goods | 25 000 000 | - |

### 6. Trade and other receivables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Trade receivables | 224 737 745 | 206 396 995 |
| Loss allowance | (27 434 318) | (20 276 594) |
| Trade receivables at amortised cost | 197 303 427 | 186 120 401 |
| Deposits | 90 733 | 25 119 320 |
| Other receivables | 6 500 | - |
| **Non-financial instruments:** | | |
| Value added-tax | - | 643 255 |
| Prepayments | 1 826 552 | 4 981 193 |
| **Total trade and other receivables** | **199 227 212** | **216 864 169** |

# Notes to the Annual Financial Statements

## 6. Trade and other receivables (continued)

### Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

| | 2020 | 2020 | 2019 | 2019 |
|---|---|---|---|---|
| **Expected credit loss rate:** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** |
| More than 120 days past due 9.8% | 224 737 745 | 27 434 318 | 206 396 995 | 20 276 594 |

### Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

| | | |
|---|---|---|
| Provision raised on new trade receivables | (7 157 724) | (7 378 874) |

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### Trade and other receivables impaired

As of 31 March 2020, trade and other receivables of R 20 000 (2019: R 20 000) were impaired and provided for.

Management is under discussion with the customer for replacement of the defective material. Considering the Order in hand and expected volume discount during the procurement towards the new order same is expected to be replaced towards the end of next financial year. Management has engaged external expert to evaluate expected credit loss as required by IFRS 9 considering the above assumption, and has made provision for expected credit loss amounting to R7 157 724. Accordingly, management is confident of recovery of outstanding receivables.

## 7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 9 447 098 | 4 206 361 |
| Short-term deposits | 17 463 106 | 17 897 143 |
| | **26 910 204** | **22 103 504** |

### Fair value of cash and cash equivalents

Due to the short term nature of cash and cash equivalents, the carrying amount is assumed to approximate fair value.

## Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 7. Cash and cash equivalents (continued)

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

| | | |
|---|---|---|
| **Credit rating** | | |
| B (Standard & Poor) | 26 910 204 | 22 103 504 |

**Guarantee**

With FirstRand Bank Limited to the value of R16 469 628 not exceeding 12 months

### 8. Share capital

| | | |
|---|---|---|
| **Authorised** | | |
| 1 000 Ordinary shares no par value | 1 000 | 1 000 |

| | | |
|---|---|---|
| **Reconciliation of number of shares issued:** | | |
| Reported as at 01 April 2019 | 120 | 100 |
| Issue of shares – ordinary shares | - | 20 |
| | **120** | **120** |

880 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

| | | |
|---|---|---|
| **Issued** | | |
| 120 ordinary shares of no par value | 120 | 120 |

### 9. Trade and other payables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Trade payables | 137 541 599 | 127 197 616 |
| Accrued employee expenses | 233 388 | 83 121 |
| Accrued expenses | 197 836 | - |
| First National Bank credit cards | 39 939 | 33 077 |
| **Non-financial instruments:** | | |
| Amounts received in advance | 26 442 065 | 26 319 682 |
| Value added-tax | 121 908 | - |
| | **164 576 735** | **153 633 496** |

**Exposure to currency risk**

The net carrying amount of trade and other payables are denominated in the following currencies:

| | | |
|---|---|---|
| **Rand Amount** | | |
| Rand | 164 501 696 | 153 653 496 |
| US Dollar | 75 039 | - |
| | **164 576 735** | **153 653 496** |

**Fair value of trade and other payables**

Trade and other payables are short-term by nature and their carrying amount approximates their fair values.

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 10. Loans from group companies

| | | |
|---|---|---|
| **Held at amortised cost** | | |
| **Unsecured** | | |
| Sterling and Wilson International Solar FZCO | 98 253 154 | 70 938 595 |

The loan is unsecured, interest free and is payable on demand.

This loan has been subordinated in favour of other creditors, until such time as the assets of the company, fairly valued, exceeds its liabilities.

**Exposure to currency risk**

| | | |
|---|---|---|
| **Foreign currency amount** | | |
| US Dollar | 5 463 912 | 4 893 912 |

The carrying amount of the loan approximates the fair value.

### 11. Provisions

**Reconciliation of provisions - 2020**

| | Opening balance | Utilised during the year | Total |
|---|---|---|---|
| Product warranties | 36 897 094 | (3 262 614) | 33 634 480 |

**Reconciliation of provisions - 2019**

| | Opening balance | Reversed during the year | Total |
|---|---|---|---|
| Product warranties | 54 824 491 | (17 927 397) | 36 897 094 |

The warranty provision represents management's best estimate of the company's liability under warranties granted on products, based on prior experience and industry averages.

### 12. Revenue

| | | |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Operations and maintenance contract | 20 924 854 | 15 125 292 |
| Additional services rendered | 865 509 | 937 451 |
| Procuring and replacing spare parts | 3 628 883 | 8 790 681 |
| | **25 419 246** | **24 853 424** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 12. Revenue (continued)

**Disaggregation of revenue from contracts with customers**

The company disaggregates revenue from customers as follows:

**Timing of revenue recognition**

| | 2020 | 2019 |
|---|---|---|
| **At a point in time** | | |
| Procuring and replacing spare parts | (3 628 883) | (8 790 681) |
| **Over time** | | |
| Operations and maintenance contract | (20 924 854) | (15 125 292) |
| Additional services rendered | (865 509) | (937 451) |
| **Total revenue from contracts with customers** | **(25 419 246)** | **(24 853 424)** |

## 13. Cost of sales

| | 2020 | 2019 |
|---|---|---|
| Employee costs | 4 690 114 | 3 531 039 |
| Construction contracts | 3 687 806 | 4 317 692 |
| | **8 377 920** | **7 848 731** |

Prior year numbers were reclassified for better presentation purposes and has no other impact.

## 14. Operating loss

Operating loss for the year is stated after charging (crediting) the following, amongst others:

**Employee costs**

| | 2020 | 2019 |
|---|---|---|
| Salaries, wages, bonuses and other benefits | 2 249 106 | 2 894 814 |

**Leases**

| | 2020 | 2019 |
|---|---|---|
| **Operating lease charges** | | |
| Premises | 228 315 | 340 917 |
| **Depreciation** | | |
| Depreciation of property, plant and equipment | 241 191 | 132 071 |
| **Other** | | |
| Insurance | 4 949 325 | 4 244 153 |
| Legal expenses | 7 326 782 | 9 554 529 |
| Expected credit losses | 7 157 124 | 7 378 874 |
| Foreign exchange losses | 19 026 873 | 9 351 129 |
| Hedging income | - | (40 741 062) |
| Hedging fee | - | 40 741 062 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 15. Investment income

| | | |
|---|---|---|
| **Interest income** | | |
| **Investments in financial assets:** | | |
| Bank | 1 066 624 | 1 277 155 |
| SARS | 95 166 | 109 158 |
| Trade and other receivables | 18 340 750 | 18 206 256 |
| **Total interest income** | **19 502 540** | **19 592 569** |

## 16. Finance costs

| | | |
|---|---|---|
| Trade and other payables | 11 183 026 | 10 827 382 |
| Bank | 75 | 187 |
| **Total finance costs** | **11 183 101** | **10 827 569** |

## 17. Taxation

**Major components of the tax income**

| | | |
|---|---|---|
| **Deferred** | | |
| Originating and reversing temporary differences | (6 351 640) | (485 590) |

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

| | | |
|---|---|---|
| Accounting (loss) profit | (22 927 565) | (11 171 067) |
| Tax at the applicable tax rate of 28% (2019: 28%) | (6 419 718) | (3 127 899) |
| **Tax effect of adjustments on taxable income** | | |
| Tax adjustment in respect of prior period | 107 | - |
| Donations | 2 660 | 3 360 |
| Temporary difference on deferred tax | 65 311 | - |
| Overseas travel | - | 20 634 |
| Foreign exchange gain | - | 2 618 309 |
| | **(6 351 640)** | **(485 596)** |

No provision has been made for 2020 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 31 442 449 (2019: R 8 268 705).

## 18. Tax paid

| | | |
|---|---|---|
| Balance at beginning of the year | 1 756 647 | 1 647 489 |
| Interest accrued | 95 166 | 109 160 |
| Balance at end of the year | (1 851 813) | (1 756 647) |
| | **-** | **2** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 19. Commitments

**Operating leases – as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 36 000 | 363 920 |
| - in second to fifth year inclusive | - | 36 000 |
| | **36 000** | **399 920** |

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of six to sixteen months. No contingent rent is payable.

## 20. Guarantees

The company has issued a performance demand guarantee in favour of Solar Capital De Aar 3 (RF) Proprietary Limited, backed by Guardrisk Insurance Company Limited to the maximum amount of R 246 993 707.

## 21. Related parties

| **Relationships** | |
|---|---|
| Shareholders | Sterling and Wilson International Solar FZCO (60%) |
| | Orange Oak Investment 26 Proprietary Limited |
| Companies within the same group | Shapoorji Pallonji & Co. PvT Ltd |
| | Sterling & Wilson PvT Ltd, India |
| | Sterling & Wilson Middle East |
| | Sterling & Wilson Solar Ltd |

**Related party balances**

| | | |
|---|---|---|
| **Loan accounts - Owing (to) by related parties** | | |
| Sterling & Wilson International Solar FZCO | (98 253 154) | (70 938 595) |
| **Amounts included in Trade receivable (Trade Payable) regarding related parties** | | |
| Sterling & Wilson Solar Ltd | (75 039) | - |

**Related party transactions**

| | | |
|---|---|---|
| **Purchases from related parties** | | |
| Sterling & Wilson Solar Ltd | 62 046 | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 22. Financial instruments and risk management

### Categories of financial instruments

### Categories of financial assets

**2020**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 6 | 197 400 660 | 197 400 660 | 197 400 660 |
| Cash and cash equivalents | 7 | 26 910 204 | 26 910 204 | 26 910 204 |
| | | **224 310 864** | **224 310 864** | **224 310 864** |

**2019**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 6 | 211 239 721 | 211 239 721 | 211 239 721 |
| Cash and cash equivalents | 7 | 22 103 504 | 22 103 504 | 22 103 504 |
| | | **233 343 225** | **233 343 225** | **233 343 225** |

### Categories of financial liabilities

**2020**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 9 | 138 012 758 | 138 012 758 | 137 814 922 |
| Loans from group companies | 10 | 98 253 154 | 98 253 154 | 98 253 154 |
| | | **236 265 912** | **236 265 912** | **236 068 076** |

**2019**

| | Note | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 9 | 127 333 626 | 127 333 626 | 127 333 626 |
| Loans from group companies | 10 | 70 938 595 | 70 938 595 | 70 938 595 |
| | | **198 272 221** | **198 272 221** | **198 272 221** |

### Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 10, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

| Figures in Rand | | 2020 | 2019 |
|---|---|---|---|

## 22. Financial instruments and risk management (continued)

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

| | | | |
|---|---|---|---|
| Borrowings | 10 | 98 253 154 | 70 938 595 |
| Trade and other payables | 9 | 164 576 731 | 153 633 496 |
| **Total borrowings** | | **262 829 885** | **224 572 091** |
| Cash and cash equivalents | 7 | (26 910 204) | (22 103 504) |
| **Net borrowings** | | **235 919 681** | **202 468 587** |
| Equity | | (33 430 440) | (16 854 516) |
| Gearing ratio | | (706)% | (789)% |

**Financial risk management**

**Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a small customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost / fair value** | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost / fair value** |
| Trade and other receivables | 6 | 224 828 478 | (27 434 318) | 197 394 160 | 231 516 315 | (20 276 594) | 211 239 721 |
| Cash and cash equivalents | 7 | 26 910 204 | - | 26 910 204 | 22 103 504 | - | 22 103 504 |
| | | **251 738 682** | **(27 434 318)** | **224 304 364** | **253 619 819** | **(20 276 594)** | **233 343 225** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 22. Financial instruments and risk management (continued)

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**2020**

| | | Less than 1 year | Total | Carrying amount |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 9 | 138 012 758 | 138 012 758 | 138 012 758 |
| Borrowings | 10 | 98 253 154 | 98 253 154 | 98 253 154 |

**2019**

| | | Less than 1 year | Total | Carrying amount |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 9 | 127 313 814 | 127 313 814 | 127 313 814 |
| Borrowings | 10 | 70 938 595 | 70 938 595 | 70 938 595 |

### Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The company does not hedge foreign exchange fluctuations.

At 31 March 2020, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been R 983 282 (2019: R 708 032) higher, mainly as a result of foreign exchange gains or losses on translation of foreign currencies denominated trade payables.

# Notes to the Annual Financial Statements

| Figures in Rand | | 2020 | 2019 |
|---|---|---|---|

## 22. Financial instruments and risk management (continued)

**Exposure in foreign currency amounts**

The net carrying amounts, in foreign currency of the above exposure was as follows:
**US Dollar exposure:**

| | | | |
|---|---|---|---|
| **Current liabilities:** | | | |
| Trade and other payables, USD 4 200 (2019: Nil) | 9 | 75 039 | - |
| Other financial liabilities, USD 5 463 912 (2019: 4 893 912) | | 98 253 154 | 70 938 595 |
| **Net US Dollar exposure** | | **98 328 193** | **70 938 595** |

**Exchange rates**

| | | |
|---|---|---|
| **Rand per unit of foreign currency:** | | |
| US Dollar | 17.982 | 14.495 |

**Interest rate risk**

The company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. Variable interest rate assets and liabilities expose the company to cash flow interest rate risk, being the risk that cash flows earned or paid on such assets and liabilities will change due to movements in market rates.

At 31 March 2020, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 619 770 (2019: R 677 034) lower/higher, mainly as a result of higher/lower interest income on floating rate borrowings.

## 23. Events after the reporting period

Between the end of the reporting period and the date when the financial statements have been authorised for issue, there has been a worldwide outbreak of the COVID-19 virus that has, to date, had a significant negative impact on the global economy including South Africa. At the time of reporting, South Africa is in the mid-stages of the outbreak and there is a high level of uncertainty as to containment and prevention and as to what the impact might be on the economy, making reasonable impact estimates difficult at this point in time but it is considered that the financial impact will not be significant.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 24. Going concern

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of R (33 430 565) and that the company's total liabilities exceed its assets by R (33 430 445).

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Sterling and Wilson, being a leading Solar EPC contractor in construction and maintenance of Solar power plants provides essential services and has had no adverse impact due to the COVID-19 virus lockdown.

Other than as disclosed in paragraph 23 above, the directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the company.

Based on management evaluation, the event mention in the note above does not raise a concern of the Company's ability to continue as going concern since the Company has a long term fixed price Operation and Maintenance contract with the customer. Also, the Company has a contract in hand for construction of a power plant which is expected to commence in next 12 months from the end of the financial year. Management are also under discussion with the customer for replacement of the defective material. Considering the Order in hand and expected volume discount during the procurement towards the new order same is expected to be replaced towards the end of next financial year.

We also draw attention to Note 10 to the financial statements whereby the shareholder has subordinated its loan in favor of the creditors, until such time as the assets of the company, fairly.

## Detailed Income Statement

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **Revenue** | | |
| Operations and maintenance contract | 20 924 854 | 15 125 292 |
| Recovery | 865 509 | 937 451 |
| Procuring and replacing spare parts | 3 628 883 | 8 790 681 |
| | **25 419 246** | **24 853 424** |
| **Cost of sales** | | |
| Purchases | (33 377 920) | (7 848 731) |
| Closing stock | 25 000 000 | - |
| | **(8 377 920)** | **(7 848 731)** |
| **Gross profit** | **17 041 326** | **17 004 693** |
| **Other operating gains (losses)** | | |
| Foreign exchange losses | (19 026 873) | (9 351 129) |
| **Expenses (Refer to page 36)** | **(29 261 457)** | **(27 589 631)** |
| **Operating loss** | **(31 247 004)** | **(19 936 067)** |
| Investment income | 19 502 540 | 19 592 569 |
| Finance costs | (11 183 101) | (10 827 569) |
| **Loss before taxation** | **(22 927 565)** | **(11 171 067)** |
| Taxation | 6 351 640 | 485 590 |
| **Loss for the year** | **(16 575 925)** | **(10 685 477)** |

# Detailed Income Statement

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---|---|---|
| **Other operating expenses** | | | |
| Accounting and audit fees | | 1 841 417 | 1 438 966 |
| Advertising | | 23 349 | - |
| Assets < R7 000 | | 9 662 | 228 254 |
| Bank charges | | 199 608 | 76 887 |
| Boarding & lodging | | 588 657 | 1 145 031 |
| Computer expenses | | 12 605 | 1 877 |
| Consulting and professional fees | | 1 394 694 | 914 459 |
| Consulting and professional fees - legal | | 87 879 | 100 360 |
| Consulting and professional fees - tax | | 329 898 | - |
| Courier and postage | | 2 960 | 51 655 |
| Depreciation | | 241 191 | 132 071 |
| Donations | | 9 500 | 12 000 |
| Employee costs | | 1 894 943 | 331 911 |
| Expected credit losses | | 7 157 724 | 7 378 894 |
| Fines and penalties | | - | 382 |
| Insurance | | 4 949 325 | 4 244 153 |
| Lease rentals on operating lease | | 228 315 | 340 917 |
| Legal expenses | | 7 326 782 | 9 554 529 |
| Motor vehicle expenses | | 987 282 | 654 486 |
| Printing and stationery | | 32 408 | 10 091 |
| Repairs and maintenance | | 73 462 | 3 036 |
| Security | | 741 750 | 723 758 |
| Small supplier/customer write off | | 1 | 188 |
| Staff welfare | | 35 465 | 23 546 |
| Subscriptions | | 24 819 | 8 684 |
| Telephone and fax | | 37 569 | 7 351 |
| Training | | 45 760 | 68 775 |
| Travel - local | | 42 852 | 63 676 |
| Travel - overseas | | 233 254 | 73 694 |
| | | **29 261 457** | **27 589 631** |


The supplementary information presented does not form part of the annual financial statements and is unaudited