**Sterling and Wilson Engineering Proprietary Limited**
**(Registration number 2013/189325/07)**
**Annual financial statements**
**for the year ended 31 March 2022**

## 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** | 08/06/2022 |

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


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## 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. 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 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 sets 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 4 to 6.

The annual financial statements set out on pages 7 to 39, which have been prepared on the going concern basis, were approved by the directors on 08/06/2022 and were signed on their behalf by:

**Approval of financial statements**

**Director**

RSM

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# 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 37, which comprise the statement of financial position as at 31 March 2022, 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 2022, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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.

RSM

- 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 Inc.

**RSM South Africa Inc.**

**Rieyaaz Rawoot**
**Chartered Accountant (SA)**
**Registered Auditor**
**Director**

**Date** 08/06/2022

# 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 2022.

### 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 2022 (2021: 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

The COVID-19 pandemic continued into the 2021 with vaccination programs globally underway and a cautiously positive outlook for 2022. The company has not been significantly impacted to date.

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

### 8. Going concern

We draw attention to the fact that at 31 March 2022, the company had accumulated losses of R (30 811 950) and that the company's total liabilities exceed its assets by R (30 811 830).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management strongly believes that the company is a going concern as they are continuing with the 20 years operations and maintenance contract of which 6 years has been completed to date and this contract has a high gross margin. In addition to this, to support the continuance of the Company's operations, the shareholder has confirmed its willingness to continue the operations of the Company and to provide sufficient funds as may be necessary to meet liabilities that cannot be met out of the Company's available resources.

# Directors' Report

### 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.

## Statement of Financial Position as at 31 March 2022

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 263 783 | 413 330 |
| Other financial assets | 4 | - | 6 638 550 |
| Deferred tax | 5 | 8 621 569 | 7 334 841 |
| | | **8 885 352** | **14 386 721** |
| **Current Assets** | | | |
| Inventories | 6 | - | 25 000 000 |
| Trade and other receivables | 7 | 6 733 661 | 214 595 974 |
| Current tax receivable | | 3 802 793 | 1 860 616 |
| Cash and cash equivalents | 8 | 39 110 636 | 25 046 225 |
| | | **49 647 090** | **266 502 815** |
| **Total Assets** | | **58 532 442** | **280 889 536** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 9 | 120 | 120 |
| Accumulated loss | | (30 811 950) | (13 983 101) |
| | | **(30 811 830)** | **(13 982 981)** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | 2 364 266 | 173 431 744 |
| Loan from group company | 11 | 86 980 006 | 95 800 747 |
| Provisions | 12 | - | 25 640 026 |
| | | **89 344 272** | **294 872 517** |
| **Total Equity and Liabilities** | | **58 532 442** | **280 889 536** |

# Statement of Profit or Loss and Other Comprehensive Income

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenue | 13 | 27 724 730 | 26 182 354 |
| Cost of sales | 14 | (5 527 540) | (8 802 728) |
| **Gross profit** | | **22 197 190** | **17 379 626** |
| Other operating income | 15 | 25 631 824 | 16 349 |
| Other operating (losses) gains | | 2 109 442 | 18 164 047 |
| Other operating expenses | | (72 244 899) | (20 137 665) |
| **Operating (loss) profit** | 16 | **(22 306 443)** | **15 422 357** |
| Investment income | 17 | 9 723 107 | 14 666 531 |
| Finance costs | 18 | (5 532 239) | (8 548 002) |
| **(Loss) profit before taxation** | | **(18 115 575)** | **21 540 886** |
| Taxation | 19 | 1 286 726 | (2 093 422) |
| **(Loss) profit for the year** | | **(16 828 849)** | **19 447 464** |
| Other comprehensive income | | - | - |
| **Total comprehensive (loss) income for the year** | | **(16 828 849)** | **19 447 464** |

# Statement of Changes in Equity

| Figures in Rand | Share capital | Accumulated loss | Total equity |
| --- | --- | --- | --- |
| **Balance at 01 April 2020** | **120** | **(33 430 565)** | **(33 430 445)** |
| Profit for the year | - | 19 447 464 | 19 447 464 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | **-** | **19 447 464** | **19 447 464** |
| **Balance at 01 April 2021** | **120** | **(13 983 101)** | **(13 982 981)** |
| Loss for the year | - | (16 828 849) | (16 828 849) |
| Other comprehensive income | - | - | - |
| **Total comprehensive Loss for the year** | **-** | **(16 828 849)** | **(16 828 849)** |
| **Balance at 31 March 2022** | **120** | **(30 811 950)** | **(30 811 830)** |
| Note | 9 | | |

## Statement of Cash Flows

| Figures in Rand | Note(s) | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | (18 115 575) | 21 540 886 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 204 971 | 223 797 |
| (Gains) losses on foreign exchange | | (2 109 442) | (18 164 047) |
| Interest received | | (9 723 107) | (14 666 531) |
| Finance costs | | 5 532 239 | 8 548 002 |
| Fair value losses (gains) | | 8 202 | (16 349) |
| Movements in provisions | | (25 640 026) | (7 994 454) |
| Movement in provision for expected credit losses | | (81 111) | 5 483 017 |
| **Changes in working capital:** | | | |
| Inventories | | 25 000 000 | - |
| Trade and other receivables | | 211 455 262 | (15 429 874) |
| Trade and other payables | | (171 070 129) | 8 792 342 |
| **Cash generated from operations** | | **15 461 284** | **(11 683 211)** |
| Interest income | | 679 030 | 686 771 |
| Finance costs | | - | (10 510) |
| Tax paid | 20 | (1 942 177) | - |
| **Net cash from operating activities** | | **14 198 137** | **(11 006 950)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (55 425) | (9 138) |
| Sale of financial assets | | 6 630 350 | - |
| Purchase of financial assets | | - | (6 622 201) |
| **Net cash from investing activities** | | **6 574 925** | **(6 631 339)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 24 207 | 15 774 310 |
| Repayment of borrowings | | (6 732 858) | - |
| **Net cash from financing activities** | | **(6 708 651)** | **15 774 310** |
| **Total cash movement for the year** | | **14 064 411** | **(1 863 979)** |
| Cash at the beginning of the year | | 25 046 225 | 26 910 204 |
| **Total cash at end of the year** | 8 | **39 110 636** | **25 046 225** |

## 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 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 12.

### 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 company'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.
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income).

Financial liabilities:
- Amortised cost.

Note 23 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 7).

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 7) and the financial instruments and risk management note (note 23).

# Accounting Policies

**1.4 Financial instruments (continued)**

**Investments in debt instruments at fair value through profit or loss**

**Classification**

Certain investments in debt instruments are classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the company business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The company has designated certain investments in debt instruments as at fair value through profit or loss. The reason for the designation is to reduce or eliminate an accounting mismatch which would occur if the instruments were not classified as such.

**Recognition and measurement**

Investments in debt instruments at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are included in other operating gains (losses).

Interest received on debt instruments at fair value through profit or loss are included in investment income (note 17).

**Loans from group companies**

**Classification**

Loans from group companies 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 18).

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

### 1.4 Financial instruments (continued)

**Trade and other payables**

**Classification**

Trade and other payables (note 10), 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 18).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 23 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.

### 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.

# Accounting Policies

### 1.5 Tax (continued)

**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 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 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.

### 1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

# Accounting Policies

### 1.7 Leases (continued)

**Company as lessee**

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 16) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option;

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 18).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Right-of-use assets**

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and

# Accounting Policies

**1.7 Leases (continued)**

- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

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 a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

**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 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  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 .

# 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
- Sales 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 or service to a customer.

**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

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

**Perfomance Incentives**

Revenue relating to the services is recognised over time when the performance obligations are met.

**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.

# Notes to the Annual Financial Statements



## 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 | Expected impact: |
|---|---|---|
| • Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4 | 01 January 2021 | Unlikely there will be a material impact |
| • Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9 | 01 January 2021 | Unlikely there will be a material 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 2022 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16 | 01 January 2022 | Unlikely there will be a material impact |
| • Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37 | 01 January 2022 | Unlikely there will be a material impact |

# Notes to the Annual Financial Statements

## 3. Property, plant and equipment

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Computer equipment | 202 922 | (186 564) | 16 358 | 178 715 | (149 983) | 28 732 |
| Computer software | 2 | - | 2 | 12 949 | (12 947) | 2 |
| Motor vehicles | 95 716 | (50 201) | 45 515 | 64 499 | (35 220) | 29 279 |
| Office equipment | 156 580 | (153 901) | 2 679 | 156 580 | (152 076) | 4 504 |
| Other fixed assets | 523 628 | (394 988) | 128 640 | 523 628 | (275 106) | 248 522 |
| Tools and equipment | 216 155 | (145 566) | 70 589 | 216 155 | (113 864) | 102 291 |
| **Total** | **1 195 003** | **(931 220)** | **263 783** | **1 152 526** | **(739 196)** | **413 330** |

**Reconciliation of property, plant and equipment - 2022**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Computer equipment | 28 732 | 24 207 | (36 581) | 16 358 |
| Computer software | 2 | - | - | 2 |
| Motor vehicles | 29 279 | 31 218 | (14 982) | 45 515 |
| Office equipment | 4 504 | - | (1 825) | 2 679 |
| Other fixed assets | 248 522 | - | (119 882) | 128 640 |
| Tools and equipment | 102 291 | - | (31 702) | 70 589 |
| | **413 330** | **55 425** | **(204 972)** | **263 783** |

**Reconciliation of property, plant and equipment - 2021**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Computer equipment | 73 171 | - | (44 439) | 28 732 |
| Computer software | 1 226 | - | (1 224) | 2 |
| Motor vehicles | 42 179 | - | (12 900) | 29 279 |
| Office equipment | 16 576 | - | (12 072) | 4 504 |
| Other fixed assets | 368 404 | - | (119 882) | 248 522 |
| Tools and equipment | 126 434 | 9 138 | (33 281) | 102 291 |
| | **627 990** | **9 138** | **(223 798)** | **413 330** |

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.

## 4. Other financial assets

**At fair value through profit or loss**

| | | |
|---|---|---|
| Guardrisk collateral | - | 6 638 550 |

**Non-current assets**

| | | |
|---|---|---|
| Designated as at FV through profit (loss) (FV through income) | - | 6 638 550 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
| --- | --- | --- |

## 4. Other financial assets (continued)

**Fair value hierarchy of available-for-sale financial assets**

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

| | | |
| --- | --- | --- |
| Level 1 | - | 6 638 550 |

## 5. Deferred tax

**Deferred tax liability**

| | | |
| --- | --- | --- |
| **Arising as a result of temporary differences on:** | | |
| Prepayments and deposits | (35 257) | (20 302) |
| Other financial assets | - | (3 662) |
| **Total deferred tax liability** | **(35 257)** | **(23 964)** |

**Deferred tax asset**

| | | |
| --- | --- | --- |
| **Arising as a result of temporary differences on:** | | |
| Provision for expected credit losses | - | 5 526 753 |
| Income in advance | 420 475 | 908 185 |
| Leave pay accrual | 100 432 | 88 217 |
| Deferred tax balance from temporary differences other than unused tax losses | 520 907 | 6 523 155 |
| Tax losses available for set off against future taxable income | 8 135 919 | 835 651 |
| | 8 656 826 | 7 358 806 |
| **Total deferred tax asset** | **8 656 826** | **7 358 806** |

| | | |
| --- | --- | --- |
| Deferred tax liability | (35 257) | (23 964) |
| Deferred tax asset | 8 656 826 | 7 358 806 |
| **Total net deferred tax asset** | **8 621 569** | **7 334 842** |

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

| | | |
| --- | --- | --- |
| At beginning of year | 7 334 842 | 9 416 705 |
| Reduction due to rate change | (319 317) | - |
| Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance | 7 935 277 | (7 333 089) |
| Taxable / (deductible) temporary difference on prepayment | (16 260) | 328 488 |
| Taxable / (deductible) temporary difference movement on leave pay | 15 935 | 24 587 |
| Taxable / (deductible) temporary difference on income received in advance | (472 136) | 14 406 |
| Taxable / (deductible) temporary difference movement in expected credit losses | (5 526 753) | 921 147 |
| Taxable / (deductible) temporary difference on financial assets | 3 662 | (3 662) |
| Deferred tax in respect of prior periods | (333 681) | 3 966 260 |
| | **8 621 569** | **7 334 842** |

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.

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 6. Inventories

| | | |
|---|---|---|
| Work in progress | - | 25 000 000 |

Sterling and Wilson Engineering Proprietary Limited has set off an inventory amount of R25 million against income received in advance of R25 million from a customer. The contract was awarded a few years back and with the increase in the prices of modules it lead to the fact that the contract value as agreed upon on signing does not hold good today. The set-off was mutually agreed by both parties.

### 7. Trade and other receivables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Trade receivables | 6 408 709 | 247 094 024 |
| Loss allowance | - | (32 917 336) |
| Trade receivables at amortised cost | 6 408 709 | 214 176 688 |
| Deposits | 1 390 | 54 690 |
| Staff loans | - | 19 000 |
| **Non-financial instruments:** | | |
| Prepayments | 323 562 | 345 596 |
| **Total trade and other receivables** | **6 733 661** | **214 595 974** |

Sterling and Wilson Engineering Proprietary Limited has set-off the amount of R94 million receivable from a customer against payable to a vendor based on the correspondences and discussions between the parties. In addition, the Company has also written off the trade receivable of R60 million as the same is not recoverable from the customer.

**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:

| | 2022 | 2022 | 2021 | 2021 |
|---|---|---|---|---|
| **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 | 6 408 709 | - | 247 094 024 | 32 917 336 |

**Reconciliation of loss allowances**

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

| | | |
|---|---|---|
| **Opening balance** | **(32 917 336)** | **(27 434 318)** |
| Provision raised on new trade receivables | (3 511 838) | (5 483 018) |
| Provisions reversed on settled trade receivables | 36 429 174 | - |
| **Closing balance** | - | **(32 917 336)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 20 509 959 | 7 019 568 |
| Short-term deposits | 18 600 677 | 18 026 657 |
| | **39 110 636** | **25 046 225** |

**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.

**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) | 39 110 636 | 25 046 225 |

**Guarantee**

Performance guarantee with Rand Merchant Bank Limited to the value of R17 778 716 expiring on 04/01/2023.

ST Contingent to the value of R20 000 000 by Sterling and Wilson Engineering Proprietary Limited dated 31/03/2022.

Banking facilities are secured by:
Unlimited cession and pledge of credit balances by Sterling and Wilson Engineering Proprietary Limited dated 16/07/2015.

## 9. 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 2021 | 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 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 10. Trade and other payables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Trade payables | 224 353 | 146 466 115 |
| Accrued employee expenses | 371 973 | 315 066 |
| Accrued expenses | 32 624 | - |
| First National Bank credit cards | 919 | 6 919 |
| **Non-financial instruments:** | | |
| Amounts received in advance | 1 557 315 | 26 493 516 |
| VAT | 177 082 | 150 128 |
| | **2 364 266** | **173 431 744** |

Sterling and Wilson Engineering Proprietary Limited has set-off the amount of R94 million receivable from a customer against payable to a vendor based on the correspondences and discussions between the parties.

**Exposure to currency risk**

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

| | | |
|---|---|---|
| **Rand Amount** | | |
| Rand | 2 364 266 | 173 431 744 |

**Fair value of trade and other payables**

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

## 11. Loans from group companies

| | | |
|---|---|---|
| **Held at amortised cost** | | |
| **Unsecured** | | |
| Sterling and Wilson International Solar FZCO | 86 980 006 | 95 800 747 |
| | **86 980 006** | **95 800 747** |

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

**Exposure to currency risk**

| | | |
|---|---|---|
| **Foreign currency amount** | | |
| US Dollar | 6 010 850 | 6 456 925 |

The carrying amount of the loan approximates the fair value.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 12. Provisions

**Reconciliation of provisions - 2022**

| | Opening balance | Utilised during the year | Total |
|---|---|---|---|
| Product warranties | 25 640 026 | (25 640 026) | - |

**Reconciliation of provisions - 2021**

| | Opening balance | Utilised during the year | Total |
|---|---|---|---|
| Product warranties | 33 634 480 | (7 994 454) | 25 640 026 |

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.

In terms of the contract, the final completion certificate was issued and therefore the warranty provision is no longer applicable. In addition, refer to note 7.

## 13. Revenue

| | 2022 | 2021 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Operations and maintenance contract | 26 759 152 | 23 126 738 |
| Additional services rendered | 909 070 | 841 307 |
| Procuring and replacing spare parts | 56 508 | 2 214 309 |
| | **27 724 730** | **26 182 354** |

**Disaggregation of revenue from contracts with customers**

The company disaggregates revenue from customers as follows:

**Timing of revenue recognition**

| | 2022 | 2021 |
|---|---|---|
| **At a point in time** | | |
| Procuring and replacing spare parts | 56 508 | 2 214 309 |
| **Over time** | | |
| Operations and maintenance contract | 26 759 152 | 23 126 738 |
| Additional services rendered | 909 070 | 841 307 |
| | **27 668 222** | **23 968 045** |
| **Total revenue from contracts with customers** | **27 724 730** | **26 182 354** |

## 14. Cost of sales

| | 2022 | 2021 |
|---|---|---|
| Employee costs | 4 229 880 | 4 537 105 |
| Construction contracts | 1 297 660 | 4 265 623 |
| | **5 527 540** | **8 802 728** |

## 15. Other operating income

| | 2022 | 2021 |
|---|---|---|
| Reversal of provisions | 25 640 026 | - |
| Other income | (8 202) | 16 349 |
| | **25 631 824** | **16 349** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 16. Operating profit (loss)

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

| | | |
|---|---|---|
| **Employee costs** | | |
| Salaries, wages, bonuses and other benefits | 600 503 | 2 105 232 |
| **Leases** | | |
| Operating lease charges | 17 415 | 74 732 |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 204 971 | 223 798 |
| **Other** | | |
| Insurance | 1 599 484 | 5 675 688 |
| Legal expenses | 1 880 180 | 167 741 |
| Expected credit losses | 3 430 728 | 5 483 017 |
| Foreign exchange losses | 2 109 442 | 18 164 047 |
| Reversal of provisions | 25 640 026 | - |
| Bad debts | 60 202 930 | - |

## 17. Investment income

| | | |
|---|---|---|
| **Interest income** | | |
| **Investments in financial assets:** | | |
| Bank and other cash | 574 048 | 564 571 |
| Other financial assets | 104 982 | 122 200 |
| SARS | - | 22 399 |
| Trade and other receivables | 9 044 077 | 13 957 361 |
| **Total interest income** | **9 723 107** | **14 666 531** |

## 18. Finance costs

| | | |
|---|---|---|
| Trade and other payables | 5 532 239 | 8 545 897 |
| Bank overdraft | - | 68 |
| Tax authorities | - | 2 037 |
| **Total finance costs** | **5 532 239** | **8 548 002** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 19. Taxation

**Major components of the tax income**

| | | |
|---|---|---|
| **Current** | | |
| Local income tax - prior period (over) under provision | - | 11 559 |
| **Deferred** | | |
| Originating and reversing temporary differences | (1 620 407) | 6 048 122 |
| Arising from prior period adjustments | 333 681 | (3 966 259) |
| | **(1 286 726)** | **2 081 863** |
| | **(1 286 726)** | **2 093 422** |

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

| | | |
|---|---|---|
| Accounting loss | (18 115 575) | 21 540 886 |
| Tax at the applicable tax rate of 28% (2021: 28%) | (5 072 361) | 6 031 448 |
| **Tax effect of adjustments on taxable income** | | |
| Tax adjustment in respect of prior period | - | 11 559 |
| Non-deductible expenses / exempt income | 3 136 412 | 16 675 |
| Deferred tax in respect of prior periods | 333 681 | (3 966 259) |
| Tax rate change | 319 317 | - |
| Taxable capital gain | 1 825 | - |
| Other tax adjustments | (5 600) | - |
| | **(1 286 726)** | **2 093 423** |

No provision has been made for 2022 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 30 133 029 (2021: R 2 984 469). Refer to note 26.

## 20. Tax paid

| | | |
|---|---|---|
| Balance at beginning of the year | 1 860 616 | 1 851 813 |
| Current tax for the year recognised in profit or loss | - | (11 559) |
| Interest and penalties accrued | - | 20 362 |
| Balance at end of the year | (3 802 793) | (1 860 616) |
| | **(1 942 177)** | **-** |

## 21. Commitments

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

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 36 000 |

Operating lease payments represent rentals payable by the company for certain of its office properties. No new leases were entered into during the year. No contingent rent is payable.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 22. Related parties

**Relationships**

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

**Related party balances**

| | 2022 | 2021 |
|---|---|---|
| **Loan accounts - Owing (to) by related parties** | | |
| Sterling & Wilson International Solar FZCO | (86 980 006) | (95 800 747) |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 23. Financial instruments and risk management

**Categories of financial instruments**

**Categories of financial assets**

**2022**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 7 | 6 410 099 | 6 410 099 | 6 410 099 |
| Cash and cash equivalents | 8 | 39 110 636 | 39 110 636 | 39 110 636 |
| | | **45 520 735** | **45 520 735** | **45 520 735** |

**2021**

| | Note(s) | Fair value through profit or loss - Mandatory | Amortised cost | Total | Fair value |
|---|---|---|---|---|---|
| Other financial assets | 4 | 6 638 550 | - | 6 638 550 | 6 638 550 |
| Trade and other receivables | 7 | - | 214 250 378 | 214 250 378 | 214 250 378 |
| Cash and cash equivalents | 8 | - | 25 046 225 | 25 046 225 | 25 046 225 |
| | | **6 638 550** | **239 296 603** | **245 935 153** | **245 935 153** |

**Categories of financial liabilities**

**2022**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 10 | 629 867 | 629 867 | 629 867 |
| Loans from group companies | 11 | 86 980 006 | 86 980 006 | 86 980 006 |
| | | **87 609 873** | **87 609 873** | **87 609 873** |

**2021**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 10 | 146 788 100 | 146 788 100 | 146 788 100 |
| Loans from group companies | 11 | 95 800 747 | 95 800 747 | 95 800 747 |
| | | **242 588 847** | **242 588 847** | **242 588 847** |

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

**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 11, cash and cash equivalents disclosed in note 8, 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.

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.

| | | | |
|---|---|---|---|
| Loans from group companies | 11 | 86 980 006 | 95 800 747 |
| Trade and other payables | 10 | 2 364 264 | 173 431 744 |
| **Total borrowings** | | **89 344 270** | **269 232 491** |
| Cash and cash equivalents | 8 | (39 110 636) | (25 046 225) |
| **Net borrowings** | | **50 233 634** | **244 186 266** |
| Equity | | (30 811 830) | (13 982 979) |
| Gearing ratio | | (163)% | (1 746)% |

**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.

The maximum exposure to credit risk is presented in the table below:

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

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

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Trade and other receivables | 7 | 6 410 099 | - | 6 410 099 | 247 167 714 | (32 917 336) | 214 250 378 |
| Cash and cash equivalents | 8 | 39 110 636 | - | 39 110 636 | 25 046 225 | - | 25 046 225 |
| | | **45 520 735** | **-** | **45 520 735** | **272 213 939** | **(32 917 336)** | **239 296 603** |

**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.

**2022**

| | | Less than 1 year | Total | Carrying amount |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 10 | 629 867 | 629 867 | 629 867 |
| Loans from group companies | 11 | 86 980 006 | 86 980 006 | 86 980 006 |

**2021**

| | | Less than 1 year | Total | Carrying amount |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 10 | 146 788 100 | 146 788 100 | 146 788 100 |
| Loans from group companies | 11 | 95 800 747 | 95 800 747 | 95 800 747 |

| Figures in Rand | | 2022 | 2021 |
|---|---|---|---|

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

**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, Euro and the Indian Rupee. 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 2022, 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 434 013 (2021: R 958 007) higher/lower, mainly as a result of foreign exchange gains or losses on translation of foreign currencies denominated trade payables.

**Exposure in foreign currency amounts**

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

| | | | |
|---|---|---|---|
| **Current liabilities:** | | | |
| Loans from group companies, USD 6 010 850 (2021: USD 6 456 925) | 11 | 86 980 006 | 95 800 747 |

**Exchange rates**

| | | |
|---|---|---|
| **Rand per unit of foreign currency:** | | |
| US Dollar | 14.471 | 14.837 |

**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 2022, 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 452 525 (2021: R 682 764) lower/higher, mainly as a result of higher/lower interest income on floating rate borrowings.

### 24. Going concern

We draw attention to the fact that at 31 March 2022, the company had accumulated losses of R (30 811 950) and that the company's total liabilities exceed its assets by R (30 811 830).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management strongly believes that the company is a going concern as they are continuing with the 20 years operations and maintenance contract of which 6 years has been completed to date and this contract has a high gross margin. In addition to this, to support the continuance of the Company’s operations, the shareholder has confirmed its willingness to continue the operations of the Company and to provide sufficient funds as may be necessary to meet liabilities that cannot be met out of the Company’s available resources.

### 25. Events after the reporting period

The COVID-19 pandemic continued into the 2021 with vaccination programs globally underway and a cautiously positive outlook for 2022. The company has not been significantly impacted to date.

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

### 26. Contingent liabilities

Income tax:

The company was subject to an audit by SARS in respect to the 2016 year of assessment. As a result SARS raised an additional assessment amounting to R80 609 557 on 19 April 2021.

The additional assessment relates to dis-allowance of certain deductions claimed under section 24C as well as expenditure deemed capital and or excessive by SARS . The company is appealing the assessment and management expects the dispute to be resolved in the next 12 months. Management is unable to determine the final liability as this is currently in dispute.

During the current year, there was progress on the discussion with SARS at various levels but dispute is still ongoing.

# Detailed Income Statement

| Figures in Rand | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Operations and maintenance contract | 26 759 152 | 23 126 738 |
| Recovery | 909 070 | 841 307 |
| Procuring and replacing spare parts | 56 508 | 2 214 309 |
| | **27 724 730** | **26 182 354** |
| **Cost of sales** | | |
| Opening stock | (25 000 000) | (25 000 000) |
| Purchases | 19 472 460 | (8 802 728) |
| Closing stock | - | 25 000 000 |
| | **(5 527 540)** | **(8 802 728)** |
| **Gross profit** | **22 197 190** | **17 379 626** |
| **Other operating income** | | |
| Reversal of provisions | 25 640 026 | - |
| Other income | (8 202) | 16 349 |
| | **25 631 824** | **16 349** |
| **Other operating gains (losses)** | | |
| Foreign exchange gains | 2 109 442 | 18 164 047 |
| **Expenses (Refer to page 39)** | **(72 244 899)** | **(20 137 665)** |
| **Operating (loss) profit** | **(22 306 443)** | **15 422 357** |
| Investment income | 9 723 107 | 14 666 531 |
| Finance costs | (5 532 239) | (8 548 002) |
| **(Loss) profit before taxation** | **(18 115 575)** | **21 540 886** |
| Taxation | 1 286 726 | (2 093 422) |
| **(Loss) profit for the year** | **(16 828 849)** | **19 447 464** |

# Detailed Income Statement

| Figures in Rand | 2022 | 2021 |
|---|---|---|
| **Other operating expenses** | | |
| Accounting and audit fees | 1 772 085 | 1 823 879 |
| Advertising | - | 3 043 |
| Assets < R7 000 | 595 | 2 818 |
| Bad debts | 60 202 930 | - |
| Bank charges | 149 740 | 222 173 |
| Boarding & lodging | 101 329 | 456 917 |
| Computer expenses | 797 | 1 202 |
| Consulting and professional fees | 60 585 | 1 020 260 |
| Consulting and professional fees - secretarial | 77 066 | 78 956 |
| Consulting and professional fees - tax | 582 233 | 1 102 392 |
| Depreciation | 204 971 | 223 798 |
| Donations | 12 500 | 8 500 |
| Employee costs | 600 503 | 2 105 232 |
| Expected credlit loss | 3 430 728 | 5 483 017 |
| Insurance | 1 599 484 | 5 675 688 |
| Lease rentals on operating lease | 17 415 | 74 732 |
| Legal fees | 1 880 180 | 167 741 |
| Motor vehicle expenses | 546 530 | 740 347 |
| Printing and stationery | 3 921 | 4 562 |
| Repairs and maintenance | 39 887 | 85 570 |
| Security | 811 451 | 706 460 |
| Small supplier/customer write off | (34 587) | (1) |
| Staff welfare | 115 909 | 34 991 |
| Subscriptions | - | 1 266 |
| Telephone and fax | 19 547 | 51 392 |
| Training | 24 360 | 52 007 |
| Transport and freight | 2 541 | 5 203 |
| Travel - local | 22 199 | 5 520 |
| | **72 244 899** | **20 137 665** |