

**Sterling and Wilson
International Solar FZCO
Dubai Airport Free Zone
Dubai**

**Financial Statements
31 March 2022**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI****Report on the Audit of the Financial Statements****Qualified Opinion**

We have audited the financial statements of Sterling and Wilson International Solar FZCO ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in shareholder's funds and statement of cash flows for the year then ended, and notes to the financial statements, including the significant accounting policies, set out on pages 3 to 29.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

We refer to Note 3.3 h) to the financial statements which relates to the Company's policy for assessing impairment of financial assets. Except for the lifetime expected credit losses (ECL) for credit impaired amount due from a related party, the Company has not carried out an assessment of the ECL in accordance with the provisions of IFRS 9 (Financial Instruments) in relation to amounts due from related parties of AED 85,548,898. Any adjustments to these figures determined as a result of such assessment would have a consequential effect on the results for the year ended 31 March 2022 and the financial position of the Company as at that date.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with applicable requirements of Law No. (25) of 2009 concerning the Dubai International Airport Free Zone and the Dubai Airport Free Zone Implementing Regulations 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 ISAs 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.

Continued...



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF STERLING AND WILSON INTERNATIONAL SOLAR FZCO (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's 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 those charged with governance 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.

Report on the Regulatory Requirements

In our opinion, all the necessary books of accounts and other records have been kept in accordance with the provisions of the Law No. (25) of 2009 concerning the Dubai International Airport Free Zone and the Dubai Airport Free Zone Implementing Regulations 2021. We have obtained all information and explanations which are necessary for the purpose of the audit and to the best of our knowledge and belief no violation of the Law No. (25) of 2009 concerning the Dubai International Airport Free Zone and the Dubai Airport Free Zone Implementing Regulations 2021 came to our attention during our audit work which would materially affect the Company's financial position.

A handwritten signature in blue ink that reads 'Moore Stephens' with a stylized flourish at the end.

Moore Stephens

Dubai
6 April 2022

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

Statement of comprehensive income

(stated in AED)

	Note	Year ended 31 March 2022	Year ended 31 March 2021
Income			
Revenue from contracts with customers	4	413,576,082	878,821,060
Direct costs	5	(562,970,730)	(775,998,157)
Gross (loss)/profit		(149,394,648)	102,822,903
Other income	6	13,074,821	27,681,198
		(136,319,827)	130,504,101
Expenses			
General and administration	7	26,642,512	27,819,362
Finance charges	8	25,827,105	33,677,781
Depreciation	9	215,929	366,824
Impairment losses on financial assets	22.1 c)	4,556,642	--
		57,242,188	61,863,967
(Loss)/profit for the year		(193,562,015)	68,640,134
Other comprehensive income/(loss):			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on employees' terminal benefits	17	682,338	58,197
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Effective portion of losses on hedging instruments in cash flow hedges	15	3,160,504	(3,160,504)
Other comprehensive income/(loss) for the year		3,842,842	(3,102,307)
Total comprehensive (loss)/income for the year		(189,719,173)	65,537,827

The attached notes 1 to 23 form part of these financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

Statement of financial position

(stated in AED)

	Note	2022	2021
Assets			
Non-current assets			
Property and equipment	9	224,596	440,525
Investments in subsidiaries	10	4,387,193	4,234,193
Total non-current assets		4,611,789	4,674,718
Current assets			
Contract assets	11	1,157,667	566,096
Accounts and other receivables	12	849,813,897	1,191,230,226
Bank balances	13	7,670,157	30,136,021
Total current assets		858,641,721	1,221,932,343
Total assets		863,253,510	1,226,607,061
Shareholder's funds and liabilities			
Shareholder's funds			
Share capital	14	184,600,000	184,600,000
Cash flow hedging reserve	15	--	(3,160,504)
Retained earnings		75,745,030	268,624,707
Total shareholder's equity		260,345,030	450,064,203
Shareholder's loan	16	53,762,517	54,858,921
Total shareholder's funds		314,107,547	504,923,124
Liabilities			
Non-current liabilities			
Employees' terminal benefits – non-current portion	17	609,899	1,453,888
Total non-current liabilities		609,899	1,453,888
Current liabilities			
Term loan	18	--	21,919,426
Bank borrowings	19	39,852,333	34,452,094
Accounts and other payables	20	508,664,404	660,678,703
Derivative financial instruments	15	--	3,160,504
Employees' terminal benefits – current portion	17	19,327	19,322
Total current liabilities		548,536,064	720,230,049
Total liabilities		549,145,963	721,683,937
Total shareholder's funds and liabilities		863,253,510	1,226,607,061

The attached notes 1 to 23 form part of these financial statements.



Neville Madan
Director
6 April 2022

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

Statement of changes in shareholder's funds

(stated in AED)

	Share capital	Cash flow hedging reserve	Shareholder's current account	Retained earnings	Sub total	Shareholder's loan	Total
Balance at 1 April 2021	184,600,000	(3,160,504)	--	268,624,707	450,064,203	54,858,921	504,923,124
(Loss) for the year	--	--	--	(193,562,015)	(193,562,015)	--	(193,562,015)
Other comprehensive income for the year	--	3,160,504	--	682,338	3,842,842	--	3,842,842
Total comprehensive (loss) for the year	--	3,160,504	--	(192,879,677)	(189,719,173)	--	(189,719,173)
Movements during the year	--	--	--	--	--	(1,096,404)	(1,096,404)
Balance at 31 March 2022	184,600,000	--	--	75,745,030	260,345,030	53,762,517	314,107,547
	Share capital	Cash flow hedging reserve	Shareholder's current account	Retained earnings	Sub total	Shareholder's loan	Total
Balance at 1 April 2020	1,000,000	--	209,320,000	199,926,376	410,246,376	14,684,744	424,931,120
Profit for the year	--	--	--	68,640,134	68,640,134	--	68,640,134
Other comprehensive (loss) for the year	--	(3,160,504)	--	58,197	(3,102,307)	--	(3,102,307)
Total comprehensive income for the year	--	(3,160,504)	--	68,698,331	65,537,827	--	65,537,827
Movements during the year	--	--	12,364,217	--	12,364,217	2,089,960	14,454,177
Transfer from shareholder's current account to share capital	183,600,000	--	(183,600,000)	--	--	--	--
Transfer from shareholder's current account to shareholder's loan	--	--	(38,084,217)	--	(38,084,217)	38,084,217	--
Balance at 31 March 2021	184,600,000	(3,160,504)	--	268,624,707	450,064,203	54,858,921	504,923,124

The attached notes 1 to 23 form part of these financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

Statement of cash flows

(stated in AED)

	Note	Year ended 31 March 2022	Year ended 31 March 2021
Cash flows from operating activities			
(Loss)/profit for the year		(193,562,015)	68,640,134
Adjustments for:			
Interest income	6	(11,543,062)	(27,681,198)
Reversal of liabilities no longer considered payable	6	(1,464,985)	--
Liquidated damages	5	37,898,753	--
Interest expense	8	25,827,105	33,677,781
Depreciation	9	215,929	366,824
Provision for employees' terminal benefits	17	443,794	435,267
Impairment losses on financial assets	22.1 c)	4,556,642	--
Cash flows (used in)/from operations before working capital changes		(137,627,839)	75,438,808
(Increase)/decrease in contract assets		(591,571)	7,416,550
Decrease in accounts and other receivables		110,667,899	146,600,486
Decrease/(increase) in margin money deposits		7,487,246	(96,742)
(Decrease) in accounts and other payables		(35,409,698)	(356,411,960)
(Decrease) in contract liabilities		(19,177,432)	(12,019,384)
Employee terminal benefits paid	17	(605,440)	--
Net cash (used in) operating activities		(75,256,835)	(139,072,242)
Cash flows from investing activities			
Interest income received	6	14,597	98,536
Purchase of property and equipment	9	--	(464,990)
Increase in investments in subsidiaries during the year		(153,000)	--
Movement in loan to related party		266,311,932	34,793,257
Interest received on loan to related party		11,240,601	63,002,014
Net cash from investing activities		277,414,130	97,428,817
Cash flows from financing activities			
Interest paid		(3,189,091)	(16,352,370)
Net movement in term loan	13	(21,919,426)	(172,548,638)
Net movement in bank borrowings	13	5,400,239	(78,919,346)
Net movement in due from related parties	12	(100,369,047)	(20,195,297)
Net movement in due to related parties	20	(95,962,184)	225,052,085
Net movement in shareholder's loan		(1,096,404)	2,089,960
Net movement in shareholder's current account		--	12,364,217
Net cash (used in) financing activities		(217,135,913)	(48,509,389)
(Decrease) in cash and cash equivalents during the year		(14,978,618)	(90,152,814)
Cash and cash equivalents at the beginning of the year		17,454,234	107,607,048
Cash and cash equivalents at the end of the year	13	2,475,616	17,454,234
Non-cash transactions:			
Transfer from shareholder's current account to share capital		--	(183,600,000)
Transfer from shareholder's current account to shareholder's loan		--	(38,084,217)
Transfer from capital work-in-progress to property and equipment		--	182,796
		--	(221,501,421)

The attached notes 1 to 23 form part of these financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

Notes to the financial statements

(stated in AED)

1. Legal status and principal activities

Sterling and Wilson International Solar FZCO ("the Company") was incorporated on 7 December 2017 in Dubai Airport Free Zone with limited liability in accordance with the Dubai Airport Free Zone Authority Implementing Regulations No. (1) of 1998 pursuant to Law No. (25) of 2009 concerning the Dubai International Airport Free Zone. On 14 March 2021, the Dubai Airport Free Zone Implementing Regulations 2021 came into effect, which repealed the existing Implementing Regulations.

The registered office address of the Company is at PO. Box 54811, Dubai Airport Free Zone, Dubai, UAE.

The principal activities of the Company are trading and installation of solar energy systems and components.

The Company is a subsidiary of Sterling and Wilson Renewable Energy Limited ("the Parent Company"), a public limited company incorporated in India and listed with Securities Exchange Board of India (SEBI). Major shareholders of the Parent Company are Reliance New Energy Limited (formerly, Reliance New Energy Solar Limited) and Shapoorji Pallonji and Company Private Limited. The principal activities of the Parent Company include solar energy systems and components trading and installation. The Parent Company is also engaged in design, engineering, procurement, fabrication, construction, installation, commissioning, testing and handing over of solar generating facilities and other related activities.

2. Adoption of new and revised International Financial Reporting Standards

2.1 Amended standards adopted by the Company

The Company has adopted the following applicable amended IFRSs as of 1 April 2021:

- Amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16– Interest Rate Benchmark Reform Phase II: The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternate benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:
 - (i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
 - (ii) hedge accounting

The amendments are applicable for accounting periods beginning on or after 1 January 2021.

The management believes that the adoption of the above amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

2.2 Amendments to existing standards that are not yet effective and have not been adopted early by the Company

The following amendments to existing standards that are applicable to the Company have been published and are mandatory for accounting periods of the Company beginning after 1 April 2021 but which have not been adopted early by the Company:

- a) Amendments to IAS 1, 'Presentation of Financial Statements' clarify the requirements for presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. The amendments are effective for annual periods commencing on or after 1 January 2023.
- b) Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' introduce the definition of accounting estimates. The amendments also help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are applicable for annual periods commencing on or after 1 January 2023.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Amendments to existing standards that are not yet effective and have not been adopted early by the Company (Continued)

- c) Amendments to IAS 1 'Presentation of financial statements' require an entity to disclose its material accounting policy information rather than its significant accounting policies. Consequently, the IFRS Practice Statement 2 (Making Material Judgements) has also been amended to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2023
- d) Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 1 January 2022.
- e) Annual Improvements to IFRS Standards (2018-2020) Cycle – The following improvements are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted:
 - IFRS 9 – clarifies that when performing the "10 per cent test" for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The management believes that the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3. Basis of preparation and significant accounting policies and estimates

3.1 Basis of preparation

These financial statements represent the separate financial statements of the Company in which the investments in subsidiaries are accounted for using the cost method of accounting as explained in the respective accounting policy notes set out below. As required by International Financial Reporting Standards, the Company has prepared consolidated financial statements in which the financial statements of the subsidiaries are included on a line-by-line basis. These financial statements are supplementary to the consolidated financial statements and are not intended to replace or substitute such statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been presented in Arab Emirates Dirham (AED).

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments that have been measured at fair value. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

3.3 Significant accounting policies

a) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer.

Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

a) Revenue recognition (Continued)

Revenue from contract works

Revenue from contract works is recognised over time based on the input method. Under the input method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including estimated fees or profits, are recorded proportionally as costs are incurred. The related costs are recognised in profit or loss when they are incurred.

The normal credit terms are 30 to 45 days upon delivery or issue of invoice.

Revenue from design and engineering services

Revenue from design and engineering services is recognised over time when the services are rendered. For fixed-price contracts, revenue recognised is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer simultaneously receives and consumes the benefits provided by the Company.

The normal credit terms are 60 to 90 days upon delivery or issue of invoice.

Advances from customers

The Company generally receives short-term advances from its customers. For short-term advances received from customers, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to customer will be one year or less.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

b) Property and equipment

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is charged on assets so as to write off the cost of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Tools and equipment	3 years
Right-of-use assets	1 to 2 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

c) Contract balances

The timing of revenue recognition, billings and collections may result in contract assets, accounts receivable and contract liabilities.

Contract assets

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are initially recognised for revenue earned on work completed as receipt of consideration is conditional on completion of work done and acceptance by the customer, at which point the contract assets are reclassified to accounts receivable.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

c) Contract balances (Continued)

Contract assets (Continued)

The contract assets are transferred to accounts receivable when the rights become unconditional (i.e. only the passage of time is required before payment of the consideration is due), which usually occurs when the Company issues an invoice to the customer.

Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers prior to meeting the revenue recognition criteria or when the amount of consideration received from customers exceed the amount of revenue recognised. Contract liabilities are recognised as revenue when the Company performs under the contract.

d) Direct costs

Direct costs comprise costs that relates directly to the specific contract, costs that are attributable to the contracting activity in general and which can be allocated to contracts and other costs as are specifically chargeable to the customer under the terms of contracts.

e) Investments in subsidiaries

Investments in subsidiaries are carried at cost, less any impairment provisions.

f) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

g) Financial instruments – recognition, classification, measurement, derecognition and offsetting

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement

Accounts receivable are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

g) Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)

(ii) Classification and subsequent measurement

Financial assets: Classification

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified or measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's financial assets, which include accounts and other receivables and bank balances, are classified and subsequently measured at amortised cost.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

g) Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Subsequent measurement and gains and losses

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of comprehensive income.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

The Company's financial liabilities include term loan, bank borrowings and accounts and other payables which are classified and measured at amortised cost and derivative financial instruments (Note 15).

(iii) Derecognition

Financial assets

A financial asset (or where applicable a part of a financial asset or a part of group of similar financial assets) is derecognised either when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

g) Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:

- Accounts receivable and contract assets; and
- Other financial assets measured at amortised cost.

In case of accounts receivable and contract assets, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance. The Company performs individual assessment for its accounts receivable and contract assets based on historical credit loss experience, adjusted for forward-looking factors specific to the customers/debtors and the economic environment. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12 month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the statement of comprehensive income.

i) Employees' terminal benefits

Provision is made for employees' terminal benefits which is a defined benefit plan on the basis prescribed under UAE Labour Laws and is based on employees' salaries and number of years of service using actuarial techniques.

The cost of providing benefits is determined based on actuarial valuation by an independent actuary, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and remeasure each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are set with reference to high quality corporate bonds. Remeasurement, comprising actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost are recognised immediately. All other costs related to the defined benefit plan are recognised in the statement of comprehensive income within salaries and employee related costs.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

i) Employees' terminal benefits (Continued)

The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near future.

j) Accounts and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the Company.

k) Foreign currencies

Functional and presentation currency

The financial statements are presented in Arab Emirates Dirham (AED), which is the Company's presentation currency. The functional currency of the Company is USD.

Transactions and balances

Transactions in currencies other than USD are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising in these cases are dealt within the statement of comprehensive income.

In determining the spot exchange rate to use on initial recognition of the related assets, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

l) Cash and cash equivalents

Cash and cash equivalents consist of unrestricted bank balances and short-term deposits less margin money deposits under lien.

m) Operating leases

At the inception of the contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this maybe specified explicitly or implicitly in the contract and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset, i.e., the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

m) Operating leases (Continued)

As a Lessee

The Company recognises right-of-use assets and lease liabilities at the lease commencement date.

Right-of-use assets

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use of asset or the end of the lease term. The estimated useful life of right-of-use asset is determined on the same basis as those of property and equipment (Note 3.3 b)). In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the leases or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

At the commencement date, the lease payments included in the measurement of the lease liabilities comprise fixed payments for the right to use the underlying asset during the lease term that are not paid at the commencement date.

The lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in fixed payments or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured as described above, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Extension and termination options

Where extension and termination options are included in the lease contract, these are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise options if there is a significant event or significant change in circumstances within its control.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office premises that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

n) Contingent liabilities (Continued)

Contingent liabilities are not recognised but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

o) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

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

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categories at the end of each reporting period.

p) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of comprehensive income.

The Company designates certain derivatives as hedging instruments to hedge variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the instrument(s), the Company assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cashflow hedge of a forecast transaction, the Company assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previous designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Company assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

p) Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated under cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivatives is recognised immediately in the statement of comprehensive income.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in cash flow hedging reserve remains there until, it is reclassified to the statement of comprehensive income in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in cash flow hedging reserve are immediately reclassified to the statement of comprehensive income.

3.4 Significant accounting judgement, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

The significant management judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

IFRS 15, 'Revenue from Contracts with Customers'

The application of revenue recognition policy in accordance with IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligation

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine appropriate method of recognising revenue. For the Company's revenue from contracts with customers, the satisfaction of performance obligation is determined as follows:

- a) Revenue from sale of goods – revenue is recognised at the point in time when control is transferred to the customer, normally upon delivery of the goods
- b) Revenue from contract works – revenue is recognised over time as the Company creates/enhances an asset that the customer controls as the asset is created
- c) Revenue from design and engineering services – revenue is recognised over time as the service is provided when the customer simultaneously receives and consumes the benefits provided by the Company

Determination of transaction prices

The Company is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement, the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties (including liquidated damages arising from delays caused in the completion of a contract), variations, claims, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In estimating variable consideration, the Company is required to use either the (1) expected value method or (2) the most likely method, based on which method better predicts the amount of consideration to which it will be entitled.

Before any variable consideration is included in the transaction price, the Company's management considers whether the amount of variable consideration is constrained based on its historical experience, business forecast and the current economic conditions.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting judgement, estimates and assumptions (Continued)

IFRS 15, 'Revenue from Contracts with Customers' (Continued)

Allocation of transaction price to performance obligation in contracts with customers

The Company has elected to apply the input method in allocating the transaction price to performance obligations relating to revenue from contracts. The Company considers that the use of input method which requires revenue recognition on the basis of the Company's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Company estimates the cost to complete the project in order to determine the amount of revenue to be recognised. The estimates include the job work charges, potential claims by contractors and the cost of meeting other contractual obligations to the customers. Estimates of project income, as well as project costs, are reviewed periodically. The effect of changes, if any, to estimates is recognised in the financial statements for the period in which such changes are determined.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Accounts receivable and contract assets

The Company's credit risk is primarily attributable to its accounts receivable and contract assets. The Company reviews its accounts receivable and contract assets to assess impairment at regular intervals. In determining whether impairment losses should be reported in the statement of comprehensive income, the Company makes judgements 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 and forward-looking estimates, is evidence of a reduction in the recoverability of the cash flows.

Other financial assets at amortised cost

Expected credit loss (ECL) on other financial assets at amortised cost are measured at an allowance equal to 12-month ECL where the credit risk has not increased significantly since initial recognition, or lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk has increased significantly, the Company takes into account quantitative and qualitative reasonable and supportable forward-looking information.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. While cash and cash equivalents are also subject to impairment, the identified impairment loss is considered immaterial.

Estimates for accounting of employees' terminal benefits

The carrying value of the employees' terminal benefits is based on actuarial valuations. The actuarial valuations by an independent actuary using a project unit credit method are sensitive to assumptions concerning discount rates, salary increase rates, and other actuarial assumptions used. Changes in these assumptions may have an effect on the carrying amount of employees' terminal benefit obligation.

The discount rates used for determining the present value of the obligation under defined benefit plan are set with reference to high quality corporate bonds.

Other key assumptions relevant to the post employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are provided in Note 17.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting judgement, estimates and assumptions (Continued)

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Use of incremental rate of borrowing

For measuring the lease liabilities, the Company discounted the lease payments based on its incremental rate of borrowing. The definition of incremental borrowing rate states that the rate should reflect what the Company would be charged to borrow over a similar term and under similar circumstances. To determine an appropriate rate, the Company has obtained the relevant information from its bankers.

Impairment of investments in subsidiaries

Management assesses whether there are any indicators of possible impairment of investments in subsidiaries at each reporting date based on events or circumstances that indicate the carrying value of investment may not be recoverable. Such indicators include changes in the Company's business plans and carrying amount of investment is higher than the carrying amount of the subsidiaries' assets.

Impairment exists when the carrying value of investment exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4. Revenue from contracts with customers

The following sets out the disaggregation of the Company's revenue from contracts with customers:

a) Type of goods or services

	Year ended 31 March 2022	Year ended 31 March 2021
Sale of goods	412,203,884	845,994,596
Revenue from contract works	1,372,198	4,918,778
Revenue from design and engineering services	--	27,907,686
	<u>413,576,082</u>	<u>878,821,060</u>

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

4. Revenue from contracts with customers (Continued)

b) Timing of satisfaction of performance obligation

	Year ended 31 March 2022	Year ended 31 March 2021
Goods transferred at point in time	412,203,884	845,994,596
Services transferred over time	1,372,198	32,826,464
	<u>413,576,082</u>	<u>878,821,060</u>

At the reporting date, the aggregate amount of the transaction price allocated to the remaining performance obligations that are unsatisfied or partially satisfied which includes the expected revenue to be recognised in the future are expected to be completed within one year, hence the Company has used the practical expedient not to disclose the amount of the remaining performance obligations for contracts with an original term or duration of less than one year.

c) Geographical locations

	Year ended 31 March 2022	Year ended 31 March 2021
Asia	231,017,767	369,196,089
Australia	181,186,117	496,411,066
Middle East and North America	1,372,198	12,505,162
Africa	--	708,743
	<u>413,576,082</u>	<u>878,821,060</u>

d) Customer relationship

	Year ended 31 March 2022	Year ended 31 March 2021
Related party customers (Note 21)	412,203,884	866,315,898
Third parties	1,372,198	12,505,162
	<u>413,576,082</u>	<u>878,821,060</u>

5. Direct costs

	Year ended 31 March 2022	Year ended 31 March 2021
Material purchases	482,139,086	727,948,815
Liquidated damages (see note below)	37,898,753	--
Contract work charges	34,185,324	39,459,025
Letter of credit and bank charges	6,705,403	3,463,699
Consultancy charges	1,749,416	4,416,413
Direct staffing costs	49,613	76,237
Others	243,135	633,968
	<u>562,970,730</u>	<u>775,998,157</u>

Pursuant to an agreement dated 31 December 2021, the Parent Company has recharged liquidated damages levied by its customer in relation to a project for which the Company had rendered its services as a sub-contractor (Note 21).

6. Other income

	Year ended 31 March 2022	Year ended 31 March 2021
Interest income from related parties (Note 21)	11,528,465	27,582,662
Reversal of liabilities no longer considered payable	1,464,985	--
Interest on short-term deposits	14,597	98,536
Miscellaneous income	66,774	--
	<u>13,074,821</u>	<u>27,681,198</u>

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

7. General and administration expenses

	Year ended 31 March 2022	Year ended 31 March 2021
Loss on foreign currency exchange	11,022,693	14,917,040
Salaries and employee related costs	7,017,588	5,283,779
Bank charges	6,553,419	5,329,170
Legal and professional fees	1,238,470	1,014,461
Management support services (Note 21)	200,773	472,049
Short-term leases (Note 21)	70,610	70,610
Others	538,959	732,253
	26,642,512	27,819,362

8. Finance charges

	Year ended 31 March 2022	Year ended 31 March 2021
Interest expense – shareholder (Note 21)	22,770,977	18,983,653
Interest expense – term loan and bank borrowings	1,280,075	11,910,804
Interest expense – related parties (Note 21)	916,845	1,836,327
Other finance cost	859,208	946,997
	25,827,105	33,677,781

9. Property and equipment

2022	Tools and equipment	Right-of-use assets	Total
<i>Cost</i>			
At 1 April 2021	647,786	--	647,786
At 31 March 2022	647,786	--	647,786
<i>Accumulated depreciation</i>			
At 1 April 2021	207,261	--	207,261
Charge for the year	215,929	--	215,929
At 31 March 2022	423,190	--	423,190
<i>Net book value</i>			
At 31 March 2022	224,596	--	224,596
 2021	 Tools and equipment	 Right-of-use assets	 Total
<i>Cost</i>			
At 1 April 2020	--	542,515	542,515
Additions during the year	464,990	--	464,990
Transferred from capital work-in-progress	182,796	--	182,796
Disposal during the year	--	(542,515)	(542,515)
At 31 March 2021	647,786	--	647,786
<i>Accumulated depreciation</i>			
At 1 April 2020	--	382,952	382,952
Charge for the year	207,261	159,563	366,824
Relating to disposal	--	(542,515)	(542,515)
At 31 March 2021	207,261	--	207,261
<i>Net book value</i>			
At 31 March 2021	440,525	--	440,525

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

10. Investments in subsidiaries

The following summarises information of the Company's investments in subsidiaries:

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interest held by the Company		Carrying value	
		2022	2021	2022	2021
Sterling and Wilson Middle East Solar Energy L.L.C	UAE	100%	49%	1,234,652	1,081,652
Sterling and Wilson Singapore Pte. Ltd.	Singapore	100%	100%	150,260	150,260
Sterling and Wilson Engineering (Pty) Ltd.	South Africa	60%	60%	21	21
Sterling and Wilson Solar Solutions Inc.	USA	100%	100%	368	368
Sterling and Wilson Solar Spain S.L.	Spain	99%	99%	17,813	17,813
GCO Solar Pty Ltd.	Australia	100%	100%	2,555,368	2,555,368
Sterling and Wilson International LLP	Kazakhstan	100%	100%	220,320	220,320
Sterling and Wilson Solar Australia Pty Ltd	Australia	100%	100%	11,291	11,291
Sterling and Wilson Solar Malaysia Sdn Bhd	Malaysia	30%	30%	197,100	197,100
				4,387,193	4,234,193

The following subsidiaries are held through the Company's subsidiaries in Singapore, USA and Spain:

Name of subsidiary	Held through	Place of incorporation and operation	Proportion of ownership interest held by the subsidiaries	
			2022	2021
Sterling and Wilson Solar Solutions LLC	Sterling and Wilson Solar Solutions Inc., USA	USA	100%	100%
Sterling and Wilson Kazakhstan LLP	Sterling and Wilson Singapore Pte. Ltd.	Kazakhstan	100%	100%
Esterlina Solar – Proyecto Uno, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Dos, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Tres, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Cuatro, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Cinco, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Seis, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Siete, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Ocho, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Nueve, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--
Esterlina Solar – Proyecto Diez, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	100%	--

There has been no significant commercial activity for the subsidiaries registered in Singapore, Malaysia, Spain and Kazakhstan as of the reporting date.

During the year, the Company acquired additional 51% of shares in Sterling and Wilson Middle East Solar Energy L.L.C causing the increase in its shareholding to 100% ownership (2021: 49%).

Although the shareholding in Sterling and Wilson Solar Malaysia Sdn Bhd is only 30%, the Company controls and has the power to direct the relevant activities of this subsidiary, and thereby can significantly affect the returns of the subsidiary.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

10. Investments in subsidiaries (Continued)

During the year, the Sterling and Wilson Solar Spain S.L (Subsidiary of the Company) incorporated 10 subsidiary companies in Spain.

The principal activities of the subsidiaries include solar energy systems and components trading, rental and installation. The subsidiaries are also engaged in design, engineering, procurement, fabrication, construction, installation, commissioning, testing and handing over of solar generating facilities and other related activities.

11. Contract assets

Contract assets represent unbilled receivables on revenue recognised during the year, which upon invoicing will be transferred to accounts receivable. The balance as of the reporting date represents the unbilled receivables of the Company from its Solar EPC projects.

12. Accounts and other receivables

	2022	2021
Accounts receivable – related parties	575,805,603	702,038,939
Loan to a related party (See note c) below)	--	266,311,932
Due from related parties	223,594,987	123,225,940
Other receivables	45,567,093	45,128,886
Advances to suppliers	10,422,475	55,000,470
Loan to others	459,900	459,900
VAT recoverable	413,311	402,017
Deposits and prepayments	345,516	900,488
	856,608,885	1,193,468,572
Less: Allowance for expected credit losses (Note 22.1 c))	(6,794,988)	(2,238,346)
	849,813,897	1,191,230,226

- a) Accounts receivable is subject to a charge for facilities granted to the Company (Note 19).
- b) The Company's risk exposure and expected credit losses on accounts receivable, loan to a related party, due from related parties and other receivables are disclosed in Note 22.1 c).
- c) Loan to a related party carried interest at the borrowing cost of the Company plus 400bps. The loan was secured by an immovable property obtained by the Parent Company on behalf of the Company and assignment of certain project receivables of the Company and was due on 30 September 2021. The loan has been fully settled during the year.
- d) Accounts receivables, due from related parties and other receivables are ongoing and are considered collectible.
- e) Other receivables represent costs incurred in relation to additional works undertaken by the Company to compensate a customer for deficiencies in the products supplied under the terms of the contract with a customer. The management is of the view that the Company, under the terms of the Supply Agreement with its supplier has reasonable grounds to claim against the supplier for the costs incurred to complete the additional works. The management's view is also endorsed and supported by a legal opinion obtained from an external law firm. Accordingly, the management is confident that the amount is fully recoverable.

The Company has also filed a claim for recovery of USD 218 million (inclusive of the above incurred cost) as per the Supply Agreement between the Company and its supplier for failure to rectify the deficiencies in the products supplied by the supplier.

13. Bank balances

	2022	2021
Bank current accounts	2,475,616	17,454,234
Margin money deposits	5,194,541	12,681,787
Bank balances	7,670,157	30,136,021
Less: Margin money deposits under lien	(5,194,541)	(12,681,787)
Cash and cash equivalents in the statement of cash flows	2,475,616	17,454,234

Margin money deposits are subject to a charge for the facilities granted to the Company (Notes 18 and 19).

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

13. Bank balances (Continued)

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes:

2022	1 April 2021	Financing cash flows	31 March 2022
Bank borrowings	34,452,094	5,400,239	39,852,333
Term loan	21,919,426	(21,919,426)	--
	56,371,520	(16,519,187)	39,852,333
2021	1 April 2020	Financing cash flows	31 March 2021
Bank borrowings	113,371,440	(78,919,346)	34,452,094
Term loan	194,468,064	(172,548,638)	21,919,426
	307,839,504	(251,467,984)	56,371,520

14. Share capital

	2022	2021
Authorised, issued and fully paid		
184,600 shares of AED 1,000 each	184,600,000	184,600,000
	184,600,000	184,600,000

15. Derivative financial instruments

	2022	2021
Cash flow hedge:		
Forward foreign exchange contract liabilities	--	3,160,504

The Company had entered into contracts to sell traded goods in Australian Dollars (AUD). The Company had entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future sales, which are designated into cash flow hedges. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 March 2022 were nil (2021: AUD 22,300,000).

At 31 March 2022, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future sales transactions was AED 3,160,504. As a result of the related sales transactions that occurred during the year, the amount deferred in equity was included in the carrying amount of the revenue.

16. Shareholder's loan

Shareholder's loan is unsecured, carries interest at 8% (2021: 8%) per annum, without defined repayment arrangement and is repayable only at the option of the Company.

17. Employees' terminal benefits

The provision for end of service benefits for employees is made in accordance with the requirements of the labour laws of the UAE. This is an unfunded defined benefit plan. The employees are entitled to benefits based on length of service and final remuneration and are payable on termination or completion of term of employment.

The movements on the provision recognised in the statement of financial position are as follows:

	2022	2021
Balance at the beginning of the year	1,473,210	1,096,140
Current service costs and interest	443,794	435,267
Actuarial (gains)/losses recognised in other comprehensive income:		
- changes in financial assumptions	7,599	(20,374)
- experience adjustments	(689,937)	(37,823)
Payments made during the year	(605,440)	--
Balance at the end of the year	629,226	1,473,210

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

17. Employees' terminal benefits (Continued)

The maturity profile of employees' terminal benefits is as follows:

	2022	2021
Payable within 12 months	19,327	19,322
Payable after 12 months	609,899	1,453,888
	<u>629,226</u>	<u>1,473,210</u>

The following are the principal actuarial assumptions at the reporting date:

	2022	2021
Discount rate	3.20%	3.30%
Salary escalation	5.00%	5.00%
Employee turnover rate	2.00%	2.00%

The sensitivities of the overall employees' terminal benefits to changes in the weighted principal assumptions are:

	2022	2021
Discount rate + 100 basis points	(71,023)	(184,440)
Discount rate - 100 basis points	82,764	221,876
Salary escalation rate + 100 basis points	80,409	215,684
Salary escalation rate - 100 basis points	(70,516)	(183,309)
Employee turnover + 100 basis points	(9,562)	(33,834)
Employee turnover - 100 basis points	10,622	37,909

18. Term loan

The loan was from a commercial bank and was denominated in United States Dollars (USD). The loan carried an interest rate of 400 BPS over 3-month LIBOR. The loan was secured by lien over margin money deposits amounting to 10% of the loan facility availed (Note 13). The loan has been fully repaid during the year.

19. Bank borrowings

	2022	2021
Trust receipts	37,030,273	31,489,870
Bank overdraft	2,822,060	2,962,224
	<u>39,852,333</u>	<u>34,452,094</u>

Trust receipts are availed from a commercial bank by the Company. These carry interest at 250 BPS over 3-month LIBOR (2021: 250 BPS over 3-month LIBOR) and are secured by lien over margin money deposits amounting to 2% of the facility sanctioned (Note 13) and by charge over assignment of receivables of the Company (Note 12) and corporate guarantee of the Parent Company.

Overdraft facility from a commercial bank in UAE is denominated in Arab Emirates Dirham (AED). The loan carries an interest rate of 1-month EIBOR plus 3% per annum (2021: 1-month EIBOR + 3% per annum) and is secured by charge over assignment of receivables of the Company (Note 12) and corporate guarantee of the Parent Company.

20. Accounts and other payables

	2022	2021
Accounts payable including retention payables	241,358,138	275,364,565
Due to related parties	255,605,900	351,568,084
Contract liabilities (advances from customers)	10,111,835	29,289,267
Accrued expenses and other payables	1,588,531	4,456,787
	<u>508,664,404</u>	<u>660,678,703</u>

Due to related parties include an amount of AED 237,104,013 (2021: AED 296,855,160) due to the Parent Company which carries interest at 8% (2021: 8%) per annum and is payable on demand.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

21. Related party transactions

The Company has entered into both funding and other transactions with related parties during the year. Related parties represent shareholder and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Prices and terms of these transactions were approved by the management. The significant transactions during the year are as follows:

	Relationship	Year ended 31 March 2022	Year ended 31 March 2021
Revenue from contract with customers (Note 4)	Subsidiary	2,378,388	440,773,667
	Other related parties	6,069,983	--
	Parent Company	403,755,113	389,698,794
	Shareholder of the Parent Company	--	35,843,437
		412,203,884	866,315,898
Interest income (Note 6)	Other related party	11,240,601	27,069,021
	Subsidiary	287,864	513,641
		11,528,465	27,582,662
Liquidated damages (Note 5)	Parent Company	37,898,753	--
Recharge of expenses by related parties (under direct costs and general and administration expenses)	Parent Company	--	174,697
	Other related party	51,988	7,830,448
		51,988	8,005,145
Recharge of LC and other bank charges by related party	Parent Company	12,286,937	12,925,495
Recharge of LC and other bank charges to related parties	Subsidiaries	5,195,303	--
Material purchases (Direct costs)	Parent Company	--	571,976
Other direct costs (Direct costs)	Subsidiary	--	21,431,954
Interest expense - Shareholder (Note 8)	Parent Company	22,770,977	18,983,653
Interest expense - Others (Note 8)	Other related party	916,845	1,836,327
Short-term leases (Note 7)	Other related party	70,610	70,610
	Shareholder of the Parent Company	200,773	472,049

The amounts due to related parties do not attract interest except certain due to related parties and due to Parent Company which carry interest of 8% (2021: 8%) per annum and are payable on demand. The amount due from related parties which carry interest of 3% (2021: 3%) per annum and receivable on demand.

Pursuant to an agreement between the Company, the subsidiary and the Parent Company, accounts receivable from the subsidiary amounting to AED 26,029,859 have been set off against amount due to the Parent Company during the year.

Key management compensation	Year ended 31 March 2022	Year ended 31 March 2021
Salaries and other allowances	4,340,531	1,701,642

22. Financial risk and capital management

22.1 Financial risk factors

The Company's financial instruments consist mainly of accounts and other receivables, bank balances, accounts and other payables, term loan, bank borrowings and derivatives. The management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

22. Financial risk and capital management (Continued)

22.1 Financial risk factors (Continued)

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. No changes were made in the risk management objectives and policies during the years ended 31 March 2022 and 31 March 2021. The identified risks are:

a) Currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the functional currency of the Company. The currencies in which these transactions are primarily denominated are Euro, US Dollars and Australian Dollar (AUD).

The Company's risk management policy is to hedge its estimated foreign currency exposure in respect of forecast sales over the following 6 months at any point in time. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges. The Company has not hedged any foreign currency exposure as at the reporting date.

The table below indicates the Company's foreign currency exposure, as a result of its monetary assets and liabilities.

	2022	2021
	AED	AED
Australian Dollars (AUD)	14,280,644	22,047,951
Euro (EUR)	24,031,320	--
Others	869,881	--

The following tables demonstrate the sensitivity to a reasonably possible change in the following foreign currencies, with all other variables held constant. The impact on the Company's (loss)/profit is due to changes in the fair value of monetary assets and liabilities.

	2022	2021
<i>Change in currency rate by 5% (+/-)</i>	Effect on loss (+/-) AED	Effect on profit (+/-) AED
Currency		
AUD	714,032	1,102,398
Euro	1,201,566	--
Others	43,494	--

b) Interest rate risk

The Company's interest rate risk arises from bank borrowings and term loan. The interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

A change of 100 basis points in interest rates at the reporting date (assuming that all other variables remain constant) would have increased/(decreased) (loss)/profit as follows:

	2022	2021
<i>Change in interest rate (+/-)</i>	Effect on loss (+/-)	Effect on profit (+/-)
5%	28,221	248,817

STERLING AND WILSON INTERNATIONAL SOLAR FZCO

DUBAI AIRPORT FREE ZONE, DUBAI

Financial statements for the year end 31 March 2022

22. Financial risk and capital management (Continued)

22.1 Financial risk factors (Continued)

c) Credit risk

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally of bank balances, loan to a related party and others, accounts receivable, contract assets, amounts due from related parties, deposits and other receivables.

Bank balances and deposits

The Company's bank accounts are placed with high credit quality financial institutions.

Accounts receivable, contract assets, loan to a related party, due from related parties and other receivables

The credit risk on accounts receivable, contract assets, loan to a related party, amounts due from related parties and other receivables are subjected to credit evaluations. The Company mostly generates revenue from the Parent Company and related parties. Outstanding receivables are regularly monitored and an allowance has been made for expected credit losses. The amounts presented in the statement of financial position are net of allowances for expected credit losses.

The Company is exposed to a significant concentration of credit risk. At the reporting date, 100% of the accounts receivable is due from 3 customers (2021: 100% is due from 3 customers) and 100% of the amounts due from related parties is due from 10 parties (2021: 100% is due from 10 parties).

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Impairment of financial assets

The Company's accounts receivable, contract assets, due from related parties and loan to related party are subject to the expected credit loss model.

While bank balances and other financial assets at amortised cost representing deposits and other receivables are also subject to impairment, the identified impairment loss is considered immaterial.

The impairment losses on financial assets recognised in the statement of comprehensive income were as follows:

	Year ended 31 March 2022	Year ended 31 March 2021
Impairment losses on due from related parties	4,556,642	--
	4,556,642	--

Reconciliation of the closing loss allowances for due from related parties as at 31 March 2022 to the opening loss allowances are as follows:

	2022	2021
Balance at the beginning of the year	2,238,346	2,238,346
Increase in loss allowance during the year	4,556,642	--
Balance at the end of the year	6,794,988	2,238,346

The above loss allowance recognised by the Company represents lifetime expected credit losses for specific credit-impaired amount due from related parties. Except for the expected credit losses for specific credit impaired amount due from related parties, the identified expected credit loss on accounts receivable, contract assets, other amounts due from related parties and loan to a related party is considered immaterial.

d) Liquidity risk

The Company manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Company maintains good working relations with its banks and ensures compliance with the covenants as stipulated in facility agreements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO
DUBAI AIRPORT FREE ZONE, DUBAI
Financial statements for the year end 31 March 2022

22. Financial risk and capital management (Continued)

22.1 Financial risk factors (Continued)

d) Liquidity risk (Continued)

The table below summarises the maturities of the Company's undiscounted financial liabilities based on contractual payment dates:

2022	On demand	0 to 1 year	Total
Accounts and other payables	385,972,690	111,559,534	497,532,224
Bank borrowings	--	41,394,724	41,394,724
Total	385,972,690	152,954,258	538,926,948
2021	On demand	0 to 1 year	Total
Accounts and other payables	351,568,084	279,821,352	631,389,436
Term loan	--	21,919,426	21,919,426
Bank borrowings	--	34,743,544	34,743,544
Total	351,568,084	336,484,322	688,052,406
Derivative financial instruments			
Forward foreign exchange contracts – used for hedging	--	3,160,504	3,160,504
Total	--	3,160,504	3,160,504

22.2 Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholder by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholder's funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholder's funds, the Company may adjust the amount of dividends paid to shareholder, return funds to shareholder, issue new shares, or sell assets to reduce its exposure to debt. Capital comprises share capital, cash flow hedging reserve and retained earnings and is measured at AED 260,345,030 as at 31 March 2022 (2021: AED 450,064,203).

23. Impact of COVID-19

The outbreak of the Coronavirus (COVID-19) pandemic globally continues to cause significant disturbance and slowdown of economic activity. During the year ended 31 March 2022, the construction activities at various sites witnessed a slowdown as per the directives issued by various regulatory authorities which has led to an increased cost of construction (including rise in module and commodity cost) as well as overheads due to extended time. All the above have resulted in the Company incurring a loss for the year ended 31 March 2022.

The Company's management and the Board of Directors have also made an assessment, of the Company's projected cash flows for the next 12 months, as well as financing arrangements to fulfil its working capital requirements and necessary capital expenditure.

The Company has used the principles of prudence in applying judgements, estimates and assumption and based on the current estimates' management has assessed the existing and anticipated impact of COVID-19 on future projected cash-flows. Based on all the above, the management believes the Company will continue its business in the foreseeable future, so as to be able to realise its assets and discharge its liabilities in the normal course. Accordingly, these financial statements are prepared on a going concern basis.