

**Sterling and Wilson International Solar FZCO
and its Subsidiaries**

**Consolidated Financial Statements together with the
Independent Auditor's Report for the year ended
31 March 2021**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
STERLING AND WILSON INTERNATIONAL SOLAR FZCO
AND ITS SUBSIDIARIES****Report on the Audit of the Consolidated Financial Statements****Qualified Opinion**

We have audited the consolidated financial statements of Sterling and Wilson International Solar FZCO ("the Parent Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including the significant accounting policies, set out on pages 4 to 42.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The consolidated financial statements of the Group include a loan from a related party of the amount of AED 244,662,085 which was repayable on demand. The Board of Directors of the Parent Company has received a request from the ultimate Promoters of the related party to extend the repayment timeline, in lieu of obtaining security to cover the amount outstanding and also levy penal interest. Accordingly, the Board of Directors of the Parent Company had taken a decision to extend the repayment timelines till September 2021 and levy additional penal interest. Further, on behalf of the Parent Company, the Ultimate Parent Company in India has obtained security against immovable property for the aforesaid amount due to the Parent Company and subsequent to the reporting date, the Parent Company has obtained additional security by assignment of certain project receivables. Considering the steps taken/being taken by the Parent Company, the management believes that no provision for expected credit losses is required as at 31 March 2021. In our view, however, a provision for expected credit losses on the amounts overdue should be estimated by the management. As a result of the uncertainty relating to timing of repayment of the outstanding balance, we are unable to quantify the impact of adjustments that may arise from non-measurement of expected credit losses on the financial results of the Parent Company for the year ended 31 March 2021.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which describes the uncertainty related to the outcome of the contractual exchanges with two customers and claim levied by a subcontractor. Our opinion is not modified in respect of this matter.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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

Report on the regulatory requirements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, all the necessary books of accounts and other records have been maintained in accordance with the provisions of implementing regulations issued thereunder by Dubai Airport Free Zone pursuant to implementing Regulation No. 1 of 2000, Pursuant to Law No. 2 of 1996 and its amendment No. 2 of 2000 of H. H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the UAE Federal Law No. 2 of 2015 regarding commercial companies and its amendments and decision made for Free Zone Companies. 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 above applicable laws came to our attention which would materially affect the Group's financial position.

A handwritten signature in blue ink that reads 'Moore Stephens' with a horizontal line underneath.

Moore Stephens

Dubai
24 June 2021

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

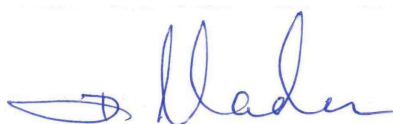
Consolidated financial statements for the year ended 31 March 2021

Consolidated statement of comprehensive income

(stated in AED)

	Note	Year ended 31 March 2021	Year ended 31 March 2020
Income			
Revenue from contracts with customers	3.4 a), 4	1,326,047,193	1,437,571,642
Direct costs	5	(1,317,653,285)	(1,298,968,984)
Gross profit		8,393,908	138,602,658
Other income	6	26,441,308	27,584,164
		34,835,216	166,186,822
Expenses			
General and administration	7	81,616,538	84,528,316
Selling		34,569	92,401
Finance charges	8	37,520,727	44,451,190
Impairment of goodwill	11	1,650,212	--
Impairment losses on financial assets	30.1 c)	9,818,053	5,689
		130,640,099	129,077,596
(Loss)/profit for the year before tax		(95,804,882)	37,109,226
Taxation	9	13,999,977	3,838,493
(Loss)/profit for the year		(81,804,906)	40,947,719
Other comprehensive (loss)/income:			
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations	3.4 m)	(11,250,425)	2,070,962
Effective portion of losses on hedging instruments in cash flow hedges	19	(3,160,504)	--
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain/(loss) on employees' terminal benefits	25	138,728	(718,837)
Other comprehensive (loss)/income for the year		(14,272,201)	1,352,125
Total comprehensive (loss)/income for the year		(96,077,107)	42,299,844
(Loss)/profit for the year attributable to:			
Shareholder of the Parent Company		(79,685,597)	43,257,444
Non-controlling interests	23	(2,119,309)	(2,309,725)
		(81,804,906)	40,947,719
Other comprehensive (loss)/income for the year attributable to:			
Shareholder of the Parent Company		(13,426,924)	761,751
Non-controlling interests		(845,277)	590,374
		(14,272,201)	1,352,125
Total comprehensive (loss)/income for the year attributable to:			
Shareholder of the Parent Company		(93,112,521)	44,019,195
Non-controlling interests	23	(2,964,586)	(1,719,351)
		(96,077,107)	42,299,844

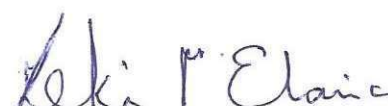
The attached notes 1 to 32 form part of these consolidated financial statements.



Neville Madan
Director
Dubai
24 June 2021



Bikesh Ogra
Director
Dubai
24 June 2021



Keki Elavia
Director
Mumbai
24 June 2021

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

Consolidated statement of financial position

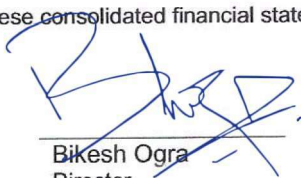
(stated in AED)

	Note	2021	2020
Assets			
Non-current assets			
Property and equipment	10	5,518,938	5,950,851
Intangible assets	11	269,205	1,978,471
Capital work-in-progress	12	32,176	413,433
Deferred tax asset	9	25,200,907	4,640,262
Total non-current assets		31,021,226	12,983,017
Current assets			
Income tax receivable	9	439,571	388,114
Contract assets	13	75,611,930	64,115,964
Accounts and other receivables	14	1,130,103,579	1,395,634,208
Bank and cash balances	15	52,078,715	132,943,912
Total current assets		1,258,233,795	1,593,082,198
Total assets		1,289,255,021	1,606,065,215
Shareholder's funds and liabilities			
Shareholder's funds			
Share capital	16	184,600,000	1,000,000
Legal reserve	17	150,000	150,000
Capital reserve	18	(934,652)	(934,652)
Cash flow hedging reserve	19	(3,160,504)	--
Foreign currency translation reserve	3.4 m)	(9,247,638)	457,869
Shareholder's current account	20	--	209,320,000
Retained earnings		120,179,635	205,842,080
Total shareholder's equity attributable to the shareholder of the Parent Company		291,586,841	415,835,297
Shareholder's loan	21	54,858,920	14,684,744
Non-controlling interests	23	(1,321,211)	(3,772,560)
Total shareholder's funds		345,124,550	426,747,481
Liabilities			
Non-current liabilities			
Lease liabilities – non-current portion	24	1,519,830	153,374
Employees' terminal benefits – non-current portion	25	2,783,673	2,241,741
Total non-current liabilities		4,303,503	2,395,115
Current liabilities			
Term loans	26	21,919,426	194,468,064
Bank borrowings	27	34,452,094	113,371,440
Lease liabilities – current portion	24	584,463	505,434
Provision for income tax	9	4,725,000	--
Accounts and other payables	28	874,944,214	868,551,205
Derivative financial instruments	19	3,160,504	--
Employees' terminal benefits – current portion	25	41,267	26,476
Total current liabilities		939,826,968	1,176,922,619
Total liabilities		944,130,471	1,179,317,734
Total shareholder's funds and liabilities		1,289,255,021	1,606,065,215

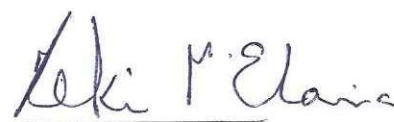
The attached notes 1 to 32 form part of these consolidated financial statements.



Neville Madan
Director
Dubai
24 June 2021



Bikesh Ogra
Director
Dubai
24 June 2021



Keki Elavia
Director
Mumbai
24 June 2021

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

Consolidated statement of changes in shareholder's funds

(stated in AED)

	Attributable to the shareholder of the Parent Company										
	Share capital	Legal reserve	Capital reserve	Cash flow hedging reserve	Foreign currency translation reserve	Shareholder's current account	Retained earnings	Sub total	Shareholder's loan	Non-controlling Interests	Total
Balance at 1 April 2020	1,000,000	150,000	(934,652)	--	457,869	209,320,000	205,842,080	415,835,297	14,684,744	(3,772,560)	426,747,481
Loss for the year	--	--	--	--	--	--	(79,685,597)	(79,685,597)	--	(2,119,309)	(81,804,906)
Other comprehensive loss for the year	--	--	--	(3,160,504)	(10,405,148)	--	138,728	(13,426,924)	--	(845,277)	(14,272,201)
Total comprehensive loss for the year	--	--	--	(3,160,504)	(10,405,148)	--	(79,546,869)	(93,112,521)	--	(2,964,586)	(96,077,107)
Movements during the year	--	--	--	--	1,138,883	12,364,217	(1,138,883)	12,364,217	2,089,959	--	14,454,176
Transfer from shareholder's current account to share capital (Note 20)	183,600,000	--	--	--	--	(183,600,000)	--	--	--	--	--
Transfer from shareholder's current account to shareholder's loan (Note 20)	--	--	--	--	--	(38,084,217)	--	(38,084,217)	38,084,217	--	--
Adjustment arising on change in ownership of a subsidiary (Note 22)	--	--	--	--	(439,242)	--	(4,976,693)	(5,415,935)	--	5,415,935	--
Balance at 31 March 2021	184,600,000	150,000	(934,652)	(3,160,504)	(9,247,638)	--	120,179,635	291,586,841	54,858,920	(1,321,211)	345,124,550

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

Consolidated statement of changes in shareholder's funds (Continued)

	Attributable to the shareholder of the Parent Company										
	Share capital	Legal reserve	Capital reserve	Cash flow hedging reserve	Foreign currency translation reserve	Shareholder's current account	Retained earnings	Sub total	Shareholders' loan	Non-controlling Interests	Total
Balance at 1 April 2019	1,000,000	150,000	(934,652)	--	(1,014,966)	193,815,000	201,010,465	394,025,847	1,047,413	(1,587,954)	393,485,306
Profit for the year	--	--	--	--	--	--	43,257,444	43,257,444	--	(2,309,725)	40,947,719
Other comprehensive income for the year	--	--	--	--	1,480,588	--	(718,837)	761,751	--	590,374	1,352,125
Total comprehensive income for the year	--	--	--	--	1,480,588	--	42,538,607	44,019,195	--	(1,719,351)	42,299,844
Movements during the year	--	--	--	--	--	15,505,000	--	15,505,000	13,637,331	--	29,142,331
Adjustment arising on change in ownership of a subsidiary	--	--	--	--	(7,753)	--	473,008	465,255	--	(465,255)	--
Dividends paid	--	--	--	--	--	--	(38,180,000)	(38,180,000)	--	--	(38,180,000)
Balance at 31 March 2020	1,000,000	150,000	(934,652)	--	457,869	209,320,000	205,842,080	415,835,297	14,684,744	(3,772,560)	426,747,481

The attached notes 1 to 32 form part of these consolidated financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

Consolidated statement of cash flows

(stated in AED)

	Note	Year ended 31 March 2021	Year ended 31 March 2020
Cash flows from operating activities			
(Loss)/profit for the year before tax		(95,804,882)	37,109,226
Adjustments for:			
Interest expense	8	31,864,502	41,077,432
Interest on lease liabilities	8	138,947	88,323
Impairment of goodwill	11	1,650,212	--
Provision for employees' terminal benefits	25	958,015	554,602
Bad debts written off		--	10,146
Impairment losses on financial assets	30.1 c)	9,818,053	--
Liabilities written back	6	(708,744)	(858,351)
Depreciation	10	3,938,787	3,772,663
Amortisation of intangible assets	11	59,054	59,056
Provision for foreseeable losses	5	13,719,288	--
Loss/(profit) on sale of property and equipment		373,452	(32,683)
Interest income	6	(25,500,524)	(24,128,782)
Cash flows (used in)/from operations before working capital changes		(59,493,840)	57,651,632
Decrease in inventories		--	593,673
(Increase) in contract assets		(11,495,966)	(6,305,830)
Decrease in accounts and other receivables		174,917,019	24,241,820
Increase in accounts and other payables		6,393,009	227,204,931
Employee's terminal benefits paid	25	(262,564)	(465,859)
Income tax paid		(114,307)	(29,684)
Net cash from operating activities		109,943,351	302,890,683
Cash flows from investing activities			
Purchase of property and equipment (excluding right-of-use assets)	10	(1,327,941)	(1,142,967)
Proceeds from sale of property and equipment		72,954	1,201,201
Interest received on loan to related party and fixed deposits		63,171,308	13,398,550
(Increase) in margin money deposits	15	(96,741)	(5,219,191)
(Increase) in capital work-in-progress	12	--	(413,433)
Net movement in loan to a related party		15,837,078	55,207,727
Payment of purchase consideration for subsidiary		--	(1,697,016)
Movement in escrow account relating to acquisition of a subsidiary		--	3,407,156
Net cash from investing activities		77,656,658	64,742,027
Cash flows from financing activities			
Net movement in term loans	15	(172,548,638)	(258,108,145)
Net movement in bank borrowings	15	(78,919,346)	7,833,563
Interest paid		(16,375,418)	(24,744,003)
Payment of lease liabilities and interest	24	(811,441)	(1,441,911)
Net movement in shareholder's loan		--	12,808,902
Dividends paid		--	(38,180,000)
Net cash (used in) financing activities		(268,654,843)	(301,831,594)
Net movement in currency translation		92,896	2,763,279
(Decrease)/increase in cash and cash equivalents during the year		(80,961,938)	68,564,663
Cash and cash equivalents at the beginning of the year		120,358,866	51,794,203
Cash and cash equivalents at the end of the year	15	39,396,928	120,358,866
Non-cash transactions:			
Transfer from shareholder's current account to share capital	20	(183,600,000)	--
Transfer from shareholder's current account to shareholder's loan	20	(38,084,217)	--
Transfer from capital work-in-progress to property and equipment	12	381,491	
Recognition of right-of-use assets		--	2,396,659
Recognition of lease liability		--	(2,012,396)
Effect of modification of lease liabilities during the year	24	704,158	--
Transfer of property and equipment from related party		--	(89,383)
		(220,598,568)	294,880

The attached notes 1 to 32 form part of these consolidated financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

Notes to the consolidated financial statements

(stated in AED)

1. Legal status and principal activities

These consolidated financial statements comprise the financial statements of Sterling and Wilson International Solar FZCO ("the Parent Company") and its Subsidiaries (collectively called as "the Group") listed below. The Parent Company was incorporated on 7 December 2017 in Dubai Airport Free Zone with limited liability pursuant to the Implementing Regulations No. 1 of 2000, Pursuant Law No. 2 of 1996 and its Amendment No. 2 of 2000 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the UAE Federal Law No. 2 of 2015 regarding Commercial Companies and its amendments and decisions made and issued there under by the Dubai Airport Free Zone Authority.

The principal place of business of the Parent Company is located at Park Place Tower, Office No 1803-1804, Sheikh Zayed Road, Dubai, UAE.

The details of subsidiaries which have been consolidated in the Group's consolidated financial statements are as follows:

Sl. No.	Name of subsidiary	Capital	Control and share of profit / loss	Country of registration and principal place of business		
		31 March 2021	31 March 2020	31 March 2021	31 March 2020	
I.I	Sterling and Wilson Middle East Solar Energy L.L.C	49%	49%	100%	100%	United Arab Emirates
I.II	Sterling and Wilson Singapore Pte. Ltd.	100%	100%	100%	100%	Singapore
I.III	Sterling and Wilson Engineering (Pty) Ltd.	60%	60%	60%	60%	South Africa
I.IV	Sterling and Wilson Solar Solutions Inc.	100%	100%	100%	100%	U.S.A.
I.V	Sterling and Wilson Solar Spain S.L. (Previously known as Renewable Energia Contracting, S.L.)	99%	99%	100%	100%	Spain
I.VI	GCO Solar Pty Ltd.	100%	76%	100%	76%	Australia
I.VII	Sterling and Wilson International LLP	100%	100%	100%	100%	Republic of Kazakhstan
I.VIII	Sterling and Wilson Solar Australia Pty Ltd.	100%	100%	100%	100%	Australia
I.IX	Sterling and Wilson Solar Malaysia Sdn Bhd	30%	30%	100%	100%	Malaysia
Held through Sterling and Wilson Singapore Pte. Ltd.:						
I.X	Sterling and Wilson Kazakhstan LLP	100%	100%	100%	100%	Republic of Kazakhstan
Held through Sterling and Wilson Solar Solutions Inc., USA:						
I.XI	Sterling and Wilson Solar Solutions LLC	100%	100%	100%	100%	U.S.A.

Acquisition of additional stake in subsidiary

During the year, pursuant to an agreement, the Group acquired additional 24% shares in GCO Solar Pty Ltd. causing the increase in its shareholding to 100% ownership (2020: 76% ownership).

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

1. Legal status and principal activities (Continued)

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

Although the shareholding in Sterling and Wilson Middle East Solar Energy L.L.C and Sterling and Wilson Malaysia Sdn Bhd is only 49% and 30% respectively, the Parent Company controls and has the power to direct the relevant activities of the subsidiaries, and thereby can significantly affect the returns of the subsidiaries.

The Parent Company is owned by Sterling and Wilson Solar Limited ("Ultimate Parent Company"), a public limited company incorporated in India and listed with Securities Exchange Board of India (SEBI). A major shareholder of Ultimate Parent Company is Shapoorji Pallonji and Company Private Limited. The principal activities of the Group include solar energy systems and components trading and installation. The Group 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 Group

The Group has adopted the following applicable amended IFRSs as of 1 April 2020:

- a) Amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" clarify the definition of 'material' across the standards. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
- b) Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform Phase I: The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or hedging instrument.

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 consolidated financial statements.

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

The following amendments to existing standards that are applicable to the Group have been published and are mandatory for accounting periods of the Group beginning after 1 April 2020, but which have not been adopted early by the Group:

- a) Covid-19-Related Rent Concessions - amendment to IFRS 16, "Leases": On 28 May 2020, IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.
- b) 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.
- c) 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.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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 Group (Continued)

d) 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 consolidated 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 consolidated 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.

e) Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after 1 January 2022

f) 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 consolidated financial statements for future periods.

3. Basis of preparation and significant accounting policies and estimates

3.1 Basis of preparation

These consolidated 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 consolidated financial statements have been presented in Arab Emirates Dirham (AED).

3.2 Basis of measurement

These consolidated 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 Group in these consolidated financial statements are set out below.

3.3 Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and its subsidiaries listed in Note 1. Subsidiaries which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the Parent Company has power over the investees, that expose or give rights to variable returns from its involvement with the investee, and the Parent Company is able to use its power to affect the amount of returns from the investee. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

3.3 Basis of consolidation (Continued)

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The consolidated financial statements are based on the financial statements of the subsidiaries drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

All significant intra-group transactions and balances between Group entities are eliminated on consolidation. The Group applies a policy of treating transactions with a non-controlling interest as transactions with equity holders when control of the subsidiary is not lost of the subsidiary. This is therefore reflected in equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

3.4 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 Group expects to be entitled in exchange for those goods or services. The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

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 consolidated profit or loss when they are incurred.

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

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

a) Revenue recognition (Continued)

Revenue from design and engineering services and operation and maintenance services

Revenue from design and engineering services and operation and maintenance services is recognised over time when the relevant 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 Group. The payment is generally due within 90 days.

Advances from customers

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

Warranties

Assurance-type warranties are warranties for general repairs of defects that existed at the time of sale and are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

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 consolidated 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 Group 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 consolidated 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.

Land is not depreciated. Depreciation is charged on other assets so as to write off the cost over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Leasehold improvements	3 to 5 years
Furniture and fixtures	3 to 5 years
Motor vehicles	3 to 5 years
Office equipment	3 to 5 years
Machinery, tools and equipment	2 to 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 consolidated 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 Group'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 AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

c) Contract balances (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 Group 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 Group performs under the contract.

d) Intangible assets

Intangible assets of the Group comprise of goodwill and certification and licenses arising on acquisition of subsidiaries (Note 11).

Intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives (certifications and licenses) are amortised over the useful economic life of 5-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period and any change in estimate is accounted for on prospective basis.

Intangible assets with indefinite useful lives (goodwill) are not amortised, but are tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Goodwill arising on business combination represents the excess of the fair value of consideration transferred over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset as it represents synergies which the Group expects to receive from the acquisition. Goodwill is tested for impairment on an annual basis in respect of the cash generating unit to which the goodwill attaches, as it is not subject to amortisation. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised in the consolidated profit or loss account. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Where the net fair value of assets acquired exceeds the fair value of consideration transferred (gain on bargain purchase or negative goodwill) such excess is recognised immediately in profit or loss.

e) 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.

f) Business combination

The acquisition method of accounting under IFRS 3 is used by the Group when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Group. Consideration includes cash and contingent consideration.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

f) Business combination (Continued)

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The fair value of assets acquired and liabilities assumed are recognised at the acquisition date. At the acquisition date any equity interest held prior to the acquisition date is recognised at fair value with a resulting gain or loss recognised in profit or loss. The Group has an option on a combination by combination basis on how to recognise non-controlling interest at the acquisition date either at fair value or proportionate share of net assets.

g) Accounting for business combinations involving entities or business under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, the management use their judgement in developing and applying an accounting policy that is relevant and reliable.

In making that judgement the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS.

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- (i) The assets and liabilities of the combining entities are reflected at their carrying amounts.
- (ii) No goodwill is recognised as a result of combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the equity acquired is reflected directly in the equity as capital reserves.
- (iii) The consolidated statement of comprehensive income reflects the results of the full year irrespective of when the combination took place.

h) Impairment of non-financial assets

At each reporting date, the Group 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 Group 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 (except for goodwill), 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.

i) 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.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

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

(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 Group 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.

(ii) Classification and subsequent measurement

Financial assets: Classification

On initial recognition, a financial asset is classified and 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 Group'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 Group 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 Group 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.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

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

(ii) Classification and subsequent measurement (Continued)

Financial assets: Classification (Continued)

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

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

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 consolidated statement of comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of comprehensive income.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, 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 consolidated 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 consolidated statement of comprehensive income. Any gain or loss on derecognition is also recognised in the consolidated statement of comprehensive income.

The Group's financial liabilities include term loans, bank borrowings, , accounts and other payables which are classified and measured at amortised cost and derivative financial instruments (Note 19).

(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 Group 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 Group 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 Group 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 Group'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 consolidated statement of comprehensive income.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

i) 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 consolidated statement of financial position when, and only when, the Group 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.

j) 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 Group 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 Group follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance. The Group 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 Group 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 defaults 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 consolidated statement of comprehensive income.

k) Employees' terminal benefits

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

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

k) Employees' terminal benefits (Continued)

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 profit or loss statement within salaries and employee related costs.

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

l) 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 Group.

m) Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Group's presentation currency. The functional currency of the Parent Company is USD and each subsidiary determines its functional currency and items included in the financial statements of each entity are measured using the functional currency.

Transactions and balances

Transactions in currencies other than the functional currency 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 consolidated 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 Group 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 Group determines the transaction date for each payment or receipt of advance consideration.

Translation of the financial statements of foreign subsidiaries

The Group's presentation currency is AED. The financial statements of foreign subsidiaries are translated into AED using exchange rates in effect at period end for assets and liabilities and average exchange rates during the reporting period for results of operations. Adjustments, resulting from translation of financial statements are reflected as a separate component of shareholder's equity in a foreign currency translation reserve.

n) Cash and cash equivalents

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

o) Operating leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

o) Operating leases (Continued)

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 Group 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 Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset, i.e., the Group 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 Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used

As a Lessee

The Group 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 3.4 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 Group's incremental borrowing rate. Generally, the Group 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 Group 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 assets or is recorded in profit or loss if the carrying amount of the right-of-use assets 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 Group's operations. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise options if there is a significant event or significant change in circumstances within its control.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

o) Operating leases (Continued)

Short-term leases

The Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease modifications

The Group accounts for a lease modification as a separate lease if both of the following conditions exist:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification that is not a separate lease, at the effective date of the modification the Group accounts for it by remeasuring the lease liability using a discount rate determined at that date and:

- for modifications that decrease the scope of the lease: decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognising a gain or loss that reflects the proportionate decrease in scope; and
- for all other modifications: making a corresponding adjustment to the right-of-use asset.

p) Taxation

Income tax comprises current and deferred tax. It is recognised in the consolidated statement of comprehensive income except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using applicable tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

p) Taxation (Continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

q) 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 Group. 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.

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.

r) 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 Group 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.

s) Derivative financial instruments and hedge accounting

The Group 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 consolidated statement of comprehensive income.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.4 Significant accounting policies (Continued)

s) Derivative financial instruments and hedge accounting (Continued)

The Group 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 Group documents the risk management objective and strategy for undertaking the hedge. The Group 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 Group 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 Group 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 Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

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 consolidated 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 consolidated 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 consolidated statement of comprehensive income.

3.5 Significant accounting judgement, estimates and assumptions

The preparation of consolidated 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:

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.5 Significant accounting judgement, estimates and assumptions (Continued)

IFRS 15, 'Revenue from contracts with customers' (Continued)

Satisfaction of performance obligation

The Group 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 Group's revenue from contracts with customers, the satisfaction of performance obligation are 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 Group creates/enhances an asset the customer controls as the asset is being created
- c) Revenue from design and engineering services and operation and maintenance services – revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group.

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement, the Group 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 Group 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 Group's management considers whether the amount of variable consideration is constrained based on its historical experience, business forecast and the current economic conditions.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations relating to revenue from contracts. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group 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 consolidated 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 Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group'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 Group reviews its accounts receivable and contract assets to assess impairment at regular intervals. In determining whether impairment losses should be reported in the consolidated statement of comprehensive income, the Group 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.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.5 Significant accounting judgement, estimates and assumptions (Continued)

Impairment of financial assets (Continued)

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 Group 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 Group 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 25.

Impairment of property, plant and equipment and intangible assets excluding goodwill

A decline in the value of property and equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment and intangible assets 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 worse than expected

Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. 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 and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Deferred tax asset

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference, to the extent that it is possible that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

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

3.5 Significant accounting judgement, estimates and assumptions (Continued)

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 Group 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. During the current financial year, there has been no revision in the lease terms.

Use of incremental rate of borrowing

For measuring the lease liabilities, the Group 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 Group would be charged to borrow over a similar term and under similar circumstances. To determine an appropriate rate, the Group has obtained the relevant information from its bankers.

4. Revenue from contracts with customers

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

a) Type of goods or services

	Year ended 31 March 2021	Year ended 31 March 2020
Sale of goods	405,220,929	1,111,146,416
Revenue from contract works	869,011,107	274,978,331
Revenue from operation and maintenance services	21,190,914	21,661,094
Revenue from design and engineering services	30,624,243	29,785,801
	1,326,047,193	1,437,571,642

b) Timing of satisfaction of performance obligation

	Year ended 31 March 2021	Year ended 31 March 2020
Goods transferred at point in time	405,220,929	1,111,146,416
Goods and services transferred over time	920,826,264	326,425,226
	1,326,047,193	1,437,571,642

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 Group 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 2021	Year ended 31 March 2020
Australia	910,456,721	167,932,409
India	289,028,111	1,089,969,167
United States	92,857,566	99,487,629
Middle East and North Africa	27,932,633	74,364,353
Rest of Africa	5,772,162	5,818,084
	1,326,047,193	1,437,571,642

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

4. Revenue from contracts with customers (Continued)

d) Customer relationship

	Year ended 31 March 2021	Year ended 31 March 2020
Related party customers (Note 29)	440,960,983	1,104,440,728
Third party customers	885,086,210	333,130,914
	<u>1,326,047,193</u>	<u>1,437,571,642</u>

5. Direct costs

	Year ended 31 March 2021	Year ended 31 March 2020
Material purchases	881,015,279	1,156,253,846
Contract costs	306,783,254	69,689,415
Direct staffing costs	46,942,382	40,306,689
Insurance costs	14,524,340	1,495,368
Repairs and maintenance – others	14,429,070	693,569
Provision for foreseeable losses	13,719,288	--
Legal and professional fees	9,775,335	7,106,530
Traveling and conveyance	8,232,637	2,932,264
Bank charges	7,913,571	7,171,444
Depreciation (Note 10)	--	48,733
Others	14,318,129	13,271,126
	<u>1,317,653,285</u>	<u>1,298,968,984</u>

6. Other income

	Year ended 31 March 2021	Year ended 31 March 2020
Interest income on loan to a related party (Note 29)	25,232,694	23,630,129
Interest income (others)	28,243	--
Reversal of liabilities no longer considered payable	708,744	858,351
Interest on short-term deposits	239,587	498,653
Profit on sale of property and equipment	--	35,683
Scrap sales	8,500	80,305
Claim from suppliers	--	2,156,361
Others	223,540	324,682
	<u>26,441,308</u>	<u>27,584,164</u>

7. General and administration expenses

	Year ended 31 March 2021	Year ended 31 March 2020
Salaries and employee related costs	42,498,923	51,620,664
Loss on foreign currency exchange	14,337,273	5,949,012
Legal and professional fees	6,768,644	7,903,241
Depreciation (Note 10)	3,938,787	3,723,930
Insurance	3,674,037	2,691,935
Short-term leases (Note 24)	1,401,262	1,332,141
Communication	916,907	1,020,923
Travelling and conveyance	734,417	3,391,029
Management support fee (Note 29)	472,049	299,662
Loss on sale of property and equipment	373,452	--
Printing and stationery	298,874	255,506
Amortisation of intangible assets (Note 11)	59,054	59,056
Others	6,142,859	6,281,217
	<u>81,616,538</u>	<u>84,528,316</u>

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

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8. Finance charges

	Year ended 31 March 2021	Year ended 31 March 2020
Interest expense – shareholder (Notes 20, 21 and 29)	18,983,653	16,333,429
Interest expense – term loans and bank borrowings	11,910,804	22,595,661
Interest expenses – related party (Note 29)	--	1,034,119
Interest expense – others	970,045	1,114,223
Interest on lease liabilities (Note 24)	138,947	88,323
Bank charges	5,517,278	3,285,435
	37,520,727	44,451,190

9. Taxation

The Parent Company is not subject to income tax in its country of incorporation. The income tax charge relates to the overseas taxes where the Group has its operations. Details of provision for tax are as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Current tax expense	4,787,849	36,082
Deferred tax income	(18,787,827)	(3,874,575)
Tax income	(13,999,978)	(3,838,493)

The Group has received additional tax demand amounting to AED 19,048,038 with respect to a subsidiary. The Group is appealing the tax demand and management expects the dispute to be resolved in the next 12 months. A provision of AED 4,725,000 has been made in the consolidated financial statements based on the management's assessment.

Deferred tax asset movement during the year is as follows:

	2021	2020
Balance at the beginning of the year	4,640,262	1,237,099
Deferred tax income:		
Increase in tax loss available for set off against future taxable income	15,218,730	3,905,937
Deductible temporary difference movement on leave pay accrual	5,420	9,238
Taxable difference on prepayments	72,418	(48,444)
Temporary difference on income in advance	3,176	7,844
Financial assets not recoverable	(806)	--
Temporary difference on impairment losses on financial assets	3,488,889	--
	23,428,089	5,111,674
Translation adjustment	1,772,818	(471,412)
Balance at the end of the year	25,200,907	4,640,262

The Group has unused tax losses amounting to AED 180,929,019 (2020: AED 85,006,985) which is available for set off against future taxable income but is not recognised as part of deferred tax assets because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Income tax receivable at the reporting date is as follows:

	2021	2020
At the beginning of the year	388,114	444,674
Excess tax payment	--	--
Translation adjustment	51,457	(56,560)
At the end of the year	439,571	388,114

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

10. Property and equipment

2021

	Land	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Machinery, tools and equipment
<i>Cost</i>						
At 1 April 2020	82,100	1,794,092	322,998	215,358	6,901,753	569,920
Additions during the year	--	--	17,584	--	543,885	766,470
Transferred from capital work-in-progress (Note 12)	--	186,596	--	--	194,895	--
Effect of modification during the year (Note 24)	--	--	--	--	--	--
Sale of property and equipment to related party	--	--	--	--	(9,256)	--
Disposals during the year	--	(51,745)	(5,115)	(132,158)	(531,454)	--
Other adjustments	--	--	77,420	--	(77,420)	--
Translation adjustment	600	4,480	3,173	2,037	143,025	16,780
At 31 March 2021	82,700	1,933,423	416,060	85,237	7,165,428	1,353,170
<i>Accumulated depreciation</i>						
At 1 April 2020	--	1,060,951	184,313	159,003	3,482,621	65,220
Charge for the year	--	644,304	59,308	46,091	1,634,172	401,350
Other adjustments	--	--	28,119	--	(28,119)	--
Relating to disposals	--	--	(3,171)	(132,158)	(147,992)	--
Translation adjustment	--	--	990	909	38,334	3,990
At 31 March 2021	--	1,705,255	269,559	73,845	4,979,016	470,580
<i>Net book value</i>						
At 31 March 2021	82,700	228,168	146,501	11,392	2,186,412	882,590

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Consolidated financial statements for the year ended 31 March 2021

10. Property and equipment (Continued)

2020	Land	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Machinery, tools and equipment
<i>Cost</i>						
At 1 April 2019	96,710	1,801,383	307,244	2,248,129	6,442,816	2,286,573
Arising on adoption of IFRS 16	--	--	--	--	--	--
At 1 April 2019 (restated)	96,710	1,801,383	307,244	2,248,129	6,442,816	2,286,573
Additions during the year	--	--	4,852	--	610,565	527,553
Disposals during the year	--	--	--	(2,017,343)	(117,481)	(2,084,873)
Transfer from related party	--	--	11,250	132,158	34,088	--
Translation adjustment	(14,610)	(7,291)	(348)	(147,586)	(68,235)	(159,330)
At 31 March 2020	82,100	1,794,092	322,998	215,358	6,901,753	569,923
<i>Accumulated depreciation</i>						
At 1 April 2019	--	580,960	98,314	1,507,529	1,868,828	1,699,583
Charge for the year	--	479,991	82,047	110,958	1,623,114	96,633
Relating to disposals	--	--	--	(1,427,586)	(8,205)	(1,615,120)
Relating to transfer from related party	--	--	3,955	68,191	15,967	--
Translation adjustment	--	--	(3)	(100,089)	(17,083)	(115,882)
At 31 March 2020	--	1,060,951	184,313	159,003	3,482,621	65,223
<i>Net book value</i>						
At 31 March 2020	82,100	733,141	138,685	56,355	3,419,132	504,699

- a) Leasehold improvements relate to enhancements of the Group's office premises under lease. These assets are depreciated over their useful lives, which the Group anticipates that the lease will continue to be renewed for the foreseeable future.
- b) Right-of-use assets represent office spaces taken on non-cancellable operating lease (Note 3.4 o) with lease terms between 1 to 3 years. The depreciation charge is allocated as follows:
- c) The depreciation charge is allocated as follows:

Direct costs (Note 5)
General and administration expenses (Note 7)

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2021

11. Intangible assets

The Group acquired two subsidiaries in Australia and Kazakhstan resulting in the following intangible assets:

2021	Goodwill	Certification and licenses	Total
<i>Cost</i>			
At 1 April 2020	1,650,212	403,557	2,053,769
Less: Impaired during the year	(1,650,212)	--	(1,650,212)
At 31 March 2021	--	403,557	403,557
<i>Accumulated amortisation</i>			
At 1 April 2020	--	75,298	75,298
Charge for the year (Note 7)	--	59,054	59,054
At 31 March 2021	--	134,352	134,352
<i>Net book value</i>			
At 31 March 2021	--	269,205	269,205
2020	Goodwill	Certification and licenses	Total
<i>Cost</i>			
At 1 April 2019	1,650,212	403,557	2,053,769
At 31 March 2020	1,650,212	403,557	2,053,769
<i>Accumulated amortisation</i>			
At 1 April 2019	--	16,242	16,242
Charge for the year (Note 7)	--	59,056	59,056
At 31 March 2020	--	75,298	75,298
<i>Net book value</i>			
At 31 March 2020	1,650,212	328,259	1,978,471

The Group in the current year impaired the goodwill arising on acquisition of GCO Solar Pty Ltd. amounting to AED 1,650,212.

12. Capital work-in-progress

Capital work-in-progress represents expenditure incurred on leasehold improvements for office premises. Upon completion, the related expenditure will be transferred to property and equipment.

	2021	2020
At the beginning of the year	413,433	--
Additions during the year	--	413,433
Transferred to property and equipment during the year (Note 10)	(381,491)	--
Translation adjustment	234	--
At the end of the year	32,176	413,433

13. Contract assets

Contract assets represent unbilled receivables on revenue recognised during the year, which upon invoicing will be transferred to accounts receivable.

	2021	2020
At the beginning of the year		57,810,134
Add: Additions in the current year	75,611,930	64,115,964
Less: Revenue recognised in the current year	(64,115,964)	(57,810,134)
At the end of the year	75,611,930	64,115,964

The majority of the balance as of the reporting date represents the unbilled receivables of the Group from its Solar EPC projects in Australia and UAE.

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14. Accounts and other receivables

	2021	2020
Accounts receivable		
– third parties	17,382,269	109,287,743
– related parties	715,247,810	908,820,261
Due from related parties	8,879,638	3,864,314
Loan to a related party (See note c) below)	244,662,085	325,457,642
Advances to suppliers/contractors	81,855,511	14,159,842
Deposits and prepayments	17,906,537	15,210,678
Insurance claim receivables	--	54,677
Other receivables	53,993,471	18,784,740
	1,139,927,321	1,395,639,897
Less: Allowance for expected credit losses (Note 30.1 c))	(9,823,742)	(5,689)
	1,130,103,579	1,395,634,208

- a) Accounts receivable is subject to a charge for facilities granted to the Group (Note 27).
- b) The Group's risk exposure and expected credit losses on accounts receivable, loan to a related party, amounts due from related parties and other receivables are disclosed in Note 30.1 c).
- c) Loan to a related party carried interest at 8% per annum until 30 September 2020 and with effect from 1 October 2020 it was amended to borrowing cost of Parent Company plus 400bps (2020: 7.5% - 8% per annum) The loan was unsecured and receivable on demand until 30 September 2020. The Board of Directors of the Parent Company received a request from the ultimate Promoters of the related party to extend the repayment timeline, in lieu of obtaining security to cover the amount outstanding and also levy penal interest. Accordingly, the Board of Directors of the Parent Company had taken a decision to extend the repayment timelines till September 2021 and levy additional penal interest. Further, on behalf of the Parent Company, the Ultimate Parent Company in India has obtained security against immovable property for the outstanding balance due to the Parent Company and subsequent to the reporting date, the Parent Company has obtained additional security by assignment of certain project receivables. Considering the steps taken/being taken by the Parent Company, the management believes that no provision for expected credit losses is required as at 31 March 2021.
- d) Unimpaired receivables, loan to a related party, amounts due from related parties and other receivable are considered collectible based on historic experience.
- e) Other receivables include costs incurred in relation to additional works undertaken by the Group to compensate a customer for deficiencies in the products supplied under the terms of the contract with a customer. The Group has incurred total cost of AED 50.84 million (2020: AED 17.29 million) for the supply and installation of additional works. The management is of the view that the Group, 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 Group has also filed a claim for recovery of USD 167 million (inclusive of the above incurred cost) as per the Supply Agreement between the Group and its supplier for failure to rectify the deficiencies in the products supplied by the supplier.

15. Bank and cash balances

	2021	2020
Cash on hand	14,917	17,202
Bank current accounts	39,382,011	118,453,194
Margin money deposits	12,681,787	12,585,046
Short-term deposits	--	1,888,470
Bank and cash balances	52,078,715	132,943,912
Less: Margin money deposits under lien	(12,681,787)	(12,585,046)
Cash and cash equivalents in the consolidated statement of cash flows	39,396,928	120,358,866

Short-term deposits were placed with a commercial bank and carried interest between 0.75% to 1% (2020: 2.05% to 4%) per annum.

Margin money deposits are subject to a charge for the facilities granted to the Group (Note 26).

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15. Bank and cash balances (Continued)

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

2021	1 April 2020	Financing cash flows	31 March 2021
Bank borrowings	113,371,440	(78,919,346)	34,452,094
Term loans	194,468,064	(172,548,638)	21,919,426
	307,839,504	(251,467,984)	56,371,520

2020	1 April 2019	Financing cash flows	31 March 2020
Bank borrowings	105,537,877	7,833,563	113,371,440
Term loans	452,576,209	(258,108,145)	194,468,064
	558,114,086	(250,274,582)	307,839,504

16. Share capital

	2021	2020
Authorised, issued and fully paid 184,600 shares of AED 1,000 each (2020: 1,000 shares of AED 1,000 each)	184,600,000	1,000,000
	184,600,000	1,000,000

The shareholder through board resolution dated 28 December 2020 approved the allotment of ordinary shares at a nominal value of AED 1,000 per share, amounting to AED 183,600,000 by transferring the balance from shareholder's current account. Accordingly, the additional capital was registered and the share capital of the Parent Company was amended to AED 184,600,000 (Note 20).

17. Legal reserve

As required by the Federal Law No. (2) of 2015 relating to commercial companies in the UAE, 10% of the profit for the year relating to a subsidiary registered in UAE is to be transferred to a legal reserve. Since the balance in legal reserve is 50% of the share capital of the subsidiary, the minimum prescribed by the aforesaid Law, the shareholder has resolved to suspend further transfers. The reserve is not available for distribution, except as stipulated in the said Law.

18. Capital reserve

Capital reserve represents excess of purchase consideration paid over net book value of assets acquired for acquisition of Sterling and Wilson Middle East Solar Energy L.L.C in the previous period, which was under common control of the ultimate shareholder of the Group before and after the transaction.

19. Derivative financial instruments

	2021	2020
Cash flow hedge:		
Forward foreign exchange contract liabilities	3,160,504	--

The Group has entered into contracts to sell traded goods in Australian Dollars. The Group has 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 at 31 March 2021 were AUD 22,300,000 (2020: Nil).

At 31 March 2021, 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 is AED 3,160,504 (2020: Nil). It is anticipated that the sales will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the revenue.

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20. Shareholder's current account

This represents amount credited to shareholder's current account pursuant to a resolution of the shareholder of the Parent Company to convert its loan into equity. This balance carried interest at 8% (2020: 8%) per annum.

The share capital was amended during the year by transferring balance amounting to AED 183,600,000 from shareholder's current account and the remaining balance in the shareholder's current account of AED 38,084,217 was transferred to shareholder's loan (Notes 16 and 21).

21. Shareholder's loan

Shareholder's loan is unsecured, carries interest at 8% (2020: 8%) per annum, without defined repayment arrangement and is repayable only at the option of the Group. An amount of AED 38,084,217 was transferred from shareholder's current account to shareholder's loan (Note 20).

22. Business combination

Transactions with non-controlling interests

The Group had acquired 76% ownership interest in GCO Solar Pty Ltd. (Formerly known as "GCO Electrical Pty Ltd), Australia on 31 December 2018. On 11 February 2021, the Group acquired the remaining ownership interest of 24% from non-controlling interests.

The effect on the equity attributable to the Parent Company during the year are as follows:

	AED
Carrying value of non-controlling interest acquired	(5,415,935)
Consideration paid to non-controlling interests	--
Excess of carrying value over consideration paid recognised in retained earnings	(5,415,935)

23. Non-controlling interests

2021	GCo Solar Pty Ltd, Australia (See note below)	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Sterling and Wilson Solar Spain S.L, Spain	Total
Non-controlling interests	24%	40%	1%	--
Attributable to non-controlling interests:				
(Loss)/Profit for the year	(3,834,264)	1,714,955	--	(2,119,309)
Total comprehensive loss for the year	(4,380,077)	1,415,491	--	(2,964,586)
Accumulated non-controlling interests	--	(1,321,391)	180	(1,321,211)
Summarised financial information of the above subsidiaries is as follows:				
Non-current assets	--	1,830,506	710,299	2,540,805
Current assets	--	46,616,113	5,642,084	52,258,197
Total assets	--	48,446,619	6,352,383	54,799,002
Current liabilities	--	51,750,098	11,875,440	63,625,538
Total liabilities	--	51,750,098	11,875,440	63,625,538
Net liabilities	--	(3,303,479)	(5,523,057)	(8,826,356)
Revenue	61,778,552	5,772,162	--	67,550,714
Profit /(loss) for the year	(29,440,422)	4,287,388	(3,601,533)	(28,754,567)
Total comprehensive (loss) for the year	(32,807,285)	3,538,729	(3,814,935)	(33,083,491)

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23. Non-controlling interests (Continued)

2021	GCo Solar Pty Ltd, Australia	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Sterling and Wilson Solar Spain S.L, Spain	Total
Summarised cash flow information:				
Operating activities	(14,138)	(2,600,392)	--	(2,614,530)
Investing activities	(154,079)	1,566,654	--	1,412,575
Financing activities	--	1,955,235	--	1,955,235
Net increase/(decrease) in cash and cash equivalents	(168,217)	921,497	--	753,280

Acquisition of additional stake in subsidiary

During the year, pursuant to an agreement, the Group acquired additional 24% shares in GCO Solar Pty Ltd. causing the increase in its shareholding to 100% ownership (2020: 76% ownership). This acquisition was completed on 11 February 2021 (Note 22). Accordingly, the share of non-controlling interest in the loss and total comprehensive loss for the year has been computed up to 11 February 2021.

2020	GCo Solar Pty Ltd, Australia	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Sterling and Wilson Solar Spain S.L Spain	Total
Non-controlling interests	24%	40%	1%	
Attributable to non-controlling interests:				
Loss for the year	(792,133)	(1,517,592)	--	(2,309,725)
Total comprehensive loss for the year	(689,075)	(1,030,276)	--	(1,719,351)
Accumulated non-controlling interests	(1,035,857)	(2,736,883)	180	(3,772,560)

Summarised financial information of the above subsidiaries is as follows:

Non-current assets	103,805	2,055,848	1,130,797	3,290,450
Current assets	6,629,528	43,117,251	5,861,385	55,608,164
Total assets	6,733,333	45,173,099	6,992,182	58,898,614
Current liabilities	11,049,400	52,015,307	8,700,304	71,765,011
Total liabilities	11,049,400	52,015,307	8,700,304	71,765,011
Net liabilities	(4,316,067)	(6,842,208)	(1,708,122)	(12,866,397)
Revenue	21,426,672	6,084,000	4,703,109	32,213,781
(Loss) for the year	(3,300,555)	(3,793,981)	(512,735)	(7,607,271)
Total comprehensive (loss) for the year	(2,871,149)	(2,575,689)	(491,436)	(5,938,274)
Summarised cash flow information:				
Operating activities	(3,526,668)	(701,104)	--	(4,227,772)
Investing activities	(138,640)	(8,984)	--	(147,624)
Financing activities	3,788,530	1,693,875	--	5,482,405
Net increase in cash and cash equivalents	123,122	983,787	--	1,107,009

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24. Lease liabilities

Lease liabilities represents the discounted value of future lease payments for the lease of office premises.

The movements of lease liabilities at the end of each reporting period are as follows:

	2021	2020
Balance at the beginning of the year	658,808	--
Add: Arising from adoption of IFRS 16	--	2,012,396
Add: Movement in lease liabilities arising from modification (Note 10)	704,158	--
Add: Additions during the year	1,413,821	--
Add: Interest on lease liabilities	138,947	88,323
Less: Lease liabilities and interest paid	(811,441)	(1,441,911)
Balance at the end of the year	2,104,293	658,808
Less: current portion of the lease liabilities	(584,463)	(505,434)
Non-current portion of the lease liabilities	1,519,830	153,374

The Group renewed the right-of-use asset extending the contractual lease term with change in consideration during the year. The Group has thus remeasured the lease liabilities using the revised lease payments and the revised discount rate at the effective date of modification, resulting in an increase in lease liabilities of AED 704,158 (2020: nil), which has been adjusted with the right-of-use assets (Note 10).

The above lease commitments do not include lease commitments for short-term leases, i.e., where the lease term is 12 months or less. These payments are expensed in the statement of comprehensive income.

Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 March 2021	Year ended 31 March 2020
Interest on lease liabilities (Note 8)	138,947	88,323
Short-term leases:		
- included in direct costs (Note 5)	3,174,832	57,030
- included in general and administration expenses (Note 7)	1,401,262	1,332,141

Amount recognised in the consolidated statement of cash flows

	Year ended 31 March 2021	Year ended 31 March 2020
Payment of lease liabilities and interest	811,441	1,441,911

25. 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 respective countries in which the Group operates. 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 consolidated statement of financial position are as follows:

	2021	2020
Balance at the beginning of the year	2,268,217	1,460,637
Current service costs and interest	958,015	554,602
Actuarial (gains)/losses recognised in other comprehensive income:		
- changes in demographic assumptions	--	28,677
- changes in financial assumptions	(42,785)	(36,582)
- experience adjustments	(95,943)	726,742
Payments during the year	(262,564)	(465,859)
Balance at the end of the year	2,824,940	2,268,217

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25. Employees' terminal benefits (Continued)

The maturity profile of employees' terminal benefit obligation is as follows:

	2021	2020
Amounts payable within 12 months	41,267	26,476
Amounts payable after 12 months	2,783,673	2,241,741
	2,824,940	2,268,217

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

	2021	2020
Discount rate	3.30%	3.20%
Salary escalation	5.00%	5.00%
Employee turnover rate	2.0% to 3.6%	2.0% to 3.6%

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

	2021	2020
Discount rate + 100 basis points	(382,684)	(326,144)
Discount rate - 100 basis points	471,146	404,230
Salary escalation rate + 100 basis points	457,845	392,370
Salary escalation rate - 100 basis points	(380,363)	(323,882)
Employee turnover + 100 basis points	(80,725)	(79,597)
Employee turnover - 100 basis points	92,042	90,420

26. Term loans

	2021	2020
Loan 1	21,919,426	73,383,699
Loan 2	--	121,084,365
Amounts due within a year disclosed as current	21,919,426	194,468,064

Loan 1: The loan is from a commercial bank and is denominated in United States Dollars (USD). The loan carries an interest rate of 400 BPS over 3-month LIBOR (2020: 200 BPS over 3-month LIBOR) and bullet repayment is due on 30 April 2021. The loan is secured by lien over margin money deposits amounting to 10% of the loan facility availed (Note 15) Subsequent to the reporting date the loan was fully repaid.

Loan 2: The loan was from a commercial bank and was denominated in United States Dollars (USD). The loan carried an interest rate of 125 BPS over 3-month LIBOR. The repayment terms were 40% of the loan due on 20 August 2020 and balance on 31 August 2020. The loan was secured by irrevocable stand-by letter of credit issued in favor of the bank. The loan has been repaid during the year.

27. Bank borrowings

	2021	2020
Trust receipts	31,489,870	110,132,039
Bank overdraft	2,962,224	3,239,401
	34,452,094	113,371,440

Trust receipts are availed from a commercial bank by the Group. These carry interest at 250 BPS over 3-month LIBOR (2020: 225 BPS over 1-month LIBOR).

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 (2020: 1-month EIBOR + 2.25% per annum).

Bank borrowings are secured by charge over assignment of receivables of the Group (Note 14) and corporate guarantee of the Ultimate Parent Company.

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28. Accounts and other payables

	2021	2020
Trade accounts payable (including retentions payable):		
- third parties	404,191,907	697,869,666
- related parties	1,541,666	1,180,007
Due to related parties (funding)	307,024,520	103,630,945
Contract liabilities (advances from customers)		
- third parties	81,068,852	43,624,417
- related parties	43,338,294	--
Provision for product warranty	194,969	7,766,289
Provision for foreseeable losses	14,615,387	--
Accrued expenses and other payables	22,968,619	14,479,881
	874,944,214	868,551,205

Contract liabilities has increased due to new projects and contracts which was entered by the Group during the year.

29. Related party transactions

The Group has entered into both funding and other transactions with related parties during the year. Related parties represent shareholder and key management personnel of the Group 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 2021	Year ended 31 March 2020
Revenue from contracts (Note 4 d)	Ultimate Parent Company	405,117,546	969,848,954
	Shareholder of Ultimate Parent Company	35,843,437	37,720,962
	Other related parties	--	96,870,812
		440,960,983	1,104,440,728
Interest expense (Note 8)	Ultimate Parent Company	18,983,653	16,333,429
Interest expense (Note 8)	Other related parties	--	1,034,119
		18,983,653	17,367,548
Interest income on loan (Note 6)	Other related parties	25,232,694	23,630,129
Purchase of traded goods and construction material	Ultimate Parent Company	599,291	283,516
Reimbursement of expenses	Ultimate Parent Company	13,273,969	10,594,827
	Other related parties	974,618	4,840,993
		14,847,878	15,719,336
Transfer of property and equipment	Other related parties	9,256	89,383
Management support services	Shareholder of Ultimate Parent Company	472,049	299,662
Recoverable expenses	Ultimate Parent Company	6,439,363	303,000
	Other related parties	8,672,940	5,100,631
		15,584,352	5,703,293
Share in rent expense	Other related parties	70,610	47,555
Profit on sale of property and equipment	Other related parties	--	35,683

The amounts due from/to related parties do not attract interest and are receivable/payable on demand, except for certain due to related parties on which interest of AED 1,034,119 was incurred in the previous year (Note 8).

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29. Related party transactions (Continued)

	Year ended 31 March 2021	Year ended 31 March 2020
Key management compensation		
Salaries and other allowances	1,701,642	7,415,241
	1,701,642	7,415,241

30. Financial risk and capital management

30.1 Financial risk factors

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

The Group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance. Under the Group'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 year ended 31 March 2021 and 31 March 2020. The identified key risks are:

a) Currency risk

The Group 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 respective functional currencies of Group companies. The functional currencies of the Group companies are primarily the USD. The currencies in which these transactions are primarily denominated are Euro, US Dollar and Australian Dollar (AUD).

The Group's risk management policy is to hedge its estimated foreign currency exposing in respect of forecast sales over the following 6 months at any point in time. The Group 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 table below indicates the Group's foreign currency exposure, as a result of its monetary assets and liabilities.

	2021 AED	2020 AED
US Dollars	121,427	149,775
Euro	30,087,820	227,172
AUD	25,540,583	--
Others	669,109	39,797

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 Group's (loss)/profit is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

	2021	2020
<i>Change in currency rate by 5% (+/-)</i>	Effect on loss (+/-)	Effect on profit (+/-)
Currency		
USD	6,071	7,489
EUR	1,504,391	11,359
AUD	1,277,029	--
Others	33,455	1,990

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30. Financial risk and capital management (Continued)

30.1 Financial risk factors (Continued)

b) Interest rate risk

The Group's interest rate risk arises from bank borrowings and term loans. 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 variable remain constant) would have increased/(decreased) (loss)/profit as follows:

	2021	2020
<i>Change in interest rate (+/-)</i>	Effect on loss (+/-)	Effect on profit (+/-)
1%	563,715	3,078,395

c) Credit risk

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

Bank balances and deposits

The Group'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 receivables, contract assets, loan to a related party, amounts due from related parties and other receivables are subjected to credit evaluations. Outstanding amounts of accounts receivable, contract assets, loan to a related party, due from related parties and other receivables are regularly monitored and allowance will be made for expected credit losses.

The Group is exposed to a concentration of credit risk. At the reporting date, 85% of the accounts receivable is due from 1 customer (2020: 77% from 1 customer) and 100% of the amounts due from related parties is due from a single party (2020: 100% from a single party).

With respect to credit risk arising from the financial assets of the Group, the Group'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 and contract assets

The Group's accounts receivable and contract assets are subject to the expected credit loss model.

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

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

	Year ended 31 March 2021	Year ended 31 March 2020
Impairment losses on accounts receivable	9,818,053	5,689
	<u>9,818,053</u>	<u>5,689</u>

Reconciliation of the closing loss allowances for accounts receivable as at 31 March 2021 to the opening loss allowances are as follows:

	2021	2020
Balance at the beginning of the year	5,689	--
Increase in loss allowance during the year	9,818,053	5,689
Balance at the end of the year	<u>9,823,742</u>	<u>5,689</u>

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30. Financial risk and capital management (Continued)

30.1 Financial risk factors (Continued)

c) Credit risk (Continued)

The above loss allowance recognised by the Group represents lifetime expected credit losses for specific credit-impaired receivables. Except for the expected credit losses for specific credit impaired receivables, the identified expected credit loss on other accounts receivable and contract assets is considered immaterial.

d) Liquidity risk

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

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

2021	On demand	0 to 1 year	1 to 2 years	2 to 5 years	Total
Accounts and other payables	307,024,520	422,644,736	--	--	729,669,256
Term loans	--	21,919,426	--	--	21,919,426
Bank borrowings	--	34,743,544	--	--	34,743,544
Lease liabilities	--	584,463	689,428	969,349	2,243,240
Total	307,024,520	479,892,169	689,428	969,349	788,575,466

Derivative financial instruments

Forward foreign exchange contracts – used for hedging	--	3,160,504	--	--	3,160,504
Total	--	3,160,504	--	--	3,160,504

2020	On demand	0 to 1 year	1 to 2 years	2 to 5 years	Total
Accounts and other payables	103,630,945	713,529,554	--	--	817,160,499
Term loans	--	197,598,013	--	--	197,598,013
Bank borrowings	3,239,401	114,187,666	--	--	117,427,067
Lease liabilities	--	130,642	397,990	154,353	682,985
Total	106,870,346	1,025,445,875	397,990	154,353	1,132,868,564

Derivative financial instruments

Forward foreign exchange contracts – used for hedging	--	--	--	--	--
Total	--	--	--	--	--

30.2 Capital management

The Group'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 Group sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Group 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 Group may adjust the amount of dividends paid to the shareholder, return funds to the shareholder, issue new shares, or sell assets to reduce its exposure to debt. Capital comprises share capital, legal reserve, capital reserve, cash flow hedging reserve, foreign currency translation reserve, shareholder's current account and retained earnings, and is measured at AED 291,586,841 as on 31 March 2021 (2020: AED 415,835,297).

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31. Contingent liabilities

- a) The Group has received intimation for liquidated damages from two of its customers for an amount of approximately AED 43.84mn. The Group has sent its responses refuting such liquidated damages and has sought extension of time due to various circumstances (including but not limited to the impact of the COVID-19 pandemic). Further, the Group has also made a counter claim of AED 49.98mn for additional cost incurred mainly due to the impact of the COVID 19 pandemic. Contractual documentation is being exchanged and based on management's best estimate, no provision for liquidated damages is required to be made.
- b) During the year, a significant subcontractor in a particular geography filed for bankruptcy. The subcontractor has lodged a claim on the Group for approximately AED 46.23mn which has been refuted by the management. The Group has made a counter claim on the subcontractor for an amount of AED 42.16mn for noncompliance with contractual obligations. In the opinion of the management, the subcontractor's claim is not tenable and accordingly, based on management's best estimate, no provision is required to be made for the same.

32. 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 2021, 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. Further, a significant subcontractor in a particular geography filed for bankruptcy causing enhanced replacement costs for a project. All the above have resulted in the Group incurring a loss for the year ended 31 March 2021.

The Group continues to have a strong order book, a positive net-worth and favorable net current asset position. The Group's management and the Board of Directors have also made an assessment, of the Group'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 Group 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 Group 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 consolidated financial statements are prepared on a going concern basis.