STERLING AND WILSON
SOLAR LLC

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

YEAR ENDED 31ST MARCH 2020

Registered Office
P.O. Box 1886
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Sultanate of Oman

STERLING AND WILSON SOLAR LLC

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

YEAR ENDED 31ST MARCH 2020

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STERLING AND WILSON SOLAR LLC

Opinion

We have audited the financial statements of **STERLING AND WILSON SOLAR LLC (the company)**, which comprise the statement of financial position as at 31st March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF LLC

PKF L.L.C.
Chartered Accountants

Muscat
Sultanate of Oman
Date: 4th May 2020

STERLING AND WILSON SOLAR LLC

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2020.

	Notes	**31.3.2020 RO.**	31.3.2019 RO.
ASSETS			
CURRENT ASSETS			
Contract and other receivables	3	**1,210,090**	—
Other current assets	4	**94,391**	1,103
Contract asset	5	**40,459**	28,770
Cash and cash equivalents	6	**1,537,052**	288,467
		2,881,992	318,340
TOTAL ASSETS		**2,881,992**	318,340
EQUITY AND LIABILITIES			
MEMBERS' FUNDS			
Share capital	7	**150,000**	150,000
Accumulated losses		**(68,290)**	(8,026)
Equity funds		**81,710**	141,974
Amount due to parent company	8	**8,013**	—
Loan to member/parent company	9	**(45,000)**	(150,000)
Surplus/(deficit) in members' funds		**44,723**	(8,026)
CURRENT LIABILITIES			
Trade and other payables	10	**2,331,309**	37,904
Amount due to a related party	11	**404,053**	—
Contract liabilities	13	**98,799**	288,462
Provision for foreseeable losses	12	**3,108**	—
		2,837,269	326,366
TOTAL EQUITY AND LIABILITIES		**2,881,992**	318,340

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.
These financial statements have been approved and authorised for issue by the Board of Directors on 4th May 2020.

For **STERLING AND WILSON SOLAR LLC**

DIRECTORS

STERLING AND WILSON SOLAR LLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2020.

	Notes	**1.4.2019 to 31.3.2020 RO.**	1.1.2019 to 31.3.2019 RO.
REVENUE	15	**8,191,830**	28,770
Cost of sales	16	**(8,232,094)**	(28,770)
GROSS LOSS		**(40,264)**	—
Other operating expenses	17	**(20,000)**	(8,020)
LOSS FROM OPERATING ACTIVITIES		**(60,264)**	(8,020)
Finance costs	18	**—**	(6)
NET LOSS FOR THE YEAR/ PERIOD		**(60,264)**	(8,026)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/ PERIOD		**(60,264)**	(8,026)

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

For **STERLING AND WILSON SOLAR LLC**

DIRECTORS

STERLING AND WILSON SOLAR LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020.

	Share capital RO.	Accumulated losses RO.	Total RO.
Total comprehensive loss for the period:			
Net loss for the period	—	(8,026)	(8,026)
Issue of share capital	150,000	—	150,000
As at 31st March 2019	150,000	(8,026)	141,974
Total comprehensive loss for the year:			
Net loss for the year	—	(60,264)	(60,264)
As at 31st March 2020	**150,000**	**(68,290)**	**81,710**

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

STERLING AND WILSON SOLAR LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2020.

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Cash flows from operating activities		
Net loss for the year/period	**(60,264)**	(8,026)
Adjustments for:		
Finance costs	—	6
Provisions for foreseeable losses	**3,108**	—
Operating loss before changes in operating assets and liabilities	**(57,156)**	(8,020)
Changes in contract and other receivables	**(1,210,090)**	—
Changes in other current assets	**(93,288)**	(1,103)
Changes in trade and other payables	**2,293,405**	37,904
Change in contract assets	**(11,689)**	(28,770)
Change in contract liabilities	**(189,663)**	288,462
Change in members, parent company and related party' balances	**517,066**	(150,000)
Net cash generated from operating activities (A)	**1,248,585**	138,473
Cash flows from financing activities		
Issue of share capital	—	150,000
Finance costs	—	(6)
Net cash from financing activities (B)	—	149,994
Net increase in cash and cash equivalent (A+B)	**1,248,585**	288,467
Cash and cash equivalent at beginning of year/ period	**288,467**	—
Cash and cash equivalent at end of year/ period	**1,537,052**	288,467

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

1 LEGAL STATUS AND BUSINESS ACTIVITY

a) **STERLING AND WILSON SOLAR LLC** is a Limited Liability Company, registered on 1st January 2019 under the Commercial Laws of the Sultanate of Oman.

b) The parent company is Sterling and Wilson Solar Limited (formally known as Sterling and Wilson Solar Private Limited)

c) The company is engaged in engineering, procurement and commissioning of solar power plant.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued or adopted by the International Accounting Standards Board, and which are effective for the current accounting period, and the applicable requirements of the Oman Commercial Companies Law.

2.2 BASIS OF MEASUREMENT

The financial statements are prepared under the historical cost convention. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability. 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.

2.3 GOING CONCERN CONCEPT

- The financial statements are prepared on a going concern basis.

When preparing financial statements, management shall make an assessment of the company's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

As per the statement of financial position, the company has incurred significant accumulated losses of RO.68,290 as at 31st March 2020. The company is dependent upon the continued financial support of members, parent company and related parties. The financial statements have been prepared on a going concern basis as:

i) The company will continue to receive financial support from members and the related parties in order that it can meet its liabilities as they fall due; and

ii) The members have agreed to continue with the operations of the company, and the company would be able to generate sufficient profits in future to make it an economically viable unit.

The Company's management has assessed the impact of COVID 19 on its liquidity, disruption of business operations, supply chains and demand drivers, impairment of its assets, etc which may lead to solvency issue and have concluded that inspite of the challenges, the company will remain solvent and continue as going concern in future.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are prepared in Rials Omani, which is the functional and presentation currency.

2.5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and that have been consistently applied are as follows:

a) Impairment of non financial assets

The carrying amounts of non-financial assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, their recoverable amount is estimated. Recoverable amount is the higher of fair value less cost to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

b) Contract and other receivables

Contract receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a short period and therefore are all classified as current. Contract receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the contract receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Contract receivables are stated at original invoice amount less allowance for expected credit losses. Bad debts are written off or fully provided for as they arise.

c) Contract assets

A Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract assets are transferred to receivables when the rights become unconditional.

d) Amounts due from/to customers for contract work

Amounts due from/to customers for contract work represents costs incurred on contracts plus recognised profits less recognised losses and progress billings. Contract costs comprises of costs of materials, labour, sub-contract and attributable overheads.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts.

f) Trade and other payables

Liabilities are recognized for amounts to be paid for goods or services received, whether billed by the suppliers or not, to the extent of goods or services certified by the company.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

g) **Provisions**

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

h) **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

i) **Taxation**

Taxation for the current year has not been provided in the financial statements on account of loss incurred during the year. As per the Income Tax Law in Oman, losses incurred shall be carried forward for five years after the expiry of the tax year in which it was incurred and shall be deducted in computation of taxable income of those years. The net accumulated losses of RO.64,932 for the tax years 2019 and 2020 that are subject to finalisation of tax assessments by the tax authorities in Oman are available for set off against future taxable income in Oman. Deferred tax asset on unused tax losses are not recognised on account of uncertainty regarding availability of future taxable income against which the unused tax losses can be utilised.

j) **Legal reserve**

Legal reserve is created by appropriating 10% of the net profit for the year as required by the Commercial Companies Law of Oman. The company may resolve to discontinue such annual transfers when the reserve totals 33.33% of the paid up share capital. The reserve is not available for distribution. Since there is loss incurred during the year no transfer to legal reserve is made.

k) **Revenue**

Revenue from contracts with customers

The company is in the business of engineering, procurement and commissioning of solar power plant.

Revenue from contracts with customers is recognised as and when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is measured net of discounts, rebates, returns and other similar allowances.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

k) Revenue continued

The company recognizes revenue from contracts with customers based on five step model as set out in IFRS 15

- Identify the contract with customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue as performance obligations are satisfied

The company is required to assess its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The company has concluded that for majority of its contracts, it is either creating or enhancing an asset controlled by the customer, or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively, and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the transaction price for the contracts/services, the company considers the effect of variable consideration and significant financing components.

i) Variable consideration

If the consideration in the contract includes a variable amount, the company estimates the amount of consideration it is entitled to in exchange for transferring the goods or services. The amount of variable consideration is estimated at contract inception using either the expected value method or the most likely amount method and is constrained until the associated uncertainty is subsequently resolved.

Awards/incentive payments, liquidated damages, penalties, change orders/variations, claims, etc. give rise to variable consideration. Revenue related to said variable consideration is included in the transaction price/contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future when uncertainty associated with the variable consideration is subsequently resolved.

STERLING AND WILSON SOLAR LLC

k) Revenue continued

ii) Significant financing component

In case of short-term advance from customers, as the period between the transfer of promised goods or services to the customer and when the customer pays for those goods or services is expected to be less than one year, the company has used the practical expedient in IFRS 15 and not adjusted the consideration for significant financing component.

In case of long-term advance from customers, the transaction price for such contract is discounted using the rate that would be reflected in a separate financing transaction between the customer and the company.

Works billed

Works billed represents contract billings to clients on completed contracts and incomplete contracts, that are recorded on the basis of progress bills prepared by the company's engineers and are considered as revenue to the extent that they are probable of being certified and recovered. In case of incomplete contracts, as per the percentage of completion method, conservative proportion of the profits estimated by the directors to be earned on completion of the contract is considered by reference to the work completed at the year end. Losses, if any, on jobs not completed, are provided for when identified.

l) Leases

The Company leases various assets for commercial use. Rental contracts are made for varying period/years but may have extension and renewal options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets are not used as security for borrowing purposes.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application (1st January 2019):

Right-of-use assets

Initial measurement

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- present value of estimated restoration costs.

k) Revenue continued

Subsequent measurement
Subsequent to initial measurement right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-assets are depreciated on a straight-line basis over the shorter of asset's estimated useful life and the lease term.

Lease liabilities
The Company recognises lease liabilities at the commencement date of the lease. The lease liabilities are measured at the net present value of lease payments to be made over the lease term. The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Company; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The Company uses its incremental borrowing rate as the discount rate in calculating the present value of lease payments if interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. Further, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance lease payments or a change in the assessment to purchase the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. Asset value below RO.1,925 when new). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

In previous year
Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

k) Revenue continued

Leases under which substantially all the risks and rewards of ownership pass to the Company are treated as finance leases and capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated to the finance charge so as to achieve a constant rate of return on the outstanding balance, and charged to profit or loss and to the repayment of the lease liability.

m) Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other finance costs are recognized as an expense in the year in which they are incurred.

n) Foreign currencies

Transactions in foreign currencies are translated into Rials Omani and recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at the rates of exchange ruling at the year end. The resultant exchange gains and losses are recognised in the statement of comprehensive income.

o) Financial instruments

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

Recognition

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Derecognition

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a. the Company has transferred substantially all the risks and rewards of the asset, or
b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished i.e when obligation specified in the contract is discharged, cancelled or expired.

Classification and Measurement

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

o) **Financial instruments** continued

Initial measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The contractual cash flow characteristic of a financial assets could give rise to cash flows that are 'Solely Payments of Principal and Interest' (SPPI) on the principal amount outstanding.

The Company's business model for managing financial assets refers 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 financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivable, contract assets and cash equivalents.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

o) **Financial instruments** continued

Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
The Company measures debt instruments at fair value through Other Comprehensive Income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

The company does not have any debt instrument under this category.

Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The company does not have any equity instrument under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include:
- Held for trading financial assets,
- Financial assets designated upon initial recognition at fair value through profit or loss, or
- Financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

STERLING AND WILSON SOLAR LLC

o) Financial instruments continued

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The company does not have any financial asset under this category.

Impairment of financial assets

The Company measures Expected Credit Loss (ECL)in a way that reflects:

a. An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
b. Time value of money
c. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company recognises allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The credit loss arises even when the company is expected to be settled in full but later than contractual due date. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, allowance for expected credit losses is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For contract assets, the Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises allowance for expected credit losses based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix/model that is based on variety of data/factors that are determined to be predictive of the risk of loss (including but not limited to historical credit loss experience, forward looking information for contract assets, and available market information about customers). Accordingly, for the purpose of recognizing ECL, contract assets are grouped on the basis of shared credit risk characteristics.

STERLING AND WILSON SOLAR LLC

<u>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.</u>

p) Equity

Share capital is recorded at the value of proceeds received/receivable towards interest in share capital of the company.

q) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.6 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

i) The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Leases

Determining the lease term

In determining the lease term, management considers all facts and circumstances including contractual and legal rights, that create an economic incentive to exercise an extension/renewal 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).

ii) Key assumptions made concerning the future and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods in which the estimate is revised and in any future periods affected:

Fair value of financial assets

The fair values of financial assets that are not traded in an active market is determined by using valuation techniques that involve use of estimates, assumptions on market conditions, and judgment on selection of appropriate valuation model.

Impairment of financial assets

The allowance for expected credit losses for financial assets are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

2.6 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES continued

Contract work in progress

Contract revenues on contracts in progress at the year end are recognised on a percentage of completion basis, that requires the management to estimate the costs expected to be incurred in future to complete the contracts. Further, profits on contracts in progress is recognized only when the final outcome can be reliably estimated.

Contract matters

In the contracting industry, there are various contractual matters relating to possible penalties for delays in job completion, claims of suppliers/subcontractors, work disputes, recovery of uncertified contract/variation work dues, expected costs during job warranty and defect liability period etc, that are subject to various sources of uncertainties and future negotiations. The management regularly reviews, estimates and suitably accounts for the possible financial impact of such contractual matters based on their assessment, past experience and available information.

COVID 19

The company's management has exercised significant judgement while assessing the impact of COVID 19 on recoverability and impairment of assets, expected credit losses on financial assets, warranty obligations, delay cost/penalties, etc and has concluded that there is no material impact of COVID 19 on aforementioned matters and the financial statements. The management regularly reviews, estimates and suitably accounts for the possible financial impact of such matters based on their assessment, past experience and available information.

2.7 ADOPTION OF REVISED AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

i) The International Financial Reporting Standard, amendments thereto and Interpretations that became effective for the first time for the current reporting period and which are applicable to the company and which could have a material impact on the financial statements is as follows.

- IFRS 16: Leases

The impact of adoption of this standard and the new accounting policies are explained in detail in note 2.8 to these financial statements

ii) There are no International Financial Reporting Standards, amendments thereto and Interpretations issued by the IASB prior to the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective date of adoption are for future accounting periods, and that are assessed by management as likely to have an impact on these financial statements.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

2.8 CHANGES IN ACCOUNTING POLICIES

Following are the changes in accounting policy due to adoption of new International Financial Reporting Standards

a) Changes in accounting policy due to adoption of IFRS 16 in current year

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, which supersedes the previous guidance in IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Initiatives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard requires lessees to account for most leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting remains similar to previous accounting policies. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases in case when the Company is the lessor.

The Company adopted modified retrospective application (cumulative catch-up transition method) permitted by IFRS 16 with the date of initial adoption of 1 January 2019 along with permitted practical expedients and recognition methodology. Accordingly, the comparative information has not been restated. On transition to IFRS 16, the Company applied the standard only to those contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed after 1 January 2019. The Company also elected to use the optional exemption for leases that at the commencement date have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and leases for which the underlying asset is of low value (low-value assets').

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the leased assets. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use lease assets were recognised at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In applying IFRS 16 for the first time, the Company also applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous; the election, by class of underlying asset, not to separate non-lease components from lease components, and instead for each lease component and any associated non-lease components as a single lease component.
- exemptions to operating leases with a remaining lease term of less than 12 months at the date of initial application.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

2.8 CHANGES IN ACCOUNTING POLICIES continued

- the exclusion of initial direct costs for the measurement of the right-of use asset at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has not recognized any lease liability/right-of-use assets as the company does not have any long term leases i.e. leases for which the lease term is more than 12 months. Therefore, Change in accounting policy resulting from the adoption of IFRS 16 has not resulted in any material impact on opening balance of retained earnings/accumulated losses or equity as of 1 January 2019.

3 CONTRACT AND OTHER RECEIVABLES

	31.3.2020 RO.	31.3.2019 RO.
Contract receivables	**1,198,587**	—
Advances to staff	**6,953**	—
Deposits	**4,550**	—
	1,210,090	—

- The following table provides information about the ageing profile for trade receivables as at the year end.

Ageing profile	**Total RO.**	**0-3 months RO.**
31.3.2020	**1,198,587**	**1,198,587**
31.3.2019	—	—

The Company uses an expected credit loss allowance matrix to measure the expected credit losses of trade and other receivables. Accordingly, no allowance for expected credit loss has been recognized as at the year end. Any difference between the said allowance for expected losses and actual credit losses that would be known/incurred in future would be charged to profit or loss in the future years in which the actual credit losses are incurred.

4 OTHER CURRENT ASSETS

	31.3.2020 RO.	31.3.2019 RO.
Advance to suppliers	**94,391**	—
Prepayment	—	1,103
	94,391	1,103

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

5 CONTRACT ASSET

	31.3.2020 RO.	31.3.2019 RO.
Amounts due from a customer for contact work	**40,459**	28,770

6 CASH AND CASH EQUIVALENTS

	31.3.2020 RO.	31.3.2019 RO.
Cash on hand	**3,035**	—
Bank balances:		
Current accounts	**1,534,017**	288,467
	1,537,052	288,467

7 SHARE CAPITAL

	Share %	31.3.2020 RO.	31.3.2019 RO.
Sterling and Wilson Solar Limited (formally known as Sterling and Wilson Solar Private Limited)	70	**105,000**	105,000
Mr.Mukhtar Mohamed Hasan	30	**45,000**	45,000
		150,000	150,000

The share capital comprises of 150,000 shares of RO.1 each, fully paid.

8 AMOUNTS DUE TO PARENT COMPANY

	31.3.2020 RO.	31.3.2019 RO.
Sterling and Wilson Solar Limited (formally known as Sterling and Wilson Solar Private Limited	**8,013**	—
	8,013	—

9 LOAN TO MEMBER/PARENT COMPANY

	31.3.2020 RO.	31.3.2019 RO.
Sterling and Wilson Solar Limited (formally known as Sterling and Wilson Solar Private Limited (parent company)	—	105,000
Mr.Mukhtar Mohamed Hasan	**45,000**	45,000
	45,000	150,000

Loan to a member is unsecured, interest free and receivable before 1st April 2021

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

10 TRADE AND OTHER PAYABLES

	31.3.2020 RO.	31.3.2019 RO.
Trade payables	916,343	30,062
Retention payable	313,368	—
Accruals*	1,101,598	7,842
	2,331,309	37,904

* Accrual includes Nil (previous year RO.3,560) due to a member on account of trade dealing.

11 RELATED PARTIES

- The company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. The management considers such transactions to be in the normal course of business. Related parties comprise parent company, companies under common ownership and/or common management control, directors and members.

The nature of significant related party transactions and the amounts involved are as follows:

	Parent company RO.	Member RO.	Related parties RO.	Total 31.3.2020 RO.	Total 31.3.2019 RO.
Purchase and expenses	—	—	18,012	18,012	3,550
Professional fees	—	15,000	—	15,000	—

The company also provides funds to and receives funds from related parties as and when required as working capital facilities.

AMOUNTS DUE TO A RELATED PARTY

	31.3.2020 RO.	31.3.2019 RO.
Fellow subsidiary	404,053	—
	404,053	—

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

12 PROVISION FOR FORESEEABLE LOSSES

	31.3.2020 RO.	31.3.2019 RO.
Provision for foreseeable losses	3,108	—
	3,108	—

- The movement in the provision for expected credit losses account is as follows:

	31.3.2020 RO.	31.3.2019 RO.
Opening balance	—	—
Provision made during the year/period	3,108	—
Closing balance	3,108	—

13 CONTRACT LIABILITY

	31.3.2020 RO.	31.3.2019 RO.
Amounts due to customers for contact work	98,799	—
Advance from a customer (note 14)	—	288,462
	98,799	288,462

14 CONTRACTS IN PROGRESS

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Contract costs incurred plus recognised profits less recognised losses	8,220,600	28,770
Progress billings	8,278,940	Nil
Advance received (note 13)	—	288,462

15 REVENUE

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Contract works executed	8,191,830	28,770

- The Company recognises revenue from the transfer of goods and services over time.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

16 COST OF SALES

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Materials consumed	**1,485,121**	—
Sub contract costs	**5,756,539**	28,770
Provision for foreseen losses	**3,108**	—
Other contract costs	**987,326**	—
	8,232,094	28,770

17 OTHER OPERATING EXPENSES

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Rent	—	150
Telephones, fax and postage	—	9
Service charges	—	3,550
Professional charges	**20,000**	4,282
Miscellaneous expenses	—	29
	20,000	8,020

18 FINANCE COSTS

	1.4.2019 to 31.3.2020 RO.	1.1.2019 to 31.3.2019 RO.
Bank charges	—	6

19 FINANCIAL INSTRUMENTS

- **Management of risk**

  The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed. The primary risks to which the business is exposed comprise credit, exchange rate, liquidity and interest rate risks.

  Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the company's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the company, issued by reputed financial institutions.

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

19. FINANCIAL INSTRUMENTS continued

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

Borrowing facilities are regularly reviewed to ensure that the company obtains the best available pricing, terms and conditions on it borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets which potentially expose the company to credit risks and concentrations of credit risk comprise principally contract and other receivables bank accounts, and contract assets. The maximum credit risk exposure of financial assets recognised in the statement of financial position approximate to the carrying amount of the assets net of allowance.

The company's bank accounts are placed with reputed financial institutions. The management assesses the credit risk arising from cash equivalents, contract and other receivables and contract assets taking into account their financial position/results, past experience and other factors. As at 31st March 2020, amount aggregating to RO.1,140,247 constitutes 100% of the contract receivable and amount due to/due from customer was due from two parties. As at 31st March 2020, amount placed with a bank constitutes 53.23% (previous year 90.62%) of the current assets.

Interest rate risk

- There are no significant interest rate risks as most of the financial assets and financial liabilities are non-interest bearing.

Exchange rate risk

- There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials Omani or UAE Dirhams/US Dollars to which the Rial Omani is fixed except for the following amounts:

Fair values

- The 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. The fair values of the company's financial assets and financial liabilities approximate to their carrying values. The fair values of contract and other receivables cash equivalent, contract assets, trade and other payables, amount due to a related party and contract liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- **Liquidity risk**

  The company limits its liquidity risk by ensuring that adequate bank facilities are available to enable it to meet its obligations as they fall due for payment. The maturity analysis of the company's financial liability as at the year /period end is given below:

STERLING AND WILSON SOLAR LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020.

19. FINANCIAL INSTRUMENTS continued

	Less than 3 months RO.	3 to 12 months RO.	More than 1 year RO.	Total RO.
As at 31st March 2020				
Trade and other payables	**2,331,309**	—	—	**2,331,309**
Amount due to a related party	**404,053**	—	—	**404,053**
	2,735,362	—	—	**2,735,362**
As at 31st March 2019				
Trade and other payables	37,904	—	—	37,904

20 CONTINGENT LIABILITY

	31.03.2020 RO.	31.03.2019 RO.
Letters of guarantee	**2,230,428**	—

The above letters of guarantee are issued by a bank of a related party i.e. Sterling and Wilson International Solar FZCO.

21 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to ensure that the company continues as a going concern, maintains an optimal capital structure to reduce the cost of capital, and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed. Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

22 COMPARATIVE INFORMATION

Current year's figures are not entirely comparable with previous period's figures, which are for three months.

For **STERLING AND WILSON SOLAR LLC**

DIRECTORS