Sterling and Wilson International Solar FZCO Dubai Airport Free Zone Dubai

Financial Statements
31 March 2023

Statement of comprehensive income

(stated in AED)

	Note	**Year ended 31 March 2023**	Year ended 31 March 2022
Income			
Revenue from contracts with customers	4	**258,454,480**	413,576,082
Direct costs	5	**(343,333,747)**	(562,970,730)
Gross (loss)		**(84,879,267)**	(149,394,648)
Other income	6	**867,648**	13,074,821
		(84,011,619)	(136,319,827)
Expenses			
General and administration	7	**24,600,541**	26,642,512
Finance charges	8	**36,547,677**	25,827,105
Depreciation	9	**217,611**	215,929
Impairment losses on investment in subsidiaries	10 b)	**197,100**	--
Impairment losses on financial assets	20.1 c)	**195,942**	4,556,642
		61,758,871	57,242,188
(Loss) for the year		**(145,770,490)**	(193,562,015)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gain on employees' terminal benefits	16	**181,778**	682,338
Items that will be reclassified subsequently to profit or loss:			
Effective portion of losses on hedging instruments in cash flow hedges		**--**	3,160,504
Other comprehensive income for the year		**181,778**	3,842,842
Total comprehensive (loss) for the year		**(145,588,712)**	(189,719,173)

The attached notes 1 to 20 form part of these financial statements.

Statement of financial position

(stated in AED)

	Note	2023	2022
Assets			
Non-current assets			
Tools and equipment	9	**14,966**	224,596
Investments in subsidiaries	10	**301,994,131**	4,387,193
Total non-current assets		**302,009,097**	4,611,789
Current assets			
Contract assets	11	**809,167**	1,157,667
Accounts and other receivables	12	**591,460,115**	849,813,897
Bank balances	13	**5,940,466**	7,670,157
Total current assets		**598,209,748**	858,641,721
Total assets		**900,218,845**	863,253,510
Shareholder’s funds and liabilities			
Shareholder’s funds			
Share capital	14	**184,600,000**	184,600,000
(Accumulated losses)/retained earnings		**(69,843,682)**	75,745,030
Total shareholder’s equity		**114,756,318**	260,345,030
Shareholder’s loan	15	**562,570,332**	53,762,517
Total shareholder’s funds		**677,326,650**	314,107,547
Liabilities			
Non-current liabilities			
Employees’ terminal benefits – non-current portion	16	**1,201,009**	609,899
Total non-current liabilities		**1,201,009**	609,899
Current liabilities			
Employees’ terminal benefits – current portion	16	**28,424**	19,327
Bank borrowings	17	**78,233,097**	39,852,333
Accounts and other payables	18	**143,429,665**	508,664,404
Total current liabilities		**221,691,186**	548,536,064
Total liabilities		**222,892,195**	549,145,963
Total shareholder’s funds and liabilities		**900,218,845**	863,253,510

The attached notes 1 to 20 form part of these financial statements.

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Neville Madan
Director
11 April 2023

Statement of changes in shareholder's funds

(stated in AED)

	Share capital	Cash flow hedging reserve	Retained earnings / (accumulated losses)	Sub total	Shareholder's loan	Total
Balance at 1 April 2022	**184,600,000**	**--**	**75,745,030**	**260,345,030**	**53,762,517**	**314,107,547**
(Loss) for the year	**--**	**--**	**(145,770,490)**	**(145,770,490)**	**--**	**(145,770,490)**
Other comprehensive income for the year	**--**	**--**	**181,778**	**181,778**	**--**	**181,778**
Total comprehensive (loss) for the year	**--**	**--**	**(145,588,712)**	**(145,588,712)**	**--**	**(145,588,712)**
Movements during the year	**--**	**--**	**--**	**--**	**508,807,815**	**508,807,815**
Balance at 31 March 2023	**184,600,000**	**--**	**(69,843,682)**	**114,756,318**	**562,570,332**	**677,326,650**

	Share capital	Cash flow hedging reserve	Retained earnings	Sub total	Shareholder's loan	Total
Balance at 1 April 2021	184,600,000	(3,160,504)	268,624,707	450,064,203	54,858,921	504,923,124
(Loss) for the year	--	--	(193,562,015)	(193,562,015)	--	(193,562,015)
Other comprehensive income for the year	--	3,160,504	682,338	3,842,842	--	3,842,842
Total comprehensive (loss) for the year	--	3,160,504	(192,879,677)	(189,719,173)	--	(189,719,173)
Movements during the year	--	--	--	--	(1,096,404)	(1,096,404)
Balance at 31 March 2022	184,600,000	--	75,745,030	260,345,030	53,762,517	314,107,547

The attached notes 1 to 20 form part of these financial statements.

Statement of cash flows

(stated in AED)

	Note	**Year ended 31 March 2023**	Year ended 31 March 2022
Cash flows from operating activities			
(Loss) for the year		**(145,770,490)**	(193,562,015)
Adjustments for:			
Liquidated damages	5	**4,725,000**	37,898,753
Interest income	6	**(816,206)**	(11,543,062)
Reversal of liabilities no longer considered payable	6	**--**	(1,464,985)
Interest expense	8	**36,547,677**	25,827,105
Depreciation	9	**217,611**	215,929
Impairment losses on investment in subsidiaries	10 b)	**197,100**	--
Provision for employees' terminal benefits	16	**360,901**	443,794
Impairment losses on financial assets	20.1 c)	**195,942**	4,556,642
Cash flows (used in) operations before working capital changes		**(104,342,465)**	(137,627,839)
Decrease/(increase) in contract assets		**348,500**	(591,571)
Decrease in accounts and other receivables		**1,229,860**	110,667,899
(Increase)/decrease in margin money deposits		**(7,282)**	7,487,246
(Decrease) in accounts and other payables		**(284,425,685)**	(35,409,698)
(Decrease) in contract liabilities		**--**	(19,177,432)
Employee terminal benefits paid	16	**--**	(605,440)
Net cash (used in) operating activities		**(387,197,072)**	(75,256,835)
Cash flows from investing activities			
(Increase) in investments in subsidiaries		**(36,711)**	(153,000)
Interest income received	6	**7,282**	14,597
Purchase of tools and equipment	9	**(7,981)**	--
Movement in loan to related party		**--**	266,311,932
Net movement in due from related parties		**--**	(100,369,047)
Interest received on loan to related party		**--**	11,240,601
Net cash (used in)/from investing activities		**(37,410)**	177,045,083
Cash flows from financing activities			
Interest paid		**(1,602,492)**	(3,189,091)
Net movement in term loan	13	**--**	(21,919,426)
Net movement in bank borrowings	13	**38,380,764**	5,400,239
Net movement in due to related parties	18	**(160,088,578)**	(95,962,184)
Net movement in shareholder's loan		**508,807,815**	(1,096,404)
Net cash from/(used in) financing activities		**385,497,509**	(116,766,866)
(Decrease) in cash and cash equivalents during the year		**(1,736,973)**	(14,978,618)
Cash and cash equivalents at the beginning of the year		**2,475,616**	17,454,234
Cash and cash equivalents at the end of the year	13	**738,643**	2,475,616
Non-cash transactions during the year:			
Reclassification of accounts receivable – related parties to investment in subsidiaries	10	**297,767,327**	--
Transfer of employees' terminal benefits	16	**421,084**	--
Set off of accounts receivable from the Parent Company against due to the subsidiary	19	**12,523,947**	26,029,859
Set off of accounts receivable from a subsidiary against due to the other subsidiary	19	**27,506,476**	--
		136,207,867	26,029,859

The attached notes 1 to 20 form part of these financial statements.

Notes to the financial statements

(stated in AED)

1. Legal status and principal activities

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

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses to enact a new corporate tax (CT) regime in the UAE. The new CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The registered office of the Company is located at Dubai Airport Free Zone, Dubai, UAE.

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

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

2. Adoption of new and revised International Financial Reporting Standards

2.1 Amended standards adopted by the Company

The Company has adopted the following applicable amended IFRSs as of 1 April 2022:

a) 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.

b) Annual Improvements to IFRS Standards (2018-2020) Cycle – The following improvements are effective for annual periods beginning on or after 1 January 2022:

- 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 effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

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

The following amendments to existing standards that are applicable to the Company have been published and are mandatory for accounting periods of the Company beginning after 1 April 2022 but which have not been adopted early by the Company:

a) Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' introduce the definition of accounting estimates. The amendments also help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are applicable for annual periods commencing on or after 1 January 2023.

b) Amendments to IAS 1, 'Presentation of financial statements' require an entity to disclose its material accounting policy information rather than its significant accounting policies. Consequently, the IFRS Practice Statement 2 (Making Material Judgements) has also been amended to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2023.

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

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

c) Amendments to IAS 1 (Classification of Liabilities as Current or Non-current) clarify the requirements for presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that if a liability is subject to covenants, the Company may only classify a liability as non-current if it meets the covenant tests as at the reporting date, even if the lender does not test compliance until a later date. The meaning of settlement of a liability is also clarified. This amendment has been further amended by Non-current Liabilities with Covenants and should be considered together. The mandatory application date of this amendment has been deferred from 1 January 2023 to 1 January 2024. If an entity early adopts this amendment after October 2022, it must also early adopt the amendment Non-current Liabilities with Covenants at the same time.

Amendments to IAS 1 (Non-current Liabilities with Covenants), clarify the presentation of liabilities in the statement of financial position as current or non-current. It further amends the Classification of Liabilities as Current or Non-current amendments as discussed above. Under these amendments, covenants that are to be complied with after the reporting date do not affect the classification of the debt as current or non-current. Instead, the amendments require the Company to disclose information about these covenants in the notes.

This amendment can be early adopted and if early adopted, the amendment relating to Classification of Liabilities as Current or Non-current, must be early adopted on or before this amendment.

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

3. Basis of preparation and significant accounting policies and estimates

3.1 Basis of preparation

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

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

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

3.3 Significant accounting policies

a) Revenue recognition

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

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

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

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

3.3 Significant accounting policies (Continued)

a) Revenue recognition (Continued)

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

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

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

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

b) Tools and equipment

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

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

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

Depreciation is charged on assets so as to write off the cost of assets, over their estimated useful lives, less estimated residual value, using the straight-line method over 3 years.

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

c) Contract balances

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

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

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

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

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

3.3 Significant accounting policies (Continued)

d) Direct costs

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

e) Investments in subsidiaries

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

f) Impairment of non-financial assets

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

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

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

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

(i) Recognition and initial measurement

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

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

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

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

(ii) Classification and subsequent measurement

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

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

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

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

3.3 Significant accounting policies (Continued)

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

(ii) Classification and subsequent measurement (Continued)

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

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

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

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

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

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

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

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

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

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

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

The Company's financial liabilities include bank borrowings and accounts and other payables which are classified and measured at amortised cost.

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

3.3 Significant accounting policies (Continued)

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

(iii) Derecognition

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

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

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

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

(iv) Offsetting

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

h) Impairment of financial assets

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

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

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

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

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

3.3 Significant accounting policies (Continued)

h) Impairment of financial assets (Continued)

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible 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 statement of comprehensive income.

i) Employees' terminal benefits

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

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

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

j) Accounts and other payables

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

k) Foreign currencies

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

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

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

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

3.3 Significant accounting policies (Continued)

l) Cash and cash equivalents

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

m) Operating leases

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

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

As a Lessee
At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. A lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Short-term lease
The Company has elected not to recognise right-of-use asset and lease liability for short-term lease of office premises that has a lease term of 12 months or less. The Company recognises the lease payment associated with this lease as an expense on a straight-line basis over the lease term.

n) Contingent liabilities

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

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.

3.4 Significant accounting judgement, estimates and assumptions

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

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

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

3.4 Significant accounting judgement, estimates and assumptions (Continued)

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

IFRS 15, 'Revenue from Contracts with Customers'

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

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

a) Revenue from sale of goods – revenue is recognised at the point in time when control is transferred to the customer, normally upon delivery of the goods.

b) Revenue from contract works – revenue is recognised over time as the Company creates/enhances an asset that the customer controls as the asset is created.

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

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

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

Impairment of financial assets

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

Accounts receivable and contract assets
The Company's credit risk is primarily attributable to its accounts receivable and contract assets. The Company reviews its accounts receivable and contract assets to assess impairment at regular intervals. In determining whether impairment losses should be reported in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for expected credit loss is made where there is an identified loss event or condition which, based on previous experience and forward-looking estimates, is evidence of a reduction in the recoverability of the cash flows.

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

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

3.4 Significant accounting judgement, estimates and assumptions (Continued)

Impairment of financial assets (Continued)

Cash and cash equivalents

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

Estimates for accounting of employees' terminal benefits

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

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

Other key assumptions relevant to the post employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are provided in Note 16.

Impairment of tools and equipment

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

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

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

Useful lives of tools and equipment

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

Impairment of investments in subsidiaries

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

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

4. Revenue from contracts with customers

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

a) Type of goods or services

	Year ended 31 March 2023	Year ended 31 March 2022
Sale of goods	**258,879,533**	412,203,884
Revenue from contract works	**(425,053)**	1,372,198
	258,454,480	413,576,082

b) Timing of satisfaction of performance obligation

	Year ended 31 March 2023	Year ended 31 March 2022
Goods transferred at point in time	**258,879,533**	412,203,884
Services transferred over time	**(425,053)**	1,372,198
	258,454,480	413,576,082

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

c) Geographical locations

	Year ended 31 March 2023	Year ended 31 March 2022
Asia	**258,879,533**	231,017,767
Australia	**--**	181,186,117
Middle East and North America	**(425,053)**	1,372,198
	258,454,480	413,576,082

d) Customer relationship

	Year ended 31 March 2023	Year ended 31 March 2022
Related party customers (Note 19)	**258,879,533**	412,203,884
Third parties	**(425,053)**	1,372,198
	258,454,480	413,576,082

5. Direct costs

	Year ended 31 March 2023	Year ended 31 March 2022
Material purchases	**326,408,589**	482,139,086
Contract work charges	**11,781,661**	34,185,324
Liquidated damages (see note below)	**4,725,000**	37,898,753
Letter of credit and bank charges	**121,645**	6,705,403
Consultancy charges	**101,986**	1,749,416
Direct staffing costs	**13,783**	49,613
Others	**181,083**	243,135
	343,333,747	562,970,730

Pursuant to an agreement dated 31 December 2021, the Parent Company has recharged liquidated damages amounting to AED 4,725,000 (2022: AED 37,898,753) levied by its customer in relation to a project for which the Company had supplied materials as a sub-contractor (Note 19).

6. Other income

	Year ended 31 March 2023	Year ended 31 March 2022
Interest income from related parties (Note 19)	**808,924**	11,528,465
Reversal of liabilities no longer considered payable	**--**	1,464,985
Interest on short-term deposits	**7,282**	14,597
Miscellaneous income	**51,442**	66,774
	867,648	13,074,821

7. General and administration expenses

	Year ended 31 March 2023	Year ended 31 March 2022
Salaries and employee related costs	**9,439,776**	7,017,588
Loss on foreign currency exchange	**4,705,598**	11,022,693
Legal and professional fees	**4,812,803**	1,238,470
Bank charges	**4,487,083**	6,553,419
Short-term leases (Note 19)	**70,610**	70,610
Management support services (Note 19)	**--**	200,773
Others	**1,084,671**	538,959
	24,600,541	26,642,512

8. Finance charges

	Year ended 31 March 2023	Year ended 31 March 2022
Interest expense – shareholder (Note 19)	**34,519,802**	22,770,977
Interest expense – term loan and bank borrowings	**1,244,133**	1,280,075
Interest expense – related parties (Note 19)	**425,383**	916,845
Other finance cost	**358,359**	859,208
	36,547,677	25,827,105

9. Tools and equipment

	2023	2022
Cost		
At the beginning of the year	**647,786**	647,786
Additions during the year	**7,981**	**--**
At the end of the year	**655,767**	647,786
Accumulated depreciation		
At the beginning of the year	**423,190**	207,261
Charge for the year	**217,611**	215,929
At the end of the year	**640,801**	423,190
Net book value		
At the end of the year	**14,966**	224,596

10. Investments in subsidiaries

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

A. Investment in Equity shares

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interest held by the Company		Carrying value	
		2023	2022	**2023**	2022
Sterling and Wilson Middle East Solar Energy L.L.C	UAE	**100%**	**100%**	**1,234,652**	**1,234,652**
Sterling and Wilson Singapore Pte. Ltd.	Singapore	**100%**	**100%**	**150,260**	**150,260**
Sterling and Wilson Engineering (Pty) Ltd.	South Africa	**60%**	**60%**	**21**	**21**

10. Investments in subsidiaries (Continued)

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interest held by the Company		Carrying value	
		2023	2022	**2023**	2022
Sterling and Wilson Solar Solutions Inc.	USA	**100%**	**100%**	**368**	**368**
Sterling and Wilson Solar Spain S.L.	Spain	**99%**	**99%**	**17,813**	**17,813**
GCO Solar Pty Ltd.	Australia	**100%**	**100%**	**2,555,368**	**2,555,368**
Sterling and Wilson International LLP	Kazakhstan	**100%**	**100%**	**220,320**	**220,320**
Sterling and Wilson Solar Australia Pty Ltd	Australia	**100%**	**100%**	**11,291**	**11,291**
Sterling and Wilson Renewable Energy Spain S.L. (See note a) below)	Spain	**100%**	**--**	**36,711**	**--**
Sterling and Wilson Solar Malaysia Sdn Bhd (See note b) below)	Malaysia	**--**	**30%**	**--**	**197,100**
Sub total (A)				**4,226,804**	**4,387,193**

B. Long term loan designated as investment in subsidiaries

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interest held by the Company		Carrying value	
		2023	2022	**2023**	2022
Sterling and Wilson Solar Australia Pty Ltd (See note c) below)	Australia	**100%**	**100%**	**297,767,327**	**--**
Sub total (B)				**297,767,327**	**--**
Total (A+B)				**301,994,131**	**4,387,193**

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

Name of subsidiary	Held through	Place of incorporation and operation	Proportion of ownership interest held by the subsidiaries	
			2023	2022
Sterling and Wilson Solar Solutions LLC	Sterling and Wilson Solar Solutions Inc., USA	USA	**100%**	100%
Sterling and Wilson Renewable Energy Nigeria Ltd (See note d) below)	Sterling and Wilson Solar Solutions Inc., USA	USA	**100%**	--
Sterling and Wilson Kazakhstan LLP	Sterling and Wilson Singapore Pte. Ltd.	Kazakhstan	**100%**	100%
Esterlina Solar – Proyecto Uno, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Dos, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Tres, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Cuatro, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Cinco, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Seis, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Siete, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%

10. Investments in subsidiaries (Continued)

Name of subsidiary	Held through	Place of incorporation and operation	Proportion of ownership interest held by the subsidiaries 2023	2022
Esterlina Solar – Proyecto Ocho, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Nueve, S.L.	Sterling and Wilson Solar Spain S.L.	Spain	**100%**	100%
Esterlina Solar – Proyecto Diez, S.L. (See note a) below)	Sterling and Wilson Solar Spain S.L.	Spain	**--**	100%

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

a) During the year, Esterlina Solar – Proyecto Diez, S.L. (100% subsidiary of Sterling and Wilson Solar Spain S.L.) was renamed as Sterling and Wilson Renewable Energy Spain S.L and 100% of the ownership interest of this subsidiary was transferred from Sterling and Wilson Solar Spain S.L to the Parent Company. Consequently, Sterling and Wilson Renewable Energy Spain S.L became a directly held subsidiary of the Parent Company.

b) During the year, Sterling and Wilson Solar Malaysia Sdn Bhd was liquidated.

c) Up to 31 March 2023, the Company had disbursed funds in various tranches to a subsidiary to meet its working capital and project requirements in the form of loans. During the year, the Company has entered into an agreement with the subsidiary, whereby, the Company will make available to the subsidiary further sums as may be required by the subsidiary from time to time. Further, the loan is unsecured, carries interest on the outstanding balance that shall be mutually agreed between the Company and the subsidiary from time to time and is repayable at the option of the subsidiary. However, the interest has been waived for the year ended 31 March 2023. Accordingly, the total outstanding amount as at 31 March 2023 was reclassified to investment in subsidiaries (Note 12).

d) During the year, Sterling and Wilson Solar Solutions Inc., USA (Subsidiary of the Group) incorporated a wholly owned subsidiary, Sterling and Wilson Renewable Energy Nigeria Ltd.

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

11. Contract assets

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

12. Accounts and other receivables

	2023	2022
Accounts receivable – related parties (Note 19)	**49,444,778**	575,805,603
Due from related parties (Note 10 c))	**498,619,117**	223,594,987
Other receivables (see note d) below)	**49,157,647**	45,567,093
Advances to suppliers	**385,509**	10,422,475
VAT recoverable	**362,749**	413,311
Deposits and prepayments	**285,303**	345,516
Loan to others	**--**	459,900
	598,255,103	856,608,885
Less: Allowance for expected credit losses (Note 20.1 c))	**(6,794,988)**	(6,794,988)
	591,460,115	849,813,897

a) Accounts receivable is subject to a charge for facilities granted to the Company (Note 17).

b) The Company's risk exposure and expected credit losses on accounts receivable, due from related parties and other receivables are disclosed in Note 20.1 c).

c) Accounts receivables, due from related parties and other receivables are considered collectible based on historic experience.

12. Accounts and other receivables (Continued)

d) Other receivables include AED 45,436,073 towards the costs incurred in relation to additional works undertaken by the Company to compensate a customer for deficiencies in the products supplied under the terms of the contract with a customer. The management is of the view that the Company, under the terms of the Supply Agreement with its supplier has reasonable grounds to claim against the supplier for the costs incurred to complete the additional works. The management's view is also endorsed and supported by a legal opinion obtained from an external law firm. Accordingly, the management is confident that the amount is fully recoverable.

The Company has also filed a claim for recovery of USD 363.27 million (inclusive of the above incurred cost) as per the Supply Agreement between the Company and its supplier for failure to rectify the deficiencies in the products supplied by the supplier.

13. Bank balances

	2023	2022
Bank current accounts	**738,643**	2,475,616
Margin money deposits	**5,201,823**	5,194,541
Bank balances	**5,940,466**	7,670,157
Less: Margin money deposits under lien	**(5,201,823)**	(5,194,541)
Cash and cash equivalents in the statement of cash flows	**738,643**	2,475,616

Margin money deposits are subject to a charge for the facilities granted to the Company (Note 17).

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

2023	**1 April 2022**	**Financing cash flows**	**31 March 2023**
Bank borrowings	39,852,333	38,380,764	**78,233,097**
	39,852,333	38,380,764	**78,233,097**

2022	1 April 2020	Financing cash flows	31 March 2022
Bank borrowings	34,452,094	5,400,239	39,852,333
Term loan	21,919,426	(21,919,426)	--
	56,371,520	(16,519,187)	39,852,333

14. Share capital

	2023	2022
Authorised, issued and fully paid:		
184,600 shares of AED 1,000 each	**184,600,000**	184,600,000
	184,600,000	184,600,000

15. Shareholder's loan

Shareholder's loan is unsecured, carries interest at 9.5% (2022: 8%) per annum, without defined repayment arrangement and is repayable only at the option of the Company.

16. Employees' terminal benefits

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

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

	2023	2022
Balance at the beginning of the year	**629,226**	1,473,210
Current service costs and interest	**360,901**	443,794
Actuarial (gains)/losses recognised in other comprehensive income:		
- changes in financial assumptions	**(227,767)**	7,599
- experience adjustments	**45,989**	(689,937)
Employees' terminal benefit liability transfer in during the year	**421,084**	--
Payments made during the year	**--**	(605,440)
Balance at the end of the year	**1,229,433**	629,226

16. Employees' terminal benefits (Continued)

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

	2023	2022
Payable within 12 months	**28,424**	19,327
Payable after 12 months	**1,201,009**	609,899
	1,229,433	629,226

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

	2023	2022
Discount rate	**4.80%**	3.20%
Salary escalation	**5.00%**	5.00%
Employee turnover rate	**2.00%**	2.00%

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

	2023	2022
Discount rate + 100 basis points	**(118,672)**	(71,023)
Discount rate - 100 basis points	**136,261**	82,764
Salary escalation rate + 100 basis points	**134,608**	80,409
Salary escalation rate - 100 basis points	**(119,522)**	(70,516)
Employee turnover + 100 basis points	**(1,776)**	(9,562)
Employee turnover - 100 basis points	**1,958**	10,622

17. Bank borrowings

	2023	2022
Trust receipts	**75,239,470**	37,030,273
Bank overdraft	**2,993,627**	2,822,060
	78,233,097	39,852,333

Trust receipts are availed from a commercial bank by the Company. These carry interest at 250 BPS over 3-month LIBOR (2022: 250 BPS over 3-month LIBOR) and are secured by lien over margin money deposits amounting to 2% of the facility sanctioned (Note 13) and by charge over assignment of receivables of the Company (Note 12) and corporate guarantee of the Parent Company.

Overdraft facility from a commercial bank in UAE is denominated in Arab Emirates Dirham (AED). The loan carries an interest rate of 1-month EIBOR plus 3% per annum (2022: 1-month EIBOR + 3% per annum) and is secured by charge over all movable assets, assignment of receivables of the Company (Note 12) and corporate guarantee of the Parent Company.

18. Accounts and other payables

	2023	2022
Due to related parties (Note 19)	**100,544,084**	255,605,900
Accounts payable including retention payables	**29,684,940**	241,358,138
Contract liabilities (advances from customers)	**10,111,835**	10,111,835
Accrued expenses and other payables	**3,088,806**	1,588,531
	143,429,665	508,664,404

Due to related parties include an amount of AED 75,551,004 (2022: AED 237,104,013) due to the Parent Company which carries interest at 9.5% (2022: 8%) per annum and is payable on demand.

19. Related party transactions

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

19. Related party transactions (Continued)

	Relationship	**Year ended 31 March 2023**	Year ended 31 March 2022
Revenue from contract with customers (Note 4)	Subsidiary	**--**	2,378,788
	Other related parties	**12,430**	6,069,983
	Parent Company	**258,867,103**	403,755,113
		258,879,533	412,203,884
Interest income (Note 6)	Other related party	**--**	11,240,601
	Subsidiary	**808,924**	287,864
		808,924	11,528,465
Liquidated damages (Note 5)	Parent Company	**4,725,000**	37,898,753
Recharge of expenses by related parties (under direct costs and general and administration expenses)	Parent Company	**4,972,764**	12,286,937
	Shareholder of the Parent Company	**10,504**	51,988
		4,983,268	12,338,925
Interest expense - Shareholder (Note 8)	Parent Company	**34,519,802**	22,770,977
Interest expense - Others (Note 8)	Other related party	**425,383**	916,845
Short-term leases (Note 7)	Other related party	**70,610**	70,610
Management support services (Note 7)	Shareholder of the Parent Company	**--**	200,773

The amounts due to related parties do not attract interest except amount due to Parent Company, which carries interest at 9.5% (2022: 8%) per annum and is payable on demand. The amount due from a related party carries interest of 3% (2022: 3%) per annum and is receivable on demand.

Pursuant to an agreement between the Company, the Parent Company and a subsidiary, the Company has set off an amount of AED 12,523,947 due from the subsidiary against the amount due to the Parent Company during the year (2022: AED 26,029,859) (Note 12).

Pursuant to an agreement between the Company and two subsidiaries, the Company has set off an amount of AED 27,506,476 due from the subsidiary against the amount due to the other subsidiary during the year (Note 12).

Key management compensation	**Year ended 31 March 2023**	Year ended 31 March 2022
Salaries and other allowances	**4,224,000**	4,340,531

20. Financial risk and capital management

20.1 Financial risk factors

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

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. No changes were made in the risk management objectives and policies during the years ended 31 March 2023 and 31 March 2022. The identified risks are:

20. Financial risk and capital management (Continued)

20.1 Financial risk factors (Continued)

a) Currency risk

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

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

	2023	2022
	AED	AED
Australian Dollars (AUD)	**159,391,794**	14,280,644
Euro (EUR)	**4,562,493**	24,031,320
Others	**416,005**	869,881

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

	2023	2022
Change in currency rate by 5% (+/-)	**Effect on loss (+/-) AED**	Effect on loss (+/-) AED
Currency		
AUD	**7,969,590**	714,032
Euro	**228,125**	1,201,566
Others	**20,800**	43,494

b) Interest rate risk

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

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

	2023	2022
Change in interest rate (+/-)	Effect on loss (+/-)	Effect on loss (+/-)
1%	**782,331**	398,523

c) Credit risk

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

Bank balances and deposits
The Company's bank accounts are placed with high credit quality financial institutions.

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

The Company is exposed to a significant concentration of credit risk. At the reporting date, 100% of the accounts receivable is due from 3 customers (2022: 100% is due from 3 customers) and 100% of the amounts due from related parties is due from 7 parties (2022: 100% is due from 10 parties).

20. Financial risk and capital management (Continued)

20.1 Financial risk factors (Continued)

c) Credit risk (Continued)

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

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

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

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

	Year ended 31 March 2023	Year ended 31 March 2022
Impairment losses on due from related parties	**195,942**	4,556,642
	195,942	4,556,642

Reconciliation of the closing loss allowances for due from related parties as at 31 March 2023 to the opening loss allowances are as follows:

	2023	2022
Balance at the beginning of the year	**6,794,988**	2,238,346
Increase in loss allowance during the year	**195,942**	4,556,642
Amounts written off during the year	**(195,942)**	--
Balance at the end of the year	**6,794,988**	6,794,988

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

Accounts receivable and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, failure to agree in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on accounts receivable and amounts due from related parties are presented as net impairment losses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same account.

d) Liquidity risk

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

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

2023	On demand	0 to 1 year	Total
Accounts and other payables	**100,544,084**	**32,773,746**	**133,317,830**
Bank borrowings	**--**	**79,749,785**	**79,749,785**
Total	**100,544,084**	**112,523,531**	**213,067,615**

20. Financial risk and capital management (Continued)

20.1 Financial risk factors (Continued)

d) Liquidity risk (Continued)

2022	On demand	0 to 1 year	Total
Accounts and other payables	255,605,900	242,946,669	498,552,569
Bank borrowings	--	41,394,724	41,394,724
Total	255,605,900	284,341,393	539,947,293

As at 31 March 2023, the Company has not achieved a covenant relating to a leverage ratio with respect to a facility agreement with a lender. However, the lender has renewed the facility agreement prior to the reporting date (in January 2023) and the borrowing arrangements were still in effect as of the reporting date.

20.2 Capital management

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

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholder's funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholder's funds, the Company may adjust the amount of dividends paid to shareholder, return funds to shareholder, issue new shares, or sell assets to reduce its exposure to debt. Capital comprises share capital and (accumulated losses)/retained earnings and is measured at AED 114,756,318 as at 31 March 2023 (2022: AED 260,345,030).