G.N. SHANBHAG & CO.
CHARTERED ACCOUNTANTS
413, ANURAG BUSINESS CENTRE NEAR AMAR CINEMA,
OFF. W.T. PATIL MARG, CHEMBUR, MUMBAI 400 071.
TEL: 67655504 FAX: 67655510 MOB: 9820029735

To
The Board of Directors
Sterling &Wilson Solar Limited
(Formerly known as Sterling and Wilson Solar Private Limited, prior to that Rashmika Energy Private Limited)
9th Floor, Universal Majestic
P.L. Lokhande Marg
Chembur (West)
Mumbai – 400 043 (India)

Dear Sirs

We have verified the annexed translated version of the audited financial statements of Sterling &Wilson Engineering Proprietary Limited (the "Company") for the year ended March 31, 2019 ("Financial Year"). These financial statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21 - The Effect of Changes in Foreign Currency Rates. The work carried out by us is in accordance with the Standard on Related Services (SRS) 4400 i.e. "Engagements to Perform Agreed-upon Procedures regarding Financial Information" issued by the Institute of Chartered Accountants of India.

As required by Securities and Exchange Board of India (Issued of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") we have verified the translated financial information contained in the Annexures attached to this certificate which is proposed to be uploaded on the website of Sterling &Wilson Solar Limited *(formerly known as Sterling and Wilson Solar Private Limited, prior to that Rashmika Energy Private Limited) ('SWSL')* in connection with its proposed initial public offering of equity shares.

We did not audit the financial statements of Sterling &Wilson Engineering Proprietary Limited., These financial statements have been audited by other audit firms, whose reports have been furnished to us by the company.

These Financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited financial statements referred to herein.

These financials are intended solely for use the management for uploading on website of SWSL in connection with the proposed IPO of the Company. Our certificate should not be used referred to or distributed for any other purpose except with our prior consent in writing.

For G.N. SHANBHAG & CO.
CHARTERED ACCOUNTANTS
F.R.N.-109885W

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

G.N SHANBHAG
(Proprietor)
Membership No. 32057
UDIN: 19035057AAAAKX6104

Place: Mumbai
Date: July 12, 2019

Sterling & Wilson Engineering Proprietary Limited

Balance sheet
as at 31 March 2019

(Currency : Indian Rupees)

Particulars	*Note*	As at 31 March 2019	As at 31 March 2018
Assets			
Non-current assets			
Property, plant and equipment	4	1,532,268	1,048,451
Other intangible assets	4	348,281	26,775
Deferred tax assets (net)	5	14,701,281	14,167,302
Non current tax assets (net)	6	8,425,583	9,048,537
Total non-current assets		**25,007,413**	**24,291,065**
Current assets			
Financial assets			
(i) Trade receivables	7	892,708,077	967,021,309
(ii) Cash and cash equivalents	8	106,017,269	111,064,042
(iv) Loans	9	120,482,332	487,498
Other current assets	10	26,977,108	50,507,045
Total current assets		**1,146,184,786**	**1,129,079,894**
Total assets		**1,171,192,199**	**1,153,370,959**
Equity and liabilities			
Equity Share Capital	11	618	515
Other equity			
-Retained Earnings		46,989,732	(29,370,209)
-Foreign currency translation reserve		(129,909,227)	(4,512,774)
Total equity		**(82,918,876)**	**(33,882,468)**
Current liabilities			
Financial liabilities			
(i) Borrowings	12	340,249,948	134,721,205
(ii) Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	13	610,090,787	735,449,846
(iii) Other financial liabilities	14	557,332	283,437
Other current liabilities	15	126,239,749	15,685,292
Provisions	16	176,973,259	301,113,648
Total current liabilities		**1,254,111,075**	**1,187,253,427**
Total equity and liabilities		**1,171,192,199**	**1,153,370,959**

G. N. SHANBHAG & CO.
MUMBAI
FRN
109885W
CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited

Statement of profit and loss
for the year ended 31 March 2019

(Currency : Indian Rupees)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Revenue from operations	17	126,424,149	82,794,937
Other income	18	99,663,284	95,013,089
Total income		**226,087,433**	**177,808,027**
Expenses			
Cost of construction materials, stores and spare parts	19	21,963,192	57,724,504
Employee benefits expense	20	19,769,789	11,315,466
Finance costs	21	55,077,570	54,756,855
Depreciation and amortisation expense	22	671,817	293,625
Other expenses	23	185,429,936	76,359,941
Total expenses		**282,912,305**	**200,450,391**
Profit before income tax		**(56,824,872)**	**(22,642,365)**
Tax expense:			
Current tax		-	-
Deferred tax (credit)	24	(2,470,094)	(7,704,956)
Total tax expense		**(2,470,094)**	**(7,704,956)**
Profit for the year		**(54,354,778)**	**(14,937,408)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
(i) Exchange differences in translating financial statements of foreign operations		(129,909,227)	(4,512,774)
Other comprehensive income for the year, net of income tax		**(129,909,227)**	**(4,512,774)**
Total comprehensive income for the year		**(184,264,004)**	**(19,450,182)**

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited

Notes to financial statements (Continued)
as at 31 March 2019

(Currency : Indian Rupees)

4 Property, plant and equipment

Particulars	2019				2018			
	Cost	Accumulated Depreciation	FCTR	Carrying value	Cost	Accumulated Depreciation	FCTR	Carrying value
Tool & equipment	1,137,004	(247,722)	(129,925)	759,357	81,745	(36,576)	7,546	52,715
Motor vehicles	354,249	(47,923)	(42,150)	264,176	0	0	0	0
Furniture and fixtures	354,249	(47,923)	(42,150)	264,176	711,140	(389,164)	58,262	380,239
IT equipment	859,987	(552,873)	(77,405)	229,709	429,088	(186,535)	40,175	282,728
Computer software	740,469	(316,429)	(75,759)	348,281	87,817	(66,336)	5,294	26,775
Other property, plant and equipment	17,004	0	(2,155)	14,850	354,471	(64,236)	42,534	332,769
	3,462,963	**(1,212,869)**	**(369,545)**	**1,880,549**	**1,664,261**	**(742,846)**	**153,812**	**1,075,226**

Reconciliation of property, plant and equipment for the year ended 31 March 2019

Particulars	Opening balance	Additions	Depreciation	Disposals	FCTR	Total
Tool & equipment	52,715	1,007,220	(210,318)	(40,394) -	49,866	759,357
Motor vehicles	-	328,093	(47,923)	0 -	15,994	264,176
Furniture and fixtures	380,239	46,417	(154,964)	0 -	41,983	229,709
IT equipment	282,728	284,077	(141,240)	(35,323) -	41,961	348,281
Computer software	26,775	19,020	(3,276)	(24,793) -	2,876	14,850
Other property, plant and equipment	332,769	2,289,707	(114,097)	0 -	166,363	2,342,015
	1,075,226	**3,974,533**	**(671,817) -**	**100,510 -**	**319,043**	**3,958,388**

Reconciliation of property, plant and equipment for the year ended 31 March 2018

Particulars	Opening balance	Additions	Depreciation	Disposals	FCTR	Total
Tool & equipment	59,913	-	(14,054)	-	6,857	52,715
Furniture and fixtures	476,114	-	(146,721)	-	50,845	380,239
IT equipment	43,583	293,824	(82,688)	-	28,009	282,728
Computer software	5	44,769	(20,522)	-	2,522	26,775
Other property, plant and equipment	320,933	-	(29,641)	-	41,476	332,769
	900,548	**338,594**	**(293,625)**	-	**129,710**	**1,075,226**

A register containing the information required by Regulation 25 (3) of the Companies Regulations is available for inspection at the registered office of the company.

G. N. SHANBHAG & CO.
MUMBAI
FRN
109885W
CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited

Notes to financial statements (Continued)
as at 31 March 2019

(Currency : Indian Rupees)

Particulars	31 March 2019	31 March 2018
5 Deferred tax assets (net)		
Deferred tax assets		
Employee benefits	111,631	37,776
Income in advance	4,122,559	1,938,366
Provision for interest not recoverable	27,204,448	19,803,999
Trade Payables	41,765,832	31,174,831
Carry forward business losses*	11,104,805	12,248,011
Provision for bad debts	20,145	23,068
	84,329,421	65,226,051
Deferred tax liabilities		
Prepayments and deposits	(657,860)	(79,919)
Trade receivables	(68,970,280)	(50,978,830)
	(69,628,140)	**(51,058,749)**
Deferred tax assets / (liabilities) recognised (net)	14,701,281	14,167,302

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	31 March 2019	31 March 2018
Deferred tax liability	(69,628,140)	(51,058,749)
Deferred tax asset	84,329,421	65,226,051
Total deferred tax asset	14,701,281	14,167,302

Reconciliation of deferred tax asset / (liability)	31 March 2019	31 March 2018
At beginning of year	14,167,302	4,970,873
Increase / (decrease) in tax losses available for set off against future taxable income	433,456	7,702,563
(Originating) / reversing temporary difference on prepayments	(623,671)	(9,517)
Reversing temporary difference on leave pay accrual	83,403	6,318
Originating temporary difference on trade receivables	(25,931,189)	(25,032,256)
Originating temporary difference on trade payables	15,421,453	15,274,445
Temporary difference on income in advance	2,576,907	(15,298)
Temporary difference on provision for bad debts	-	20,895
Temporary difference on provision for interest not recoverable	10,509,735	9,757,806
Provisions for product warranties	-	76,369,424
524C on provision for product warranties	-	(76,369,424)
Foreign Exchange Difference Reserve	(1,936,116)	1,491,473
Recognition of deferred tax asset	14,701,281	14,167,302

The directors have determined that the deferred tax asset to be recoverable as the items giving rise to the deductible temporary difference will be settled through the ordinary course of business.

6 Non-current tax assets (net)

	31 March 2019	31 March 2018
Advance tax (net of provision for tax)	**8,425,583**	9,048,537
	8,425,583	9,048,537

7 Trade receivables
(Unsecured)

	31 March 2019	31 March 2018
Trade receivable		
-Considered good	989,962,753	1,037,859,714
	989,962,753	**1,037,859,714**
Less: Loss allowance	97,254,676	70,838,406
Net trade receivables	**892,708,077**	**967,021,309**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired have been evaluated by management on an ongoing basis. Management assess the credit quality of the customers, taking into account its financial position, past experience and other factors.

Fair value of trade and other receivables

Due to the short-term nature of these receivables, their carrying values are assumed to approximate their fair values.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired. At 31 March 2018, INR 907,058,444 were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

	31 March 2019	31 March 2018
2 months past dues	-	905,585
3 months past dues	-	906,152,859
	-	**907,058,444**

As of 31 March 2018, trade and other receivables of INR 109,846 (2017: Nil) were impaired and provided for.

The ageing of these loans is as follows:

	31 March 2019	31 March 2018
Over 6 months	-	109,846

G. N. SHANBHAG & CO. MUMBAI FRN CHARTERED ACCOUNTANTS

8 Cash and cash equivalents

Balance with banks		
- Current accounts	20,175,394	27,541,206
- short term deposits	85,841,875	83,522,836
	106,017,269	**111,064,042**

Fair value of cash and cash equivalents

Due to the short-term nature of cash and cash equivalents, the carrying amount is assumed to approximate fair value.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings

Credit rating - B (Standard & Poor)	106,017,269	111,064,042

-Guarantee: With FirstRand Bank Limited for the value INR 86,977,374 not exceeding 12 months.

9 Current financial assets - Loans

Unsecured, considered good

To parties other than related parties		
Security deposits	120,482,332	487,498
	120,482,332	**487,498**

10 Other current assets

Unsecured, considered good

From parties other than related parties		
Balance with government and excise authorities	3,085,309	27,741,890
Prepayments	23,891,799	22,765,156
	26,977,108	50,507,045

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

11 Share capital

Authorised

1,000 Ordinary shares of no par value	5,150	5,150

900 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued

In issue at 1 April		
Issued for cash	515	515
	103	-
	618	**515**

12 Current borrowings

Unsecured

Loan from Sterling and Wilson International FZCO	340,249,948	134,721,205
	340,249,948	**134,721,205**

Loans from related parties are interest free and repayable on demand. This loan has been subordinated in favour of other creditors, until such time as the assets of the company, fairly values, exceeds its liabilities. The fair values of the financial liabilities carried at amortised cost. Due to the short-term nature of the loan, the carrying value is deemed to approximate the fair values.

Current liabilities At amortised cost	**340,249,948**	**134,721,205**

The fair values of the financial liabilities carried at amortised cost. Due to the short-term nature of the loan, the carrying value is deemed to approximate the fair value.

Currencies

The carrying amounts of financial liabilities at amortised cost are denominate in the following currencies:

US Dollar	**340,249,948**	**134,721,205**

13 Trade payables

Total outstanding dues to micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	610,090,787	735,449,846
	610,090,787	**735,449,846**

14 Other current financial liabilities

Employee benefits payable	398,682	134,908
Other payables	158,651	148,529
	557,332	**283,437**

15 Other current liabilities

To parties other than related parties		
Advances from customers	126,239,749	6,922,745
Accrued expenses	-	8,762,546
	126,239,749	**15,685,292**

Fair value of trade and other liabilities

Trade and other payables are short-term by nature and their carrying values are deemed to approximate their fair values.

Currencies

Rand	736,983,782	750,362,038
US Dollar	-	1,166,382

16 Current - Provisions

Other provisions		
- Provision for product warranty	176,973,259	301,113,648
	176,973,259	**301,113,648**

Provision for product warranty:

The warranty provision represents management's best estimate of the company's liability under warranties granted on products, based on prior experience and industry averages.

Movement in provision for product warranty:

Particulars	31 March 2019	31 March 2018
Opening balance	**301,113,648**	**349,464,155**
Charge during the year	-	-
Utilised during the year	(91,192,904)	(87,744,952)
FCTR	(32,947,486)	39,394,446
Closing balance	176,973,259	301,113,648

The warranty provision represents management's best estimate of the company's liability under warranties granted on products, based on prior experience and industry averages.

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited

Notes to financial statements (Continued)
for the year ended 31 March 2019

(Currency : Indian Rupees)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
17 Revenue from operations		
Sale of services		
Operation and maintenance contract	76,939,184	71,459,880
Additional service rendered	4,768,616	4,688,114
Procuring and replacing spare parts	44,716,348	6,557,394
	126,424,149	**82,705,389**
Other operating income		
Miscellaneous income	-	89,549
Product warranty insurance	-	-
	-	**89,549**
	126,424,149	**82,794,937**
18 Other income		
Interest income:		
- deposits with banks	6,496,619	5,002,963
Trade and other receivables	92,611,401	89,501,107
SARS	555,264	509,020
	99,663,284	**95,013,089**
19 Cost of construction materials, stores and spare parts		
Cost of services and goods sold	21,963,192	57,724,504
	21,963,192	**57,724,504**
20 Employee benefits expense		
Salaries, wages and bonus	19,650,015	11,315,466
Staff welfare expenses	119,774	-
	19,769,789	**11,315,466**
21 Finance costs		
Trade and other payables	55,076,618	54,756,566
Bank overdraft	951	289
	55,077,570	**54,756,855**
22 Depreciation and amortisation		
Depreciation of property, plant and equipment	668,542	273,104
Amortisation of intangible assets	3,276	20,522
	671,817	**293,625**
23 Other expenses		
Communication expenses	37,393	210,604
Legal and professional fees	53,764,054	7,497,308
Printing and stationery expenses	314,089	169,884
Insurance costs	21,589,115	20,811,859
Repairs and maintenance - others	3,354,224	571,336
Traveling and conveyance expenses	6,523,305	5,658,032
Rent	1,734,173	1,193,555
Payment to auditors	7,319,718	5,066,955
Foreign exchange loss (net)	47,567,229	(4,996,829)
Bank charges	391,108	467,290
Provision for bad and doubtful debts	37,534,884	34,948,792
Miscellaneous expenses	5,300,644	4,761,156
	185,429,936	**76,359,941**

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited

Notes to financial statements (Continued)

for the year ended 31 March 2019

(Currency : Indian Rupees)

24 Taxes

(a) Amounts recognised in the statement of profit and loss

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current tax expense		
Current year	-	-
Deferred tax (credit) / charge		
Origination and reversal of temporary differences	(2,470,094)	(7,704,956)
Change in tax rate		
Tax expense for the year	**(2,470,094)**	**(7,704,956)**

(b) Amounts recognised in other comprehensive income

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2018
Items that will not be reclassified to the statement of profit and loss		
Tax effect on remeasurements of the defined benefit plans	-	-
	-	-

(c) Reconciliation of effective tax rate

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2018
Profit before tax	(56,824,872)	(22,642,365)
Statutory income tax rate in South Africa	28.00%	28.00%
Tax using the statutory tax rate	**(15,910,964)**	**(6,339,862)**
Tax effects of adjustments on taxable income		
Donations	17,092	22,009
Foreign exchange gain (loss)	13,318,788	(1,399,109)
Overseas travel	104,961	12,007
Others	31	-
Total tax expense	(2,470,093)	(7,704,956)

No provision has been made for 2019 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is INR 42,061,166 (2018: INR 39,622,190).

G. N. SHANBHAG & CO. MUMBAI FRN 109885W CHARTERED ACCOUNTANTS

Sterling & Wilson Engineering Proprietary Limited
(Registration number 2013/189325/07)
Annual financial statements
for the year ended 31 March 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Design, engineering, procurement, fabrication, construction, installation, commissioning, testing and handing over of solar generation facilities.
Directors	A Choudhuri ND Madan MP Nyama
Registered office	119-123 Hertzog Boulevard Foreshore Cape Town 8001
Business address	119-123 Hertzog Boulevard Foreshore Cape Town 8000
Postal address	PO Box 3883 Cape Town 8000
Bankers	First National Bank
Auditors	RSM South Africa Incorporated Chartered Accountants (SA) Registered Auditors
Company registration number	2013/189325/07
Level of assurance	These annual financial statements have been audited voluntarily in compliance with Section 30(2)(b)(ii)(aa) of the Companies Act as required by the shareholders.
Preparer	The annual financial statements were independently compiled by: Lisa Roodt CA (SA)
Issued	30 May 2019

Index

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

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year from date of approval and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 38, which have been prepared on the going concern basis, were approved by the directors on 30 May 2019 and were signed on their behalf by:

Approval of financial statements

Director

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Sterling & Wilson Engineering Proprietary Limited for the year ended 31 March 2019.

1. Nature of business

Sterling & Wilson Engineering Proprietary Limited was incorporated in South Africa with interests in the solar generation industry. The company operates in South Africa, rest of Africa and Europe.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Share capital

During the year the company issued 20 ordinary shares of no par value.

4. Dividends

No dividends were declared for the year end 31 March 2019 (2018: -).

5. Directorate

The directors in office at the date of this report are as follows:

Directors	**Nationality**
A Choudhuri	Indian
ND Madan	Indian
MP Nyama	South African

6. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

7. Events after the reporting period

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

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Management has assessed the company's ability to continue as a going concern for the foreseeable future and is not aware of any factors beyond their period of assessment that may cast significant doubt on the company's ability to continue as a going concern. Management thus considers the use of the going concern principle to be appropriate in the preparation of the 2018 annual financial statements.

9. Auditors

RSM South Africa Incorporated continued in office in accordance with section 90 of the Companies Act of South Africa.

Directors' Report

10. Secretary

The company had no secretary during the year.

11. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

RSM

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STERLING AND WILSON ENGINEERING PROPRIETARY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sterling and Wilson Engineering Proprietary Limited set out on pages 9 to 36, which comprise the statement of financial position as at 31 March 2019, 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 financial statements present fairly, in all material respects, the financial position of Sterling and Wilson Engineering Proprietary Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' responsibility statement, the Directors' report as required by the Companies Act of South Africa and the detailed income statement, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

RSM

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

RSM South Africa Incorporated

RSM South Africa Incorporated
Registered Auditors

Per Rieyaaz Rawoot CA(SA) RA
Director

17 June 2019

Date
Cape Town

Statement of Financial Position as at 31 March 2019

Figures in Rand	Notes	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	3	825 283	195 769
Deferred tax	4	3 065 065	2 579 475
		3 890 348	**2 775 244**
Current Assets			
Trade and other receivables	5	216 864 169	185 352 611
Current tax receivable		1 756 647	1 647 489
Cash and cash equivalents	6	22 103 504	20 221 699
		240 724 320	**207 221 799**
Total Assets		**244 614 668**	**209 997 043**
Equity and Liabilities			
Equity			
Share capital	7	120	100
Retained income		(16 854 640)	(6 169 163)
		(16 854 520)	**(6 169 063)**
Liabilities			
Current Liabilities			
Trade and other payables	8	153 633 499	136 812 599
Loans from group companies	9	70 938 595	24 529 016
Provisions	10	36 897 094	54 824 491
		261 469 188	**216 166 106**
Total Equity and Liabilities		**244 614 668**	**209 997 043**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Revenue	11	24 853 424	16 624 436
Cost of sales	12	(4 317 692)	(11 603 081)
Gross profit		**20 535 732**	**5 021 355**
Other operating income	13	-	18 000
Other operating gains (losses)		(9 351 129)	1 004 402
Other operating expenses		(31 120 670)	(18 686 873)
Operating loss	14	**(19 936 067)**	**(12 643 116)**
Investment income	15	19 592 569	19 098 381
Finance costs	16	(10 827 569)	(11 006 560)
Loss before taxation		**(11 171 067)**	**(4 551 295)**
Taxation	17	485 590	1 548 758
Loss for the year		**(10 685 477)**	**(3 002 537)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(10 685 477)**	**(3 002 537)**

Statement of Changes in Equity

Figures in Rand	Share capital	Accumulated loss	Total equity
Balance at 01 April 2017	**100**	**(3 166 626)**	**(3 166 526)**
Loss for the year	-	(3 002 537)	(3 002 537)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(3 002 537)**	**(3 002 537)**
Balance at 01 April 2018	**100**	**(6 169 163)**	**(6 169 063)**
Loss for the year	-	(10 685 477)	(10 685 477)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(10 685 477)**	**(10 685 477)**
Issue of shares	20	-	20
Total contributions by and distributions to owners of company recognised directly in equity	**20**	**-**	**20**
Balance at 31 March 2019	**120**	**(16 854 640)**	**(16 854 520)**
Note	7		

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Loss before taxation		(11 171 067)	(4 551 295)
Adjustments for:			
Depreciation		132 071	59 021
Losses (gains) on foreign exchange		9 351 129	(1 004 402)
Interest received		(19 592 569)	(19 098 381)
Finance costs		10 827 569	11 006 560
Movements in provisions		(17 927 397)	(17 637 428)
IFRS adjustment in debtors and creditors		7 378 874	7 004 983
Changes in working capital:			
Trade and other receivables		(31 491 559)	(15 830 478)
Trade and other payables		16 815 257	24 405 032
Cash used in operations		**(35 677 692)**	**(15 646 388)**
Interest income		1 277 155	1 005 635
Dividends		-	-
Finance costs		(187)	(21 114)
Tax paid	18	2	1
Net cash from (used in) operating activities		**(34 400 722)**	**(14 661 866)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(781 344)	(68 060)
Proceeds on sale of property, plant and equipment	3	19 759	-
Net cash used in investing activities		**(761 585)**	**(68 060)**
Cash flows from financing activities			
Proceeds on share issue	7	20	-
Receipts from other financial liabilities		37 044 092	13 621 426
Net cash from financing activities		**37 044 112**	**13 621 426**
Total cash movement for the year		**1 881 805**	**(1 108 500)**
Cash at the beginning of the year		20 221 699	21 304 381
Effect of exchange rate movement on cash balances		-	25 818
Total cash at end of the year	6	**22 103 504**	**20 221 699**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except as may be disclosed in note 2 to the annual financial statements.

1.2 Critical accounting estimates, judgements and assumptions

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Impairment losses on trade receivables

The company reviews its trade receivables to assess impairment at regular intervals. In determining whether impairment losses should be reported in the Statement of Profit and Loss, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for expected credit loss is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

Accounting Policies

1.2 Critical accounting estimates, judgements and assumptions (continued)

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Residual values and useful lives

The company assesses the appropriateness of the useful lives and residual values of property, plant and equipment at the end of each reporting period. In determining whether there is a change in the useful lives and residual values of the property, plant and equipment of the company, the company makes judgements as to whether there is observable data indicating such changes e.g a change in the manner of use or technological development. Actual results in the future could differ from these estimates which may impact the depreciation change for the year.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 10.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset. (the client's borrowing costs are expensed per the policy and there is no hedging)

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Tools & equipment	Straight line	6 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	2 years
Other property, plant and equipment	Straight line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

Note 22 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 5) and the financial instruments and risk management note (note 22).

Accounting Policies

1.4 Financial instruments (continued)

Loans from group companies

Classification

Loans from group companies (note 9) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Loans from group companies are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 16.)

Loans from group companies expose the company to liquidity risk and interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 8), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 16).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and other short-term financial assets readily realisable in cash. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Accounting Policies

1.5 Financial instruments: IAS 39 comparatives

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.5 Financial instruments: IAS 39 comparatives (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and other short term financial assets readily realisable in cash, which has been classified as loans and receivables. These non-derivative financial instruments are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating income over the relevant period. The effective interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premium or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Offsetting

Financial assets and financial liabilities are offset where there are both an intention to settle on a net basis or realise the asset and settle the liability simultaneously and a legal right to offset exists.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.6 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a transaction or event which is recognised, in the same or a different period, directly to equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

Accounting Policies

1.8 Impairment of assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company’s own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Provision of operations and maintenance contract services

Accounting Policies

1.12 Revenue from contracts with customers (continued)
- Sale of goods - Procuring and replacing spare parts
- Additional services rendered

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product to a customer.

Sale of goods - Procuring and replacing spare parts

For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Provision of operations and maintenance contract services

Included in the transaction price for the provision of operations and maintenance contract services. This service relates to maintenance work that may be required to be carried out on the equipment for a three year period after the initial sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the three year period will be for the price at which these are sold by the entity to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

Revenue relating to the services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is recognised as revenue on a straight line basis over the three year service period.

Additional services rendered

The company provides additional support services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spend relative to the total expected labour hours.

Interest is recognised, in profit or loss, using the effective interest method.

1.13 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.14 Cost of sales

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.15 Borrowing costs

Finance costs comprise interest expense on borrowings and trade payables and are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is not material.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is not material.
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Uncertainty over Income Tax Treatments	01 January 2019	Unlikely there will be a material impact
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Tool & equipment	207 017	(48 699)	158 318	16 950	(7 352)	9 598
Motor vehicles	64 499	(9 421)	55 078	-	-	-
Office equipment	156 580	(108 688)	47 892	147 456	(78 225)	69 231
IT equipment	134 819	(62 206)	72 613	88 972	(37 495)	51 477
Computer software	3 096	-	3 096	18 209	(13 334)	4 875
Other property, plant and equipment	523 628	(35 342)	488 286	73 500	(12 912)	60 588
Total	**1 089 639**	**(264 356)**	**825 283**	**345 087**	**(149 318)**	**195 769**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Tool & equipment	9 598	198 007	(7 941)	(41 346)	158 318
Motor vehicles	-	64 499	-	(9 421)	55 078
Office equipment	69 231	9 125	-	(30 464)	47 892
IT equipment	51 477	55 846	(6 944)	(27 766)	72 613
Computer software	4 875	3 739	(4 874)	(644)	3 096
Other property, plant and equipment	60 588	450 128	-	(22 430)	488 286
	195 769	**781 344**	**(19 759)**	**(132 071)**	**825 283**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Tool & equipment	12 423	-	(2 825)	9 598
Office equipment	98 723	-	(29 492)	69 231
IT equipment	9 037	59 061	(16 621)	51 477
Computer software	1	8 999	(4 125)	4 875
Other property, plant and equipment	66 546	-	(5 958)	60 588
	186 730	**68 060**	**(59 021)**	**195 769**

A register containing the information required by Regulation 25 (3) of the Companies Regulations is available for inspection at the registered office of the company.

4. Deferred tax

Deferred tax liability

Prepayments and deposits	(137 157)	(14 551)
Trade receivables	(14 379 590)	(9 281 839)
Total deferred tax liability	**(14 516 747)**	**(9 296 390)**

Deferred tax asset

Provision for interest not recoverable	5 671 846	3 605 762
Provision for bad debts	4 200	4 200
Trade payables	8 707 744	5 676 077
Income in advance	859 511	352 923
Leave pay accrual	23 274	6 878
Deferred tax balance from temporary differences other than unused tax losses	15 266 575	9 645 840
Tax losses available for set off against future taxable income	2 315 237	2 230 025
Total deferred tax asset	**17 581 812**	**11 875 865**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(14 516 747)	(9 296 390)
Deferred tax asset	17 581 812	11 875 865
Total net deferred tax asset	**3 065 065**	**2 579 475**

4. Deferred tax (continued)

Reconciliation of deferred tax asset / (liability)

At beginning of year	2 579 475	1 030 718
Increase / (decrease) in tax losses available for set off against future taxable income	85 212	1 548 276
(Originating) / reversing temporary difference on prepayments	(122 606)	(1 913)
Reversing temporary difference on leave pay accrual	16 396	1 270
Originating temporary difference on trade receivables	(5 097 751)	(5 031 680)
Originating temporary difference on trade payables	3 031 667	3 070 285
Temporary difference on income in advance	506 588	(3 075)
Temporary difference on provision for bad debts	-	4 200
Temporary difference on provision for interest not recoverable	2 066 084	1 961 394
	3 065 065	**2 579 475**

Recognition of deferred tax asset

The directors have determined that the deferred tax asset to be recoverable as the items giving rise to the deductible temporary difference will be settled through the ordinary course of business.

5. Trade and other receivables

Financial instruments:		
Trade receivables	206 396 995	188 965 631
Loss allowance	(20 276 594)	(12 897 720)
Trade receivables at amortised cost	186 120 401	176 067 911
Deposits	25 119 320	88 760
Non-financial instruments:		
VAT	643 255	5 051 033
Prepayments	4 981 193	4 144 907
Total trade and other receivables	**216 864 169**	**185 352 611**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2019	2019	2018	2018
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
More than 120 days past due 9.8%	206 396 995	20 276 594	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Trade and other receivables (continued)

Reconciliation of loss allowances

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

Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	-	(5 872 737)
Opening balance in accordance with IFRS 9	**(12 897 720)**	**(5 872 737)**
Provision raised on new trade receivables	(7 378 874)	(7 024 983)
Closing balance	**(20 276 594)**	**(12 897 720)**

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired. At 31 March 2018, R 165 150 327 were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due		164 882
3 months past due		164 985 445

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R 20 000 were impaired and provided for.

The ageing of these loans is as follows:

6 months		20 000

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 206 361	5 014 494
Short-term deposits	17 897 143	15 207 205
	22 103 504	**20 221 699**

Fair value of cash and cash equivalents

Due to the short term nature of cash and cash equivalents, the carrying amount is assumed to approximate fair value.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

6. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
B (Standard & Poor)	22 103 504	20 221 699

Guarantee

With FirstRand Bank Limited to the value of R15 836 181 not exceeding 12 months

7. Share capital

Authorised		
1 000 Ordinary shares of no par value	1 000	1 000

Reconciliation of number of shares issued:		
Reported as at 01 April 2018	100	100
Issue of shares – ordinary shares	20	-
	120	**100**

880 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued		
120 (2018:100) Ordinary shares of no par value	120	100

8. Trade and other payables

Financial instruments:		
Trade payables	127 197 619	133 905 134
Accrued employee expenses	83 121	24 563
Accrued expenses	-	1 595 418
First National Bank credit cards	33 077	27 043
Non-financial instruments:		
Amounts received in advance	26 319 682	1 260 441
	153 633 499	**136 812 599**

Exposure to currency risk

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

Rand Amount		
Rand	153 653 496	136 620 233

Rand per unit of foreign currency:		
US Dollar	-	212 366

Figures in Rand	2019	2018

8. Trade and other payables (continued)

Fair value of trade and other payables

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

9. Loans from group companies

	2019	2018
Held at amortised cost		
Unsecured		
Sterling and Wilson International Solar FZCO	70 938 595	24 529 016

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

This loan has been subordinated in favour of other creditors, until such time as the assets of the company, fairly values, exceeds its liabilities.

Exposure to currency risk

	2019	2018
Foreign currency amount		
US Dollar	70 938 595	24 529 016

The carrying amount of the loan approximates the fair value.

10. Provisions

Reconciliation of provisions - 2019

	Opening balance	Utilised during the year	Total
Product warranties	54 824 491	(17 927 397)	36 897 094

Reconciliation of provisions - 2018

	Opening balance	Utilised during the year	Total
Product warranties	72 461 919	(17 637 428)	54 824 491

The warranty provision represents management's best estimate of the company's liability under warranties granted on products, based on prior experience and industry averages.

11. Revenue

	2019	2018
Revenue from contracts with customers		
Operations and maintenance contract	15 125 292	14 364 000
Additional services rendered	937 451	942 348
Procuring and replacing spare parts	8 790 681	1 318 088
	24 853 424	**16 624 436**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Revenue (continued)

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Timing of revenue recognition

At a point in time		
Procuring and replacing spare parts	(8 790 681)	(1 318 088)
Over time		
Operations and maintenance contract	(15 125 292)	(14 364 000)
Additional services rendered	(937 451)	(942 348)
Total revenue from contracts with customers	**(24 853 424)**	**(16 624 436)**

12. Cost of sales

Cost of services and goods sold	4 317 692	11 603 081
	4 317 692	**11 603 081**

13. Other operating income

Recovery income	-	18 000

14. Operating loss

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

Employee costs

Salaries, wages, bonuses and other benefits	3 862 950	2 274 498

Leases

Operating lease charges		
Premises	340 917	239 914

Depreciation		
Depreciation of property, plant and equipment	132 071	59 021

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Operating loss (continued)

Other		
Insurance	4 244 153	4 183 348
Legal expenses	9 554 529	1 299 976
Bad debts	7 378 874	7 024 983
Foreign exchange (gains) losses	9 351 129	(1 004 402)
Hedging income	(40 741 062)	-
Hedging fee	40 741 062	-

15. Investment income

Interest income		
Investments in financial assets:		
Bank and other cash	1 277 155	1 005 635
SARS	109 158	102 317
Trade and other receivables	18 206 256	17 990 429
Total interest income	**19 592 569**	**19 098 381**

16. Finance costs

Trade and other payables	10 827 382	11 006 502
Bank	187	58
Total finance costs	**10 827 569**	**11 006 560**

17. Taxation

Major components of the tax income

Deferred		
Originating and reversing temporary differences	(485 590)	(1 548 758)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss) profit	(11 171 067)	(4 551 295)
Tax at the applicable tax rate of 28% (2018: 28%)	(3 127 899)	(1 274 363)
Tax effect of adjustments on taxable income		
Donations	3 360	4 424
Overseas travel	20 634	2 413
Foreign exchange gain (loss)	2 618 309	(281 232)
	(485 596)	**(1 548 758)**

No provision has been made for 2019 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 8 268 705 (2018: R 7 964 373).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Tax paid

Balance at beginning of the year	1 647 489	1 545 173
Interest accrued	109 160	102 317
Balance at end of the year	(1 756 647)	(1 647 489)
	2	**1**

19. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	363 920	410 550
- in second to fifth year inclusive	36 000	88 900
	399 920	**499 450**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of six to sixteen months. No contingent rent is payable.

20. Guarantees

The company has issued a performance demand guarantee in favour of Solar Capital De Aar 3 (RF) Proprietary Limited, backed by Guardrisk Insurance Company Limited to the maximum amount of R 246 993 707, expiring 02 April 2019.

21. Related parties

Relationships

Shareholders	Sterling and Wilson International Solar FZCO (60%) Orange Oak Investments 26 Proprietary Limited
Company within the same group	Shapoorji Pallonji & Co. PvT. Ltd Sterling & Wilson PvT Ltd, India Sterling & Wilson Middle East

Related party balances

Loan accounts - Owing (to) by related parties		
Sterling and Wilson International Solar FZCO	(70 938 595)	(24 529 016)
Amounts included in trade payables regarding related parties		
Sterling & Wilson PvT Ltd, India	-	(123 538)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	5	211 239 721	211 239 721	211 239 721
Cash and cash equivalents	6	22 103 504	22 103 504	22 103 504
		233 343 225	**233 343 225**	**233 343 225**

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	5	176 156 671	176 156 671	176 156 671
Cash and cash equivalents	6	20 221 699	20 221 699	20 221 699
		196 378 370	**196 378 370**	**196 378 370**

Categories of financial liabilities

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	8	127 333 626	127 333 626	127 333 626
Loans from group companies	9	70 938 595	70 938 595	70 938 595
		198 272 221	**198 272 221**	**198 272 221**

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	8	135 572 158	135 572 158	135 572 158
Loans from group companies	9	24 529 016	24 529 016	24 529 016
		160 101 174	**160 101 174**	**160 101 174**

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

22. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

		2019	2018
Borrowings	9	70 938 595	24 529 016
Trade and other payables	8	153 633 496	136 812 601
Total borrowings		**224 572 091**	**161 341 617**
Cash and cash equivalents	6	(22 103 504)	(20 221 699)
Net borrowings		**202 468 587**	**141 119 918**
Equity		(25 645 197)	(7 487 152)
Gearing ratio		(789)%	(1 885)%

22. Financial instruments and risk management (continued)

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a small customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	5	231 516 315	(20 276 594)	211 239 721	189 054 391	(12 897 720)	176 156 671
Cash and cash equivalents	6	22 103 504	-	22 103 504	20 221 699	-	20 221 699
		253 619 819	**(20 276 594)**	**233 343 225**	**209 276 090**	**(12 897 720)**	**196 378 370**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

22. Financial instruments and risk management (continued)

2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables		127 333 625	127 333 625	127 313 814
Borrowings	9	70 938 595	70 938 595	70 938 595

2018

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	8	135 572 160	135 572 160	135 552 160
Borrowings	9	24 529 016	24 529 016	24 529 016

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The company does not hedge foreign exchange fluctuations.

At 31 March 2018, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been R 708 032 (2018: R 39 324) higher, mainly as a result of foreign exchange gains or losses on translation of foreign currencies denominated trade payables.

Exposure in foreign currency amounts

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

		2019	2018
Current liabilities:			
Trade payables, USD (-) (2018 : USD 17 978)	8	-	212 366
Other financial liabilities, USD 4 893 912 (2018: 2 076 979)	9	70 938 595	24 529 016
Net US Dollar exposure		**70 938 595**	**24 741 382**

Exchange rates

	2019	2018
Rand per unit of foreign currency:		
US Dollar	14.495	11.813

Interest rate risk

The company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. Variable interest rate assets and liabilities expose the company to cash flow interest rate risk, being the risk that cash flows earned or paid on such assets and liabilities will change due to movements in market rates.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Financial instruments and risk management (continued)

At 31 March 2019, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 438 945 (2018: R 438 945) lower/higher, mainly as a result of higher/lower interest income on floating rate borrowings.

23. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

24. Going concern

We draw attention to the fact that at 31 March 2019, the company had accumulated losses of R (16 854 640) and that the company's total liabilities exceed its assets by R (16 854 520).

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

25. Events after the reporting period

The directors are not aware of any significant matter or circumstance arising since the end of the financial period, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the company or the results of operations to the date of these annual financial statements.

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Revenue			
Operations and maintenance contract		15 125 292	14 364 000
Additional services rendered		937 451	942 348
Procuring and replacing spare parts		8 790 681	1 318 088
	11	**24 853 424**	**16 624 436**
Cost of sales			
Purchases		(4 317 692)	(11 603 081)
Gross profit		**20 535 732**	**5 021 355**
Other operating income			
Recoveries		-	18 000
Other operating gains (losses)			
Foreign exchange (losses) gains		(9 351 129)	1 004 402
Expenses (Refer to page 38)		**(31 120 670)**	**(18 686 873)**
Operating loss	14	**(19 936 067)**	**(12 643 116)**
Investment income	15	19 592 569	19 098 381
Finance costs	16	(10 827 569)	(11 006 560)
Loss before taxation		**(11 171 067)**	**(4 551 295)**
Taxation	17	485 590	1 548 758
Loss for the year		**(10 685 477)**	**(3 002 537)**

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Other operating expenses			
Accounting and audit fees		1 438 966	1 018 498
Assets < R7 000		228 254	3 514
Bad debts		7 378 894	7 024 983
Bank charges		76 887	93 929
Boarding & lodging		1 145 031	1 069 412
Computer expenses		1 877	574
Consulting and professional fees		914 459	-
Consulting and professional fees - legal		100 360	53 217
Consulting and professional fees - tax		-	153 825
Courier and postage		51 655	33 528
Depreciation		132 071	59 021
Donations		12 000	15 800
Employee costs		3 862 950	2 274 498
Fines and penalties		382	-
Insurance		4 244 153	4 183 348
Lease rentals on operating lease		340 917	239 914
Legal expenses		9 554 529	1 299 976
Motor vehicle expenses		654 486	114 023
Printing and stationery		10 091	620
Repairs and maintenance		3 036	246
Security		723 758	790 170
Small supplier/customer write off		188	-
Staff welfare		23 546	-
Subscriptions		8 684	3 150
Telephone and fax		7 351	42 333
Training		68 775	144 397
Travel - local		63 676	59 278
Travel - overseas		73 694	8 619
		31 120 670	**18 686 873**