

Audit Report

INDEPENDENT AUDITORS' REPORT

For the year ended March 31, 2023

| | |
|----------------|---|
| Component Name | Sterling and Wilson Engineering Proprietary |
|----------------|---|

From: RSM South Africa Incorporated, Cape Town

Date: 04 April 2023

Subject: Audit of Sterling and Wilson Engineering Proprietary for the year ended March 31, 2023

To: Mr. Farad K. Lakdawala, Moore Stephens, UAE.

Independent Auditors' Report on Sterling and Wilson Engineering Proprietary Limited

Report on the reporting pack

In accordance with your instructions dated 28/02/2023, we have audited the accompanying reporting pack of Sterling and Wilson Engineering Proprietary Limited ("the component") which comprises the Balance Sheet as of March 31, 2023, the Statement of Profit and Loss (*including Other Comprehensive Income*), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, annexed thereto, and explanatory notes (collectively referred to as the "reporting pack"), prepared in accordance with the group accounting policies followed by Sterling and Wilson International Solar FZCO ('SWFZCO or the Parent Company') with its subsidiaries (Parent Company and its subsidiaries together referred to as the "Group"). The reporting pack has been prepared solely to enable the Group to prepare its consolidated financial statements as of and for the year ended March 31, 2023.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid reporting pack give the information required in accordance with the instructions dated 28/02/2023, in the manner so required, and gives a true and fair view in conformity with the accounting policies followed by the Group, of the state of affairs of Sterling and Wilson Engineering Proprietary Limited as at March 31, 2023, of its profit/loss, other comprehensive income/loss, changes in equity and its cash flows for the year ended on that date and is suitable for inclusion in the consolidated financial statements of the Group.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

Directors E Bergh, B Com (Hons), CA(SA), C D Betty, B Acc, CA(SA), J Coetzer, B Compt (Hons), CA(SA), M G Q de Faria, B Bus Sc, CA(SA), B J Eaton, B Acc, H Dip Tax Law, CA(SA), B Frey, B Compt (Hons), CA(SA), M Com Ind & Org Psyc, A C Galloway, B Sc Mech Eng, CA(SA), M Greisdorfer, B Com (Hons), CA(SA), H Heymans, B Compt (Hons), M Com, FCCA, CA(SA), N C Hughes, B Compt (Hons), PG Cert Adv Tax, CA(SA), J Jones, B Com, B Acc, H Dip Tax Law, H Dip Int Tax Law, CA(SA), J Kitching, B Compt (Hons), CA(SA), M P Malematsa, B Compt (Hons), CA(SA), R Rawoot, B Compt (Hons), CA(SA), P D Schulze, B Acc Sc (Hons), PG Dip Tax Law, CA(SA), M Steenkamp, B Compt (Hons), M Com, CA(SA), A D Young, B Compt (Hons), CA(SA)

RSM South Africa Inc. Registration No. 2016/324649/21, Practice No. 900435 is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those Standards are further described in *Auditor's Responsibilities for the Audit of the Reporting pack* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Reporting pack.

Management's Responsibility for the Reporting pack

The Company's Management and Board of Directors is responsible for the preparation and presentation of the Reporting pack in terms of the requirements of the accounting policies followed by the Group that give a true and fair view of the financial position, financial performance, changes in equity and the cash flows of Sterling and Wilson Engineering Proprietary Limited in accordance with group accounting policies followed by Sterling and Wilson Engineering Proprietary Limited. The Management and the Board of Directors of the Company are responsible for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Reporting pack that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the Reporting pack by the Management and Directors of the Company, as aforesaid.

In preparing the Reporting pack, the Management and Board of 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 Management and Board of Directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Reporting pack has been prepared by the Management on the basis of instructions received in this regard from SWFZCO solely for the use in the preparation of its consolidated financial statements in accordance with the accounting policies followed by the Group.

Auditors' Responsibility for the Reporting pack

Our objectives are to obtain reasonable assurance about whether the Reporting pack as a whole is 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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Reporting pack.

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

- Identify and assess the risks of material misstatement of the Reporting pack, 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 internal controls with reference to financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and the Board of Directors.
- Conclude on the appropriateness of Management and Board of 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 appropriateness of this assumption. 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 Reporting pack 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Reporting pack, including the disclosures, and whether the Reporting pack represent the underlying transactions and events in a manner that achieves fair presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Reporting pack.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of the users of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

We have communicated all matters of significance to you in the communications you requested in your referral instructions.

Limitation of Use

This report is intended solely for use by Moore Stephens, UAE in connection with its audit of the financial statements of the Group as at and for the year ended March 31, 2023, and should not be used for any other purpose.

DocuSigned by:

RSM South Africa Incorporated

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RSM South Africa Inc.

Rieyaaz Rawoot
Chartered Accountant (SA)
Registered Auditor
Director



Sterling and Wilson Engineering (Pty) Ltd

Balance sheet

as at 31 March 2023

(Currency : ZAR)

| | Note | 31 March 2023 | 31 March 2022 |
|---|------|---------------------|---------------------|
| Assets | | | |
| 1 Non-current assets | | | |
| (a) Property, plant and equipment | 3 | 110 295 | 263 785 |
| (b) Capital work-in-progress | 3 | | |
| (c) Goodwill | | | |
| (d) Other intangible assets | 4 | | |
| (e) Right-of-use assets | 5 | | |
| (i) Investments | | | |
| (f) Deferred tax assets (net) | 6 | 9 533 917 | 8 621 569 |
| Total non-current assets | | 9 644 212 | 8 885 354 |
| 2 Current assets | | | |
| (a) Inventories | 7 | - | - |
| (b) Financial assets | | | |
| (i) Trade receivables | 8 | - | 6 408 709 |
| (ii) Cash and cash equivalents | 9 | 27 680 864 | 39 110 637 |
| (iii) Bank balances other than cash and cash equivalents | 10 | - | - |
| (iv) Loans | 11 | - | - |
| (vi) Other financial assets | 12 | - | - |
| (c) Current tax asset (net) | | | |
| (d) Other current assets | 13 | 376 309 | 324 952 |
| Total current assets | | 28 057 173 | 45 844 298 |
| Total assets | | 37 701 385 | 54 729 652 |
| Equity and liabilities | | | |
| Equity | | | |
| (a) Equity share capital | 14 | 120 | 120 |
| (b) Share holder current account | | | |
| (c) Other equity | 15 | | |
| - Retained earnings | | (33 301 695) | (30 811 950) |
| - Legal reserve | | - | - |
| - Effective portion of cash flow hedge | | - | - |
| - Foreign currency translation reserve | | - | - |
| - Capital reserve | | - | - |
| Total equity attributable to owners of the Company | | (33 301 575) | (30 811 830) |
| Shareholder's loan | | | |
| Non-controlling interest | | | |
| Total equity | | (33 301 575) | (30 811 830) |
| Liabilities | | | |
| 1 Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Lease liabilities | 16 | - | - |
| (b) Provisions | 17 | - | - |
| Total non-current liabilities | | - | - |
| 2 Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 18 | 71 042 418 | 86 980 006 |
| (ii) Lease liabilities | 19 | - | - |
| (iii) Trade payables | 20 | 482 595 | 224 351 |
| (iv) Derivatives | 21 | - | - |
| (v) Other financial liabilities | 22 | - | - |
| (b) Other current liabilities | 23 | 2 999 484 | 1 767 945 |
| (c) Provisions | 24 | 281 256 | 371 973 |
| (d) Income tax liabilities (net) | | (3 802 793) | (3 802 793) |
| Total current liabilities | | 71 002 960 | 85 541 482 |
| Total liabilities | | 71 002 960 | 85 541 482 |
| Total equity and liabilities | | 37 701 385 | 54 729 652 |

As per our report of even date attached.

For **RSM South Africa Inc.**
Registered Auditors

Rieyaaz Rawoot
Director

For and on behalf of the Board of Directors of
Sterling & Wilson Engineering (Pty) Ltd



Place: South Africa, Cape Town
Date: 04/04/2023

Sterling and Wilson Engineering (Pty) Ltd

Statement of profit and loss

for the year ended 31 March 2023

(Currency : ZAR)

| | <i>Note</i> | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-------------|-------------------------------------|-------------------------------------|
| Income | | | |
| Revenue from operations | 25 | 27 053 493 | 27 724 730 |
| Other income | 26 | 1 046 306 | 37 553 686 |
| Total income | | 28 099 799 | 65 278 416 |
| Expenses | | | |
| Cost of construction materials, stores and spare parts | 27 | - | - |
| Purchase of traded goods | 28 | - | - |
| Direct project costs | 29 | 7 225 666 | 5 526 627 |
| Employee benefits expense | 30 | 588 980 | 601 416 |
| Finance costs | 31 | 38 | 5 532 239 |
| Depreciation and amortisation expense | 32 | 170 385 | 204 971 |
| Other expenses | 33 | 23 516 823 | 71 528 738 |
| Total expenses | | 31 501 892 | 83 393 991 |
| Consolidated profit before income tax | | (3 402 093) | (18 115 575) |
| Tax expense: | | | |
| Current tax | | - | - |
| Current tax relating to earlier period | | - | - |
| Deferred tax (credit) | | (912 348) | (1 286 726) |
| | | (912 348) | (1 286 726) |
| Consolidated profit after income tax | | (2 489 745) | (16 828 849) |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| (i) Remeasurements of defined benefit liability | | | |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | | |
| Items that will be reclassified subsequently to profit or loss | | | |
| (i) Exchange differences in translating financial statements of foreign operations | | | |
| (ii) Effective portion of (losses) on hedging instruments in cash flow hedges | | | |
| (iii) Income tax relating to items that will be reclassified to profit or loss | | | |
| Other comprehensive income for the year, net of income tax | | - | - |
| Total comprehensive income for the year | | (2 489 745) | (16 828 849) |

As per our report of even date attached.

For **RSM South Africa Inc.**
Registered Auditors



Rieyaaz Rawoot
Director

For and on behalf of the Board of Directors of
Sterling & Wilson Engineering (Pty) Ltd



Place: South Africa, Cape Town
Date: 04/04/2023

Sterling and Wilson Engineering (Pty) Ltd

Statement of cash flow

for the year ended 31 March 2023

(Currency : ZAR)

| | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|-------------------------------------|-------------------------------------|
| A) Cash flow from operating activities | | |
| Consolidated (loss) / profit before tax | (3 402 093) | (18 115 575) |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation expense | 170 385 | 204 971 |
| Impairment of Goodwill | | |
| (Writeback) / Provision for bad and doubtful debts | | (81 111) |
| Bad debts written off | | |
| Supplier balances/ liabilities written back | | |
| Loss / (profit) on sale of property, plant and equipments (net) | (16 895) | |
| Provision for foreseeable losses (net) | | |
| Provision for Liquidated damages | | |
| Finance costs | - | 5 532 239,00 |
| Interest income | - | (9 044 077,00) |
| Unrealised foreign exchange loss / (gain) (net) | 18 291 471 | (2 109 442) |
| Provision for mark-to-market (gain) / loss on derivative instruments | - | 8 202 |
| Provision no longer required written back | - | (25 640 026) |
| Operating (loss) / profit before working capital changes | <u>15 042 868</u> | <u>(49 244 819)</u> |
| Working capital adjustments: | | |
| (Increase)/ decrease in inventories | | 25 000 000 |
| Decrease in trade receivables | 6 356 945 | 211 455 262 |
| Decrease / (increase) in loans and advances | | |
| (Increase) in other current financial assets | | |
| (Increase) in other current assets | | |
| (Increase)/ Decrease in restricted cash | | |
| Increase in trade payables, other current liabilities and provisions | 1 390 414 | (171 070 129) |
| Decrease in other non-current assets | | |
| Net change in working capital | <u>7 747 359</u> | <u>65 385 133</u> |
| Net cash flows generated from operating activities | <u>22 790 227</u> | <u>16 140 314</u> |
| Income tax (paid) (net) | - | (1 942 177) |
| Effects of exchange differences on translation of assets and liabilities | - | - |
| Net cash flows generated from operating activities (A) | <u><u>22 790 227</u></u> | <u><u>14 198 137</u></u> |
| B) Cash flow from investing activities | | |
| (Purchase) of property, plant and equipment, capital work-in-progress and intangible assets | - | (55 425) |
| Redemption of / (investment in) fixed deposits (net) | | |
| Proceeds from sale of property, plant and equipment | | |
| (Investment) / redemption of mutual fund (net) | - | 6 630 350 |
| Interest received | | |
| Loans repaid by related parties (net) | | |
| Loans given to related parties | | |
| Movement in escrow account | | |
| (Investment) in subsidiary | | |
| Net cash flows generated from investing activities (B) | <u><u>-</u></u> | <u><u>6 574 925</u></u> |
| C) Cash flow from financing activities | | |
| (Repayment of) / proceeds from Secured Short-term borrowings (net) | | |
| (Repayment of) unsecured short-term borrowings (net) | (34 220 000) | (6 732 858) |
| Finance costs paid | | |
| Lease payments | | |
| Proceeds from shareholder's loan | | 24 207 |
| Dividend paid | | |
| Net cash flows (used in) financing activities (C) | <u><u>(34 220 000)</u></u> | <u><u>(6 708 651)</u></u> |
| Net movement in currency translation (D) | | |
| Net (decrease) / increase in cash and cash equivalents (A+B+C+D) | <u><u>(11 429 773)</u></u> | <u><u>14 064 411</u></u> |
| Cash and cash equivalents at the beginning of the year | <u>39 110 637</u> | <u>25 046 225</u> |
| Cash and cash equivalents at the end of the year | <u><u>27 680 864</u></u> | <u><u>39 110 636</u></u> |

Sterling and Wilson Engineering (Pty) Ltd

Statement of cash flow

for the year ended 31 March 2023

(Currency : ZAR)

Notes :

- 1 Cash comprises cash on hand and current accounts. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

| | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|-------------------------------------|-------------------------------------|
| 2 Components of cash and cash equivalents | | |
| Balance with banks | | |
| - in current accounts | 27 680 864 | 39 110 637 |
| - in fixed deposit (with original maturity of less than 3 months) | - | - |
| Cheques on hand | - | - |
| Cash on hand | - | - |
| Less: Bank over draft | - | - |
| | 27 680 864 | 39 110 637 |

- 3 Changes in liabilities arising from financing activity, including both changes arising from cash flows and non-cash changes

Reconciliation of liabilities arising from financing activities

| Particulars | At beginning of the period/year | Changes considered in statement of cash- flow | Non-cash changes on account of acquisition | At end of the period/year |
|---|------------------------------------|--|---|------------------------------|
| Short-term bank borrowings (including interest accrued) | 86 980 006 | (34 220 000) | - | 52 760 006 |
| 31 March 2022 | 86 980 006 | (34 220 000) | - | 52 760 006 |
| Short-term bank borrowings (including interest accrued) | 93 712 864 | (6 732 858) | - | 86 980 006 |
| 31 March 2021 | 93 712 864 | (6 732 858) | - | 86 980 006 |

As per our report of even date attached.

For **RSM South Africa Inc.**
Registered Auditors


Rieyaaz Rawoot
Director

For and on behalf of the Board of Directors of
Sterling & Wilson Engineering (Pty) Ltd



Place: South Africa, Cape Town
Date: 04/04/2023

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

3 Property, plant and equipment and capital work-in-progress

Reconciliation of carrying amount

| Particulars | Land | Office equipment | Furniture and fixtures | Plant and machinery | Motor vehicles | Tools and equipment | Leasehold improvements | Total (A) | Capital work-in progress (B) | Total (A+B) |
|---|------|---------------------|---------------------------|------------------------|-------------------|------------------------|---------------------------|--------------|---------------------------------|----------------|
| Gross carrying amount : | | | | | | | | | | |
| Balance as at 1 April 2022 | | 896 080 | | | 95 716 | 216 155 | | 1 207 951 | | 1 207 951 |
| Add: Additions during the year | | 21 608 | | | | | | 21 608 | | 21 608 |
| Less: Disposals during the year | | (74 294) | | | | | | (74 294) | | (74 294) |
| Add: Adjustments | | | | | | | | - | | - |
| Add: Exchange differences on translation of foreign operations | | | | | | | | - | | - |
| Balance as at 31 March 2023 | - | 843 394 | - | - | 95 716 | 216 155 | - | 1 155 265 | - | 1 155 265 |
| Accumulated depreciation and impairment losses: | | | | | | | | | | |
| Balance as at 1 April 2022 | | 748 400 | | | 50 200 | 145 566 | | 944 166 | | 944 166 |
| Add: Depreciation for the year | | 120 660 | | | 19 143 | 30 582 | | 170 385 | | 170 385 |
| Less: Disposals during the year | | (69 581) | | | | | | (69 581) | | (69 581) |
| Add: Adjustments | | | | | | | | - | | - |
| Add: Exchange differences on translation of foreign operations | | | | | | | | - | | - |
| Balance as at 31 March 2023 | - | 799 479 | - | - | 69 343 | 176 148 | - | 1 044 970 | - | 1 044 970 |
| Carrying amounts (net) | | | | | | | | | | |
| At 1 April 2022 | - | 147 680 | - | - | 45 516 | 70 589 | - | 263 785 | - | 263 785 |
| At 31 March 2023 | - | 43 915 | - | - | 26 373 | 40 007 | - | 110 295 | - | 110 295 |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

4 Other intangible assets

Reconciliation of carrying amount

| Particulars | Certification and licenses | Total |
|--|----------------------------|-------|
| Gross carrying amount : | | |
| Balance as at 1 April 2021 | | - |
| Add: Additions during the year | | - |
| Less: Disposals during the year | | - |
| Add: Adjustments | | - |
| Add: Exchange differences on translation of foreign operations | | - |
| Balance as at 31 March 2022 | - | - |
| Accumulated depreciation and impairment losses: | | |
| Balance as at 1 April 2021 | | - |
| Add: Depreciation for the year | | - |
| Less: Disposals during the year | | - |
| Add: Adjustments | | - |
| Add: Exchange differences on translation of foreign operations | | - |
| Balance as at 31 March 2022 | - | - |
| Carrying amounts (net) | | |
| At 1 April 2021 | - | - |
| At 31 March 2022 | - | - |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

5 Disclosure under Ind AS 116, Leases

A) Right-of-use assets

| | Land and Buildings | Total |
|--|--------------------|-------|
| Cost | | |
| Balance as at 1 April 2021 | | - |
| Additions | | - |
| Disposals | | - |
| Add: Exchange differences on translation of foreign operations | | - |
| Balance at 31 March 2022 | - | - |
| Accumulated depreciation and impairment | | |
| Balance as at 1 April 2021 | | - |
| Depreciation | | - |
| Eliminated on disposals of assets | | - |
| Add: Exchange differences on translation of foreign operations | | - |
| Balance at 31 March 2022 | - | - |
| Carrying amounts | | |
| Balance as at 1 April 2021 | - | - |
| | | |
| Balance at 31 March 2022 | - | - |

B) Breakdown of lease expenses

| | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|----------------------------|-------------------------------------|-------------------------------------|
| Short-term lease expense | 151 064 | 17 415 |
| Low value lease expense | - | - |
| Total lease expense | 151 064 | 17 415 |

5 Disclosure under Ind AS 116, Leases (*Continued*)

C) Cash outflow on leases

| | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Repayment of lease liabilities | | |
| Interest on lease liabilities | | |
| Short-term lease expense | | |
| Low value lease expense | | |
| Total cash outflow on leases | - | - |

D) Maturity analysis of lease liabilities

| 31 March 2022 | Less than 1 year | Between 1 and 2 years | 2 and 5 years | Over 5 years | Weighted average effective interest rate % |
|-------------------|---------------------|--------------------------|---------------|--------------|--|
| Lease liabilities | - | - | - | - | |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

6 Deferred tax assets (net)

Movement in deferred tax balances for the year ended 31 March 2023

| Particulars | Net asset/ (liability) 1 April 2022 | Recognised in profit or loss during the period | Other adjustments/ Forex | Net asset/ (liability) 31 March 2023 |
|--|--|--|--------------------------|---|
| Provision for interest not recoverable | | | | |
| Provision for doubtful debts and advances | | | | |
| Trade payables | - | 95 742 | | 95 742 |
| Income in advance | 420 475 | 95 754 | | 516 229 |
| Employee benefits | 100 433 | (24 494) | | 75 939 |
| Tax losses available for set off against future taxable income | 8 135 918 | 789 608 | | 8 925 526 |
| Deductible temporary difference on prepayments | (35 257) | (44 262) | | (79 519) |
| Financial assets at fair value | | | | |
| Trade receivables | | | | |
| Net deferred tax asset | 8 621 569 | 912 348 | - | 9 533 917 |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

31 March 2023

31 March 2022

7 Inventories

(valued at lower of cost and net realisable value)

Construction materials, stores and spare parts

| | |
|---|---|
| - | - |
|---|---|

8 Trade receivables

(Unsecured)

Trade receivables

- Undisputed trade receivables - considered good

Less than 6 months

- 6 408 709

6 months - 1 year

1-2 years

2-3 years

More than 3 years

- Significant increase in credit risk

- Undisputed trade receivables - credit impaired

Less than 6 months

6 months - 1 year

1-2 years

2-3 years

More than 3 years

| | |
|---|-----------|
| - | 6 408 709 |
|---|-----------|

Loss allowance *

- Doubtful

| | |
|---|---|
| - | - |
|---|---|

| | |
|---|---|
| - | - |
|---|---|

Trade receivables

| | |
|---|-----------|
| - | 6 408 709 |
|---|-----------|

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

| | 31 March 2023 | 31 March 2022 |
|---|-------------------|-------------------|
| 9 Cash and cash equivalents | | |
| Balances with Bank | | |
| - in current accounts | 27 680 864 | 39 110 637 |
| - in fixed deposit (with original maturity of more than 3 months) | | |
| Cheques on hand | | |
| Cash on hand | | |
| Cash and cash equivalents in the consolidated balance sheet | <u>27 680 864</u> | <u>39 110 637</u> |
| 10 Bank balances other than cash and cash equivalents | | |
| Balances with banks | | |
| - in current accounts | | |
| - in deposit accounts (with original maturity more than 3 months but less than 12 months) | | |
| - Margin money deposits | | |
| - Balances with banks in escrow account relating to acquisition of australian subsidiary | | |
| | <u>-</u> | <u>-</u> |
| 11 Loans | | |
| (Unsecured, considered good) | | |
| To related parties | | |
| -Loan given to subsidiaries * | | |
| -Less: Provision for doubtful advance | <u>-</u> | <u>-</u> |
| -Others ** | | |
| To parties other than related parties | | |
| Loan to employees | | |
| Loan to Others | | |
| | <u>-</u> | <u>-</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

| | 31 March 2023 | 31 March 2022 |
|--|----------------|----------------|
| 12 Derivatives | | |
| Foreign currency forward exchange contract liabilities | | |
| | <u>-</u> | <u>-</u> |
| 12 Other financial assets (Unsecured, considered good) | | |
| From related parties | | |
| Other receivables | | |
| From parties other than related parties | | |
| Security deposits | | |
| Other receivables (Refer note (a) below) | | |
| | <u>-</u> | <u>-</u> |
| 13 Other current assets (Unsecured, considered good) | | |
| From related parties | | |
| Unbilled receivables | | |
| From parties other than related parties | | |
| Unbilled receivables | | |
| Advances for supply of goods | | |
| Advances for projects | | |
| Advances to employees | | |
| VAT / GST receivable | | |
| Advance Tax - Fringe Benefit Tax | | |
| Prepayments and deposits | 376 309 | 324 952 |
| Other | | |
| | <u>376 309</u> | <u>324 952</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

| | 31 March 2023 | 31 March 2022 | | |
|---|----------------------|----------------------|---------------|---------------|
| 14 Share capital | | | | |
| Authorised | | | | |
| 1 000 Equity shares at no par value | 1 000 | 1 000 | | |
| | <u>1 000</u> | <u>1 000</u> | | |
| Issued, subscribed and fully paid-up: | | | | |
| 120 Equity shares of no par value, fully paid-up | 120 | 120 | | |
| | <u>120</u> | <u>120</u> | | |
| Reconciliation of shares outstanding at the beginning and at the end of year : | | | | |
| | 31 March 2023 | 31 March 2022 | | |
| | Number | Amount | Number | Amount |
| Equity shares | | | | |
| Balance as at the beginning and end of the year | 120 | 120 | 120 | 120 |
| Add: Issued during the year | | | | |
| Balance as at the end of the year | <u>120</u> | <u>120</u> | <u>120</u> | <u>120</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

(Currency : ZAR)

15 Other equity

| | <i>Note</i> | 31 March 2023 | 31 March 2022 |
|--------------------------------------|-------------|----------------------------|----------------------------|
| Retained earnings | (i) | (33 301 695) | (30 811 950) |
| Legal reserve | (ii) | - | - |
| Foreign currency translation reserve | (iii) | - | - |
| Capital reserve | (iv) | - | - |
| | | <u>(33 301 695)</u> | <u>(30 811 950)</u> |

Notes:

| | 31 March 2023 | 31 March 2022 |
|---|----------------------------|----------------------------|
| (i) Retained earnings | | |
| Balance as at the beginning of the year | (30 811 950) | (13 983 101) |
| Add: Profit for the year | (2 489 745) | (16 828 849) |
| Add: Remeasurement of the defined benefit liability | | |
| Less: Dividend paid | | |
| Adjustment | | |
| Balance as at the end of the year | <u>(33 301 695)</u> | <u>(30 811 950)</u> |
| (ii) Legal reserve | | |
| Balance as at the beginning and end of the year | | |
| (iii) Foreign currency translation reserve | | |
| Balance as at the beginning of the year | | |
| Add: Movement during the year | | |
| Adjustment | | |
| Balance as at the end of the year | <u>-</u> | <u>-</u> |
| (iv) Effective portion of cash flow hedge | | |
| Balance as at the beginning of the year | | |
| Add: Effective portion of loss on hedging instruments in cash flow hedges | | |
| Balance as at the end of the year | <u>-</u> | <u>-</u> |
| (v) Capital reserve | | |
| Balance as at the beginning and end of the year | | |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (Continued)

as at 31 March 2023

(Currency : ZAR)

| | 31 March 2023 | 31 March 2022 |
|---|---------------|---------------|
| 16 Non-current lease liabilities | | |
| Land and Buildings | | |
| | - | - |
| 17 Long-term provisions | | |
| Provision for employee benefits | | |
| Gratuity | | |
| | - | - |
| 18 Current borrowings | | |
| Secured loans | | |
| - Working capital loan from banks (refer note a, b and c) | | |
| - Trust receipts (refer note d) | | |
| | - | - |
| Unsecured loans | | |
| Trust receipts (refer note d) | | |
| Loan from banks | | |
| Loan from holding company | | |
| Loans from related parties | | |
| | 71 042 418 | 86 980 006 |
| | 71 042 418 | 86 980 006 |
| | 71 042 418 | 86 980 006 |
| 19 Current lease liabilities | | |
| Land and Buildings | | |
| | - | - |
| 20 Trade payables | | |
| Undisputed dues - Others | | |
| Less than 1 year | 482 595 | 224 351 |
| 1-2 years | | |
| 2-3 years | | |
| More than 3 years | | |
| | 482 595 | 224 351 |
| 21 Derivatives | | |
| Foreign currency forward exchange contract liabilities | | |
| | - | - |
| 22 Other financial liabilities | | |
| To related parties | | |
| - Other payables | | |
| To parties other than related parties | | |
| Interest accrued and not due: | | |
| - to banks | | |
| Employee benefits payable | | |
| - provision for employee terminal benefits | | |
| - other employee benefits payable | | |
| Payable for acquisition of subsidiary | | |
| Other payables | | |
| | - | - |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

as at 31 March 2023

23 Other current liabilities

To parties other than related parties

| | | |
|------------------------------|------------------|------------------|
| Advances from customers | 2 246 187 | 1 557 315 |
| Statutory dues payable : | | |
| - Vat payable | 225 439 | 177 082 |
| - Fringe Benefit Tax payable | | |
| - Withholding tax payable | | |
| - GST payable | | |
| - PAYG tax payable | | |
| - Employee tax payable | | |
| Others | 527 858 | 33 548 |
| | <u>2 999 484</u> | <u>1 767 945</u> |

24 Short-term provisions

Provision for employee benefits

| | | |
|------------------------|---------|---------|
| Gratuity | | |
| Provision for bonus | | |
| Compensated absences | 281 256 | 371 973 |
| Provision for air fare | | |

Other provisions

| | | |
|----------------------------------|----------------|----------------|
| Provision for warranties | | |
| Other provisions | | |
| Provision for foreseeable losses | | |
| | <u>281 256</u> | <u>371 973</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

| | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| 25 Revenue from operations | | |
| Sale of services | | |
| Income from works contracts | | |
| Revenue from operation and maintenance services | 27 053 493 | 27 724 730 |
| Revenue from Design and Engineering Services | | |
| Sale of products | | |
| Sale of traded goods | | |
| Other operating income | | |
| Sale of scrap | | |
| Miscellaneous income | | |
| | <u>27 053 493</u> | <u>27 724 730</u> |
| 26 Other income | | |
| Interest income under the effective interest method on: | | |
| - deposits with banks | 1 029 411 | 679 030 |
| - loan to subsidiaries | | |
| - loan to related parties | | |
| - others | - | 9 044 077 |
| Foreign exchange gain (net) | | 2 109 442 |
| Liabilities no longer required written back | | 25 640 026 |
| Profit on sale of property, plant and equipments (net) | 16 895 | - |
| Other miscellaneous income | | 81 111 |
| | <u>1 046 306</u> | <u>37 553 686</u> |
| 27 Cost of construction materials, stores and spare parts | | |
| Construction materials, stores and spare parts | | |
| Inventory of materials at the beginning of the year | | |
| Purchase | | |
| Less : Inventory of materials at the end of the year | | |
| | <u>-</u> | <u>-</u> |
| 28 Purchase of traded goods | | |
| Cost of traded goods purchased during the year | | |
| | <u>-</u> | <u>-</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

| | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| 29 Direct project costs | | |
| Communication expenses | | |
| Stores and spare parts consumed | 2 839 373 | 1 297 660 |
| Commission expenses | | |
| Legal and professional fees | | |
| Printing and stationery expenses | | |
| Insurance costs | | |
| Repairs and maintenance - others | | |
| Selling and marketing expenses | | |
| Traveling and conveyance expenses | | |
| Rent (refer note 40) | | |
| Rates and taxes | | |
| Electricity, power and fuel | | |
| Payment to auditors | | |
| Foreign exchange loss (net) | | |
| Loss on sale of property, plant and equipment (net) | | |
| Security charges | | |
| Handling and other charges | | |
| Bank charges | | |
| Liquidated Damages | | |
| Provision for foreseeable losses (net) | | |
| Miscellaneous expenses | | |
| | <u>2 839 373</u> | <u>1 297 660</u> |
| Employee benefits expense | | |
| Salaries, wages and bonus | 4 386 293 | 4 228 967 |
| Employee benefits payable | | |
| Gratuity (refer note 43) | | |
| Compensated absences | | |
| Staff welfare expenses | | |
| | <u>4 386 293</u> | <u>4 228 967</u> |
| Sub-contractor expenses | | |
| | <u>7 225 666</u> | <u>5 526 627</u> |
| 30 Employee benefits expense | | |
| Salaries, wages and bonus | 588 980 | 601 416 |
| Employee benefits | | |
| Gratuity | | |
| Compensated absences | | |
| Staff welfare expenses | | |
| | <u>588 980</u> | <u>601 416</u> |
| 31 Finance costs | | |
| Interest expense | | |
| - on secured loans | | |
| - on related party | | |
| - on shareholder | | |
| - on lease liability | | |
| - on others | 38 | 5 532 239 |
| | <u>38</u> | <u>5 532 239</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

| | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| 32 Depreciation and amortisation expense | | |
| Depreciation of property, plant and equipment | 170 385 | 204 971 |
| Amortisation of intangible assets | | |
| | <u>170 385</u> | <u>204 971</u> |
| 33 Other expenses | | |
| Communication expenses | 18 731 | 19 547 |
| Stores and spare parts consumed | | |
| Commission expenses | | |
| Legal and professional fees | 385 903 | 3 582 649 |
| Printing and stationery expenses | 2 797 | 3 921 |
| Insurance costs | 140 952 | 1 599 484 |
| Repairs and maintenance - others | 41 308 | 39 887 |
| Selling and marketing expenses | 2 473 | - |
| Traveling and conveyance expenses | 122 640 | 22 199 |
| Rent (refer note 40) | 151 064 | 17 415 |
| Rates and taxes | - | - |
| Electricity, power and fuel | - | - |
| Payment to auditors (refer note (a) below) | 2 088 547 | 789 500 |
| Foreign exchange loss (net) | 18 291 471 | - |
| Loss on sale of property, plant and equipment (net) | - | - |
| Security charges | 918 114 | 811 451 |
| Donation | 10 239 | 12 500 |
| Handling charges | | |
| Provision for doubtful Debts | - | - |
| Bad debts written off | - | 63 714 769 |
| Advances written off | | |
| Investment written off | | |
| Impairment of Goodwill | | |
| Management support fees | | |
| Bank charges | 231 439 | 149 740 |
| Miscellaneous expenses | 1 111 145 | 765 676 |
| | <u>23 516 823</u> | <u>71 528 738</u> |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

34 Income taxes

a) Amount recognised in the Consolidated statement of profit and loss

| Particulars | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|-------------------------------------|-------------------------------------|
| Current tax expense : | | |
| Current year | - | - |
| Adjustment of tax relating to earlier years | - | - |
| | - | - |
| Deferred tax (credit) : | | |
| Origination and reversal of temporary differences | (912 348) | (1 286 726) |
| | (912 348) | (1 286 726) |
| Tax expenses for the year | (912 348) | (1 286 726) |

b) Income tax recognised in other comprehensive income

| Particulars | 31 March 2023 | | |
|--|---------------|--------------------------|------------|
| | Before tax | Tax (expense) benefit | Net of tax |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement (losses) on post employment defined benefit plan | - | - | - |
| Items that will be reclassified to profit or loss | | | |
| Exchange differences in translating financial statements of foreign operations | - | - | - |
| Effective portion of (losses) on hedging instruments in cash flow hedges | - | - | - |

| | 31 March 2022 | | |
|--|---------------|--------------------------|------------|
| | Before tax | Tax (expense) benefit | Net of tax |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement (losses) on post employment defined benefit plan | - | - | - |
| Items that will be reclassified to profit or loss | | | |
| Exchange differences in translating financial statements of foreign operations | - | - | - |
| Effective portion of (losses) on hedging instruments in cash flow hedges | - | - | - |

c) Reconciliation of effective tax rate

| Particulars | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit before tax | (3 402 093) | (18 115 575) |
| Tax using the Company's domestic tax rate at 27% (PY: 28%) | (918 565) | (5 072 361) |
| Tax effect of: | | |
| Difference in tax rates | - | 319 317 |
| Tax relating to previous periods | - | - |
| Tax losses utilised on which deferred tax was not created earlier | | |
| Employee benefits | | |
| Current year/period losses on which no deferred tax asset was recognised | | |
| Items on which deferred tax was not recognised in the previous year/period, now recognised | | |
| Effect of consolidation of profits of subsidiaries in tax free zone | | |
| Deferred tax not created | | |
| Impact due to consolidation adjustments | | |
| Non-deductible expenses | 46 313 | 3 136 412 |
| Others | (40 096) | 329 906 |
| Total tax expense | (912 348) | (1 286 726) |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

34 Income taxes (Continued)

d) The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows:

Movement in deferred tax balances for the year ended 31 March 2023

| Particulars | Net asset/ (liability) 1 April 2022 | Recognised in profit or loss during the year | Recognised in OCI during year | Other adjustments/ Forex | Net asset/ (liability) 31 March 2023 |
|--|--|--|-------------------------------------|-----------------------------|--|
| Provision for doubtful debts and advances | | | | | |
| Trade payables | - | 95 742 | | | 95 742 |
| Income in advance | 420 475 | 95 754 | | | 516 229 |
| Employee benefits | 100 433 | (24 494) | | | 75 939 |
| Tax losses available for set off against future taxable income | 8 135 918 | 789 608 | | | 8 925 526 |
| Deductible temporary difference on prepayments | (35 257) | (44 262) | | | (79 519) |
| Trade receivables | | | | | |
| Increase in provision for tax losses | | | | | |
| Provision for interest not recoverable | | | | | |
| POC Margin adjustment | | | | | |
| Income in advance | | | | | |
| Trade receivables/payables | | | | | |
| Amortisation of expenses on merger | | | | | |
| Provision for onerous contracts | | | | | |
| Difference between written down value/capital work | | | | | |
| Fair valuation of financial Assets | | | | | |
| Others | | | | | |
| Net deferred tax asset | 8 621 569 | 912 348 | - | - | 9 533 917 |

Movement in deferred tax balances for the period ended 31 March 2022

| Particulars | Net asset/ (liability) 1 April 2021 | Recognised in profit or loss during the year | Recognised in OCI during year | Other adjustments/ Forex | Net asset/ (liability) 31 March 2022 |
|---|--|---|-------------------------------------|-----------------------------|---|
| Provision for interest not recoverable | | | | | - |
| Provision for doubtful debts and advances | 5 526 753 | (5 526 753) | | | - |
| Trade payables | | | | | |
| Income in advance | 908 185 | (487 710) | | | 420 475 |
| Employee benefits | 88 217 | 12 216 | | | 100 433 |
| Tax losses available for set off against future taxable income | 835 651 | 7 300 267 | | | 8 135 918 |
| Deductible temporary difference on prepayments | (20 302) | (14 955) | | | (35 257) |
| Trade receivables | | | | | |
| Increase in provision for tax losses | | | | | |
| Provision for interest not recoverable | | | | | |
| POC Margin adjustment | | | | | |
| Income in advance | | | | | |
| Trade receivables/payables | | | | | |
| Amortisation of expenses on merger | | | | | |
| Provision for onerous contracts | | | | | |
| Difference between written down value/capital work in progress of fixed assets as per the books of | | | | | |
| Fair valuation of financial liabilities | | | | | |
| Others | (3 662) | 3 662 | | | |
| Net deferred tax asset | 7 334 842 | 1 286 727 | - | - | 8 621 569 |

As at 31 March 2022, the Group has recognised deferred tax asset on unused tax losses of its subsidiary in South Africa and Spain to the extent that the same will be recoverable using the estimated future taxable income based on the approved business plans and budgets of its subsidiary companies.

Sterling and Wilson Engineering (Pty) Ltd

Notes to the financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised during the year in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

| | 31 March 2023 | | 31 March 2022 | |
|-------------------------|---------------|-------------------------|---------------|-------------------------|
| | Gross amount | Unrecognised tax effect | Gross amount | Unrecognised tax effect |
| Carry forward losses | | | | |
| Unabsorbed depreciation | | | | |
| Total | | | | |
| | - | - | - | - |

As included in the table above, the subsidiary of the Company in US and Australia are subject to income tax in accordance with the countries' respective income tax laws. Since the subsidiaries had incurred losses in the current year, the management had decided not to consider the potential deferred tax assets arising from carry forward tax losses of the aforementioned subsidiaries in absence of convincing evidence that future profitability will be consistently demonstrated.

f) Tax losses carried forward

| Particulars | Year ended 31 March 2023 | Expiry date | Year ended 31 March 2022 | Expiry date |
|--------------|-----------------------------|-------------|-----------------------------|-------------|
| Expire | | | | |
| Never expire | 33 057 504 | | 30 281 532 | |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

35 Contingent liabilities and commitments

(to the extent not provided for)

A. Contingent Liabilities

| Particulars | 31 March 2023 | 31 March 2022 |
|--|-----------------|---------------|
| (a) Claims against the company not acknowledged as debts | 80609577 | 80 609 557 |
| (b) Letters of Credit | | |
| Total | 80 609 577 | 80 609 557 |

B. Capital and other commitments

| Particulars | 31 March 2023 | 31 March 2022 |
|--|---------------|---------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | - | - |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*) for the year ended 31 March 2023

(Currency : ZAR)

36 Related party disclosures (*Continued*)

39.2 Transactions and balances with related parties

| | | 31 March 2023 | | | |
|--------|---|--------------------------|-----------------|--------------------------------------|--|
| Sr. No | Nature of transaction | Ultimate Holding Company | Holding Company | Subsidiaries and Fellow subsidiaries | Key management personnel and their relatives |
| I | Income from works contracts | - | - | - | - |
| II | Revenue from operation and maintenance services | - | - | - | - |
| III | Sale of traded goods | - | - | - | - |
| IV | Interest income | - | - | - | - |
| V | Recoverable expenses | - | - | - | - |
| VI | Remuneration | - | - | - | - |
| VII | Interest expense | - | - | - | - |
| VIII | Reimbursement of expenses | - | - | - | - |
| IX | Management support fees | - | - | - | - |
| X | Trade receivables | - | - | - | - |
| XI | Other receivables | - | - | - | - |
| XII | Trade Payable | - | - | - | - |
| XIII | Other payable | - | - | - | - |
| XIV | Advances from customers | - | - | - | - |
| XV | Shareholder's loan | - | 71 042 418 | - | - |
| | | | | | 71 042 418 |

| | | 31 March 2023 | | | |
|--------|---|--------------------------|-----------------|--------------------------------------|--|
| Sr. No | Nature of transaction | Ultimate Holding Company | Holding Company | Subsidiaries and Fellow subsidiaries | Key management personnel and their relatives |
| I | Income from works contracts | | | | |
| II | Revenue from operation and maintenance services | | | | |
| III | Sale of traded goods | | | | |
| IV | Interest income | | | | |
| V | Recoverable expenses | | | | |
| VI | Remuneration | | | | |
| VII | Interest expense | | | | |
| VIII | Reimbursement of expenses | | | | |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2023

(Currency : ZAR)

36 Related party disclosures (Continued)

39.2 Transactions and balances with related parties

| Sr. No | Nature of transaction | 31 March 2023 | | | |
|--------|--|--------------------------|-----------------|--------------------------------------|--|
| | | Ultimate Holding Company | Holding Company | Subsidiaries and Fellow subsidiaries | Key management personnel and their relatives |
| IX | Management support fees | | | | |
| X | Trade receivables | | | | |
| XI | Other receivables | | | | |
| XII | Trade Payable | | | | |
| XIII | Other payable | | | | |
| XIV | Advances from customers | | | | |
| XV | Shareholder's loan Sterling and Wilson International Solar FZCO | | | 71 042 418 | |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management

(a) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value, if carrying amount is a reasonable approximation of fair value.

| 31 March 2023 | FVTPL | Carrying amount FVTOCI | Amortised Cost | Total | Level 1 - Quoted price in active markets | Fair value Level 2 - Level 3 - Significant Significant unobservable inputs observable inputs | Total |
|--|-------|---------------------------|----------------|------------|--|---|-------|
| Financial assets | | | | | | | |
| Current | | | | | | | |
| (i) Trade receivables | - | - | - | - | - | - | - |
| (ii) Cash and cash equivalents | - | - | 27 680 864 | 27 680 864 | - | - | - |
| (iii) Bank balances other than cash and cash equivalents | - | - | - | - | - | - | - |
| (iv) Loans | - | - | - | - | - | - | - |
| (v) Other financial assets | - | - | - | - | - | - | - |
| Total | - | - | 27 680 864 | 27 680 864 | - | - | - |
| Financial liabilities | | | | | | | |
| Non Current | | | | | | | |
| (i) Lease liabilities | - | - | - | - | - | - | - |
| Current | | | | | | | |
| (i) Borrowings | - | - | 71 042 418 | 71 042 418 | - | - | - |
| (ii) Lease liabilities | - | - | - | - | - | - | - |
| (iii) Trade payables | - | - | 482 595 | 482 595 | - | - | - |
| (iv) Derivatives | - | - | - | - | - | - | - |
| (v) Other financial liabilities | - | - | - | - | - | - | - |
| Total | - | - | 71 525 013 | 71 525 013 | - | - | - |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (Continued)

(a) Accounting classification and fair values (Continued)

| 31 March 2022 | FVTPL | Carrying amount FVTOCI | Amortised Cost | Total | Level 1 - Quoted price in active markets | Fair value Level 2 - Level 3 - Significant Significant unobservable inputs observable inputs | Total |
|--|-------|---------------------------|-------------------|-------------------|--|---|-------|
| Financial Assets | | | | | | | |
| Current | | | | | | | |
| (i) Trade receivables | - | - | 6 408 709 | 6 408 709 | - | - | - |
| (ii) Cash and cash equivalents | - | - | 39 110 637 | 39 110 637 | - | - | - |
| (iii) Bank balances other than cash and cash equivalents | - | - | - | - | - | - | - |
| (iv) Loans | - | - | - | - | - | - | - |
| (v) Other financial assets | - | - | - | - | - | - | - |
| TOTAL | - | - | 45 519 346 | 45 519 346 | - | - | - |
| Financial liabilities | | | | | | | |
| Non Current | | | | | | | - |
| (i) Lease liabilities | - | - | - | - | - | - | - |
| Current | | | | | | | |
| (i) Borrowings | - | - | 86 980 006 | 86 980 006 | - | - | - |
| (ii) Lease liabilities | - | - | - | - | - | - | - |
| (iii) Trade payables | - | - | 224 351 | 224 351 | - | - | - |
| (v) Other financial liabilities | - | - | - | - | - | - | - |
| TOTAL | - | - | 87 204 357 | 87 204 357 | - | - | - |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (*Continued*)

(b) Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position as well as the significant unobservable inputs used.

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|--|--|---------------------------------|---|
| Amortised cost: 1. Security deposits (Asset) 2. Borrowings 3. Lease liabilities | Discounted cash flow approach: The valuation model considers the present value of expected payments, discounted using a risk adjusted discount rate. | Not applicable | Not applicable |

Transfers between Levels 1 and 2

There have been no transfers between Level 1 and Level 2 during the reporting year

Level 3 fair values

There are no items in Level 3 fair values.

(c) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- i) Credit risk ;
- ii) Liquidity risk ; and
- iii) Market risk

(c) Financial risk management (*Continued*)

Risk management framework

The Holding Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of directors of the Holding Company oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of directors of the Holding Company is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of directors of the Holding Company.

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (*Continued*)

(c) Financial risk management (*Continued*)

ii Liquidity risk

Exposure to liquidity risk

The table below analyses the group's financial liabilities into relevant maturity groupings based on their contractual maturities for non derivative financial liabilities:

| 31 March 2023 | Carrying amount | Total | Contractual cash flows | | | |
|--------------------------------------|-----------------|------------|------------------------|-----------|-----------|-------------------|
| | | | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | |
| Lease liabilities | | | | | | |
| Secured loans | | | | | | |
| Trust receipts | | | | | | |
| Trade payables | 3 763 335 | 3 763 335 | 3 763 335 | | | |
| Interest accrued and not due | | | | | | |
| Other current financial liabilities | 71 042 418 | 71 042 418 | | | | |
| | 74 805 753 | 74 805 753 | 3 763 335 | - | - | - |

| 31 March 2022 | Carrying amount | Total | Contractual cash flows | | | |
|--------------------------------------|-----------------|------------|------------------------|-----------|-----------|-------------------|
| | | | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | |
| Lease liabilities | | | | | | |
| Secured loans | | | | | | |
| Trust receipts | | | | | | |
| Trade payables | 2 364 269 | 2 364 269 | 2 364 269 | | | |
| Interest accrued and not due | | | | | | |
| Other current financial liabilities | 86 980 006 | 86 980 006 | | | | |
| | 89 344 275 | 89 344 275 | 2 364 269 | - | - | |

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (Continued)

(c) Financial risk management (Continued)

iii Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Group is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

(a) Currency Risk

The Company is exposed to currency risk on account of its operating and financing activities. The functional currency of the Company is Indian Rupee.

Exposure to currency risk

The currency profile of financial assets and financial liabilities are as below:

| Amounts in ZAR | 31 March 2023 | | | |
|---|---------------|----------|-----|----------|
| | USD | EUR | AUD | Others * |
| Financial assets | | | | |
| Trade Receivables | - | - | - | - |
| Cash and Cash Equivalents | - | - | - | - |
| Other receivables | - | - | - | - |
| Exposure to foreign currency assets | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Net exposure to foreign currency Asset | - | - | - | - |
| Financial liabilities | | | | |
| Trade payables and other payable | - | 14 470 | - | 1 013 |
| Exposure to foreign currency liabilities | - | 14 470 | - | 1 013 |
| Forward exchange contract | - | - | - | - |
| Net exposure to foreign currency liabilities | - | 14 470 | - | 1 013 |
| Net Exposure | - | (14 470) | - | (1 013) |

*others include Indian Rupees (INR)

| Amounts in ZAR | 31 March 2022 | | | |
|---|---------------|-----|-----|----------|
| | USD | EUR | AUD | Others * |
| Financial assets | | | | |
| Trade Receivable | - | - | - | - |
| Cash and Cash Equivalents | - | - | - | - |
| Other receivables | - | - | - | - |
| Exposure to foreign currency assets | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Net exposure to foreign currency assets | - | - | - | - |
| Financial liabilities | | | | |
| Trade payables and other payable | - | - | - | - |
| Exposure to foreign currency liabilities | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Net exposure to foreign currency liabilities | - | - | - | - |
| Net exposure | - | - | - | - |

*others include Indian Rupees (INR)

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (*Continued*)

(c) Financial risk management (*Continued*)

iii Market risk (*Continued*)

(a) Currency Risk (*Continued*)

Sensitivity analysis

A 5% strengthening / weakening of the respective foreign currencies with respect to functional currency of Group would result in increase or decrease in profit or loss and equity as shown in table below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The following analysis has been worked out based on the exposures as of the date of statements of financial position.

| Effect in ZAR | 31 March 2023 | | 31 March 2022 | |
|---------------|-----------------|-----------|-----------------|-----------|
| | Profit and Loss | | Profit and Loss | |
| | Strengthening | Weakening | Strengthening | Weakening |
| USD | - | - | - | - |
| EUR | (724) | 724 | - | - |
| AUD | - | - | - | - |
| Others * | (51) | 51 | - | - |

*others include Indian Rupees (INR)

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (Continued)

(c) Financial risk management (Continued)

iii Market risk (Continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates to security deposits, loans given and borrowings from financial institutions.

For details of the Group's short-term and long-term loans and borrowings, including interest rate profiles, refer to Note 18 of these consolidated financial statements.

| Particulars | 31 March 2023 | 31 March 2022 |
|----------------------------------|---------------|---------------|
| Fixed rate instruments | | |
| Financial Assets | | |
| Financial liabilities | | |
| | - | - |
| Variable rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | 1 783 | 919 |
| | (1 783) | (919) |

Interest rate sensitivity - fixed rate instruments

The Group's fixed rate borrowings, fixed rate bank deposits and fixed rates loans are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flow will fluctuate because of a change in market interest rates.

Interest rate sensitivity - variable rate instruments

| ZAR | 31 March 2023 | | 31 March 2022 | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Profit or loss | | Profit or loss | |
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Variable-rate instruments | (18) | 18 | (9) | 9 |
| Cash flow sensitivity (net) | (18) | 18 | (9) | 9 |

Sterling and Wilson Engineering (Pty) Ltd

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2023

(Currency : ZAR)

38 Financial instruments – Fair values and risk management (*Continued*)

(c) Financial risk management (*Continued*)

iii Market risk (*Continued*)

(c) Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total borrowings, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio is as follows:

| Particulars | 31 March 2023 | 31 March 2022 |
|--|-------------------|-------------------|
| Non-Current Borrowings | - | - |
| Current Borrowings | 71 042 418 | 86 980 006 |
| Gross debt | 71 042 418 | 86 980 006 |
| Less : Cash and cash equivalents | 27 680 864 | 39 110 637 |
| Adjusted net debt | 43 361 554 | 47 869 369 |
| Total equity | (33 301 575) | (30 811 830) |
| Adjusted net debt to adjusted equity ratio | (1.30) | (1.55) |