

**Sterling and Wilson Middle East  
Solar Energy L.L.C  
Dubai**

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**Financial Statements  
31 March 2023**

## Managing Director's Report

The Managing Director has pleasure in submitting the report and accounts of Sterling and Wilson Middle East Solar Energy L.L.C, Dubai ("the Company") for the year ended 31 March 2023.

### **LEGAL STATUS**

The Company is a limited liability company incorporated in the Emirate of Dubai under Federal Law No. (2) of 2015 and its subsequent amendments.

On 20 September 2021, the UAE Federal Law No. (32) of 2021 was issued and came into effect on 2 January 2022, which repealed the Federal Law No 2 of 2015.

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

The principal place of business is located at Office Nos. 1803-1804, Park Place Building, Sheikh Zayed Road, Dubai.

### **OPERATING RESULTS**

During the year under review, the Company achieved a turnover of AED 4,188,061 and a loss of AED 18,492,276 against a turnover of AED 15,418,752 and a loss of AED 20,506,506 in the previous year.

### **SHAREHOLDING**

The shareholding pattern of the Company at the end of the year under review was as follows:

<u>Name of shareholder</u>	<u>Shareholding %</u>	
	<u>2023</u>	<u>2022</u>
Sterling and Wilson International Solar FZCO	100%	100%
	100%	100%

### **AUDITORS**

Messrs Moore Stephens, the auditors of the Company, have indicated their willingness to continue in office.



Neville Madan  
Managing Director  
11 April 2023

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Sterling and Wilson Middle East Solar Energy L.L.C, Dubai ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in shareholder's funds and statement of cash flows for the year then ended and notes to the financial statements, including the significant accounting policies, set out on pages 4 to 22.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Other Information**

Management is responsible for the other information. The other information comprises the Managing Director's report, but 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 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 Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable requirements of the UAE Federal Decree-Law No. 32 of 2021 and the Articles of Association of the Company, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Continued...

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI (Continued)****Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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

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

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

**Report on the Regulatory Requirements**

In our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Federal Decree-Law No. 32 of 2021 and the Articles of Association of the Company. We have obtained all information and explanations which are necessary for the purpose of the audit and to the best of our knowledge and belief no violation of the UAE Federal Decree-Law No. 32 of 2021 and the Articles of Association of the Company came to our attention which would materially affect the Company's financial position.

In our opinion, the Company has maintained proper books of account and the accompanying financial statements are in agreement therewith.



Moore Stephens

Farad K. Lakdawala  
Registration No. 341

Dubai, United Arab Emirates  
11 April 2023

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

**Statement of comprehensive income**

(stated in AED)

	Note	2023	2022
<b>Income</b>			
Revenue from contracts with customers	3.3 a) & 4	4,188,061	15,418,752
Direct costs	5	(9,820,948)	(21,170,163)
Gross (loss)		(5,632,887)	(5,751,411)
Other income	6	157,786	504,357
		(5,475,101)	(5,247,054)
<b>Expenses</b>			
General and administration	7	12,315,789	14,284,676
Depreciation	8	688,858	963,220
Interest on lease liabilities	14	12,528	11,556
		13,017,175	15,259,452
<b>(Loss) for the year</b>		<b>(18,492,276)</b>	<b>(20,506,506)</b>
<b>Other comprehensive income/(loss):</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain/(loss) on employees' terminal benefits obligations	13	443,851	(212,654)
<b>Other comprehensive income/(loss) for the year</b>		<b>443,851</b>	<b>(212,654)</b>
<b>Total comprehensive (loss) for the year</b>		<b>(18,048,425)</b>	<b>(20,719,160)</b>

The attached notes 1 to 17 form part of these financial statements.



**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

**Statement of financial position**

(stated in AED)

	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	8	453,250	488,076
<b>Total non-current assets</b>		<b>453,250</b>	<b>488,076</b>
<b>Current assets</b>			
Accounts and other receivables	9	19,854,865	51,003,311
Bank and cash balances	10	48,557	39,433
<b>Total current assets</b>		<b>19,903,422</b>	<b>51,042,744</b>
<b>Total assets</b>		<b>20,356,672</b>	<b>51,530,820</b>
<b>Shareholder's funds and liabilities</b>			
<b>Shareholder's funds</b>			
Share capital	11	300,000	300,000
Legal reserve	12	150,000	150,000
Retained earnings		12,628,351	30,676,776
<b>Total shareholder's funds</b>		<b>13,078,351</b>	<b>31,126,776</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' terminal benefits – non-current portion	13	1,125,332	1,767,042
<b>Total non-current liabilities</b>		<b>1,125,332</b>	<b>1,767,042</b>
<b>Current liabilities</b>			
Employees' terminal benefits – current portion	13	42,302	52,152
Lease liabilities	14	319,385	303,994
Accounts and other payables	15	5,791,302	18,280,856
<b>Total current liabilities</b>		<b>6,152,989</b>	<b>18,637,002</b>
<b>Total liabilities</b>		<b>7,278,321</b>	<b>20,404,044</b>
<b>Total shareholder's funds and liabilities</b>		<b>20,356,672</b>	<b>51,530,820</b>

The attached notes 1 to 17 form part of these financial statements.



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Neville Madan  
Managing Director  
11 April 2023

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

**Statement of changes in shareholder's funds**

(stated in AED)

	Share capital	Legal reserve	Shareholder's current account	Retained earnings	Total
Balance at 1 April 2022	<b>300,000</b>	<b>150,000</b>	--	<b>30,676,776</b>	<b>31,126,776</b>
(Loss) for the year	--	--	--	<b>(18,492,276)</b>	<b>(18,492,276)</b>
Other comprehensive income for the year	--	--	--	<b>443,851</b>	<b>443,851</b>
Total comprehensive (loss) for the year	--	--	--	<b>(18,048,425)</b>	<b>(18,048,425)</b>
<b>Balance at 31 March 2023</b>	<b>300,000</b>	<b>150,000</b>	--	<b>12,628,351</b>	<b>13,078,351</b>

	Share capital	Legal reserve	Shareholder's current account	Retained earnings	Total
Balance at 1 April 2021	300,000	150,000	(153,000)	51,395,936	51,692,936
(Loss) for the year	--	--	--	(20,506,506)	(20,506,506)
Other comprehensive (loss) for the year	--	--	--	(212,654)	(212,654)
Total comprehensive (loss) for the year	--	--	--	(20,719,160)	(20,719,160)
Net movement during the year	--	--	153,000	--	153,000
Balance at 31 March 2022	300,000	150,000	--	30,676,776	31,126,776

The attached notes 1 to 17 form part of these financial statements.

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

**Statement of cash flows**

(stated in AED)

	Note	2023	2022
<b>Cash flows from operating activities</b>			
(Loss) for the year		(18,492,276)	(20,506,506)
Adjustments for:			
(Gain) on sale of property and equipment	6	--	(496,722)
Depreciation	8	688,858	963,220
Provision for employees' terminal benefits	13	510,293	567,963
Interest on lease liabilities	14	12,528	11,556
Cash flows (used in) operations before working capital changes		(17,280,597)	(19,460,489)
Decrease in accounts and other receivables		3,785,364	84,663,437
Increase/(decrease) in accounts and other payables		14,452,444	(66,920,805)
Employee's terminal benefits paid	13	(296,918)	(313,148)
<b>Net cash from/(used in) operating activities</b>		<b>660,293</b>	<b>(2,031,005)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment (excluding right-of-use assets)	8	(18,369)	--
Proceeds from sale of property and equipment		--	1,514,906
<b>Net cash (used in)/from investing activities</b>		<b>(18,369)</b>	<b>1,514,906</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities and interest	14	(632,800)	(666,901)
Net movement in shareholder's current account		--	153,000
<b>Net cash (used in) financing activities</b>		<b>(632,800)</b>	<b>(513,901)</b>
<b>Increase/(decrease) in cash and cash equivalents during the year</b>		<b>9,124</b>	<b>(1,030,000)</b>
Cash and cash equivalents at the beginning of the year		39,433	1,069,433
<b>Cash and cash equivalents at the end of the year</b>	10	<b>48,557</b>	<b>39,433</b>
<b>Non-cash transactions during the year:</b>			
Movement in right-of-use assets arising from modification	8	635,663	(602,022)
Movement in lease liabilities arising from modification	14	(635,663)	602,022
Transfer of employees' terminal benefits	13	(421,084)	--
Set off of accounts receivable from the Ultimate Parent Company against due to the Parent Company	16	12,523,947	26,029,859
Set off of accounts receivable from a related party against due to the Parent Company	16	27,506,476	--
Set off of accounts receivable from the Parent Company against due to the Parent Company		--	21,982,437
		<b>39,609,339</b>	<b>48,012,296</b>

The attached notes 1 to 17 form part of these financial statements.



# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

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### Notes to the financial statements

(stated in AED)

#### 1. Legal status and principal activities

Sterling and Wilson Middle East Solar Energy L.L.C, Dubai ("the Company") is a limited liability company registered in the Emirate of Dubai in accordance with Federal Law No. (2) of 2015 and its subsequent amendments.

On 20 September 2021, the UAE Federal Law No. (32) of 2021 was issued and came into effect on 2 January 2022, which repealed the Federal Law No 2 of 2015.

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

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

The principal place of business is located at Office Nos. 1803-1804, Park Place Building, Sheikh Zayed Road, Dubai.

The Company is wholly-owned by Sterling and Wilson International Solar FZCO ("the Parent Company"). The Ultimate Parent Company is Sterling and Wilson Renewable Energy Limited, a public limited company incorporated in India and listed with Securities Exchange Board of India (SEBI).

#### 2. Adoption of new and revised International Financial Reporting Standards

##### 2.1 Amended standard adopted by the Company

The Group has adopted the following applicable amended IFRS as of 1 April 2022:

- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 1 January 2022.

The management believes that the adoption of the above amendment effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

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

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

- a) Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' introduce the definition of accounting estimates. The amendments also help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are applicable for annual periods commencing on or after 1 January 2023.
- b) Amendments to IAS 1, 'Presentation of Financial Statements' require an entity to disclose its material accounting policy information rather than its significant accounting policies. Consequently, the IFRS Practice Statement 2 (Making Material Judgements) has also been amended to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2023.

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

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

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### **3. Basis of preparation and significant accounting policies and estimates**

#### **3.1 Basis of preparation**

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

#### **3.2 Basis of measurement**

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

#### **3.3 Significant accounting policies**

##### **a) Revenue recognition**

Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements.

##### *Revenue from operation and maintenance services*

Revenue from operation and maintenance services is recognised over time when the relevant services are rendered. For fixed-price contracts, revenue recognised is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer simultaneously receives and consumes the benefits provided by the Company.

The payment is generally due within 90 days upon issue of invoice.

##### *Others*

Other income is recognised when the underlying transaction is completed.

##### **b) Property and equipment**

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

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

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

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

Leasehold improvements	3 to 5 years
Office and other equipment	3 to 5 years
Furniture and fixtures	3 to 5 years
Motor vehicles	3 to 5 years
Right-of-use assets	1 to 2 years

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

##### **c) Impairment of non-financial assets**

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

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

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

**3.3 Significant accounting policies (Continued)**

**c) Impairment of non-financial assets (Continued)**

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

**d) Financial instruments – recognition, classification, measurement, derecognition and offsetting**

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

**(i) Recognition and initial measurement**

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

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

**(ii) Classification and subsequent measurement**

*Financial assets: Classification*

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

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

The Company has not classified and measured any financial asset at either FVOCI or FVPL. All recognised financial assets are classified and measured subsequently at amortised cost.

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

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

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

*Financial assets: Subsequent measurement and gains and losses*

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

*Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified and measured at amortised cost or FVPL. The Company has not classified and measured any financial liability at FVPL. Financial liabilities classified at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

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

**3.3 Significant accounting policies (Continued)**

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

**(ii) Classification and subsequent measurement (Continued)**

Financial liabilities: Classification, subsequent measurement and gains and losses (Continued)

The Company's financial liabilities, which include accounts and other payables and lease liabilities, are classified and subsequently measured at amortised cost.

**(iii) Derecognition**

Financial assets

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

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

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

Financial liabilities

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

**(iv) Offsetting**

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

**e) Impairment of financial assets**

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

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

- Accounts receivable; and
- Other financial assets at amortised cost

In case of accounts receivable, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

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

**3.3 Significant accounting policies (Continued)**

**e) Impairment of financial assets (Continued)**

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

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the statement of comprehensive income.

**f) Employees' terminal benefits**

Provision is made for employees' terminal benefits on the basis prescribed under the UAE Labour Law based on employees' salaries and number of years of service. The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near future.

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

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

**g) Accounts and other payables**

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

**h) Foreign currencies**

*Functional and presentation currency*

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

*Transactions and balances*

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

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

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

#### 3.3 Significant accounting policies (Continued)

##### i) Cash and cash equivalents

Cash and cash equivalents consist of unrestricted bank and cash balances, which are subject to insignificant risk of changes in value.

##### j) Operating leases

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

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

##### ***As a Lessee***

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

##### ***Right-of-use assets***

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying assets to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment (Note 3.3 b)). In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

##### ***Lease liabilities***

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

At the commencement date, the lease payments included in the measurement of the lease liabilities comprise fixed payments for the right to use the underlying asset during the lease term that are not paid at the commencement date.

The lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in fixed payments or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.



**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

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

**3.3 Significant accounting policies (Continued)**

**j) Operating leases (Continued)**

***As a Lessee (Continued)***

*Lease liabilities (Continued)*

When the lease liabilities are remeasured as described above, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Short-term leases*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of staff accommodations that have a lease term of 12 months. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Lease modifications*

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

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

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

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

**k) Contingent liabilities**

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

Contingent liabilities are not recognised but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

**3.4 Significant accounting estimates, judgements and assumptions**

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

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

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

**IFRS 15, 'Revenue from contracts with customers'**

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

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

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

#### 3.4 Significant accounting estimates, judgements and assumptions (Continued)

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

###### *Satisfaction of performance obligation*

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine appropriate method of recognising revenue. The Company has assessed that based on the contract, revenue is recognised over time because the customer simultaneously receives and consumes the benefits as the service is performed.

###### *Determination of transaction prices*

The Company is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement, the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

##### **Impairment of financial assets**

###### *Accounts receivable*

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

###### *Other financial assets at amortised cost*

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

###### *Cash and cash equivalents*

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

##### **Impairment of property and equipment**

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

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

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

##### **Useful lives of property and equipment**

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

##### **Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

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

#### 3.4 Significant accounting estimates, judgements and assumptions (Continued)

##### Determining the lease term (Continued)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

##### Use of incremental rate of borrowing

For measuring the lease liabilities, the Company discounted the lease payments based on its incremental rate of borrowing. The definition of incremental borrowing rate states that the rate should reflect what the Company would be charged to borrow over a similar term and under similar circumstances. To determine an appropriate rate, the Company has obtained the relevant information from its bankers.

##### Estimates for accounting of employees' terminal benefits

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

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

Other key assumptions relevant to the post employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are provided in Note 13.

#### 4. Revenue from contracts with customers

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

##### a) Type of services

	2023	2022
Revenue from operation and maintenance services	4,188,061	15,418,752
	<b>4,188,061</b>	<b>15,418,752</b>

##### b) Geographical locations

	2023	2022
Middle East	4,188,061	15,418,752
	<b>4,188,061</b>	<b>15,418,752</b>

##### c) Customer relationship

	2023	2022
Related party customers (Note 16)	4,188,061	15,418,752
	<b>4,188,061</b>	<b>15,418,752</b>

#### 5. Direct costs

	2023	2022
Salaries and employee related costs	3,367,004	5,596,892
Contract costs	2,646,568	1,853,898
Materials	2,724,389	905,949
Short-term leases (Note 14)	206,526	363,859
Liquidated damages (See note below)	--	11,136,996
Others	876,461	1,312,569
	<b>9,820,948</b>	<b>21,170,163</b>

During the previous year, pursuant to an agreement dated 31 December 2021, the Ultimate Parent Company had recharged liquidated damages levied by its customer in relation to a project for which the Company had rendered its services as a sub-contractor (Note 16).

**STERLING AND WILSON MIDDLE EAST  
SOLAR ENERGY L.L.C, DUBAI**  
Financial statements for the year end 31 March 2023

**6. Other income**

	2023	2022
Sale of scrap	151,523	7,186
Gain on sale of property and equipment	--	496,722
Gain on foreign currency exchange	--	449
Miscellaneous income	6,263	--
	<b>157,786</b>	<b>504,357</b>

**7. General and administration expenses**

	2023	2022
Salaries and employee related costs	9,631,681	13,015,467
Loss on foreign currency exchange	1,035,943	--
Traveling and conveyance	627,262	460,605
Communication	194,412	283,535
Legal and professional fees	115,614	36,677
Repairs and maintenance	90,399	93,869
Utilities	52,175	52,538
Bank charges	13,157	14,040
Printing and stationery	8,139	8,364
Short-term leases (Note 14)	--	127,382
Others	547,007	192,199
	<b>12,315,789</b>	<b>14,284,676</b>

**8. Property and equipment**

	Leasehold improvements	Office and other equipment	Furniture and fixtures	Motor vehicles	Right-of- use assets	Total
<b>2023</b>						
<i>Cost</i>						
At 1 April 2022	1,933,423	1,900,961	149,840	69,999	2,035,793	6,090,016
Additions during the year	--	18,369	--	--	--	18,369
Effect of modification during the year (Note 14)	--	--	--	--	635,663	635,663
At 31 March 2023	1,933,423	1,919,330	149,840	69,999	2,671,456	6,744,048
<i>Accumulated depreciation</i>						
At 1 April 2022	1,871,054	1,852,827	142,742	69,999	1,665,318	5,601,940
Charge for the year	62,199	38,435	5,861	--	582,363	688,858
At 31 March 2023	1,933,253	1,891,262	148,603	69,999	2,247,681	6,290,798
<i>Net book value</i>						
At 31 March 2023	170	28,068	1,237	--	423,775	453,250
<b>2022</b>						
<i>Cost</i>						
At 1 April 2021	1,933,423	5,189,788	149,840	69,999	1,433,771	8,776,821
Effect of modification during the year (Note 14)	--	--	--	--	602,022	602,022
Disposals during the year	--	(3,288,827)	--	--	--	(3,288,827)
At 31 March 2022	1,933,423	1,900,961	149,840	69,999	2,035,793	6,090,016
<i>Accumulated depreciation</i>						
At 1 April 2021	1,719,507	3,920,575	122,064	65,525	1,081,692	6,909,363
Charge for the year	151,547	202,895	20,678	4,474	583,626	963,220
Relating to disposals	--	(2,270,643)	--	--	--	(2,270,643)
At 31 March 2022	1,871,054	1,852,827	142,742	69,999	1,665,318	5,601,940
<i>Net book value</i>						
At 31 March 2022	62,369	48,134	7,098	--	370,475	488,076

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

### 8. Property and equipment (Continued)

- a) Leasehold improvements relate to enhancements of the Company's office premises under lease. These assets are depreciated over their useful lives since the management anticipates that the lease will continue to be renewed for the foreseeable future.
- b) Right-of-use assets represent office premises taken on non-cancellable operating leases (Note 3.3 j)).
- c) During the year, the right-of-use assets and the corresponding lease liabilities were adjusted for the effect of modification in the lease payments due to renewal of existing lease agreements (Note 14).

### 9. Accounts and other receivables

	2023	2022
Accounts receivable		
- related parties (Note 16)	2,032,189	38,703,799
- third parties	--	1,692,485
Due from related parties	11,284,054	5,749,748
Advances to suppliers	318,024	453,756
Deposits and prepayments	245,052	305,716
Advances to staff	68,025	54,014
VAT recoverable	140,877	16,532
Other receivables (Refer note c) below)	5,766,644	5,719,746
	19,854,865	52,695,796
Less: Allowance for expected credit loss (Note 17.1 b))	--	(1,692,485)
	19,854,865	51,003,311

- a) The Company's risk exposure and expected credit losses on accounts receivable, amounts due from related parties and other receivables are disclosed in Note 17.1 b).
- b) Accounts receivable, due from related parties and other receivables are considered collectible based on historic experience.
- c) Other receivables represent the costs incurred in relation to additional works undertaken by the Company to compensate a customer for deficiencies in the products supplied by the Parent Company under the terms of the contract with a customer. The management is of the view that the Parent Company, under the terms of the Supply Agreement between the Parent Company and its supplier, has reasonable grounds to claim against the supplier for the costs including the costs incurred by the Company. The management's view is also endorsed and supported by a legal opinion obtained from an external law firm. Accordingly, the management is confident that this amount is fully recoverable.

The Parent Company has also filed a claim for recovery as per the Supply Agreement between the Parent Company and its supplier for failure to rectify the deficiencies in the products supplied by the supplier.

### 10. Bank and cash balances

	2023	2022
Cash on hand	17,156	293
Bank current accounts	31,401	39,140
	48,557	39,433

### 11. Share capital

	2023	2022
Authorised and fully paid: (300 shares of AED 1,000 each)	300,000	300,000
	300,000	300,000

### 12. Legal reserve

As required by the UAE Federal Decree-Law No. 32 of 2021 relating to commercial companies, 5% of the profit for the year is to be transferred to a legal reserve. Since the balance in legal reserve is 50% of the share capital, the minimum prescribed by the aforesaid Law, the shareholder has resolved to suspend further transfers. The reserve is not available for distribution unless stipulated by the Law.

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

### 13. Employees' terminal benefits

The Company has an unfunded defined benefits retirement plan, which is in accordance with the requirements of the labour laws of the UAE. Employees are entitled to benefits based on length of service and final remuneration and are payable on termination or completion of term of employment.

Movement in the employees' terminal benefits obligation is as follows:

	2023	2022
Balance at the beginning of the year	1,819,194	1,351,725
Current service costs and interest (under general and administration expenses)	510,293	567,963
Actuarial (gains)/losses recognised in other comprehensive income:		
- changes in financial assumptions	(325,577)	27,141
- changes in experience	(118,274)	185,513
Transfer to Parent Company during the year (Note 16)	(421,084)	--
Payments during the year	(296,918)	(313,148)
Balance at the end of the year	1,167,634	1,819,194

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

	2023	2022
Amounts payable within 12 months	42,302	52,152
Amounts payable after 12 months	1,125,332	1,767,042
	1,167,634	1,819,194

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

	2023	2022
Discount rate	4.80%	3.20%
Salary escalation	5.00%	5.00%
Employee turnover rate	3.60%	3.60%

The sensitivities of the overall retirement plan liability to changes in the weighted principal assumptions are:

	2023	2022
Discount rate + 100 basis points	(153,725)	(246,721)
Discount rate - 100 basis points	189,997	307,126
Salary escalation rate + 100 basis points	187,606	298,093
Salary escalation rate - 100 basis points	(154,785)	(245,011)
Employee turnover + 100 basis points	(3,575)	(46,396)
Employee turnover - 100 basis points	4,193	54,899

### 14. Lease liabilities

Lease liabilities represent the discounted value of future lease payments for the leases of office premises (Note 3.3 j)). The movement of lease liabilities at the end of each reporting date is as follows:

	2023	2022
Balance at the beginning of the year	303,994	357,317
Add: Movement in lease liabilities arising from modification (Note 8)	635,663	602,022
Add: Interest on lease liabilities	12,528	11,556
Less: Lease liabilities paid	(632,800)	(666,901)
Balance at the end of the year	319,385	303,994

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



# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

### 14. Lease liabilities (Continued)

- b) During the year, the Company has renewed the lease arrangements and therefore recognised the revisions on the payment terms for the effect of modification amounting to AED 635,663 (2022: AED 602,022), which have been adjusted with the corresponding right-of-use assets (Note 8).

Amounts recognised in the statement of comprehensive income

	2023	2022
Short-term leases (Note 5)	206,526	363,859
Short-term leases (Note 7)	--	127,382
Interest on lease liabilities	12,528	11,556

Amount recognised in the statement of cash flows

	2023	2022
Payment of lease liabilities and interest	632,800	666,901

### 15. Accounts and other payables

	2023	2022
Accounts payable including retentions	3,082,655	4,868,818
Due to the Parent Company (Note 16)	--	9,469,673
Accrued expenses and other payables	2,708,647	3,942,365
	<b>5,791,302</b>	<b>18,280,856</b>

### 16. Related party transactions

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

Related party transactions	Relationship	2023	2022
Revenue from contracts with customers	Ultimate Parent Company	4,188,061	15,418,752
		<b>4,188,061</b>	<b>15,418,752</b>
Liquidated damages (Note 5)	Ultimate Parent Company	--	11,136,996
Recharge of salaries and employee related costs (Under general and administration expenses)	Other related party	620,836	2,594,094
Transfer of employees' terminal benefits (Note 13)	Parent Company	421,084	--
Recharge of travelling cost	Other related party	79,417	77,000

The amounts due from related parties and due to the Parent Company do not attract interest and are receivable/payable on demand.

Pursuant to an agreement between the Company, the Parent Company and the Ultimate Parent Company, accounts receivable from the Ultimate Parent Company amounting to AED 12,523,947 have been set off against amount due to the Parent Company during the year (2022: AED 26,029,859) (Note 9 and 15).

Pursuant to an agreement between the Company, the Parent Company and a related party, accounts receivable from the related party amounting to AED 27,506,476 have been set off against amount due to the Parent Company during the year (Note 9 and 15).

There is no key management remuneration during the years ended 31 March 2023 and 31 March 2022.

### 17. Financial risk and capital management

#### 17.1 Financial risk factors

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

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

### 17. Financial risk and capital management (Continued)

#### 17.1 Financial risk factors (Continued)

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

##### a) Currency risk

The Company operates in the Middle East region. The currencies of these countries in the Middle East region in which the Company operates are fixed to the United States Dollars and therefore the exposure to foreign exchange risk arising from transactions in those currencies is not material.

##### b) Credit risk

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

##### *Bank balances*

Credit risk from banks and financial institutions is managed in accordance with the Company's policy. The Company's bank accounts are placed only with high credit quality financial institutions.

##### *Accounts receivable, due from related parties and other receivables*

The credit risk on accounts receivable, due from related parties and other receivables is subjected to credit evaluations. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are defined and are set based on internal and external ratings in accordance with the Company's policies. Outstanding customer receivables are regularly monitored.

The Company is exposed to a significant concentration of credit risk. At the reporting date, there are nil accounts receivable from third parties (2022: 100% from a single party), 100% of accounts receivable from related parties is due from a single party (2022: 100% from 2 parties) and 100% of due from related parties is due from 2 parties (2022: 100% from 3 parties).

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

##### *Impairment of financial assets*

The Company's accounts receivable are subject to the expected credit loss model.

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

The ageing analysis of gross carrying amounts of accounts receivable and loss allowance are as follows:

	2023		2022	
	Accounts receivable	of which impaired	Accounts receivable	of which impaired
More than 1 year	2,032,189	--	40,396,284	1,692,485
	2,032,189	--	40,396,284	1,692,485

Reconciliation of the closing loss allowance for accounts receivable as at 31 March to the opening allowance is as follows:

	2023	2022
Balance at the beginning of the year	1,692,485	1,692,485
Written off during the year	(1,692,485)	--
Balance at the end of the year	--	1,692,485

# STERLING AND WILSON MIDDLE EAST SOLAR ENERGY L.L.C, DUBAI

## Financial statements for the year end 31 March 2023

### 17. Financial risk and capital management (Continued)

#### 17.1 Financial risk factors (Continued)

##### b) Credit risk (Continued)

###### *Impairment of financial assets (Continued)*

The Company applies the simplified approach in measuring expected credit losses by assessing individually its accounts receivable (Note 3.3 e)). The identified expected credit loss on accounts receivable is considered immaterial.

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

##### c) Liquidity risk

The Company manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Company maintains good working relations with its banks.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March, based on contractual payment dates:

<b>2023</b>	On demand	0 to 1 year	Total
Accounts and other payables	--	5,791,302	5,791,302
Lease liabilities	--	325,000	325,000
<b>Total</b>	<b>--</b>	<b>6,116,302</b>	<b>6,116,302</b>

  

<b>2022</b>	On demand	0 to 1 year	Total
Accounts and other payables	9,469,673	8,811,183	18,280,856
Lease liabilities	--	307,800	307,800
<b>Total</b>	<b>9,469,673</b>	<b>9,118,983</b>	<b>18,588,656</b>

#### 17.2 Capital management

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

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholder's funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholder's funds, the Company may adjust the amount of dividends paid to shareholder, return funds to shareholder, issue new shares, or sell assets to reduce its exposure to debt. No changes were made in the objectives, policies or processes during the years ended 31 March 2023 and 31 March 2022. Capital comprises share capital, legal reserve and retained earnings and is measured at AED 13,078,351 (2022: AED 31,126,776).