

# **SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C**

**FINANCIAL STATEMENTS AND REPORTS  
YEAR ENDED 31 MARCH 2023**

# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Director submits their report and financial statements for the year ended 31 March 2023. We approve the financial statements and confirm that we are responsible for these, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

### Results and dividends

The loss for the year amounted to AED 6,470,288. The Director does not recommend any dividends for the year ended 31 March 2023.

### Review of the business

The Company's principal activity during the year were electrical fitting contracting and solar energy system installation.

### Legal and regulatory requirements

The Company has complied with the applicable provisions of the UAE Federal Law No. (32) of 2021.

Since the losses of the Company exceeded 50% of its share capital, as required by Article 308 of the UAE Federal Decree-Law No. (32) of 2021, the Director of the Company called a General Meeting in which the shareholders resolved to continue with the operations of the Company.

### Events since the end of the year

There are no significant events since the end of the year.

### Shareholders and their interests

The shareholders at 31 March 2023 and their interests as at that date in the share capital of the Company were as follows:

Name	No. of shares	AED	Legal ownership (%)
Mrs. Nahed Mohammad Hassan Ibrahim Alhosani (Represented by Mr. Sibu Abraham Thomas)	153	153,000	51
Mr. Sushant Arora (Nominee shareholder on behalf of CleanMax Solar MENA FZCO)	147	147,000	49
	<b>300</b>	<b>300,000</b>	<b>100</b>

### Independent auditor

PKF were appointed as independent auditor for the year ended 31 March 2023 and it is proposed that they be re-appointed for the year ending 31 March 2024.



Shivani Agrawal  
2 May 2023



**INDEPENDENT AUDITOR'S REPORT****To the Shareholders of SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of **SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C** (the "Company"), which comprise the statement of financial position as at 31 March 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of 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 (UAE), 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.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 2(c) to the financial statements, which states that the Company incurred a loss of AED 6,470,288 for the year ended 31 March 2023 and at that date its losses aggregated to AED 14,442,433, its current liabilities exceeded its current assets by AED 14,082,235 and had a net deficit of AED 14,141,067 in equity funds. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the shareholders have agreed to continue with the operations of the Company and the shareholders along with a related party agreed to provide continuing financial support to enable the Company to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

Our opinion is not modified in respect of this matter.

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**INDEPENDENT AUDITOR'S REPORT**

(continued)

***Other Information***

Management is responsible for the other information. Other information comprises the Director's report as required by the UAE Federal Decree-Law No. (32) of 2021, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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 on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the 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 of the financial statements that give a true and fair view in accordance with IFRSs, and for their compliance with the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of the 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**

(continued)

As part of an audit in accordance with ISAs, we exercise professional judgment 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 gives a true and fair view.

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 Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Decree-Law No. (32) of 2021, we report that :

- i) we have obtained all the information we considered necessary for the purpose of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Director's report is consistent with the books of account of the Company;
- v) the Company has not purchased or invested in any shares during the financial year ended 31 March 2023;

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**INDEPENDENT AUDITOR'S REPORT**

(continued)

- vi) note 10 to the financial statements reflects material related party transactions and balances, and the terms under which they were conducted;
- vii) the Company has not made any social contributions during the financial year ended 31 March 2023; and
- viii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2023 any of the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021 or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 March 2023 and there are no penalties imposed on the Company. Further, as referred in note 2 (c) to the financial statements, since the losses of the Company exceeded 50% of its share capital, as required by Article 308 of the UAE Federal Decree-Law No. (32) of 2021, the Director of the Company called a General Meeting in which the shareholders resolved to continue with the operations of the Company.

For **PKF****S. Lalwani**

Partner

Auditor registration no. 5468

Dubai

United Arab Emirates

9 May 2023



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023 AED	2022 AED
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	6	39,514	18,002
<b>Current assets</b>			
Inventories	7	834,929	--
Deposits	8	57,500	106,000
Other current assets	9	3,110,892	1,245,355
Contract assets	11	770,476	2,493,911
Other financial assets	12	44,000	44,000
Cash and cash equivalents	13	830,676	873,708
		5,648,473	4,762,974
<b>Total assets</b>		<b>5,687,987</b>	<b>4,780,976</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity funds</b>			
Share capital	14	300,000	300,000
Statutory reserve		1,366	1,366
Accumulated losses		(14,442,433)	(7,972,145)
<b>Deficit in equity funds</b>		<b>(14,141,067)</b>	<b>(7,670,779)</b>
<b>Non-current liability</b>			
Provision for staff end-of-service benefits	15	98,346	42,686
<b>Current liabilities</b>			
Trade and other payables	16	931,312	2,508,314
Other current liabilities	17	5,641,684	5,469,731
Contract liabilities	11	3,738,442	3,557,226
Due to a related party	10	9,419,270	873,798
		19,730,708	12,409,069
<b>Total liabilities</b>		<b>19,829,054</b>	<b>12,451,755</b>
<b>Total liabilities net of deficit in equity funds</b>		<b>5,687,987</b>	<b>4,780,976</b>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 5.

Approved and authorised for issue by the shareholders on 2 May 2023 and signed on their behalf by Shivani Agarwal.

For **SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C**

  
DIRECTOR





# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 AED	2022 AED
Revenue	19	21,564,971	48,203,577
Direct costs	20	(24,793,063)	(49,943,039)
Other operating income	21	3,100	143,635
Staff costs	22	(2,221,680)	(1,792,968)
Depreciation	6	(11,605)	(4,645)
Other operating expenses	23	(1,012,011)	(1,362,472)
<b>LOSS FOR THE YEAR</b>		<b>(6,470,288)</b>	<b>(4,755,912)</b>
<b>Other comprehensive income:</b>			
Other comprehensive income for the year		--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(6,470,288)</b>	<b>(4,755,912)</b>

The accompanying notes form an integral part of these financial statements.  
The report of the independent auditor is set forth on pages 2 to 5.

## SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
Balance at 1 April 2021	300,000	1,366	(3,216,233)	(2,914,867)
Total comprehensive income for the year	--	--	(4,755,912)	(4,755,912)
Balance at 31 March 2022	300,000	1,366	(7,972,145)	(7,670,779)
Total comprehensive income for the year	--	--	(6,470,288)	(6,470,288)
Balance at 31 March 2023	<b>300,000</b>	<b>1,366</b>	<b>(14,442,433)</b>	<b>(14,141,067)</b>

The accompanying notes form an integral part of these financial statements.  
The report of the independent auditor is set forth on pages 2 to 5.

# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	2023 AED	2022 AED
<b>Cash flows from operating activities</b>		
Loss for the year	(6,470,288)	(4,755,912)
Adjustments for:		
Depreciation of property, plant and equipment	11,605	4,645
Credit balances written back	--	(143,635)
Provision for staff end-of-service benefits	66,852	7,977
	<u>(6,391,831)</u>	<u>(4,886,925)</u>
Changes in:		
- Inventories	(834,929)	--
- Deposits	48,500	13,240,928
- Other current assets	(1,865,537)	(552,150)
- Contract assets	1,723,435	(1,953,362)
- Trade and other payables	(1,577,002)	1,530,650
- Other current liabilities	172,004	5,469,731
- Contract liabilities	181,216	(3,273,372)
Staff end-of-service benefits paid	(8,665)	(19,409)
Net cash (used in)/from operating activities	<u>(8,552,809)</u>	<u>9,556,091</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(35,695)	(16,399)
Increase in financial assets	--	(44,000)
Net cash used in investing activities	<u>(35,695)</u>	<u>(60,399)</u>
<b>Cash flows from financing activities</b>		
Receipts from/(payments to)a related party (net)	8,545,472	(8,961,607)
Net cash from/(used in) financing activities	<u>8,545,472</u>	<u>(8,961,607)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(43,032)</b>	<b>534,085</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>873,708</b>	<b>339,623</b>
<b>Cash and cash equivalents at end of year (note 13)</b>	<b>830,676</b>	<b>873,708</b>

The accompanying notes form an integral part of these financial statements.  
The report of the independent auditor is set forth on pages 2 to 5.



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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### 1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C** (the "Company") is a limited liability company registered in Dubai, United Arab Emirates, in accordance with the provision of Federal Law no. (2) of 2015 [repealed by UAE Federal Decree-Law No. (32) of 2021 on Commercial Companies]. The registered address is 404, Al Maktab Building, Al Barsha 1, Dubai, UAE. The Company was registered on 28 February 2018 under a commercial license no. 801633.
- b) The Company's principal activity during the year were electrical fitting contracting and solar energy system installation.
- c) The parent company is CleanMax Solar Mena FZCO, UAE and ultimate parent company is Clean Max Enviro Energy Solutions Pvt Ltd., India. Mr. Kuldeep Jain is the ultimate beneficiary owner of the Company.
- d) UAE Federal Law No. (32) of 2021 was issued on 20 September 2021 and came into effect on 2 January 2022 to entirely replace the UAE Federal Law No. (2) of 2015. Accordingly, the Company has complied with the UAE Federal Law No. (32) of 2021.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2022, and the requirements of UAE Federal Decree-Law No. (32) of 2021.

#### b) Basis of measurement

The financial statements are prepared using historical cost.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### c) Going concern

The financial statements are prepared on a going concern basis.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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The Company incurred a loss of AED 6,470,288 for the year ended 31 March 2023 and at that date its losses aggregated to AED 14,442,433, its current liabilities exceeded its current assets by AED 14,082,235 and had a net deficit of AED 14,141,067 in equity funds. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the shareholders have agreed to continue with the operations of the Company and the shareholders along with a related party agreed to provide continuing financial support to enable the Company to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

Furthermore, since the losses of the Company exceeded 50% of the share capital, as required by Article 308 of the UAE Federal Decree-Law No. (32) of 2021, the Director referred the matter in the General Meeting in which the shareholders resolved that the Company shall continue its operations.

d) **Adoption of new International Financial Reporting Standards**

*Standards, amendments, improvements and interpretations effective for the current year*

The following amendments, improvements and interpretations which became effective for current period, did not have any significant impact on the Company's financial statements:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 1
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IAS 41 Agriculture

***New and revised IFRSs in issue but not yet effective and not early adopted***

The following, amendments, improvements and interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (1 January 2023)
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (1 January 2023)
- Definition of Accounting Estimates – Amendments to IAS 8 (1 January 2023)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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e) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED") which is also the Company's functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Tools and equipment	5 years
Office equipment	5 years

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 expenditure will flow to the Company and such cost can be measured reliably.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) **Impairment of tangible assets**

At each reporting date, the management reviews the carrying amounts of its tangible 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 acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, 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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

c) **Staff benefits**

The Company provides staff end-of-service benefits to its non-UAE national employees as per the applicable local laws. The entitlement to these benefits is based on the employees' last drawn salary and length of services which is accrued over the period of employment. Provision for staff end-of-services benefits are disclosed as non-current liability.

Provision is also made for employees' entitlement to annual leave and air fare for eligible employees as per the policy of the Company. Provision relating to annual leave and air fare is disclosed as current liability as employees are entitled to redeem these benefits at any point of time after the reporting period.

d) **Statutory reserve**

In accordance with the U.A.E. Federal Law No. (32) of 2021 on Commercial Companies, the Company is required to establish a statutory reserve by appropriation of 5% (previous year 10% as per UAE Federal Law No. (2) of 2015) of net profit until the reserve equals 50% of the share capital. The shareholders may resolve to discontinue such deduction when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except as provided in the Federal Law. During the year, no transfer of statutory reserve has been made on account of loss incurred by the Company.

e) **Revenue recognition**

The Company is in the business of electrical fitting contracting and solar energy system installation.

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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1. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Company satisfies a performance obligation at a point in time or over time.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

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 the appropriate method of recognising revenue.

### ***Construction contracts***

Contract revenues are recognised over a period of time, based on the stage of completion of the contract activity. Revenue is measured based on the proportion of contract costs incurred for satisfying the performance obligation to the total estimated contract costs.

Contract revenues are recognised based on the stage of completion of the contract activity. Revenue is measured based on the proportion of contract costs incurred for satisfying the performance obligation to the total estimated contract costs, there being a direct relationship between the input and the productivity. Claims are accounted for as income when accepted by the customer.

Expected loss, if any, on contracts are recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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Contract modifications are accounted for, when additions, deletions or changes are approved either to the contract scope or contract price. Accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is a standalone selling price. Services added that are not distinct are accounted for on a cumulative catch-up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

### **Sale of services**

Revenue from services in the nature of operational and maintenance services rendered over a period of time, such as operation and maintenance contracts, are recognised on straight line basis over the period of the performance obligation.

Contracts for composite sale of goods and services comprise of two performance obligations because the promise to transfer the goods and promise to provide services are capable of being distinct and separately identifiable. The Company allocates the transaction price based on the relative stand-alone selling prices of the goods and services.

The Company has concluded that revenue from sale of operational and maintenance services should be recognised over time using input method.

### **f) Contract costs**

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are included in other operating expenses.

### **g) Contract assets**

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

### **h) Contract liabilities**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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i) **Leases**

**As a lessee**

The Company leases office premises. Rental contracts are typically annually but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

*Short-term leases*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

j) **Cash and cash equivalents**

Cash and cash equivalents comprise bank balance in current accounts and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

k) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

l) **Provisions**

**General provision**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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### **Onerous contract**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

### **m) Contingencies and commitments**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

### **n) Value added tax**

As per the Federal Decree-Law No. (08) of 2017, Value Added Tax (VAT), is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person.

The Company charges and recovers Value Added Tax (VAT) on every taxable supply and deemed supply, in accordance with the applicable commercial VAT laws. Irrecoverable VAT for which the Company cannot avail the credit is charged to the relevant expenditure category or included in costs of non-current assets. The Company also files its VAT returns and computes the payable tax (which is output tax less input tax) for the allotted tax periods and deposits the same within the prescribed due dates of filing VAT return and tax payment. VAT receivable and VAT payable are offset and the net amount is reported in the statement of financial position as the Company has a legally enforceable right to offset the recognised amounts and has the intention to settle the same on net basis.

### **o) Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period. or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

### p) **Financial instruments**

#### **Classification**

On initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

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

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

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

Financial liabilities are classified as financial liabilities at FVTPL or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

#### **Recognition**

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

#### **Derecognition**

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

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

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

### **Measurement**

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transactions costs of financial assets carried at FVTPL are expensed in profit or loss.

The following accounting policies apply to the subsequent measurement of financial assets and liabilities.

### *Financial assets at amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any using the effective interest method. All other financial assets are subsequently measured at fair value.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The financial assets at amortised cost comprise of deposits, other financial assets and cash and cash equivalents.

### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise of trade and other payables and due to a related party.

### **Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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Loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures the loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balances, other financial assets and deposits for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. The Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit risk assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- The customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

### **Offsetting**

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

### **Equity**

Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

#### q) **Fair value measurement**

The Company discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

#### 4. **SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

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

##### **Classification of financial assets**

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

##### **Impairment**

At each reporting date, management conducts an assessment of property, plant and equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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The Company applies expected credit loss (ECL) model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or Lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

### **Recognition of revenue and allocation of transaction price**

#### *Identification of performance obligations*

The Company determined that the sale of equipment and installation services are provided as a single component to customers and accordingly it becomes single performance obligation in respect of the services being performed. The equipment and installation are highly interdependent or highly interrelated as the Company will not be able to transfer the equipment if the customer declined installation services.

#### *Determine timing of satisfaction of performance obligation*

The Company concluded that revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the work that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

### **Leases**

#### *Determining the lease term*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to not extend (or terminate), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options for office premises have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

## **5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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### **Carrying values of property, plant and equipment**

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

### **Impairment**

Assessments of net recoverable amounts of property, plant and equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

### **Impairment of financial assets**

The loss allowance for financial assets is based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(p).

### **Staff end-of-service benefits**

The Company computes the provision for the liability to staff end-of-service benefits stated at AED 98,346 (previous year AED 42,686), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

### **Contract variations and claims**

Variations orders are accounted for prospectively based on the nature and price of additional products and services requested through the variation orders.

The Company includes variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration is restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

### **Going concern assessment**

The Company incurred a loss of AED 6,470,288 for the year ended 31 March 2023 and at that date its losses aggregated to AED 14,442,433, its current liabilities exceeded its current assets by AED 14,082,235 and had a net deficit of AED 14,141,067 in equity funds. Notwithstanding these facts, the financial statements of the Company have been prepared on a going concern basis as the management of the Company believes that the future operations of the Company will generate sufficient profits and cashflows. Further, as required by Article 308 of the UAE Federal Decree-Law No. (32) of 2021, the shareholders have resolved to continue its operations.



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures AED	Tools and equipment AED	Office equipment AED	Total AED
<b>Cost</b>				
At 1 April 2021	9,709	--	2,641	12,350
Additions	15,224	--	1,175	16,399
At 31 March 2022	24,933	--	3,816	28,749
Additions	3,195	32,500	--	35,695
Disposals	(3,759)	--	--	(3,759)
At 31 March 2023	<b>24,369</b>	<b>32,500</b>	<b>3,816</b>	<b>60,685</b>
<b>Accumulated depreciation</b>				
At 1 April 2021	5,426	--	676	6,102
Depreciation	4,117	--	528	4,645
At 31 March 2022	9,543	--	1,204	10,747
Depreciation	5,289	5,788	528	11,605
Adjustment on disposals	(1,181)	--	--	(1,181)
As at 31 March 2023	<b>13,651</b>	<b>5,788</b>	<b>1,732</b>	<b>21,171</b>
<b>Carrying amount</b>				
At 1 April 2021	4,283	--	1,965	6,248
At 31 March 2022	15,390	--	2,612	18,002
At 31 March 2023	<b>10,718</b>	<b>26,712</b>	<b>2,084</b>	<b>39,514</b>

	2023 AED	2022 AED
<b>7. INVENTORIES</b>		
Project materials	<b>834,929</b>	--
<b>8. DEPOSITS</b>		
Deposits	<b>57,500</b>	106,000
<b>9. OTHER CURRENT ASSETS</b>		
Prepayments	<b>42,784</b>	48,378
Advance for goods and services	<b>2,082,304</b>	643,163
Staff advances	<b>21,332</b>	44,083
VAT receivable (net)	<b>964,472</b>	509,731
	<b>3,110,892</b>	1,245,355

### 10. RELATED PARTIES

The Company enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and are at prices determined by the management.



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Related parties comprise the parent company, shareholders, directors and key management personnel.

At the reporting date, significant balances with related parties were as follows:

	Parent company	Companies under common ownership and/or common management	Total 2023	Total 2022
	AED	AED	AED	AED
Contract assets	--	770,476	770,476	
	--	2,493,911		2,493,911
Contract liabilities	--	3,738,442	3,738,442	
	--	3,496,300		3,496,300
Due to a related party	9,419,270	--	9,419,270	
	873,798	--		873,798
Advance received for goods and services (note 17)	--	5,640,106	5,640,106	
	--	5,460,789		5,460,789
Provision for staff end-of-service benefits transferred	--	2,527	2,527	
	--	--		--

Significant transactions with related parties during the year were as follows:

	Parent company	Companies under common ownership and/or common management	Director/Key management personnel	Total 2023	Total 2022
	AED	AED	AED	AED	AED
Revenue	3,051,365	18,229,957	--	21,281,322	
	1,558,052	45,381,590	--		46,939,642
Direct costs	13,603,542	--	--	13,603,542	
	39,099,232	--	--		39,099,232
Staff costs	--	--	503,998	503,998	
	--	--	510,516		510,516
Expenses recharged by a related party	684,385	--	--	684,385	
	682,966	--	--		682,966
Expenses recharged to a related party	15,172	--	--	15,172	
	7,415	1,104,942	--		1,112,357

The Company earned revenue of AED 21,281,322 (previous year AED 46,939,642) during the year ended 31 March 2023 from solar equipment installation and other services rendered to its related parties. The revenue from related parties is on the terms and conditions decided by related parties.

# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 AED	2022 AED
<b>11. CONTRACT ASSETS/LIABILITIES</b>		
Contract assets relating to costs incurred to fulfil a contract:		
Disclosed as current contract assets	<u>770,476</u>	<u>2,493,911</u>
Contract liabilities relating to advance received to fulfil a contract:		
Disclosed as current contract liabilities	<u>3,738,442</u>	<u>3,557,226</u>
<b>12. OTHER FINANCIAL ASSETS</b>		
Margin deposits <sup>(a)</sup>	<u>44,000</u>	<u>44,000</u>
(a) Represents deposit amounting to AED 44,000, held as security against bankers' letter of guarantee issued by the Company (refer note 25).		
<b>13. CASH AND CASH EQUIVALENTS</b>		
Bank balances in current accounts	<u>830,676</u>	<u>873,708</u>
<b>14. SHARE CAPITAL</b>		
<b>Issued and paid up:</b>		
300 shares of AED 1,000 each	<u>300,000</u>	<u>300,000</u>

The shareholders at 31 March 2023 and their interests as at that date in the share capital of the Company were as follows:

Name	No. of shares	AED	Legal ownership (%)
Mrs. Nahed Mohammad Hassan Ibrahim Alhosani (Represented by Mr. Sibu Abraham Thomas)	153	153,000	51
Mr. Sushant Arora (Nominee shareholder on behalf of CleanMax Solar MENA FZCO)	147	147,000	49
	<u>300</u>	<u>300,000</u>	<u>100</u>

	2023 AED	2022 AED
<b>15. PROVISION FOR STAFF END-OF-SERVICE-BENEFITS</b>		
Opening balance	42,686	54,118
Provision for the year	66,852	7,977
Paid during the year	(8,665)	(19,409)
Transfer to a related party	(2,527)	--
Closing balance	<u>98,346</u>	<u>42,686</u>

# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 AED	2022 AED
<b>16. TRADE AND OTHER PAYABLES</b>		
Trade payables	342,885	1,825,082
Accruals	588,427	683,232
	<u>931,312</u>	<u>2,508,31</u>

The entire trade and other payables are due for payment within one year from the reporting date.

<b>17. OTHER CURRENT LIABILITIES</b>		
Advance received from a customer	5,640,106	5,460,789
Staff accruals	1,578	8,942
	<u>5,641,684</u>	<u>5,469,731</u>

### 18. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to ensure that the Company continues as a going concern and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed.

Capital which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position and amounts due to a related party.

The Company is subject to externally imposed capital requirements as per provisions of the Article 308 of the UAE Federal Decree-Law No. (32) of 2021. As referred in note 2 (c) to the financial statements, since the losses of the Company exceeded 50% of its share capital, the shareholders of the Company have resolved to continue with the operations of the Company.

Funds generated from internal accruals together with funds received from related parties net of funds provided to related parties are retained in the business according to the business requirements to maintain the capital at desired levels.

### 19. REVENUE

The Company generates revenue from the transfer of goods and services over time. The disaggregated revenue from contracts with customers by geographical segments, type of services and timing of revenue recognition is presented below. The management believes that this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 AED	2022 AED
<b>Primary geographical segments</b>		
- UAE	<u>21,564,971</u>	<u>48,203,577</u>
<b>Major service lines</b>		
<b>Construction/Installation projects</b>		
- Solar equipment installation	19,281,306	46,873,118
<b>Services</b>		
- Operational and maintenance services	2,283,665	1,330,459
	<u>21,564,971</u>	<u>48,203,577</u>
<b>Timing of revenue recognition</b>		
- Over time	<u>21,564,971</u>	<u>48,203,577</u>
<b>20. DIRECT COSTS</b>		
Purchases	13,479,593	39,057,159
Installation and commissioning	7,471,429	7,720,420
Operation and maintenance expenses	2,120,735	1,121,238
Other direct costs	1,721,306	2,044,223
	<u>24,793,063</u>	<u>49,943,039</u>
<b>21. OTHER OPERATING INCOME</b>		
Credit balances written back	--	143,635
Miscellaneous Income	3,100	--
	<u>3,100</u>	<u>143,635</u>
<b>22. STAFF COSTS</b>		
Staff salaries and benefits <sup>(a)</sup>	2,154,828	1,784,991
Staff end-of-service benefits	66,852	7,977
	<u>2,221,680</u>	<u>1,792,968</u>
(a) It includes director's remuneration of AED 503,998 (previous year AED 510,516).		
<b>23. OTHER OPERATING EXPENSES</b>		
Expenses relating to short-term leases	62,978	59,014
Legal, license and professional fees	86,088	71,594
Insurance expenses	181,106	99,504
Referral fees	99,289	611,203
Recruitment expenses	52,099	49,549
Travelling expenses	165,071	178,045
Other expenses	365,380	293,563
	<u>1,012,011</u>	<u>1,362,472</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

##### *Classification and fair values*

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	At amortised cost	
	2023	2022
	AED	AED
<b>Financial assets</b>		
Deposits	57,500	106,000
Other financial assets	44,000	44,000
Cash and cash equivalents	830,676	873,708
	<b>932,176</b>	<b>1,023,708</b>
<b>Financial liabilities</b>		
Trade and other payables	931,312	2,508,314
Due to a related party	9,419,270	873,798
	<b>10,350,582</b>	<b>3,382,112</b>

##### *Fair value measurement and disclosures*

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of deposits, other financial assets, cash and cash equivalents, trade and other payables and due to a related party approximate their carrying amounts largely due to the short-term maturities of these instruments.

#### Financial risk management

##### *Risk management objectives*

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's risk management focusses on actively securing short to medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in trading of financial assets for speculative purpose.

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets that potentially expose the Company to concentrations of credit risk comprise principally bank accounts, other financial assets and deposits.

The Company's bank accounts and deposits (representing other financial assets) are placed with high credit quality financial institutions.

The management assesses the credit risk arising from other receivables taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

The Company uses an allowance matrix to measure the expected credit losses of trade receivables and contract assets. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

As at the reporting date, there are no trade receivables (previous year: AED nil).

### **Liquidity risk**

Liquidity risk is the risk that the Company may encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company limits its liquidity risk by ensuring adequate bank facilities are available.

The table below summarises the maturities of the Company's undiscounted financial liabilities at the reporting date, based on contractual payment dates and current market interest rates.

	Less than one year		More than one year		Total	
	2023	2022	2023	2022	2023	2022
	AED	AED	AED	AED	AED	AED
Trade and other payables	931,312	2,508,314	--	--	931,312	2,508,314
Due to a related party	9,419,270	873,798	--	--	9,419,270	873,798
	<u>10,350,582</u>	<u>3,382,112</u>	<u>--</u>	<u>--</u>	<u>10,350,582</u>	<u>3,382,112</u>



# SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### *Market risk*

Market risk is the risk that the changes in market prices, such as foreign currency exchange rates, interest rates and prices, will affect the Company's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

### *Currency risk*

Currency risk is the risk that the values of financial instruments will fluctuate because of changes in foreign exchange rates.

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirham or US Dollar to which the Dirham is fixed.

### *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates.

At the reporting date, the Company is not exposed to any significant interest rate risk.

	2023 AED	2022 AED
25. <b>CONTINGENT LIABILITIES</b>		
Bankers' letter of bank guarantee [note 12]	40,000	40,000

### 26. **CORPORATE TAX**

On 9 December 2022, the UAE Ministry of Finance issued the Federal Decree-Law No. (47) of 2022 introducing Corporate Tax, effective for financial years commencing on or after 1 June 2023. The rate of corporate tax is 9% on the taxable income exceeding AED 375,000 and 0% for qualifying free zone companies on their qualifying income, subject to meeting specified conditions. There is no impact of this law on the financial statements of the Company for the year ended 31 March 2023. Management will assess the implications of this Federal Corporate Tax for the Company in due course.

For **SUNROOFS ENVIRO SOLAR ENERGY SYSTEMS L.L.C**



**DIRECTOR**