Faradion Limited

Financial Statements
2021 - 22

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FARADION LIMITED

Opinion

We have audited the accompanying Special Purpose Standalone Financial Statements of Faradion Limited (hereinafter referred to as "the Company") which comprise the Standalone Balance Sheet as at March 31, 2022, the Standalone Statement of Profit and Loss including Other Comprehensive Income, the Standalone Cash Flow Statement and the Standalone Statement of Changes in Equity for the year ended March 31, 2022, and a summary of significant accounting policies and other explanatory information. These Special Purpose Standalone Financial Statements have been prepared by the management of Faradion Limited per the basis of preparation as described in note B.1 to the said Financial Statements, solely for the purpose of submission to Reliance Industries Limited (the ultimate parent of the Company) for the preparation of its consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the Special Purpose Standalone Financial Statements of the Company for the year ended March 31, 2022 are prepared, in all material respects, in accordance with the basis of preparation of the Special Purpose Standalone Financial Statements as disclosed in note B.1 to the said Financial Statements and accordingly provide a true and fair view of state of affairs of the Company as at March 31, 2022, and its loss, total comprehensive loss, its cash flows and statement of changes in equity for the year ended March 31, 2022.

Basis for Opinion

We conducted our audit of these Special Purpose Standalone Financial Statements in accordance with the Standards on Auditing ('SAs') generally accepted in India. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Special Purpose Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of these Special Purpose Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on these Special Purpose Standalone Financial Statements.

Management's Responsibility for the Special Purpose Standalone Financial Statements

The Company's Board of Directors are responsible with respect to the preparation of these Special Purpose Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and statement of changes in equity of the Company in accordance with the basis of preparation of these Special Purpose Standalone Financial Statements as described in note B.1 to the said Financial Statements.

The Board of Directors of the Company are responsible for maintenance of adequate accounting records, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these Special Purpose Standalone 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 or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of the Company are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the audit of these Special Purpose Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether these Special Purpose Standalone Financial Statements 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 SAs 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 Special Purpose Standalone Financial Statements.

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

- Identify and assess the risks of material misstatement of these Special Purpose Standalone 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 financial 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 these Special Purpose Standalone 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 these Special Purpose Standalone Financial Statements, including the disclosures, and whether these Special Purpose Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in these Special Purpose Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of these special purpose may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in these special purpose.

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.

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

Restriction on Distribution and Use

These Special Purpose Standalone Financial Statements have been prepared for the limited purpose of submission to Reliance Industries Limited (the ultimate parent of the Company) for the preparation of its consolidated financial statements. As a result, these Special Purpose Standalone Financial Statements may not be suitable for another purpose. Our report is intended solely for the use of the Company, Reliance New Energy Solar Limited and Reliance Industries Limited and should not be used, referred to or distributed for any other purpose.

For Deloitte Haskins & Sells LLP
Chartered Accountants
Firm Registration No: 117366W/ W-100018

Abhijit A. Damle
Partner
Membership No. 102912
UDIN: 22102912AGZBAS1741

Mumbai, Dated: April 13, 2022

Faradion Limited
Balance Sheet as at 31 March 2022

	Notes	In GBP As at 31 March 2022
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	1	206,927
Intangible Assets	1	5,448
Right to use assets	1	302,016
Intangible Assets under development	1	405,347
Financial assets- Investments	2	1,536,864
Total Non-Current Assets		**2,456,602**
Current Assets		
Inventories	3	50,353
Financial Assets		
Trade Receivables	4	11,987
Cash and Cash Equivalents	5	24,142,632
Other Financial Assets	6	210,853
Other Current Assets	7	332,091
Total Current Assets		**24,747,916**
Total Assets		**27,204,518**
EQUITY AND LIABILITIES		
Equity		
Share Capital	8	129
Other Equity	9	25,906,909
Total Equity		**25,907,038**
Liabilities		
Non-Current Liabilities		
Financial Liabilities		
Borrowings	10	32,401
Lease Liability		216,854
Total Non-Current Liabilities		**249,255**
Current Liabilities		
Financial Liabilities		
Borrowings	11	9,612
Trade Payables	12	847,302
Lease Liability		87,353
Other Current Liabilities	13	103,958
Total Current Liabilities		**1,048,225**
Total Liabilities		**1,297,480**
Total Equity and Liabilities		**27,204,518**
Significant Accounting Policies See accompanying Notes to the Financial Statements	**1 to 22**	

In terms of report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Mumbai, dated: April 13, 2022

For Faradion Limited

James Quinn
Director

Dr Chris Wright
Executive Chairman

Oliver Birkwood
Chief Financial Officer
Sheffield, UK dated: April 13, 2022

Faradion Limited

Statement of Profit and Loss for the year ended 31 March 2022

	Notes	In GBP For the year ended 31 March 2022
INCOME		
Revenue from Operations	14	482,567
Other income	15	149,877
Total Income		**632,444**
EXPENSES		
Cost of materials (including lab materials) consumed		1,419,588
Employee Benefits Expense	16	426,480
Finance Costs	17	182,378
Depreciation and Amortisation Expense	1	164,027
Other Expenses	18	4,888,221
Total Expenses		**7,080,694**
(Loss) before Tax		**(6,448,250)**
Tax expenses		**-**
(Loss) for the year		**(6,448,250)**
Other Comprehensive Income		
Items that will not be reclassified to Profit or Loss		-
Items that will be reclassified to Profit or Loss		-
Total Comprehensive loss for the Year		**(6,448,250)**
Significant Accounting Policies		
See accompanying Notes to the Financial Statements	**1 to 22**	

In terms of report attached

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Mumbai, dated: April 13, 2022

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Sheffield, UK dated: April 13, 2022

Faradion Limited | 7

Faradion Limited
Statement of Profit and Loss for the year ended 31 March 2022

A. Equity Share Capital

In GBP

Balance as at 1 April 2021	Changes during the year	Balance as at 31 March 2022
72	57	129

B. Other Equity

	Reserves & Surplus		Share	
	Securities premium	Retained Earnings	Option Reserve	Total
Balance as at March 31, 2021	6,782,440	(10,459,973)	113,470	(3,564,063)
Loss for the year	-	(6,448,250)	-	(6,448,250)
Related to employee stock options	67 336	-	(113,470)	(46,134)
Issue of shares/ conversion of loans	3 60 25 109	-	-	36,025,109
Balance as at March 31, 2022	**42,874,885**	**(16,908,223)**	**-**	**25,966,662**

Significant Accounting Policies
See accompanying Notes to the Financial Statements 1 to 22

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Sheffield, UK dated: April 13, 2022

Faradion Limited
Cash Flow Statement for the year ended 31 March 2022

	In GBP For the year ended 31 March 2022
A: CASH FLOW FROM OPERATING ACTIVITIES	
Net Loss Before Tax as per Statement of Profit and Loss	**(6,448,250)**
Adjusted for:	
Depreciation and Amortisation Expense	164,027
Unrealised Foreign Exchange Loss	10,757
Finance Costs	182,378
Operating Profit before Working Capital Changes	**(6,091,088)**
Adjusted for:	
Trade and Other Receivables	(203,150)
Inventories	14,943
Trade and Other Payables	762,674
Cash (Used in) Operations	**(5,516,621)**
Taxes Paid (Net)	(15,369)
Net Cash (Used in) Operating Activities	**(5,531,990)**
B: CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Property, Plant and Equipment and Intangible Assets	(849,681)
Net Cash (Used In) Investing Activities	**(849,681)**
C: CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of Share Capital (Including security premium)	31,594,844
Proceeds from Borrowings	2,000,000
Repayment of Borrowings	(2,000,000)
Interest Paid	(2,292,564)
Net Cash Flow Generated From Financing Activities	**29,302,280**
Net Increase in Cash and Cash Equivalents	**22,920,609**
Opening Balance of Cash and Cash Equivalents	1,222,023
Closing Balance of Cash and Cash Equivalents (Refer note 5)	**24,142,632**

Note:
Conversion of loan and interest aggregating GBP 4,452,955 into Ordinary Equity Share during the year ended 31 March 2022 is considered as a non-cash transaction.

Significant Accounting Policies
See accompanying Notes to the Financial Statements 1 to 22

In terms of report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Mumbai, dated: April 13, 2022

For Faradion Limited

James Quinn
Director

Dr Chris Wright
Executive Chairman

Oliver Birkwood
Chief Financial Officer
Sheffield, UK dated: April 13, 2022

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

A. Corporate Information

Faradion Limited is a company incorporated and domiciled in the UK. The registered number is 07338748 and the registered office is situated in England and Whales.

The immediate holding Company of the Group is Reliance New Energy Solar Limited and Ultimate holding company is Reliance Industries Limited.

B. Significant Accounting Policies

B.1 Basis of Preparation and Presentation

The Standalone Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities (including derivative instruments) which have been measured at fair value amount.

These special purpose standalone financial statements for the year ended 31 March 2022 have been prepared in accordance with the recognition and measurement principles of Indian Accounting Standards (Ind AS) as notified under the Companies Act, 2013 and other accounting principles generally accepted in India. These special purpose standalone financial statements have been prepared for the limited purpose of submission to Reliance Industries Limited for the purpose of preparation of its consolidated financial statements.
As a result, these special purpose standalone financial statements may not be suitable for any purpose other than as stated in this note.
These special purpose standalone financial statements do not include the comparative financial statements.

B.2 Summary of Significant Accounting Policies

(a) Current and Non-Current Classification

The Company presents assets and liabilities in the Balance Sheet based on Current/ Non-Current classification.

An asset is treated as Current when it is –
Expected to be realised or intended to be sold or consumed in 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.

A liability is current when:
It is expected to be settled in 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.

(b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price, and any cost directly attributable to bringing the assets to its working condition for its intended use.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

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 entity and the cost can be measured reliably.

Property, Plant and Equipment which are significant to the total cost of that item of Property, Plant and Equipment and having different useful life are accounted separately.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and Machinery	5 years
Fixtures and fittings	4 years
Computers	7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

(c) Leases

The Company, as a lessee, recognizes a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term

(d) Intangible Assets

Intangible assets acquired separately

Intangible Assets are stated at cost of acquisition net of recoverable taxes, trade discount and rebates less accumulated amortisation / depletion and impairment loss, if any. Such cost includes purchase price, borrowing costs, and any cost directly attributable to bringing the asset to its working condition for the intended use.

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 entity and the cost can be measured reliably.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Website is amortised over a period of 5 years on a straight line basis.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use it or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

(e) Revenue Recognition
Revenue is recognised at the fair value of consideration received or receivables for the sale of goods, net of value added tax and discounts.

Revenue is recognised when no significant uncertainty as to its determination or realization exists. Revenue from sale of goods is recognised upon delivery in accordance with the terms of the contracts and on transfer of significant risks and rewards in respect of ownership to the buyer.

Royalty income is recognised on an accrual basis in accordance with the agreement entered.

(f) Government Grant
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and grants will be received.

A grant that specifies performance conditions is recognised as income when the performance conditions are met. A grant received before the recognition criteria are satisfied is recognised as liability.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

(g) Employee Benefits

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability is recognised for benefit accruing to employees in respect of salaries, annual unused leaves in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short term employee benefits are measured at the undiscounted amount of the benefit expected to be paid in exchange for the related services.

(h) Finance Cost

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the Statement of Profit and Loss for the period for which they are incurred.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Inventories

Items of inventories are measured at lower of cost and net realisable value after providing for obsolescence, if any. Cost of inventories comprises of all cost of purchase including overheads net of recoverable taxes incurred in bringing them to their respective present location and condition.

Costs of inventories are determined on First in First Out basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit and loss. Reversal of impairment losses are also recognised in profit and loss.

(k) Impairment of Non-Financial Assets – Property, Plant and Equipment and Intangible Assets (Including under development)

The Company assesses at each reporting date as to whether there is any indication that any Property, Plant and Equipment and intangible assets or group of assets, called Cash Generating Units (CGU) may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

An impairment loss is recognised in the Statement of Profit and Loss to the extent, asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

(l) Provisions

Provisions are 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Tax Expenses

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(n) Foreign Currencies Transactions and Translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets which are capitalized as cost of assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recorded using the exchange rates at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Statement of Profit and Loss are also recognised in Other Comprehensive Income or Statement of Profit and Loss, respectively).

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

(o) Financial Instruments

i) Financial Assets

A. Initial Recognition and Measurement

All Financial Assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of Financial Assets, which are not at Fair Value Through Profit and Loss, are added to the fair value on initial recognition. Purchase and sale of Financial Assets are recognised using trade date accounting.

B. Subsequent Measurement

a) **Financial Assets Measured at Amortised Cost (AC)**

A Financial Asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order 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.

b) **Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVTOCI)**

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) **Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)**

A Financial Asset which is not classified in any of the above categories are measured at FVTPL.

C. Investment In Subsidiaries, Associates and Joint Ventures

The Company has accounted for its investments in Subsidiaries, associates and joint venture at cost less impairment loss (if any).

D. Impairment of Financial Assets

In accordance with Ind AS 109, the Company uses “Expected Credit Loss”(ECL) model, for evaluating impairment of Financial Assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

• The 12 months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date);or

• Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For Trade Receivables the Company applies ‘simplified approach’ which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Company uses 12 months ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

ii) Financial Liabilities

A. Initial Recognition and Measurement

All Financial Liabilities are recognized at fair value and in case borrowings, net of directly attributable cost. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

B. Subsequent Measurement

Financial liabilities are carried at amortized cost using the effective interest method.
For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value at each reporting end date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of hedge relationship.
Derivatives are carried as Financial Assets when the fair value is positive and as Financial Liabilities when the fair value is negative.

iv) Derecognition of Financial Instruments

The company derecognizes a Financial Asset when the contractual rights to the cash flows from the Financial Asset expire or it transfers the Financial Asset and the transfer qualifies for derecognition under Ind AS 109. A Financial Liability (or a part of a Financial Liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

v) Offsetting

Financial Assets and Financial Liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legally enforceable right to set off the amount and it intends, either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

C. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Company’s Financial Statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in next financial year.

a) Depreciation / Amortisation and Useful Lives of Property Plant and Equipment / Intangible Assets

Property, Plant and Equipment / intangible assets are depreciated / amortised over their estimated useful lives, after taking into account estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation / amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Company’s historical experience with similar assets and take into account anticipated technological changes. The depreciation / amortisation for future periods is revised if there are significant changes from previous estimates.

b) Impairment of Intangible Asset Under Development

During the year, the directors assess impairment of intangible assets under development and noted that all projects continues to progress in a satisfactory manner and based on detailed sensitivity analysis, are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

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Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

1. Property, Plant & Equipment, Intangible assets and Intangible assets under development **In GBP**

Description	Gross Block				Depreciation/ amortisation				Net Block
	As at 1-Apr-2021	Additions	Deductions/ Adjustments	As at 31-Mar-2022	As at 1-Apr-2021	For the Year	Deductions/ Adjustments	Upto 31-Mar-2022	As at 31-Mar-2022
Property, Plant and Equipment									
Own Assets									
Plant & Machinery	614,333	115,520	-	**729,853**	(491,499)	(53,011)	-	**(544,510)**	**185,343**
Fixtures & Fittings	12,360	335	-	**12,695**	(9,173)	(905)	-	**(10,078)**	**2,617**
Office equipment	20,188	12,815	-	**33,003**	(11,351)	(2,685)	-	**(14,036)**	**18,967**
Sub Total	**646,881**	**128,670**	**-**	**775,551**	**(512,023)**	**(56,601)**	**-**	**(568,624)**	**206,927**
Right-of Use Assets:									
Office Premises	280,808	315,664	(101,581)	**494,891**	(187,369)	(107,087)	101,581	**(192,875)**	**302,016**
Sub Total	**280,808**	**315,664**	**(101,581)**	**494,891**	**(187,369)**	**(107,087)**	**101,581**	**(192,875)**	**302,016**
Total (A)	**927,689**	**444,334**	**(101,581)**	**1,270,442**	**(699,392)**	**(163,688)**	**101,581**	**(761,499)**	**508,943**
Intangible Assets									
Website	11,242	-	-	**11,242**	(5,455)	(339)	-	**(5,794)**	**5,448**
Total (B)	**11,242**	**-**	**-**	**11,242**	**(5,455)**	**(339)**	**-**	**(5,794)**	**5,448**
Total (A+B)	**938,931**	**444,334**	**(101,581)**	**1,281,684**	**(704,847)**	**(164,027)**	**101,581**	**(767,293)**	**514,391**
Intangible asset under development									**405,347**

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

		In GBP As at 31 March 2022
2. Investments		
Investments- Non Current (Unquoted and fully paid up)		
(Measured at cost)	Units	Amount
In ordinary shares of Joint Venture		
Sodium-Ion Batteries Pty Limited	2,788,822	1,536,863
In ordinary shares of Subsidiary		
Faradion UG	1	1
	Total	**1,536,864**
3. Inventories		
Work In Progress		50,353
	Total	**50,353**
4. Trade Receivables		
(unsecured and considered good)		
Trade Receivables		11,987
	Total	**11,987**

Ageing Schedule as on 31 March 2022

Particulars	Outstanding for following periods from					
	< 6 Months	6 months- 1year	1-2 years	2-3 years	>3 years	Total
(i) Undisputed Trade receivables considered good	701	-	-	-	-	701
(ii) Undisputed Trade Receivables which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivablesconsidered good	-	-	-	-	-	-
(v) Disputed Trade Receivables which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivablescredit impaired	-	-	-	-	-	-

Note: GBP 11,286 represents trade receivables which are not due.

5. Cash and Cash Equivalents	
(unsecured and considered good)	
Balance with Bank	24,142,632
Total	**24,142,632**
6. Other Financial Assets	
Deposits	10,611
Others*	200,242
Total	**210,853**
* Includes advance to ventors, etc.	
7. Other Current Assets	
Balance with Government Authorities (duty refund etc.)	306,746
Prepaid expenses	25,345
Total	**332,091**

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

	In GBP As at 31 March 2022
8. Share Capital	
Issued, Subscribed and Paid up:	
4,266 A Ordinary Share of GBP 0.0001 each Fully paid up	0
10,234 Ordinary Share of GBP 0.01 each Fully paid up	102
262,746 Deferred Share of GBP 0.0001 each Fully paid up	27
Total	**129**

8.1 The Details of Shareholders Holding more than 5% Shares

Name of the Shareholders	Class	No. of shares	% held
Reliance New Energy Solar Limited	A Ordinary Shares	4,266	100.00%
Reliance New Energy Solar Limited	Ordinary Shares	5,034	81.29%
Jeremy Barker	Ordinary Shares	414	6.68%
James Quinn	Ordinary Shares	324	5.23%
Reliance New Energy Solar Limited	Deferred Shares	262,746	100.00%

8.2 The Reconciliation of the Number of Shares Outstanding is set out below

Particulars	A Ordinary	Ordinary	Deferred
Shares at the beginning of the year	2,654	4,594	-
Sub-division and redisignation of A Ordinary Shares in year	-	-	262,746
Shares issued on exercise of employee stock options	-	1,599	
Shares issued on conversion of loan notes	1,612		
Shares subscribed in the year		4,041	
Shares at the end of the year	**4,266**	**10,234**	**262,746**

8.3 Rights of different class of equity holders
Ordinary Shares and A Ordinary Shares
The Shares have full voting and dividend rights attached to them save to the extent that an investor together with its investor affiliates would be entitled to receive more than 49.9% of the available profits, the profits distributed to such shareholder(s) shall be capped at 49.9%. On a return of capital on liquidation or otherwise, the assets of the Company shall be applied in the amounts and in the order of priority set out in article 8.2 of the Company's articles of association. The shares do not confer any rights of redemption.

Deferred Shares
The deferred shares do not confer any voting or dividend rights. On a return of capital on liquidation or otherwise, the assets of the Company shall be applied in the amounts and in the order of priority set out in article 8.2 of the Company's articles of association
The shares do not confer any rights of redemption.

9. Other Equity	
Securities Premium	
As per last Balance Sheet	6,782,440
Premium on employee stock options	67,336
Premium on conversion of loan notes	4,430,306
Premium on share subscriptions during the year	31,594,804
	42,874,886
Retained earnings	
As per last Balance Sheet	(10,519,727)
Loss for the year	(6,448,250)
	(16,967,977)
Total	**25,906,909**

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

	In GBP As at 31 March 2022
10. Borrowings- Non Current	
(unsecured- at amortised cost)	
HSBC: Bounce Back Loan	32,401
Total	**32,401**
11. Borrowings- Current	
(unsecured- at amortised cost)	
HSBC: Bounce Back Loan	9,612
Total	**9,612**
12. Trade Payables	
Trade Payables	847,302
Total	**847,302**

Ageing Schedule as on 31 March 2022

Particulars	Less than 1 year	1-2 years	2-3 years	> 3 years	Total
Trade payables- Disputed	72,375				72,375

Note: GBP 774,927 represents payables not due and unbilled payables.

13. Other Current Liabilities	
Other tax and social security	24,916
Income received in advance	79,042
Total	**103,958**
14. Revenue from Operations	
Sales of goods	164,067
Royalty income	318,500
Total	**482,567**
15. Other Income	
Government grant	15,439
Miscellaneous Income (net)	134,438
Total	**149,877**
16. Employee Benefit Expense	
Salaries and wages	405,147
Contribution to other funds	14,069
Staff welfare expenses	7,264
Total	**426,480**

16.1 Salaries and wages are net of expenses of GBP 405,347 transferred to Intangible Asset Under Development.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

		In GBP For the year ended 31 March 2022
17	**Finance Costs**	
	Interest expenses (net)	173,629
	Interest on lease liabilities	8,749
	Total	**182,378**
18	**Other Expenses**	
	Selling and Distribution Expenses	
	Distribution expenses	18,548
	Advertisement and marketing expenses	52,459
	Establishment Expenses	
	Professional fees	2,079,879
	Management recharge expenses	2,361,017
	Lease rental charges	121,387
	Reserch and development cost	56,695
	Travelling Expenses	58,122
	Insurance	20,514
	Utilities	14,522
	Rates and taxes	12,269
	Other repairs	12,102
	Exchange difference (net)	36,855
	Audit fees	25,000
	Miscellaneous expenses	18,852
	Total	**4,888,221**

19 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by equity.

The Company includes within net debt, interest bearing loans and borrowings, less cash & cash equivalents.

Net Gearing Ratio

The net gearing ratio at end of the reporting period was as follows.

	As at 31 March 2022
Gross Debt	42,013
Cash and Marketable Securities	(24,142,632)
Net Debt (A)	**(24,100,619)**
Total Equity (As per Balance Sheet) (B)	**25,907,038**
Net Gearing ratio (A/B)	**(0.93)**

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

20 Financial Instruments

Valuation Methodology
All financial instruments are initially recognized and subsequently re-measured at fair value.

Fair value measurement hierarchy:

Particulars	Carrying Amount	As at 31 March 2022 Level of input used in Level 1	Level 2	Level 3
Financial Assets				
At Amortised Cost				
Trade Receivables	11,987	-	-	-
Cash and Cash Equivalents	24,142,632	-	-	-
Other Financial Assets	210,853	-	-	-
Financial Liabilities				
At Amortised Cost				
Borrowings	42,013	-	-	-
Trade Payables	847,302	-	-	-
Other Financial Liabilities	304,207	-	-	-

The carrying values of assets and liabilities carried at amortised cost is approximately equal to its fair value.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

Exposure to interest rate risk

Particulars	31 March 2022
Fixed Rate Loan	42,013
Floating Rate Loan	
Total	**42,013**

Impact on Interest Expenses for the year on 1% change in Interest rate
Interest rate Sensitivity

Particulars	31 March 2022 Up Move	Down Move	Up Move	Down Move
Impact on profit or loss	(420)	420	-	-
	(420)	**420**	**-**	**-**

Credit Risk
Credit risk is the risk that a customer will fail to pay amounts due causing financial loss to the company It arises principally from credit exposures to customers relating to outstanding receivables.

Liquidity Risk
Liquidity risk is the risk that suitable sources of funding for the group's business activities may not be available. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Management monitors rolling forecasts of the company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows. The company's liquidity is managed centrally with operating units forecasting their cash and currency requirements to the central treasury function. The operating units pool their cash surpluses to treasury, which will then either arrange to fund other units' requirements, or invest any net surplus in the market or arrange for necessary external borrowings, if need be, while managing the company's overall net currency positions.

Maturity Profile as at 31 March 2022

Particulars	Below 3 months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Above 5 Years	Grand Total
Borrowings							
Non-Current	-	-	-	29,909	2,492	-	32,401
Current	2,403	2,403	4,806	-	-	-	9,612
Lease Liabilities							
Non-Current	-	-	-	196,094	20,760	-	216,854
Current	31,054	23,724	32,577	-	-	-	87,355
Total	**33,457**	**26,127**	**37,383**	**226,003**	**23,252**	**-**	**346,222**

Note:
Excludes trade payables and other financial liabilities of GBP 951,261.

Faradion Limited
Notes to the Financial Statements for the year ended 31 March 2022

21 The primary segement of the Company comprises of development of battery technology. As the company operates only in single primary segment, no segment informaiton thereof is given.

Geographical disclosures:

	With In United Kingdom	Overseas	Total
Revenue from operations	318,500	164,067	482,567
Segment assets	25,667,654	-	25,667,654
Cost incurred on acquisition of PPE (including IAUD)	849,681	-	849,681
Single customer who contributed 10% or more of the revenue for the year are			
Customer-1			318,500

22 The Financial statements were approved for issue by the Board of Directors on April 13, 2022.