REC AMERICAS LLC

Financial Statements

For the year ended 31st December, 2022

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS - REC AMERICAS LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the non-statutory financial statements of REC Americas LLC (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 non-statutory financial statements, including a summary of significant accounting policies, as set out on pages 6 to 29.

In our opinion, the accompanying non-statutory financial statements of the Company for the year ended 31 December 2022 are prepared, in all material aspects, in accordance with the Company's significant accounting policies stated in Note 3 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Statutory Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the non-statutory financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 3 to the non-statutory financial statements, which describes the basis of accounting. The non-statutory financial statements are prepared for the sole purpose of the Company's Board of Directors' internal reporting of the Company's financial position as at 31 December 2022, and the financial performance, changes in equity and statement of cash flows to its intermediate and ultimate holding companies, Reliance New Energy Limited and Reliance Industries Limited. As a result, the non-statutory financial statements and report may, therefore, not be suitable for another purpose.

Our report is intended solely for the Board of Directors of the Company for the internal reporting to the Company's intermediate and ultimate holding companies, Reliance New Energy Limited and Reliance Industries Limited, respectively, and should not be used by, or distributed to, any of its components, or any other third party. This report, including the conclusion, has been prepared for and only for the Company in accordance to the terms of our engagement letter and for no other purpose. We do not accept or assume any responsibility for any other purpose or to anyone other than the Board of Directors of the Company for our work, for our report, or for the conclusions we have reached in our report.

Our opinion is not modified in respect of this matter.

Other Matter

The non-statutory financial statements of the Company for the year ended 31 December 2021 were unaudited under the SSAs.

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS - REC AMERICAS LLC

Information Other than the Non-Statutory Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Statement of Management set out on page 1.

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

Responsibilities of Management and Directors for the Non-Statutory Financial Statements

Management is responsible for the preparation of the non-statutory financial statements in accordance with the significant accounting policies stated in Note 3 of the non-statutory financial statements, and for such internal control as management determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 SSAs 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 non-statutory financial statements.

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS - REC AMERICAS LLC

Auditor's Responsibilities for the Audit of the Non-Statutory Financial Statements (cont'd)

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

(a) Identify and assess the risks of material misstatement of the non-statutory 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 controls.

(b) Obtain an understanding of internal controls 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the 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 non-statutory 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.

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

Deloitte & Touche LLP

Public Accountants and

Chartered Accountants

Singapore

31 March 2023

REC AMERICAS LLC

STATEMENT OF FINANCIAL POSITION
31 December 2022

	Note	2022 USD'000	2021 USD'000 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	5	2,584	4,993
Trade and other receivables	7	73,847	73,550
Inventories	8	17,210	2,946
Prepayments	6	81	10,327
Total current assets		93,721	91,817
Non-current assets			
Property, plant and equipment	4	33	26
Right-of-use assets	4	30	67
Trade and other receivables	7	56,369	34,433
Deferred income tax		411	1,077
Total non-current assets		56,843	35,603
Total assets		150,564	127,420
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	33,986	22,211
Accrued liabilities	10	4,116	4,740
Lease liabilities	11	30	36
Income tax payable		-	1,394
Total current liabilities		38,132	28,381
Non-current liabilities			
Lease liabilities	11	-	31
Total liabilities		38,132	28,412
Capital and reserves			
Share capital (US$100)		-	-
Retained earnings		112,432	99,008
Total equity		112,432	99,008
Total liabilities and equity		150,564	127,420

REC AMERICAS LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2022

	Note	2022 USD'000	2021 USD'000 (Unaudited)
Revenue	12	424,087	320,202
Other income	13	1,644	79
Finance income	15	1,459	193
Total Income		427,190	320,474
Cost of sales		(342,707)	(190,511)
Employee benefits expenses		(7,500)	(4,695)
Freights cost		(33,815)	(21,313)
Sales and distribution costs		(3,790)	(3,286)
Consultancy Fees		(2,484)	(1,092)
Management Fees		(6,578)	(12,067)
Rental expenses		(301)	(0)
Travelling expenses		(403)	(85)
Telephone, Mobile & IT related cost		(59)	(53)
Royalty Fees		(9,626)	(15,732)
Other operating expenses	14	(670)	(1,659)
Depreciation of plant and equipment	4	(17)	(14)
Depreciation of right-of-use assets	4	(37)	(82)
Bad debt provision		117	(116)
Finance expense	15	(19)	(10)
Profit before income tax		19,300	69,759
Income tax expenses	16	(5,876)	(18,081)
Profit for the year, representing total comprehensive income for the year		13,424	51,678

REC AMERICAS LLC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Share capital	Retained earnings	Total equity
	USD'000	USD'000	USD'000
Balance at 1 January 2021	-	47,330	47,330
Total comprehensive income for the year			
Profit for the year, representing total comprehensive income for the year	-	51,678	51,678
Balance at 1 January 2022 (unaudited)	-	99,008	99,008
Total comprehensive income for the year			
Profit for the year, representing total comprehensive income for the year	-	13,424	13,424
Balance at 31 December 2022	-	112,432	112,432

REC AMERICAS LLC

STATEMENT OF CASH FLOWS
Year ended 31 December 2022

	2022	2021
	USD'000	**USD'000 (Unaudited)**
Operating activities		
Profit before income tax	19,300	69,759
Adjustments for:		
Depreciation of property, plant and equipment	17	14
Depreciation of right-of-use assets	37	82
Finance income	(1,459)	(193)
Finance expense	19	10
Operating cash flows before movements in working capital	17,914	69,672
Changes in trade and other receivables	10,587	(81,267)
Changes in inventories	(14,263)	3,711
Changes in trade and other payables	11,231	17,640
Changes in provision	1,231	(82)
Interest received	19	176
Interest paid	-	-
Income tax paid	(8,557)	(19,448)
Net cash generated from operating activities	18,162	(9,598)
Investing activities		
Purchase of property, plant and equipment	(24)	(25)
Loan to holding company of the REC Group	(20,510)	-
Net cash used in investing activities	(20,534)	(25)
Financing activities		
Repayment of lease liabilities	(37)	(76)
Net cash from financing activities	(37)	(76)
Net (decrease)/ increase in cash and cash equivalent	(2,409)	(9,699)
Cash and cash equivalents at beginning of year	4,993	14,692
Cash and cash equivalents at end of year	2,584	4,993

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

These notes form an integral part of the non-statutory financial statements (“financial statements”).

1 Purpose of the non-statutory financial statements

The non-statutory financial statements (“financial statements”) of REC Americas LLC (the “Company”) are prepared for the sole purpose of the Company’s Board of Directors’ internal reporting of the Company’s financial position as at 31 December 2022, and the financial performance, changes in equity and statement of cash flows to its intermediate and ultimate holding companies, Reliance New Energy Limited and Reliance Industries Limited (“Group”).

2 GENERAL

REC Americas LLC is a company incorporated in United State. The address of the Company’s registered office is 330 James Way, Ste. 150, Pismo Beach, CA 93449.

REC Americas is a distributor of solar panels principally to companies in the United States. The Company has offices in Northern California.

REC Solar Holdings AS, incorporated in Norway, remained the immediate holding company throughout the financial year.

The principal activities of the Company are those relating to the trading of solar panels.

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its obligations and make repayment on its liabilities during foreseeable future.

The financial statements were authorised for issue by the Board of Directors on 31 March 2023.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Statement of compliance

The non-statutory financial statements of the Company have been prepared in accordance with the Company’s significant accounting policies as listed in Note 3 of the financial statements.

3.2 Basis of preparation

The financial statements have been prepared on a historical cost convention except as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services, which 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, regardless of whether that price is directly observable or estimated using another valuation technique.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

3.3 Functional and presentation currency

The financial statements are presented in United States ("US") dollars which is the Company's functional currency. All financial information presented in US dollars have been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3.5 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.6 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

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

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets 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.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, and (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date except for assets for which the simplified approach was used.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are measured subsequently at amortised cost, using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired.

3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash held at banks. They are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

3.8 Property, Plant and Equipment

Plant and equipment are carried at cost, less accumulated depreciation.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

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

Buildings	10 to 28 years
Office and IT equipment	3 to 7 years
Furniture and fixtures	3 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

3.9 Inventories

The acquisition cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of acquisition cost or net realisable value, and the costs are determined by primarily using the weighted-average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.10 Leases

All finance lease transactions are capitalized to recognize leased assets and lease obligations in the balance sheet and depreciated by the straight-line method over the lease period, with no residual value.

As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Short-term leases and leases of low-value assets

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

3.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions for bonuses

Provision for bonuses is stated at an estimated amount of bonuses which the Company is obliged to pay to its employees.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12 Share capital

Ordinary shares are classified as equity.

3.13 Revenue

Revenue from sales of goods in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price towards this satisfied PO.

The transaction price for each PO in the contract refers to the stand-alone selling prices of the promised goods. Transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods.

Sales are recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the receivable is reasonably assured. Sales are presented, net of goods and services tax.

Warranties

As the Company is a distributor of manufactured goods, any warranties associated with the goods being exchanged are passed through to the customer from the manufacturer rather than through the Company.

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NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Sales incentives and rebates

The Company offers various sales incentive programs to its customers in the normal course of business. These incentives include arrangements such as rebates and discounts. These arrangements represent forms of variable consideration and an estimate of rebates and discounts are reflected in net revenues in the Company's statement of profit and loss and other comprehensive income. These estimates are based on historical experience and other known factors or as the most likely amount in a range of possible outcomes. Variable consideration is assessed on a contract level approach in estimating the extent to which the components of variable consideration are constrained.

The Company offers rebates as a sales incentive to some of their customers for the customer's sales to end users and a rebate rate agreed upon in a separate agreement between the Company and their customer. The Company records the estimated rebates as reductions to revenue in the Company's statement of profit and loss and other comprehensive income at the time the related customer sales were made. As of December 31, 2022, the sales rebates amounted to $12,360,000 (2021 : 2,382,000) in addition to the allowance for doubtful debts.

3.14 Deferred revenue

The Company requires deposits for certain customer orders. Deposits are recognized as revenue when all of the revenue recognition criteria have been met. The Company anticipates that customer deposits will be recognized within the next 12 months.

3.16 Sales tax

The Company records the amounts collected for sales tax as a current liability and relieves such liability upon remittance to the taxing authority without impacting sales or expenses.

3.17 Finance income and expense

Finance income and finance expense comprise interest income, interest expense, net gain or loss on financial assets at FVTPL and foreign currency gain or loss on financial assets and liabilities.

Interest income or expense is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Finance expenses comprise net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.18 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The provision for income taxes is computed based on the profit before tax included in the statement of income. The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

4 PROPERTY, PLANT AND EQUIPEMENT

	Building	Office and IT equipment	Furniture and fittings	Total
	USD'000	USD'000	USD'000	USD'000
Cost:				
At 1 January 2021	317	68	54	439
Additions	74	25	-	99
Disposals	-	(20)	(32)	(52)
At 31 December 2021 (unaudited)	391	73	22	486
Additions	-	24	-	24
Disposals	-	(11)	-	(11)
At 31 December 2022	391	86	22	499
Accumulated depreciation:				
At 1 January 2021	253	56	51	360
Depreciation charge for the year	71	11	3	85
Disposals	-	(20)	(32)	(52)
At 31 December 2021 (unaudited)	324	47	22	393
Depreciation charge for the year	37	17	-	54
Disposals	-	(11)	-	(11)
At 31 December 2022	361	53	22	435
Carrying amount:				
At 31 December 2021 (unaudited)	67	26	-	93
At 31 December 2022	30	33	-	63

5 CASH AND CASH EQUIVALENTS

	2022	2021
	USD'000	USD'000 (Unaudited)
Cash in bank	2,584	4,993

Bank balances are primarily cash at banks. The Company places its cash in bank with an external financial institution of high credit quality. Given that the credit ratings of this external financial institution are investment grade and these balances are on demand, the expected credit loss for cash and cash equivalents is not expected to be material.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

6 PREPAYMENTS

	2022 USD'000	2021 USD'000 (Unaudited)
Marketing activities	61	64
Insurance	20	-
Purchased of solar panels	-	10,264
	81	10,328

7 TRADE AND OTHER RECEIVABLES

	2022 USD'000	2021 USD'000 (Unaudited)
Current		
Trade receivables	83,133	76,049
Provision for loss on receivables	-	(117)
Accrued sales rebate, trade	(12,630)	(2,382)
Amount due from Reliance group, non-trade	1,472	-
Other receivables	1,873	-
	73,847	73,550
Non-current		
Custom deposit	550	550
Office rental deposit	5	5
Loan to immediate holding company	55,814	33,879
	56,369	34,433

The average credit period on sale of goods is 60 days (2021 : 60 days). No interest is charged on the outstanding balance.

The Company has recognized a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The Company has a receivable from a counterparty of $350,000 in which the Company has assessed to be recoverable for the year ended December 31, 2022.

Non-trade amount due from Reliance unsecured, non-interest-bearing and generally carries credit terms of 60 days. There is no allowance for doubtful debts arising from trade and non-trade amounts due.

Accrued sales rebates consists of sales rebate to customers. To promote solar panel products, the Company offers rebates as a sales incentive to some of their customers for the customer's sales to end users and a rebate rate agreed upon in a separate agreement between the Company and their customer.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Non-current deposits represent deposits made by the Company for anti-dumpling tariff US commerce of USD550,100 and deposit for office rental for Pismo Beach of USD2,500 and Dublin office of USD2,200 for both 2021 and 2022.

The Company has entered into a loan facility agreement with REC Solar Holdings AS, immediate holding Company which allows advances up to USD50,000,000. During the year, it had increased by USD10,000,000 to USD60,000,000. The agreement expires December 31, 2024, interest accrues at a LIBOR plus 1.20% commencing January 1, 2022. Principal and accrued interest can be partially paid any time during the term or in full at maturity.

8 INVENTORIES

	2022 USD'000	2021 USD'000 (Unaudited)
Finished goods	16,995	2,323
Goods in transit	215	205
Inventoried tariff	-	418
	17,210	2,946

Solar panels imported into United Stated was fully exempted from Section 201 tariff since second half of year 2022. Included in Goods in transit is an amount of USD 66,600 of inventory that were damaged whilst transferring the inventory to the end customer via third party courier. The Company has submitted an insurance claim with a third-party insurance company ("insurer") and received a claim amount of USD 181,200 from the insurer on 17 March 2023.

9 TRADE AND OTHER PAYABLES

	2022 USD'000	2021 USD'000 (Unaudited)
Trade payables	1,006	1,550
Amount due to immediate holding company - Non-trade	-	4,197
Amount due to related companies		
- Trade	32,390	14,977
- Non-trade	206	312
Advance receipts from customer	431	921
Other payables	(46)	254
	33,986	22,211

Trade payables are non-interest-bearing and are generally on 30-60 days credit terms. (2021:60 days)

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NOTES TO FINANCIAL STATEMENTS
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Transactions with the holding company of REC Group and related companies are as follows:

The Company purchases principally all solar panel products from its related company. While such purchases are made pursuant to purchase orders without guaranteed supply arrangements, the Company does not expect any shortages resulting from these supply and manufacturing relationships which would have a material effect on the future consolidated operating results. Purchases from related company in 2021 were approximately USD162,347,286 and purchases from related company in 2022 were USD351,431,109.

The Company pays royalties on sales up to 3.5% of solar panel product sales, as defined in the agreement, to the holding company of REC Group. The amount of royalty expense was approximately USD9,626,000 (2021 : USD15,732,000).

The Company pays management fees, as defined in the agreements, to its sister companies. The amount of management fees from its affiliates were approximately USD6,578,000 (2021 : USD13,314,000).

Trade and non-trade amounts due to related companies/subsidiaries are unsecured, non-interest-bearing and generally carry credit terms of 30 to 60 days.

10 ACCRUED LIABILITIES

	2022	2021
	USD'000	USD'000 (Unaudited)
Anti-dumping tariff	836	836
Section 201 import tariff	-	2,877
Freight cost	900	201
Variable bonus & sales commission	930	415
Audit fees	214	150
Consultancy fees	1,235	261
	4,116	4,740

11 LEASE Liabilities

	2022	2021
	USD'000	USD'000 (Unaudited)
Contractual payments due in:		
1 year	31	38
2 year	-	29
3 year	-	2
Less: Unearned interest	(1)	(2)
	30	67

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
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Analysed as:		
Current	30	36
Non-current	-	31
	30	67

The Company leases office facilities under 2 leases agreements, expiring at on 31 March 2023 and 31 January 2024 respectively. For the lease agreement expiring on 31 March 2023, upon the end of the lease term, the lease contract will automatically renewed for a period of 1 year, unless a 3-month notice is provided by either the lessee or lessee to terminate the lease term. The Company has estimated that the potential future lease payments if this lease would approximately result in an increase in lease liability of US 13,000. There is no extension option for the lease agreement expiring on 31 January 2024.

12 REVENUE

	2022 USD'000	2021 USD'000 (Unaudited)
Solar panels sales	496,784	334,784
Sales rebates	(72,696)	(14,582)
	424,087	320,202

The Company is a distributor of solar panels. The Company typically fulfils its performance obligations in accordance with the terms and conditions stated in the contract.

Revenue is recognised at a point of time when control over goods is transferred to the customers. Significant payment terms are disclosed in Note 7.

The payments for trade receivables are due within 30 to 60 days from the invoice date. Information about trade receivables from contracts with customers is presented in Note 7.

Any warranties associated with the goods being exchanged are passed through to the customer from the manufacturer rather than through the Company.

13 OTHER INCOME

	2022 USD'000	2021 USD'000 (Unaudited)
Technical support to Reliance group	1,472	-
Insurance claim disbursement income	172	79
	1,644	79

The Company provides the technical support services to Reliance Group for the Jamnagar project carried out in India.

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Year ended 31 December 2022

14 OTHER OPERATING EXPENSES

	2022 USD'000	2021 USD'000 (Unaudited)
Insurance cost	341	345
Supply bond commission	123	294
Late filling interest	31	175
Withholding tax	-	540
Other	174	304
	670	1,659

15 FINANCE INCOME AND EXPENSES

	2022 USD'000	2021 USD'000 (Unaudited)
Loan interest income due from immediate holding company	1,425	-
Interest income from bank deposit	19	176
Unrealised foreign currency gain	-	8
Realised foreign currency gain	15	9
Finance income	1,459	193
Interest expense due to bank loan	-	-
Interest expense due to lease liabilities	(1)	(2)
Unrealised foreign currency loss	(12)	-
Realised foreign currency loss	(6)	(8)
Finance expenses	(19)	(10)

16 INCOME TAX

	2022 USD'000	2021 USD'000 (Unaudited)
Current tax		
Current year	4,472	18,644
Adjustments in respect of prior years	738	-
	5,210	18,644
Deferred tax		
Origination and reversal of temporary differences	666	(563)
	666	(563)
Income tax	5,876	18,081

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NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2022

Reconciliation of effective tax rate

The current year income tax expense is higher (2021: higher) than that resulting from applying the standard federal statutory tax rate in the United States of America of 21% (2021: 21%). The main differences are explained below:

	2022 USD'000	2021 USD'000 (Unaudited)
Profit before tax	19,300	69,759
Income tax using the standard federal tax rate in the United States of America of 21% (2021: 21%)	4,053	14,649
Effect of additional taxes applied in different states	419	3,995
Under provision in prior year	738	-
Others	666	(563)
Total income tax expense	5,876	18,081

The Company did not have unrecognized tax positions at of 31 December 2022 and 2021. The Company did not recognize any expense for interest and penalties related to uncertain tax positions during 2022 and 2021. The Company files United States of America federal and various state tax returns. The Company is generally no longer subject to tax examinations for years prior to 2018 for federal purposes and prior to 2017 for state purposes.

17 DEFERRED TAX ASSET

The following are the deferred tax assets (liabilities) recognised by the Company, and the movements thereon, during the current and prior reporting periods:

	Equipment Depreciation	Accrued expenses and reserves	Total
	US$'000	US$'000	US$'000
At 1 January 2021 (unaudited)	(4)	517	513
Charge to profit or loss for the year	(2)	566	564
At 31 December 2021 (unaudited)	(6)	1,083	1,077
Charge to profit or loss for the year	(2)	(664)	(666)
At 31 December 2022	(8)	419	411

The deferred tax assets recognized are based on management assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilized.

REC AMERICAS LLC

NOTES TO FINANCIAL STATEMENTS
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18 RELATED PARTIES

REC US Holdings, Inc. incorporated in the United States of America, is the immediate holding company. REC Solar Holdings AS, incorporated in Norway is the holding company of the REC Group ("REC").

Reliance New Energy Limited and Reliance Industries Limited are the intermediate holding company and ultimate holding company, respectively both companies are incorporated in India.

Sister companies and related companies are in these financial statements refer to members of the REC's group of companies and ultimate holding company's group of companies respectively. The balances are unsecured, interest-free, repayable on demand and expected to be settled in cash unless otherwise stated.

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity.

Key management personnel compensation comprised:

	2022	2021
	USD'000	USD'000 (Unaudited)
Salary and other short-term benefits	691	819
Post-employment benefits	15	15
	707	834

Certain directors of the Company are also employees of the ultimate holding company, immediate holding Company or sister companies. No consideration is however owed to the ultimate holding company, immediate holding Company or sister companies, as the directors are discharging their duties in their own individual capacities.

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NOTES TO FINANCIAL STATEMENTS
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Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2022 USD'000	2021 USD'000 Unaudited
Immediate Holding Company		
Loan interest income	1,425	-
Royalty fees	(9,626)	(15,732)
	(8,201)	(15,732)
Sister Companies		
Purchase of Solar Panels	(351,431)	(162,347)
Management fees	(6,578)	(12,067)
Strategy marketing cost	(1,106)	(1,247)
Payment on behalf	(7)	(66)
	(359,122)	(175,727)
Related Company		
Technical support services	1,472	-
	1,472	-