REC Solar Pte. Ltd.

Financial Statements

For the year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

REC SOLAR PTE. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of REC Solar Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 5 to 66.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

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 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 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.

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

Management is responsible for the other information. The other information comprises the Director's Statement set out on pages 1 to 2, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

REC SOLAR PTE. LTD.

Responsibilities of Management and Director for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

REC SOLAR PTE. LTD.

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

22 April 2024

REC SOLAR PTE. LTD.

STATEMENT OF FINANCIAL POSITION
31 December 2023

	Note	31 December 2023 USD'000	31 December 2022 USD'000
ASSETS			
Current assets			
Cash and cash equivalents		5,847	2,684
Trade and other receivables	9	273,069	247,598
Inventories	10	128,563	124,265
Prepayments	8	6,683	36,908
Total current assets		414,162	411,455
Non-current assets			
Investments in subsidiaries	5	305	305
Property, plant and equipment	6	436,395	471,387
Intangible assets	7	14,521	12,875
Deferred tax assets	24	1,000	-
Trade and other receivables	9	5,259	8,000
Total non-current assets		457,480	492,567
Total assets		871,642	904,022
LIABILITIES AND EQUITY			
Current liabilities			
Loans and borrowings	12	295,513	121,138
Lease liabilities	22	16,134	10,474
Trade and other payables	14	111,699	93,008
Total current liabilities		423,346	224,620
Non-current liabilities			
Loans and borrowings	12	187,500	250,000
Lease liabilities	22	320,720	330,477
Provisions	13	13,019	13,621
Total non-current liabilities		521,239	594,098
Total liabilities		944,585	818,718
Equity			
Share capital	11	328,807	328,807
Merger reserve	25	209,205	209,205
Accumulated losses		(610,955)	(452,708)
Net equity (Capital deficit)		(72,943)	85,304
Total liabilities and equity		871,642	904,022

Jan Enno Bicker
Director

22 April 2024

REC SOLAR PTE. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Note	2023 USD'000	2022 USD'000
Revenue	17	437,024	620,501
Other operating income	18	20,747	20,983
Raw materials and consumables used		(350,605)	(440,023)
Change in the balance of finished goods/semi-finished goods		9,763	23,126
Employee benefits expenses		(67,561)	(63,057)
Depreciation of property, plant and equipment	6	(80,893)	(64,573)
Amortisation of intangible assets	7	(3,963)	(2,240)
Loss on disposal of property, plant and equipment		(142)	(240)
Net change in inventories write-down		(4,837)	604
Net change in warranty provision	13	223	(2,404)
Freight expenses		(3,980)	(16,927)
Travelling expenses		(3,951)	(955)
Utilities expenses		(32,897)	(21,537)
Other operating expenses	19	(38,906)	(35,053)
Results from operating activities		(119,978)	18,205
Finance income		12,623	5,181
Finance expenses		(51,892)	(33,884)
Net finance expenses	20	(39,269)	(28,703)
Loss before income tax		(159,247)	(10,498)
Income tax	21	1,000	-
Loss for the year, representing total comprehensive loss for the year		(158,247)	(10,498)

REC SOLAR PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2023

	Share capital	Merger reserve	Accumulated losses	Total
	USD'000	**USD'000**	**USD'000 (Restated)**	**USD'000**
At 1 January 2022 (Restated)	328,807	209,205	(440,509)	97,503
Transactions with owners, recognised directly in equity				
Deemed distribution (Note 11)	-	-	(1,701)	(1,701)
Total transactions with owners	-	-	(1,701)	(1,701)
Total comprehensive loss for the year				
Loss for the year, representing total comprehensive loss for the year	-	-	(10,498)	(10,498)
At 31 December 2022	328,807	209,205	(452,708)	85,304
Total comprehensive loss for the year				
Loss for the year, representing total comprehensive loss for the year	-	-	(158,247)	(158,247)
At 31 December 2023	328,807	209,205	(610,955)	(72,943)

REC SOLAR PTE. LTD.

STATEMENT OF CASH FLOWS
Year ended 31 December 2023

	Note	2023	2022
		USD'000	USD'000
Cash flows from operating activities			
Loss before tax		(159,247)	(10,498)
Adjustments for:			
Depreciation of property, plant and equipment	6	80,893	64,573
Amortisation of intangible assets	7	3,963	2,240
Loss on disposal of property, plant and equipment		142	240
Impairment loss on financial asset	19	3,914	3,000
Net change in inventories write-down	10	4,837	(604)
Net change to warranty provision	13	(223)	2,404
Finance income	20	(12,623)	(5,181)
Finance expenses	20	45,304	31,629
Unrealised foreign exchange loss		6,072	2,121
Operating cash flows before movements in working capital		(26,968)	89,924
Inventories		(9,135)	(17,070)
Contract liabilities		-	(14,496)
Trade and other receivables		47,006	(30,797)
Prepayments		29,850	(2,942)
Trade and other payables		14,224	34,420
Net cash from operating activities		54,977	59,039
Cash flows from investing activities			
Interest received		10	6
Proceeds from government grants		5,474	825
Proceeds from sale of property, plant and equipment		19	46
Acquisition of property, plant and equipment and intangible asset		(55,601)	(93,850)
Loan to immediate holding company		(71,046)	(49,090)
Repayment of loan from immediate holding company		8,425	42,300
Net cash used in investing activities		(112,719)	(99,763)

REC SOLAR PTE. LTD.

STATEMENT OF CASH FLOWS (cont'd)
Year ended 31 December 2023

	Note	2023	2022
		USD'000	USD'000
Cash flows from financing activities			
Interest paid	12	(39,433)	(30,936)
Repayment of trade financing	12	-	(9,065)
Proceeds from borrowings	12	414,303	286,213
Repayment of borrowings	12	(302,777)	(187,584)
Payment of lease liabilities	12	(10,646)	(8,777)
Purchase price paid to former holding company	11	(1,058)	(8,875)
Net cash from financing activities		60,389	40,976
Net increase in cash and cash equivalents		2,647	252
Cash and cash equivalents at beginning of the year		2,684	2,298
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		516	134
Cash and cash equivalents at end of the year		5,847	2,684

There are no significant non-cash transactions in 2023 and 2022.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

1 General

REC Solar Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 20 Tuas South Avenue 14, Singapore 637312.

The principal activities of the Company are those relating to the manufacturing of solar panels, inclusive of contract manufacturing of solar panels. The principal activity of the subsidiaries are disclosed in Note 5 of the financial statements.

REC Solar Holdings AS, incorporated in Norway is the immediate holding company. Reliance New Energy Limited and Reliance Industries Limited is the intermediate holding company and ultimate holding company, respectively both companies are incorporated in India.

The financial statement of the Company for the financial year ended 31 December 2023 were authorised for issue by the Board of Directors on 22 April 2024.

For the year ended 31 December 2023, the Company recorded a net loss after tax of USD 158.2 million (2022 : USD 10.5 million). As of 31 December 2023, the Company had a working capital deficit of USD 9.2 million (2022 : (USD 186.8 million)) and an accumulated deficit of USD 72.9 million (2022 : (85.3 million)). As disclosed in Note 12, the Company has unsecured loans amounting to USD 483.0 million (2022 : USD 371.0 million)) from financial institutions based in Singapore ("Financial Institutions"). The Company has obtained letters of guarantees and awareness from the Reliance Group as part the Financial Institutions' approval of the bank loans to the Company. The Company is confident that the Reliance Group remains supportive of the Company's business and resulting from this support from the Reliance Group, the Company is confident to settle its obligations and refinance the bank loans when they fall due. Accordingly, being part of the Reliance Group and with the ready availability of external financing, management is of the view that the going concern assumption is appropriate and there is no material uncertainty related to going concern for at least 12 months from the date of authorisation of the financial statements, up to April 2025.

2 Basis of preparation

a. Basis of accounting

The financial statements have been prepared on the historical cost basis, except as disclosed in the material accounting policy information s below, and are drawn up in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore ('FRSs').

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 116 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets.*

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

2 Basis of preparation (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

c) Level 3 inputs are unobservable inputs for the asset or liability.

b. 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.

c. Adoption of new and revised Standards

On 1 January 2023, the Company adopted all the new and revised FRSs that are relevant to its operations. The adoption of these new/ revised FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except for below.

Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*

The Company has adopted the amendments to FRS 1 for the first time in the current year. The amendments change the requirements in FRS 1 with regard to disclosure of accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs In FRS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Company has applied materiality guidance in FRS Practice Statement 2 in identifying its material accounting policy information for disclosures in the related notes. The previous term 'significant accounting policies' used throughout the financial statements has been replaced with 'material accounting policy information'.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

2 Basis of preparation (cont'd)

Amendments to FRS 12: *International Tax Reform - Pillar Two Model Rules*

The Company has no current tax exposure in relation to the OECD Pillar Two Model Rules because the Pillar Two legislation is not yet effective at the reporting date. The Company has applied the temporary exception to deferred tax disclosure and recognition as provided in the amendments to FRS 12 'Income Taxes': *International Tax Reform - Pillar Two Model Rules*. Based on preliminary assessments of potential future exposure, the financial impact is expected to be not material.

Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Company has adopted the amendments to FRS 12 for the first time in the current year. The amendments narrow the scope of the initial recognition exemption, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences (e.g. leases and decommissioning obligations). Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company had not previously recognised deferred tax for leases on an aggregate temporary difference basis as the Company is in a tax loss position and hence this was not material to the Company. Following the amendments, the Company is required to recognise separately deferred tax asset and deferred tax liability for the deductible and taxable temporary differences in relation to its lease liabilities and right-of-use assets respectively. There was no impact to the opening retained earnings as at 1 January 2023 as a result of the change, and there was also no impact on the statement of financial position as the resulting deferred tax consequences qualify for offsetting under FRS 12.

<u>Standards issued but not effective</u>

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Company were issued but not yet effective:

- Amendments to FRS 1: *Classification of Liabilities as Current or Non-current* (Effective for annual periods beginning on or after 1 January 2024);
- Amendments to FRS 1: *Non-current liabilities with Covenants* (Effective for annual periods beginning on or after 1 January 2024);
- Amendments to FRS 7: *Supplier Finance Arrangements* (Effective for annual periods beginning on or after 1 January 2024); and
- Amendments to FRS 16: *Lease liability in a Sale and Leaseback* (Effective for annual periods beginning on or after 1 January 2024)

Management anticipates that the adoption of the above amendments to FRSs in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

2 Basis of preparation (cont'd)

d. Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4 'Critical accounting estimates and judgements'.

3 Summary of material accounting policy information

The material accounting policy information set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2c, which addresses changes in accounting policies.

a. Consolidated financial statements

These financial statements are the separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Reliance Industries Limited as at 31 December 2023, which prepares consolidated financial statements and makes available for public use. The registered office of Reliance Industries Limited is at Maker Chambers IV, 3rd Floor, 222 Nariman Point, Mumbai 400 021, India.

b. Investments in subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved when the Company:

- has power over its investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

c. Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates 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.

d. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the assets to that location and condition.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each component of an item of property, plant and equipment.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

The estimated useful lives are as follows:

Buildings	10 to 28 years
Machinery and equipment	3 to 28 years
Office and IT equipment	3 to 7 years
Furniture and fittings	3 to 10 years
Mechanical and electrical installation	5 to 28 years
Transportation equipment	3 to 7 years
Spare parts (classified within Machinery and equipment)	2 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

e. Intangible asset

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Development costs with a finite useful life that have been capitalised are amortised from the time the assets are ready for their intended use, which normally is at commencement of the commercial use.

Other intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives of 3 to 7 years, from the date on which they are available for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets. Direct attributable costs that are capitalised as part of the software product include software development, employee costs and an appropriate portion of relevant overheads.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Goodwill is not amortised. The estimated useful lives for the current and comparative years are as follows:

Software	3 to 10 years
Customer relationships	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

f. Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants related to an asset are presented in the statement of financial position as a deduction in arriving at the carrying amount of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

g. Inventories

Inventories are measured at the lower of cost or net realisable value. Costs for raw materials and costs for spare parts (which are used in less than one year) are determined using the weighted average cost method. The cost of finished goods and semi-finished goods are determined using the standard cost method and comprises raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity).

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.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

h. Asset held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition and the sale is expected to occur within one year from the date of classification.

i. Financial instruments

(i) Recognition and initial measurement

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.

Non-derivative financial assets and financial liabilities

The Company initially recognises trade receivables when they are originated. All other financial assets are recognised initially when the Company becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified and measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

Financial assets at amortised cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing do eliminates and reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognised in profit or loss.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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3 Summary of material accounting policy information (cont'd)

Financial assets at amortised cost

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 (i.e. assets that are credit-impaired on initial recognition), 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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost 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. 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 and at fair value through other comprehensive income ("FVTOCI"). For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'Finance income - interest income' line item.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

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NOTES TO FINANCIAL STATEMENTS
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3 Summary of material accounting policy information (cont'd)

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Derivatives are carried as assets when the fair value is positive and as liabilities when fair value is negative, as long as the Company has no intention and ability to settle the contract net. Derivatives are categorised as held for trading unless they are designated and qualify as hedging instruments.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contact is not carried at fair value with gains or losses reported in profit or loss. Currently for the Company this is relevant for currency derivatives embedded in committed sales contracts in which the currency in the contract is not the functional currency of one of the parties to the contract or a commonly used currency. The embedded currency derivative is separated based on the forward currency rates at the date of the contract and the host contract is treated a sales contract in the Company's functional currency.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS 12.

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the term and conditions of the securities issued. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issued and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

Merger reserve

Merger accounting is used for entities amalgamated under common control. All assets and liabilities of transferor become the assets and liabilities of the transferee company as of the same date for presentation in the Company's financial statements. The difference between the consideration paid by the Company and net equity assumed is taken to the merger reserve. No adjustment is made to the book values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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3 Summary of material accounting policy information (cont'd)

j. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred unless it is at fair value through profit or loss. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period the borrowings are outstanding using the effective interest method. Commitment fees for the bank credit facilities are recognised as part of interest expenses as incurred.

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

An exchange between the Company and an existing lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

k. Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

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

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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3 Summary of material accounting policy information (cont'd)

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

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

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, 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.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3 Summary of material accounting policy information (cont'd)

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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3 Summary of material accounting policy information (cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l. 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.

Provision for onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

m. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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.

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

The Company determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

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.

n. 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 rebates, goods and services tax.

o. Other operating income

Income from related companies is recognised at a point in time when administrative and support services are rendered to subsidiaries.

p. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

Short-term benefits

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.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

q. 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 interest expense on borrowings, upfront fees in relation to the establishment and restructuring of interest-bearing debt and guarantees which are amortised using the effective interest method, 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.

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.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

3 Summary of material accounting policy information (cont'd)

r. 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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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.

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NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

4 Critical accounting estimates and judgements

a. Critical accounting estimates and assumptions

The preparation of financial statements in accordance with FRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts included in or affecting the Company's financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

A "critical accounting estimate" is one which is both important to the portrayal of the Company's financial conditions and results and requires management to make estimates about the effect of matters that are inherently uncertain, and which are subjective or complex. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, utilising trends and other methods considered reasonable in the particular circumstances, as well as forecasts as to how these might change in the future.

(a) Impairment assessment of property, plant and equipment and intangible assets

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors management considers important and which could trigger an impairment review include: significant fall in market values; a significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Where the value-in-use calculations are used to determine the recoverable amount of the assets, these calculations require the use of estimates including, but not limited to estimates of future performance, revenue generating capacity of the assets, reinvestment levels and assumptions of the future market conditions. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. According to FRS 36 *Impairment of Assets*, cash flow projections shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. To the best of management's judgment, the cash flows do not include restructuring or effects from expansion and enhancement investments that are not committed.

The uncertain future market developments and operational risks and the sensitivity to changes in key assumptions have increased the risk that impairments may occur also in future periods.

The carrying value of the Company's property, plant and equipment and intangible assets are disclosed in Notes 6 and 7 respectively.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

4 Critical accounting estimates and judgements (cont'd)

(b) Depreciation and amortisation

Depreciation and amortisation are based on management estimates of the future useful lives of property, plant and equipment ("PPE") and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions, expectations for replacements or disposal of assets and other factors.

Technological developments are difficult to predict and the Company's views on the trends and pace of development may change over time. Management periodically reviews the expected future useful lives of property, plant and equipment and intangible assets taking into consideration the factors mentioned above and other important factors. In case of significant changes in estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

Significant changes in key assumptions (especially sales prices) may give rise to material impairment charges. This will reduce the remaining depreciable carrying values of PPE. Impairment of assets did not affect the Company's evaluation of useful lives for these assets.

Management estimates the useful lives of these property, plant and equipment to be within 2 to 28 years. In 2023, the useful life of specific production machinery belonging to P-Mono and M-Mono, with a carrying amount of USD 7,736,964, was reassessed due to these products had reached the end of their life cycle. Accordingly, these assets are fully depreciated within the current year, accelerated by the product'' end-of-life status. There are no changes to the useful life of the assets in 2022.

(c) Provision for warranty

The Company has provided warranties in connection with the sale of solar panels. REC solar panels sold from 1 September 2011 include a ten year limited product warranty and a 25 year linear power output warranty, that guarantees at least 97 percent output during the first year of performance and a maximum 0.7 percent reduction of power output per year from year 2-25 ("new warranty"). Solar panels sold prior to this have a five year limited warranty that the product is free of defects in materials and workmanship, a ten year limited warranty of 90 percent power output and a 25 year limited warranty of 80 percent power output of the solar panels ("old warranty"). Warranties are customary in the market for solar panels. The warranties are not sold stand alone. If a defect occurs or the product does not reach the warranted power output levels during the warranty period, for the new warranty the Company will, at its sole option, repair or replace or supply additional solar panels, or refund the current market price of an equivalent product at the time of the claim (for the old warranty the original price, with annual reduction for the output warranty). The Company believes that the materials in the solar panels made by the Company are capable of producing a relatively steady output for a period of at least 25 years. However, neither the Company nor any of its competitors have a 25-year history. Management's estimates of warranty provisions take this into consideration.

Additional tests were made, research was studied and the Company believes the quality of its solar panels has improved. It is also expected that the cost of producing solar panels will be further reduced going forward, which will also reduce the outflow of economic resources needed to fulfil any warranty claims.

The Company believes the risk for claims under the warranties is low, but cannot rule out the possibility that a large claim may occur as there is past history for claims under the product warranty and new materials and production processes have been introduced.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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4 Critical accounting estimates and judgements (cont'd)

The Company involved external expert to assess the amount of provision for warranty at each reporting date. The amount of provision was assessed by constructing a quantitative loss simulation model to forecast losses from the risk exposure of the warranty issued with the solar panels sold.

Management believes that the assumptions used in loss simulation models are reasonable, but they are inherently uncertain and unpredictable and, as a result, future estimates and actual results may differ significantly from the current estimates.

(d) Inventory

When testing inventories at the end of the financial year ended, whether such are carried at lower of cost or net realisable value, the Company takes into account subsequent sales prices realised that were in substance reflective of causes existing at end of the financial year ended.

5 Investments in subsidiaries

Details of the subsidiaries are as follows:

Name of the subsidiaries	Principal activities	Country of incorporation	Ownership interest	
			2023	2022
			%	%
REC Trading (Shanghai) Co., Ltd.	Sales of kerf	China	100	100
REC Systems (Thailand) Co., Ltd,	Rendering of service	Thailand	100	100
REC Solar France S.A.S	Manufacturing and sale of solar cells and modules	France	100	100

REC Trading (Shanghai) Co., Ltd. was incorporated in 2011. REC Systems (Thailand) Co., Ltd was incorporated in 2012. REC Solar France S.A.S. was incorporated in 2019.

REC SOLAR PTE. LTD.

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6 Property, plant and equipment

	Buildings	Machinery and equipment	Machinery and equipment under construction	Office and IT equipment	Furniture and fittings	Mechanical and electrical installation	Transportation equipment	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:								
At 1 January 2022	334,299	514,558	4,447	12,417	5,231	27,727	372	899,051
Transfer between asset categories	198	(1,573)	(1,584)	26	49	2,884	-	-
Additions	37	76,145	10,430	38	29	891	21	87,591
Disposals	-	(161,628)	-	-	(145)	(432)	-	(162,205)
Government grants	-	(535)	-	-	-	-	-	(535)
At 31 December 2022	334,534	426,967	13,293	12,481	5,164	31,070	393	823,902
Transfer between asset categories	3,922	(31,308)	(4,729)	1,518	30	30,567	-	-
Additions	196	30,286	17,864	256	-	1,500	-	50,102
Disposals	(622)	(4,180)	-	(130)	-	(40)	(269)	(5,241)
Government grants	-	(4,040)	-	-	-	-	-	(4,040)
At 31 December 2023	338,030	417,725	26,428	14,125	5,194	63,097	124	864,723
Accumulated depreciation:								
At 1 January 2022	54,718	361,322	-	11,676	5,135	16,708	302	449,861
Transfer between asset categories	-	(802)	-	-	-	802	-	-
Depreciation charge for the year	16,976	44,811	-	325	29	2,383	49	64,573
Disposals	-	(161,342)	-	-	(144)	(433)	-	(161,919)
At 31 December 2022	71,694	243,989	-	12,001	5,020	19,460	351	352,515
Transfer between asset categories	1,464	(15,092)	-	351	11	13,266	-	-
Depreciation charge for the year	16,875	60,395	-	468	31	3,095	29	80,893
Disposals	(622)	(4,048)	-	(124)	-	(17)	(269)	(5,080)
At 31 December 2023	89,411	285,244	-	12,696	5,062	35,804	111	428,328

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

6 Property, plant and equipment (cont'd)

	Buildings	Machinery and equipment	Machinery and equipment under construction	Office and IT equipment	Furniture and fittings	Mechanical and electrical installation	Transportation equipment	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Carrying amounts:								
At 1 January 2022	279,581	153,236	4,447	741	96	11,019	70	449,190
At 31 December 2022	262,840	182,978	13,293	480	144	11,610	42	471,387
At 31 December 2023	248,619	132,481	26,428	1,429	132	27,293	13	436,395

1. Right-of-use assets ("ROU") are presented together with individual categories of property, plant and equipment of the same class. Details of such ROU assets are disclosed in Note 22(a).

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

6 Property, plant and equipment (cont'd)

Impairment assessment of property, plant and equipment, ROU assets and intangible assets

Cash-generating unit ("CGU")

A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of a cash-generating unit involves judgment by management.

The Company as a whole was determined by management as the cash-generating unit.

Basis for impairment assessment

Recoverable amount

Recoverable amount of the cash-generating unit was determined based on value in use calculation. Fair value less cost of disposal has been estimated by discounting the forecasted cash flows of the Company on a going concern basis.

The carrying amount of the cash-generating unit includes carrying values of tangible fixed assets, right-of-use assets, intangible assets and net working capital. EBITDA ("Earnings before interest, taxes, depreciation and amortisation") less maintenance capital expenditure and plus change in working capital has been used as estimates of cash flows for the calculation of the recoverable amount.

To arrive at the estimated recoverable amount, the Company used the 2023 approved budget to estimate the cash flows for 5-year forecast period before applying a terminal value to estimate future cash flows.

Key assumptions and sensitivities

Key assumptions are defined as those to which the recoverable amount is most sensitive. These include future revenues (sales prices and volume), cost of the major inputs, conversion costs and efficiency and maintenance capital expenditure. In addition, future cash flows are sensitive to successful achievement of the forecasted volume, successful implementation of technological innovations embedded in these assets and realisation of expected future cost reductions and efficiency and quality improvements of the operations. Through tuning of equipment and processes, continuous process improvements, use of improved materials etc, efficiency and volume are expected to improve and unit cost of production decreases. Optimisation of sourcing of input materials is also expected to contribute to cost reductions. Changes in key assumptions going forward would change the estimated recoverable amount, and may change the conclusion reached at year-end.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

6 Property, plant and equipment (cont'd)

Selling prices are forecasted based on the Company's budget for FY 2024 approved by the Board of Directors, factoring development of the market in which the Company operates. The Company developed a new technology in 2019 and currently produces Alpha, the world's most powerful solar panels. The selling price budgeted for Alpha is based on benchmarking with competitors' products, achieved selling prices during the year and secured orders and orders under negotiation as at the reporting date. Experience has shown that market demand and prices can change rapidly and significantly and are also dependent on government incentives and trade protectionism. Fluctuation in forecasted selling price of the new product may affect the estimated recoverable amount.

Production costs are forecasted based on the Company's budget for FY 2024 approved by the Board of Directors and development in the Company's key technologies. The production costs budgeted for both existing and new products are based on input material costs and current product conversion costs. These input costs include contract manufacturer costs for wafer production following the Company's decision to cease the wafer production lines since April 2019.

The solar industry is regarded as a high technology industry and typically following a technology breakthrough and successful investment in new production lines, significant technological innovation and cost reduction can be expected for multiple years. Through tuning of new equipment, continuous process improvements and use of improved materials, product power for the new product has significant potential to improve, increasing production capacity while decreasing production costs. Optimisation of sourcing of new input materials can also contribute to cost reduction.

In defining the discount rate for the cash-generating unit, Company uses the commonly used WACC (weighted average cost of capital). The cost of a Company's market value of debt and equity capital, weighted accordingly to reflect the average capital structure of comparable companies, gives its WACC. The WACC rate used to discount future cash flows is based on government and swap interest rates for respective years in the relevant markets and take into account estimated risk premiums on debt and equity, gearing and beta. To the best of management's judgment, the cash flows do not include restructuring or effects from expansion and enhancement investments that are not committed.

The Company has applied a WACC of 10% (2022: 9.0%) over the whole forecast period.

From the cash flow assumptions described above, the recoverable amount of CGU is assessed to be higher than the carrying value of CGU as at 31 December 2023. No additional impairment loss was needed for the current year.

REC SOLAR PTE. LTD.

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7 Intangible assets

	Software	Intellectual property rights	Development costs	Total
	USD'000	USD'000	USD'000	USD'000
Cost:				
At 1 January 2022	24,958	17,728	9,141	51,827
Cost transfer from property, plant and equipment	1,051	-	-	1,051
Additions	822	-	4,622	5,444
Disposals	(3,801)	-	-	(3,801)
At 31 December 2022	23,030	17,728	13,763	54,521
Additions	1,690	-	3,919	5,609
At 31 December 2023	24,720	17,728	17,682	60,130
Accumulated amortisation:				
At 1 January 2022	24,254	17,728	1,225	43,207
Amortisation charge for the year	499	-	1,741	2,240
Disposals	(3,801)	-	-	(3,801)
At 31 December 2022	20,952	17,728	2,966	41,646
Amortisation charge for the year	956	-	3,007	3,963
At 31 December 2023	21,908	17,728	5,973	45,609
Carrying amounts:				
At 1 January 2022	704	-	7,916	8,620
At 31 December 2022	2,078	-	10,797	12,875
At 31 December 2023	2,812	-	11,709	14,521

* Impairment assessment of intangible assets is performed together with property, plant and equipment - owned and leased (refer to Note 6). These assets are collectively deployed in the manufacturing of solar panels.

The carrying amount of development cost at 31 December 2023 and 2022 comprises all costs that are directly attributable to development of new products, and to create, produce, and prepare the products to be capable of operating in the manner intended by Management.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

8 Prepayments

	31 December 2023	31 December 2022
	USD'000	USD'000
Current		
Advance payments for property, plant and equipment	1,376	11,184
Prepayments to suppliers	5,307	25,724
	6,683	36,908

9 Trade and other receivables

	31 December 2023	31 December 2022
	USD'000	USD'000
Current		
Trade receivables	8,499	25,951
Current derivatives	-	33
Deposits	738	2,289
Amount due from an ultimate holding company (Note 27)		
- Trade	7,000	-
Amount due from an immediate holding company (Note 27)	240,449	162,444
Amounts due from related companies (Note 27):		
- Trade	-	40,073
- Non-trade	8,909	4,820
Amounts due from subsidiaries (Note 27):		
- Non-trade	823	4,888
Other receivables	6,651	7,100
	273,069	247,598
Non-current		
Deposits	5,259	8,000

Trade Receivable

Trade receivables are non-interest-bearing and are generally on 30 to 60 days terms. As at 1 January 2022, trade receivables from contracts with customers amounted to USD 20.8 million (net of loss allowance of USD 0.5 million).

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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. None of the trade receivables that have been written off is subject to enforcement activities.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

9 Trade and other receivables (cont'd)

For purpose of impairment assessment, the non-trade receivables due from immediate holding company, related companies and subsidiaries are considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on these receivables since initial recognition. Accordingly, for the purpose of impairment assessment, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the financial position of the counterparties, adjusted for factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the loan as well as the loss upon default. Management determines the non-trade receivables are subject to immaterial credit loss.

Amount due from immediate holding company consists of loan to immediate holding company. Outstanding balance of this loan is USD 240,449,180 (2022 : USD 165,239,136). The loan is unsecured, bears interest rate at USD TERM SOFR + 1.2% margin per annum + spread adjustment, and repayable on demand.

In 2022, the remaining outstanding amount due to immediate holding company of USD 2,795,000 is unsecured, non-interest-bearing and generally carries credit terms of 45 to 90 days.

Trade amounts due from an ultimate holding company and related companies are unsecured, non-interest-bearing and generally carry credit terms of 45 to 90 days.

Non-trade amount due from related companies and subsidiaries are unsecured, non-interest-bearing and generally carries credit terms of 45 to 90 days.

Non-trade amounts due from subsidiaries are unsecured, non-interest-bearing and generally carry credit terms of 45 to 90 days. There is no allowance for doubtful debts arising from these outstanding balances.

Other receivables and deposits non-current of USD 9.3 million (2022 : USD 12 million) represent advances made by the Company to the contract manufacturer under Wafer Supply Agreement.

The Company does not have any contract assets at the reporting date (2022 : Nil), as invoices are issued at the moment when goods are dispatched to the customer.

The Company's exposures to credit and currency risks related to trade and other receivables are disclosed in Note 23.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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10 Inventories

	31 December 2023	31 December 2022
	USD'000	USD'000
Raw materials and consumables	7,484	12,777
Semi-finished goods	23,014	26,832
Finished goods	80,752	35,254
Spare parts	5,484	5,656
Goods in transit	20,339	47,419
Write down of inventories	(8,510)	(3,673)
	128,563	124,265

Allocation of write-downs of inventories

	31 December 2023	31 December 2022
	USD'000	USD'000
Finished goods	7,586	2,476
Semi-finished goods	924	1,197
	8,510	3,673

Inventories have been written down to estimated net realisable values.

	USD'000
Write-downs of inventories at 1 January 2022	(4,277)
Net charge to profit and loss	604
Write-downs of inventories at 31 December 2022	(3,673)
Net charge to profit and loss	(4,837)
Write-downs of inventories at 31 December 2023	(8,510)

11 Share capital

	2023	2022	2023	2022
	Number of shares		USD'000	USD'000
Fully paid ordinary shares:				
At 1 January and 31 December	557,051,450	557,051,450	328,807	328,807

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

11 Share capital (cont'd)

Deemed distribution

In 2022, the Company was instructed to settle a contingent purchase consideration payment of USD 1,701,360 to former intermediate parent company, China National Bluestar (Group) Co., Ltd., for and on behalf of the new ultimate shareholder, Reliance Industries Limited. As this amount is non-recoverable from the new shareholder, it was recognised in equity as 'deemed distribution' to a shareholder, as transaction with owner, recognised directly in equity.

Out of the USD 1,701,360 deemed distribution recognised in 2022, an amount of USD 1,259,535 remaining outstanding as at 31 December 2022. In 2023, the Company paid USD 1,057,540 to the former intermediate parent company. As of 31 December 2023, a balance of USD 201,995 remains unpaid.

Capital management

The Company defines "capital" to include funds raised through the issuance of share capital, perpetual securities and all components of equity. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Company's overall strategy remains unchanged from prior year.

12 Loans and borrowings

	31 December 2023	31 December 2022
	USD'000	USD'000
Current liabilities		
Bank overdraft	32,671	274
Working capital facility	200,342	120,864
Bank loan	62,500	-
	295,513	121,138
Non-current liabilities		
Bank loan	187,500	250,000

<u>Bank loan</u>

On 26 November 2021, the Company entered into an Acquisition Facility Agreement of USD 250,000,000 green term loan with bank, which has been fully drew down by the Company and carries interest rate at standard market reference rate plus margin 1.2% (2022 : 1.2%) and spread adjustment (2022 : nil). The loan is secured by guarantee of intermediate holding company, Reliance New Energy Limited and is repayable in 4 equal repayment instalments in 2024-2027.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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12 Loans and borrowings (cont'd)

Working capital facility

Working capital facility is unsecured borrowing facilities with banks which carry interest rate at standard market reference rate plus margin of under 1% and repayable on demand.

As at 31 December 2023, the Company has utilised unsecured borrowing facilities with banks for acceptance on account of import of letter of credit and others USD 20,900,000 (2022 : USD 24,121,0000).

As at 31 December 2023, the Company has available USD 6,700,000 (2022 : USD 90,000,000) of undrawn uncommitted working capital facility excluding letter of credits in respect of which all conditions precedent had been met.

Bank overdrafts

Bank overdrafts are repayable on demand and carries an interest rate of 0.85% (2022 : 0.75%) plus standard market reference rate.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities		
	Loans and borrowings (Note 12)	**Lease liabilities (Note 22)**	**Total**
	USD'000	**USD'000**	**USD'000**
Balance at 1 January 2023	371,138	340,951	712,089
Changes from financing cash flows			
Proceeds from bank borrowings	414,303	-	414,303
Repayment of bank borrowings	(302,777)	-	(302,777)
Payment of lease liabilities	-	(10,646)	(10,646)
Interest paid	(28,286)	(11,147)	(39,433)
Total changes from financing cash flows	83,240	(21,793)	61,447
Other changes			
Liabilities-related			
New leases	-	110	110
Interest expense	28,635	11,147	39,782
Currency effect	-	6,439	6,439
Total other changes	28,635	17,696	46,331
Balance at 31 December 2023	483,013	336,854	819,867

REC SOLAR PTE. LTD.

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12 Loans and borrowings (cont'd)

	Liabilities		
	Loans and borrowings (Note 12)	Lease liabilities (Note 22)	Total
	USD'000	USD'000	USD'000
Balance at 1 January 2022	281,376	348,369	629,745
Changes from financing cash flows			
Proceeds from bank borrowings	286,213	-	286,213
Repayment of trade financing	(9,065)	-	(9,065)
Repayment of bank borrowings	(187,584)	-	(187,584)
Payment of lease liabilities	-	(8,777)	(8,777)
Interest paid	(18,761)	(12,175)	(30,936)
Total changes from financing cash flows	70,803	(20,952)	49,851
Other changes			
Liabilities-related			
New leases	-	235	235
Interest expense	18,959	12,175	31,134
Currency effect	-	1,124	1,124
Total other changes	18,959	13,534	32,493
Balance at 31 December 2022	371,138	340,951	712,089

13 Provisions

	31 December 2023	31 December 2022
	USD'000	USD'000
Non-current	13,019	13,621

Movements in warranty provisions between periods:

	Warranties
	USD'000
At 1 January 2023	13,621
Charged to profit or loss during the year:	
- Reversal of provisions	(223)
- Utilisation	(379)
At 31 December 2023	13,019
At 1 January 2022	11,600
Charged to profit or loss during the year:	
- Additional provisions	2,404
- Utilisation	(383)
At 31 December 2022	13,621

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NOTES TO FINANCIAL STATEMENTS
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13 Provision (cont'd)

On 10 January 2019, the Company completed the sale and leaseback transaction of its land and buildings, and hence the site restoration provision to restore the land to its original vacant condition was no longer required. Under the new lease arrangement reached with buyer of the land and buildings, the Company has the obligation to reinstate the manufacturing plant to the original condition as of the inception of the lease agreement. Owing to the Company's regular upkeep and maintenance of the manufacturing plant, the Company does not see a need to create any further site restoration obligation.

Warranties are primarily product and power output warranties related to the sale of solar panels. During the year, upon re-assessment of the Company's warranty obligation, by considering the "new warranty" arrangement (refer to Note 4c), and there are no significant change in the assumption used in quantitative loss simulation model.

14 Trade and other payables

	31 December 2023	31 December 2022
	USD'000	USD'000
Trade payables	31,489	66,602
Amount due to related companies (Note 27)		
- Trade	64,252	-
Amount due to immediate holding company (Note 27)		
- Non-trade	8	33
Amount due to intermediate holding company (Note 27)		
- Non-trade	-	4,121
Amount due to related companies (Note 27)		
- Non-trade	91	281
Amount due to subsidiaries (Note 27)		
- Non-trade	501	205
Other payables	1,606	2,482
Accrued expenses	13,752	19,284
	111,699	93,008

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

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

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

In 2022, amount due to intermediate holding company was accrual of commission on corporate guarantee fee.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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15 Contract liabilities

	31 December 2023	31 December 2022
	USD'000	USD'000
Advance billings	-	-

The contract liabilities relate to advance billings for solar panels ordered by customers, prior to delivery.

Significant changes in contract liabilities balance during the year are as follows:

	2023	2022
	USD'000	USD'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	(14,496)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-

16 Government grants

	2023	2022
	USD'000	USD'000
Grants related to assets, recognised in the statement of financial position	4,040	535
Grants related to income (reduction of employee benefits expenses, raw materials and consumables and other operating expenses), recognised in the statement of comprehensive income	818	817

The above government grants awarded to the Company, include other support efficiency improvement and research initiatives undertaken by the Company.

17 Revenue

The Company manufactures and sells solar panels. The Company typically fulfils its performance obligations in accordance with the terms and conditions stated in the contract (i.e. when the control of a promised good is passed to the customer in accordance with incoterms).

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

17 Revenue (cont'd)

Disaggregation of revenue by geographical markets is as follows:

	2023 USD'000	2022 USD'000
USA	331,184	416,018
Germany	61,890	133,073
Australia/New Zealand	23,995	38,077
Japan	1,469	2,671
India	11,049	2,591
Thailand	6	1,469
Domestic	2,532	4,854
Sri Lanka	1,101	380
China/Hong Kong	2,994	13,640
Bangladesh	246	122
Philippines	206	961
Taiwan	268	5,975
Oman	54	-
Seychelles	30	-
South Africa	-	114
Jordan	-	83
Vietnam	-	42
French Polynesia	-	176
Pakistan	-	255
	437,024	620,501

Revenue is recognised at a point of time when control over goods is transferred to the customers. Significant payment terms are disclosed in Note 9.

The Company generated 81% (2022 : 79%). of its total revenue from sales of solar panels to related companies and the ultimate holding company.

The external customers of the Company are international corporations dispersed all over the world. 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 9 and Note 23 under credit risk disclosure.

In the event where there are quality issues with the solar panel or claims against the Company's panels not reaching warranted efficiency levels, these amounts are being net off against warranty provision. Information about warranty provision is presented in Note 4.1(c) and Note 13.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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18 Other operating income

	2023	2022
	USD'000	USD'000
Technical support services to a related company (Note 27)	16,289	9,043
Royalty fee	-	4,638
Management fee from related companies (Note 27)	-	6,698
Reimbursement of expenses from a related company (Note 27)	4,404	-
Others	54	604
	20,747	20,983

Technical support services income is earned from a related company for rendering technical services on manufacturing and technology support.

19 Other operating expenses

	2023	2022
	USD'000	USD'000
Repair and maintenance expenses	4,592	4,359
Professional fees	5,130	9,226
Property tax	3,896	4,111
IT expenses	3,256	3,177
Impairment loss on financial assets	3,914	3,000
Insurance	1,814	1,822
Handling and storage cost	4,171	1,880
Others	12,133	7,478
	38,906	35,053

The Company incurred an impairment loss of USD3,914,000 (2022 : Nil), which pertains to the write-off of a balance associated with one of its related company during the current year. In 2022, the impairment loss derived from revaluation of equipment related to receivable for the purpose of refund arrangements.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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20 Finance income and expenses

	2023 USD'000	2022 USD'000
Loan interest income due from immediate holding company (Note 27)	12,589	5,175
Interest income from bank deposit	10	6
Gain on revaluation of forward exchange contracts and spot contracts	1	-
Other finance income	23	-
Finance income	12,623	5,181

	2023 USD'000	2022 USD'000
Interest expense due to bank loan	(29,010)	(14,246)
Interest expense due to lease liabilities	(11,147)	(12,175)
Corporate guarantee commission due to an intermediate holding company (Note 27)	(5,147)	(4,713)
Loss on revaluation of forward exchange contracts and spot contracts	-	(495)
Net foreign currency exchange loss	(6,588)	(2,255)
Finance expenses	(51,892)	(33,884)
Net finance expenses recognised in profit or loss	(39,269)	(28,703)

21 Income tax

	2023 USD'000	2022 USD'000
Tax expenses comprises:		
Current tax expenses	-	-
Deferred tax credits (Note 24)	1,000	-
	1,000	-

With effect from 1 January 2018, the Company terminated its pioneer status certificate for business activities relating to the manufacturing and sale of solar panels for the solar industry. The reconciliation between the income tax expense and the loss before taxation at the applicable corporate tax rate for the year ended 31 December 2023 and 2022 is as follows:

REC SOLAR PTE. LTD.

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Year ended 31 December 2023

21 Income tax (cont'd)

Reconciliation of effective tax rate

	2023	2022
	USD'000	USD'000
Loss before tax	(159,247)	(10,498)
Tax benefit calculated using Singapore tax rate of 17% (2022 : 17%)	(27,072)	(1,785)
Non-deductible expenses	12,213	11,415
Tax exempt income	(2,142)	(881)
Tax effect of utilisation of tax losses not previously recognised	-	(8,749)
Tax effect of unrecognized and unused tax losses not recognised as deferred tax asset	17,001	-
Tax effect of previously unrecognized and unused tax losses now recognised as deferred tax assets	(1,000)	-
	(1,000)	-

The Company has no current tax exposure in relation to the OECD Pillar Two Model Rules because the Pillar Two legislation is not yet effective at the reporting date. The Company has applied the temporary exception to deferred tax disclosure and recognition as provided in the amendments to FRS 12 '*Income Taxes': International Tax Reform - Pillar Two Model Rules*. Based on preliminary assessments of potential future exposure, the financial impact is expected to be not material.

22 Leases

Company as a lessee of land and buildings

On 10 January 2019, the Company completed the sale and leaseback of its land and buildings located at Tuas South Avenue 14, Singapore, 637312, with carrying amount of USD 396,566,000, for a consideration of SGD 585,000,000 (equivalent of USD 429,595,000). The Company evaluated the sale of its land and buildings as a 'true sale' within the requirements of FRS 115.

On the same date, the Company measured the right-of-use assets arising from the leaseback of buildings at the proportion of the previous carrying amount of the buildings that related to the right-of-use retained by the Company, which is USD 316,684,000. Following the requirements of FRS 116 *Leases,* the gain on sale of building had been allocated between the Company and the Buyer-lessor.

The sale and leaseback transaction also contains extension options exercisable by the Company before the end of the non-cancellable lease period. As the rents embedded in these extension options are set at prevailing market rates, these extension options are not reasonably certain to be exercised. Accordingly, the measurement of the right-of-use assets and lease liabilities excludes the extension of lease periods.

On 28 November 2021, the Company entered into supplemental lease agreement with the landlord to amend the Principal Lease, which resulted in lease payments over the remaining lease period revised. Lease payments were fixed over the remaining period of lease based on agreement.

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NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

22 Leases (cont'd)

The supplemental lease agreement also released: 1) REC Solar Holdings AS from its obligation under the Corporate Guarantee dated 10 January 2019, 2) Credit Agricole Corporate & Investment Bank, Singapore Branch of bank guarantee dated 26 November 2020.

The supplemental lease agreement also requires the Company to furnish 1) two bankers guarantee totalling SGD 460,000,000 and 2) Banker's guarantee instead of cash payment for security deposit.

The Company's weighted average incremental borrowing rate of 3% (2022 : 3%) is used for calculation of right-of-use assets and lease liabilities of related leaseback of land and buildings at time of lease modification.

Company as a lessee of other assets

The Company has lease contracts for certain other assets, mainly office, transportation and IT equipment.

The Company also leases certain plant and equipment with lease terms of 12 months or less and leases other low value assets. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and continues recognising these leases as operating leases in 2023 (2022: operating leases).

(a) Net Carrying amounts of right-of-use assets classified within property, plant and equipment

	Buildings	Machinery and equipment	Office and IT equipment	Transportation equipment	Total
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Net carrying amount:					
At 1 January 2022	279,223	1,256	52	66	280,597
Additions	-	218	-	21	239
Transfer between asset categories*	-	(1,085)	-	-	(1,085)
Depreciation charge for the year	(16,630)	(252)	(26)	(47)	(16,955)
At 31 December 2022	262,593	137	26	40	262,796
At 1 January 2023	262,593	137	26	40	262,796
Additions	-	29	81	-	110
Depreciation charge for the year	(16,630)	(120)	(36)	(26)	(16,812)
Disposal	-	(3)	(7)	-	(10)
At 31 December 2023	245,963	43	64	14	246,084

* The Company transferred certain machinery and equipment previously held under hire purchase agreements from right-of-use assets to owned assets at the end of lease term.

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NOTES TO FINANCIAL STATEMENTS
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22 Leases (cont'd)

(b) Lease liabilities

	1 December 2023	31 December 2022
	USD'000	USD'000
Maturity analysis:		
Year 1	26,343	21,388
Year 2	26,694	26,263
Year 3	27,063	26,365
Year 4	27,400	26,683
Year 5	27,727	27,004
More than Year 5	280,691	303,208
Less: Unearned interest	(79,064)	(89,960)
	336,854	340,951
Analysis as:		
Current	16,134	10,474
Non-current	320,720	330,477
	336,854	340,951

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

(c) Amounts recognised in statement of profit or loss and other comprehensive income

	2023	2022
	USD'000	USD'000
Depreciation of right-of-use assets	16,812	16,955
Interest expense on lease liabilities (Note 20)	11,147	12,175
Lease expense relating to short-term leases and low value items	339	347
Total amount recognised in statement of comprehensive income	28,298	29,477

(d) Total cash outflows

During the financial year, the Company had total cash outflows for leases amounted to USD21,793,000 (2022 : USD20,952,000).

<u>Company as a lessor</u>

The Company does not have any lease contracts where the Company participates as a lessor as at and during the year ended 31 December 2023 and 2022.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

23 Financial risk management

Overview

The Company has exposure to the following risks from use of its financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables owing from customers, amounts due from related corporations and cash and cash equivalents.

The carrying amounts of financial assets represent the Company's maximum exposure to credit risk, before taking any collateral held.

The Company held cash and cash equivalents of USD5,847,000 at 31 December 2023 (2022 : USD2,684,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA-, based on Standard & Poor's ratings.

The amount of the allowance on cash and cash equivalents is negligible.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company does not require collateral in respect of trade receivables. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

Trade receivables

The Company's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customers base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

The Company does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to customers did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Exposure to credit risk

The exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount	
	2023	**2022**
	USD'000	**USD'000**
Australia/New Zealand	5,474	10,215
United States	1,038	12,858
India	191	1,179
Thailand	-	723
Bangladesh	-	51
Domestic	1,227	-
Sri Lanka	91	63
Oman	54	-
Others	424	862
	8,499	25,951

Trade receivables that are past due and not impaired

Of the total trade receivables of USD8,499,000 (2022 : USD25,951,000), USD1,724,000 (2022 : USD2,930,000) were past due and not impaired at the balance sheet date.

The following table provides information about the exposure to credit risk and estimated ECL allowance for trade receivables as of 31 December 2023.

	2023			
	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
	%	**USD'000**	**USD'000**	
Current (not past due)	-	6,775	-	No
Past due: 1 - 30 days	-	900	-	No
Past due: 31 - 60 days	-	814	-	No
Past due: 61-90 days	-	1	-	No
More than 90 days past due	98	475	(466)	Yes
		8,965	(466)	

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

	2022			
	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
	%	**USD'000**	**USD'000**	
Current (not past due)	-	23,021	-	No
Past due: 1 - 30 days	-	2,080	-	No
Past due: 31 - 60 days	-	295	-	No
Past due: 61-90 days	-	331	-	No
More than 90 days past due	67	689	(465)	Yes
		26,416	(465)	

Except for the impaired financial assets, the Company believes that all the trade receivables are collectible, based on historic payment behaviour and extensive analyses of the underlying counterparties' credit ratings. Hence, no ECL allowance is necessary in respect of these remaining overdue trade receivables.

Movements in allowance for the impairment allowances are as follows:

	USD'000
At 1 January 2023	(465)
- Foreign exchange	(1)
At 31 December 2023	(466)
At 1 January 2022	(473)
- Foreign exchange	8
At 31 December 2022	(465)

The Company has intercompany loans due from immediate holding company of USD240,449,000 (2022 : USD165,239,136). Management has used a general 12-month approach in assessing the credit risk associated with these intercompany loans. The intercompany loans are re-assessed by management annually and, if required, extended for additional year with corresponding revision of key terms and interest rates which are on arms-length and compliant with tax and transfer pricing regulations. Management assessed the risk of non-payment of these intercompany loans as low, by reference to the counterparties' liquidity and financial positions, product sales and their business performances. Recoverability of intercompany loans from immediate holding company is implicitly supported by the intermediate holding company and ultimate holding company. As such, no significant ECL allowance has been recognised at the reporting date (2022 : NIL).

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NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company is using a combination of the cash inflows from the financial assets and the available bank facilities to manage the liquidity.

The Company has access to financing facilities of which USD6.7 million (2022 : USD 90 million) were unused at the reporting date.

The Company expects to meet its obligations from operating cash flows and proceeds of maturing financial assets. Refer to Note 1 for further disclosures on going concern.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

The Company monitors its liquidity risk and maintains a level of cash in hand deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Interest rate	Cash flows: Contractual cash flows	Within 6 months/ on demand	Within 6 months to 1 year	From 1 to 5 years	More than 5 years
	USD'000	%	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2023							
Non-derivative financial liabilities							
Trade and other payables [a]	111,699		(111,699)	(111,699)	-	-	-
Bank loans and borrowings	483,013	6.15-6.67	(529,917)	(247,954)	(70,491)	(211,472)	-
Lease liabilities	336,854	3 to 6	(416,237)	(13,349)	(13,274)	(108,923)	(280,691)
	931,566		(1,057,853)	(373,002)	(83,765)	(320,395)	(280,691)

[a] excluding current derivatives and value-added taxes

	Carrying amount	Interest Rate	Cash flows: Contractual cash flows	Within 6 months/ on demand	Within 6 months to 1 year	From 1 to 5 years	More than 5 years
	USD'000	%	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2022							
Non-derivative financial liabilities							
Trade and other payables [a]	93,008		(93,008)	(93,008)	-	-	-
Bank loans and borrowings	371,138	5.12-5.58	(423,705)	(69,337)	(69,470)	(284,898)	-
Lease liabilities	340,951	3 to 9	(431,266)	(10,616)	(11,045)	(106,397)	(303,208)
	805,097		(947,979)	(172,961)	(80,515)	(391,295)	(303,208)

[a] excluding current derivatives and value-added taxes

REC SOLAR PTE. LTD.

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Year ended 31 December 2023

23 Financial risk management (cont'd)

Market risk

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

Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to significant foreign currency risks are primarily Singapore dollar, Japanese yen, Australian dollar and Euro.

The Company's exposures to foreign currencies are as follows:

	Singapore Dollar	Japanese Yen	Australian Dollar	Euro
	USD'000	USD'000	USD'000	USD'000
31 December 2023				
Cash and cash equivalents	4,772	190	-	182
Trade and other receivables	3,839	-	-	-
Trade and other payables	(21,122)	(590)	(65)	(10,848)
Lease liabilities	(336,854)	-	-	-
	(349,365)	(400)	(65)	(10,666)
31 December 2022				
Cash and cash equivalents	1,207	3	-	1,402
Trade and other receivables	4,174	-	16	12,353
Trade and other payables	(30,314)	(1)	(1,625)	(9,452)
Lease liabilities	(340,951)	-	-	-
	(365,884)	(2)	(1,609)	4,303

Sensitivity analysis

A 10% strengthening of USD against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2023	2022
	USD'000	USD'000
Singapore dollar	34,937	36,588
Japanese yen	40	-
Australian dollar	7	161
Euro	1,067	(430)
	36,051	36,319

A 10% weakening of USD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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23 Financial risk management (cont'd)

Interest rate risk

At 31 December, the interest rate profile of the Company's interest-bearing financial instruments, as reported was as follows:

	Nominal amount	
	2023	**2022**
	USD'000	**USD'000**
Variable rate instruments		
Financial assets	240,449	165,239
Financial liabilities	(483,013)	(371,136)
	(242,564)	(205,897)

Cash flow sensitivity for variable rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	50bp increase	**50bp decrease**
	USD'000	**USD'000**
31 December 2023		
Variable rate instruments	(1,213)	1,213
Cash flow sensitivity (net)	(1,213)	1,213
31 December 2022		
Variable rate instruments	(1,029)	1,029
Cash flow sensitivity (net)	(1,029)	1,029

During the year, the Company has transited from London Interbank Offering Rate (LIBOR) interest rate benchmark which is subject to interest rate benchmark reform ('IBOR') to the forward-looking term SOFR (Secured Overnight Financing Rate) reference rate. The exposures arise on non-derivative financial liabilities (e.g bank borrowings) referenced to TERM SOFR (2022 : LIBOR).

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

Accounting classification and fair values

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

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. For financial assets and liabilities with a maturity of more than one year, (including trade and other receivables and loans and borrowings), given that these financial instruments are repayable upon demand or subject to floating interest rates, the carrying amount of the financial instruments is generally a reasonable approximation of fair value. The carrying amount for loans and borrowings is disclosed in Note 12.

		Carrying amount			Fair value			
	Note	Mandatorily at FVTPL -others	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2023								
Financial assets								
Foreign exchange forward contracts	9	-	-	-	-	-	-	-
Trade and other receivables*	9	-	266,499	266,499	-	-	-	-
Cash and cash equivalents		-	5,847	5,847	-	-	-	-
			272,346	272,346				
31 December 2022								
Financial assets								
Foreign exchange forward contracts	9	33	-	33	-	33	-	33
Trade and other receivables*	9	-	241,405	241,405	-	-	-	-
Cash and cash equivalents		-	2,684	2,684	-	-	-	-
		33	244,089	244,122				

* excluding current derivatives and VAT

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

		Carrying amount			Fair value			
	Note	**Mandatorily at FVTPL -others**	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
31 December 2023								
Financial Liabilities								
Loans and borrowings		-	(483,013)	(483,013)		(483,013)	-	(483,013)
Trade and other payables		-	(111,699)	(111,699)		-	-	-
		-	(594,712)	(594,712)				
31 December 2022								
Financial Liabilities								
Loans and borrowings	12	-	(371,138)	(371,138)	-	(371,138)	-	(371,138)
Trade and other payables	14	-	(93,008)	(93,008)	-	-	-	-
		-	(464,146)	(464,146)				

* excluding current derivatives

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NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2023

23 Financial risk management (cont'd)

The fair value hierarchy of foreign exchange forward contracts is level 2. Market values of these derivatives are calculated using mid-rates (excluding margins) as determined by the banks where the derivatives contracts are entered with, based on available market rates at present.

The fair values of trade and other receivables, cash and cash equivalents, loans due from/to related corporations and trade and other payables approximate their respective carrying values in the statement of financial position due to the short-term contractual maturity of these items.

There has no contractual cash flows in foreign exchange forward contracts as at 31 December 2023.

The contracted cashflows in foreign exchange forward contracts as at 31 December 2022 are as below:

		FX Forward Nominal amount '000
Bought SGD currency (and sold USD currency)	SGD	2,679

The table above shows undiscounted contractual currency amounts by year of maturity. Positive amounts are the principal amount of the first currency mentioned bought forward with payment of the second currency.

The table below shows the same contracts, but summarises the future currency exposure in total for the undiscounted contractual cash flows in foreign exchange forward contracts at 31 December 2022.

Future currency exposure, bought currency (+), sold currency (-) for the year ended 31 December 2022

	2022 '000
USD/SGD	(1,987)
Total	(1,987)

At 31 December 2022, the Company had estimated net negative cash flows in SGD. The Company is economically hedging parts of these cash flows by entering into derivative transactions purchase of SGD.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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23 Financial risk management (cont'd)

Fair value of foreign exchange forward contracts as at 31 December 2022

		FX Forward
		USD'000
Sold SGD currency (and bought USD currency)	SGD/USD	33

The table above shows a specification of fair values equalling carrying amounts at 31 December 2022 of currency derivatives distributed by currency and year of maturity, where the Company has the flexibility to realise the currency derivatives at any point in time before maturity.

24 Deferred tax assets

	2023	2022
	USD'000	USD'000
At beginning of year	-	-
Recognised in profit or loss during the year (Note 21)	1,000	-
At end of year	1,000	-

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

	Tax losses
	USD'000
At 1 January and 31 December 2022	-
Charge to profit or loss	1,000
At 31 December 2023	1,000

Subject to the agreement by the tax authorities, at the reporting date, the Company has unused tax losses, capital allowance and other temporary differences of USD1,418,439,548 (2022 : USD1,296,290,188) available for offset against future profits. A deferred tax asset has been recognised in respect of USD5,882,353 (2022 : Nil) of the unutilised tax loss based on management assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilized. No deferred tax asset has been recognised in respect of the remaining USD1,412,557,195 (2022 : USD1,296,290,188) of tax losses as it is not considered probable that there will be future taxable profits available. The unused tax losses, capital allowance and other temporary differences may be carried forward indefinitely subject to the conditions imposed by law included the retention of majority shareholders as defined.

As disclosed in Note 2(c), the Company had not previously recognised deferred tax for leases on an aggregate temporary difference basis as the Company is in a tax loss position and hence this was not material to the Company.

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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25 Merger Reserve

Merger reserve represents components of equity of the amalgamated entities at the date of amalgamation in the previous years.

26 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is set out as follows:

	2023	2022
	USD'000	USD'000
Capital commitments in respect of machinery and equipment under construction	7,136	28,400

Purchase commitments

Purchase commitments contracted for at the balance sheet date but not recognised in the financial statements are set out as follows:

	2023	2022
	USD'000	USD'000
Purchase commitments for utilities, contract manufacturing and goods purchase	118,528	113,420

27 Related parties

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:

	2023	2022
	USD'000	USD'000
Salary and other short-term benefits	5,380	4,540
Post-employment benefits	111	722
	5,491	5,262

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

REC SOLAR PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
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27 Related parties (cont'd)

Holding company and related party company transactions

REC Solar Holdings AS, incorporated in Norway is the immediate holding company. Reliance New Energy Limited and Reliance Industries Limited is the intermediate holding company and ultimate holding company, respectively both companies are incorporated in India.

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

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

	2023	2022
	USD'000	USD'000
Ultimate Holding Company		
Sale of solar panels	(7,000)	-
Immediate Holding Company		
Loan interest income	(12,589)	(5,175)
Royalty fee	-	(4,638)
Recovery of operating expenses	36	38
Intermediate Holding Company		
Corporate guarantee commission	5,147	4,713
Related Companies		
Sale of solar panels	(346,280)	(487,474)
Technical services	(16,289)	(9,043)
Reimbursement of expenses	(4,404)	-
Management fee	-	(6,698)
Recovery of operating expenses	526	332
Payment on behalf	599	444
Purchase of services	7	-
Subsidiaries		
Purchase of materials	-	3,459
Recovery of operating expenses	1,725	1,234
Payment on behalf	(12)	(770)

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28 Others

The Company has identified certain unauthorised activities perpetrated by a former employee ("Incident") of the Company during the period from June 2021 to July 2022. The Company has formed an internal Board of Inquiry comprising of the Senior Management team to review the circumstances (the "internal investigation") of these unauthorised activities. The Board of Inquiry has completed its internal investigation, and has reported this Incident to an independent government agency for further investigation. As of the date of this report, the investigation of this Incident is still ongoing. Following the Management's assessment, the Company has determined that there are no potential financial impact (including potential contingent liabilities) to the Company.

29 Subsequent events

On 14 January 2024, REC Solar Norway AS entered into an agreement with REC Solar Pte Ltd for the sale of certain intellectual property belonging to REC Solar Norway AS for an aggregate consideration of USD1.36 million.

In February 2024, the parent company, Reliance New Energy Limited has agreed to inject a total of USD 45,178,987 in a preference share issuance of REC Solar Holdings AS. The proceeds are paid to the Company and offset against amount due to the Company.