

**Suzlon Wind Energy South Africa
Proprietary Limited**

(Registration number 2010/017784/07)

**Annual Financial Statements
for the year ended 31 March 2019**

Suzlon Wind Energy South Africa Proprietary Limited

(Registration number 2010/017784/07)

Annual Financial Statements for the year ended 31 March 2019

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Maintenance of renewable energy assets and wind turbines.
Directors	F.H.J. Visscher P.F. Soares
Registered office	Cookhouse Wind Farm The Farms, Zure Kop (1&2) Arolsen Cookhouse 5820
Postal address	Private Bag 6 Somerset East 5850
Bankers	Standard Bank of South Africa Limited
Auditors	PKF (PE) Inc. Registered Auditors Chartered Accountants (SA)
Company registration number	2010/017784/07
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently compiled by: M.C. Daverin CA (SA)

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STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and the report is presented on pages 4 to 6.

The annual financial statements set out on pages 7 to 41, which have been prepared on the going concern basis, were approved and signed by the directors on 10 May 2019.



P.F. Soares



F.H.J. Viescher

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Suzlon Wind Energy South Africa Proprietary Limited**Opinion**

We have audited the financial statements of Suzlon Wind Energy South Africa Proprietary Limited set out on pages 8 to 41, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Suzlon Wind Energy South Africa Proprietary Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 23 in the financial statements, which indicates that, at 31 March 2019, the company's liabilities exceeded its total assets by R514 220 340. As stated in note 23, these events or conditions, along with other matters as set forth in note 23, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the directors' report as required by the Companies Act of South Africa and the supplementary information set out on pages 42 to 44. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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.

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B-BBEE Status Level 3 • IRBA Reg No 930709E

PKF (PE) Inc. • Registered Auditors • Chartered Accountants (SA) • A member of PKF International Ltd • Reg No 2002/004678/21
Directors • DJ Robertson • L Battle • MC Daverin • J du Preez • S Kerr • M Mohamed • LD van Goeverden • GP van Zyl
Office Manager • T Botes

PKF (PE) Inc. is a member firm of the PKF South Africa Inc. and PKF International Limited family of legally independent firms. Neither PKF (PE) Inc. nor PKF South Africa Inc. accept any responsibility or liability for the actions or inactions on the part of any other individual member or correspondent firm or firms.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



chartered accountants
& business advisers

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.

PKF

PKF (PE) Inc.
Chartered Accountants (SA)
Registered Auditors

Director: G.P. van Zyl CA (SA)
Registered Auditor

Port Elizabeth

10 May 2019

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DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

The company is engaged in maintenance of renewable energy assets and wind turbines. The company principally operates in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in the directors' opinion require any further comment.

2. Going concern

The directors have reviewed the company's cash flow forecast for the next 12 months to 31 March 2020 and in light of this review and the current financial position, they are satisfied that the company has reasonable prospects to continue in operational existence for the foreseeable future. Refer to note 23 in the financial statements regarding the going concern uncertainty of the company.

3. Events after the reporting period

The directors are not aware of any material fact or circumstance arising between the end of the financial year and the date of this report that would require adjustments to the annual financial statements.

4. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

5. Dividends

No dividends were declared or paid to the shareholders during the year under review.

6. Directors

The directors of the company during the year and to the date of this report are as follows:

	Changes
F.H.J. Visscher	
S.M. Zimu	Resigned 19 September 2018
P.F. Soares	Appointed 30 April 2018

7. Secretary

The company had no secretary during the year.

8. Holding company

The company's holding company is Suzlon Energy Limited incorporated in Mauritius.

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 R	2018 R
Assets			
Non-Current Assets			
Property, plant and equipment	3	299 852	410 684
Loan to shareholder	4	630 000	-
		929 852	410 684
Current Assets			
Inventories	6	14 393 050	14 457 909
Loan to shareholder	4	70 000	-
Loans receivable		30 000	-
Trade and other receivables	7	72 475 873	75 856 622
Cash and cash equivalents	8	45 331 451	48 203 390
		132 300 374	138 517 921
Total Assets		133 230 226	138 928 605
Equity and Liabilities			
Equity			
Share capital	9	5 000 200	5 000 200
Accumulated loss		(519 220 540)	(463 179 847)
		(514 220 340)	(458 179 647)
Liabilities			
Non-Current Liabilities			
Loans from group companies	10	489 299 157	424 502 215
Provisions	11	-	11 200 000
		489 299 157	435 702 215
Current Liabilities			
Trade and other payables	12	146 951 409	144 606 037
Provisions	11	11 200 000	16 800 000
		158 151 409	161 406 037
Total Liabilities		647 450 566	597 108 252
Total Equity and Liabilities		133 230 226	138 928 605

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STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 R	2018 R
Revenue	13	24 500 001	24 567 548
Cost of services		(8 584 711)	(13 162 212)
Gross profit		15 915 290	11 405 336
Other income		44 016	18 916
Operating expenses		(60 512 353)	(13 866 706)
Operating loss	14	(44 553 047)	(2 442 454)
Investment revenue	16	296 775	454 831
Finance costs	17	(11 784 421)	(11 952 305)
Loss for the year		(56 040 693)	(13 939 928)

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STATEMENT OF CHANGES IN EQUITY

	Share capital R	Share premium R	Total share capital R	Accumulated loss R	Total equity R
Balance at 1 April 2017	250	4 999 950	5 000 200	(449 239 919)	(444 239 719)
Loss for the year	-	-	-	(13 939 928)	(13 939 928)
Balance at 1 April 2018	250	4 999 950	5 000 200	(463 179 847)	(458 179 647)
Loss for the year	-	-	-	(56 040 693)	(56 040 693)
Balance at 31 March 2019	250	4 999 950	5 000 200	(519 220 540)	(514 220 340)
Note	9	9	9		

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STATEMENT OF CASH FLOWS

	Notes	2019 R	2018 R
Cash flows from operating activities			
Cash generated from operations	19	2 740 566	10 053 438
Interest income		296 775	454 831
Finance costs		-	(384)
Net cash from operating activities		3 037 341	10 507 885
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(83 296)	(76 277)
Movement in loans to group companies		(5 095 984)	26 115 796
Loans advanced		(30 000)	-
Net cash from investing activities		(5 209 280)	26 039 519
Loan advanced to shareholder		(700 000)	-
Net cash from financing activities		(700 000)	-
Total cash movement for the year		(2 871 939)	36 547 404
Cash and cash equivalents at the beginning of the year		48 203 390	11 655 986
Total cash and cash equivalents at the end of the year	8	45 331 451	48 203 390

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ACCOUNTING POLICIES

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and, and the Companies Act of South Africa.

The annual financial statements have been prepared on the historical cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

The accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The 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.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Taxation

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	4 years
Computer equipment	Straight line	5 years
Furniture and fixtures	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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ACCOUNTING POLICIES

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:

- Amortised cost.

Note 22 presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loan to shareholder and loans receivable are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

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ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

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

Definition of default

For purposes of internal credit risk management purposes, the company consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the company considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

Should the party default and renegotiations have not taken place, then the loan would enter the non-performing stage and the lifetime ECL will be written off.

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or the business rescue plan failed. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk manage note (note 22).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, except for trade receivables which does not contain a significant financing component.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

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ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 7.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

Should the party default and renegotiations have not taken place, then the loan would enter the non-performing stage and the lifetime ECL will be written off.

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or the business rescue plan failed. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk related to trade and other receivables are included in the specific notes and the financial instruments and risk management note (note 22) and the trade and other receivables note (note 7).

Borrowings and loans from related parties

Classification

Loans from group companies and borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from group parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

Interest expense, calculated on the effective interest rate method, is included in profit or loss in finance costs

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1.4 Financial instruments (continued)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables excluding amounts received in advance and payroll accruals are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest rate method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables note (note 12).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

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ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

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

Financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.5 Financial instruments: IAS 39 comparatives

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

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ACCOUNTING POLICIES

1.5 Financial instruments: IAS 39 comparatives (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest rate method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

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1.6 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

Any contingent rentals are expensed in the period they are incurred.

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ACCOUNTING POLICIES

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on a First-in-First-out (FIFO) basis.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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ACCOUNTING POLICIES

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted.

1.12 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.13 Revenue from contracts with customers

The company recognises service revenue from the following major source:

- Maintenance contracts

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it has completed its contractual obligations in relation to services rendered to a customer.

1.14 Revenue

Revenue from operation and maintenance contracts are recognised pro rata over the period of the contract as and when the services are rendered. Revenue is stated at the invoice amount and is inclusive of value added taxation.

Interest is recognised, in profit or loss, using the effective interest rate method.

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1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where the asset is a qualifying asset, in which case the borrowing costs are capitalised.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 applicable to the company:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

The effective date of the standard is for years beginning on or after 1 January 2018.

The company has adopted the standard for the first time in the 2019 annual financial statements.

The impact of the standard is not material.

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2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The company has adopted the standard for the first time in the 2019 annual financial statements.

The impact of the standard is not material.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The company has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

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2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after 1 January 2019.

The company expects to adopt the standard for the first time in the 2020 annual financial statements.

This could have a material impact on the company's annual financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	446 134	(321 157)	124 977	362 838	(230 147)	132 691
Furniture and fixtures	143 913	(93 044)	50 869	143 913	(64 437)	79 476
Computer equipment	400 602	(276 596)	124 006	400 602	(202 085)	198 517
Total	990 649	(690 797)	299 852	907 353	(496 669)	410 684

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Plant and machinery	132 691	83 296	(91 010)	124 977
Furniture and fixtures	79 476	-	(28 607)	50 869
Computer equipment	198 517	-	(74 511)	124 006
	410 684	83 296	(194 128)	299 852

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Plant and machinery	212 961	-	(80 270)	132 691
Furniture and fixtures	48 724	53 300	(22 548)	79 476
Computer equipment	248 614	22 977	(73 074)	198 517
	510 299	76 277	(175 892)	410 684

4. Loan to shareholder

Suzlon Wind Energy South Africa Employee Empowerment Trust	700 000	-
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The loan is unsecured and interest free, and has the following repayment terms:

- R70 000 prior to the first anniversary of the effective date (19 September 2018);
- a further R70 000 prior to the second anniversary of the effective date;
- a further R140 000 prior to the third anniversary of the effective date;
- a further R140 000 prior to the fifth anniversary of the effective date;
- a further R140 000 prior to the seventh anniversary of the effective date;
- a further R140 000 prior to the ninth anniversary of the effective date.

Non-current assets	630 000	-
Current assets	70 000	-
	700 000	-

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	2019 R	2018 R
5. Deferred tax		
Deferred tax asset		
Warranty provision	3 136 000	7 840 000
Leave pay accrual	142 512	145 430
Increase in tax losses available for set off against future taxable income	114 284 901	108 143 277
Reconciliation of deferred tax asset		
At the beginning of the year	-	-
Decrease in temporary difference on provision for warranty	(4 704 000)	(4 704 000)
(Increase) decrease in temporary difference on leave pay accrual	(2 918)	2 507
Increase in tax loss available for set off against future taxable income	5 783 304	6 718 319
Deferred tax asset not recognised	(1 076 386)	(2 016 826)
	-	-
Potential deferred tax asset	117 563 413	116 128 707
Deferred tax asset provided for	-	-
	117 563 413	116 128 707
<p>The recovery of deferred tax assets is dependent on the generation of sufficient future taxable income. In order to recognise the asset, it must be probable that deductible temporary differences in excess of existing taxable temporary differences will be used.</p> <p>The company does not generate any taxable income and thus the deferred tax asset cannot be recognised.</p>		
6. Inventories		
Stores and spares	14 393 050	14 457 909
<p>This consists of spares and consumables which are used for operational and maintenance services.</p>		
7. Trade and other receivables		
Financial instruments:		
Trade receivables	-	315 719
Provision for credit losses	-	(29 973)
Deposits	942 333	942 333
Project receivable	40 143 110	40 143 110
Advances	31 031 926	33 371 010
Non-financial instruments		
Prepaid expense	86 904	-
VAT	271 600	1 114 423
	72 475 873	75 856 622

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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7. Trade and other receivables (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised	72 117 369	74 742 199
Non-financial instruments	358 504	1 114 423
	72 475 873	75 856 622

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The company's current conditions and forecast of future economic conditions, including historical credit loss experience does not show significantly different loss patterns for different customer segments, as the company only has one contract.

As there are no trade receivables at year end, hence no provision matrix for loss allowances apply to the current year.

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables which would have been past due, past due but not impaired are as follows:

Trade receivables	-	285 746
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The ageing of amounts past due but not impaired is as follows:

1 month past due	-	-
2 months past due	-	-
3 months past due	-	285 746
	-	285 746

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	2019 R	2018 R
7. Trade and other receivables (continued)		
Trade and other receivables impaired		
As at 31 March 2019, trade and other receivables of R - were impaired and provided for.		
The amount of the provision was R29 973 as at 31 March 2018.		
As at 31 March 2019, trade and other receivables of R - (2018: R658 767) were written off in full.		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	29 973	-
Movement in provision for impairment	(29 973)	29 973
	<u>-</u>	<u>29 973</u>
The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above. The company does not hold any collateral as security.		
Fair value of trade and other receivables		
The fair value of trade and other receivables approximates their carrying amounts.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	52 682	3 246
Bank balances	5 135 656	8 057 031
Other cash and cash equivalents	40 143 113	40 143 113
	<u>45 331 451</u>	<u>48 203 390</u>
9. Share capital		
Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
750 unissued ordinary shares are under the control of the directors in terms of a resolution of the shareholders passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Issued		
250 Ordinary shares of R1 each	(250)	(250)
Share premium	(4 999 950)	(4 999 950)
	<u>(5 000 200)</u>	<u>(5 000 200)</u>

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	2019 R	2018 R
10. Loans from group companies		
A E Rotor Holdings BV	(471 569 508)	(410 544 263)
Suzlon Energy BV	(17 729 649)	(13 957 952)
	(489 299 157)	(424 502 215)

The loans are unsecured, bear interest at Euro Libor one year rate plus 300 basis points but not exceeding the base rate of the country of denomination and have no set terms of repayment. These loans are subject to subordination agreements in favour of the creditors of the company, until the assets of the company fairly valued, exceed its liabilities. These loans are therefore deemed long term as they will not be called for in the next 12 months.

11. Provisions

Reconciliation of provisions - 2019

	Opening balance	Utilised during the year	Total
Product warranties	28 000 000	(16 800 000)	11 200 000

Reconciliation of provisions - 2018

	Opening balance	Utilised during the year	Total
Product warranties	44 800 000	(16 800 000)	28 000 000
Non-current liabilities		-	11 200 000
Current liabilities		11 200 000	16 800 000
	11 200 000		28 000 000

The warranty provision represents management's best estimate of the company's liability over a period of 5 years for warranties granted on major components, a transformer and materials for routine operations based on knowledge of the industry and averages for defective equipment.

12. Trade and other payables

Trade payables	143 433 619	141 644 227
Audit fee accrual	195 000	190 000
Accrued leave pay	508 970	519 393
Payroll accruals	239 401	210 749
Accrued expenses	532 752	-
Amounts received in advance	2 041 667	2 041 668
	146 951 409	144 606 037

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	2019 R	2018 R
12. Trade and other payables (continued)		
Categorisation of trade and other payables		
Trade and other payables are categorised as follows in accordance with IFRS 9: Financial Instruments:		
At amortised cost	144 161 371	141 834 227
Non-financial instruments	2 790 038	2 771 810
	146 951 409	144 606 037
Exposure to currency risk		
The company is exposed to currency risk related to trade payables because certain wholesale transactions are denominated in foreign currencies. The currencies in which the company deals primarily are US Dollars and Euros.		
There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.		
The net carrying amounts, in Rand, of trade and other payables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.		
Rand Amount		
Rand	132 792 221	133 635 745
US Dollar	619 005	499 203
Euro	10 750 145	7 699 279
	144 161 371	141 834 227
Foreign currency amount		
US Dollar	42 690	42 690
Euro	660 039	531 040
Rand per unit of foreign currency:		
US Dollar	14.500	11.694
Euro	16.287	14.499

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	2019 R	2018 R
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12. Trade and other payables (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to with regards to trade and other payables. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated trade and other payables and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate

Impact on profit or loss:

US Dollar 19%

Euro 11%

Impact on equity:

US Dollar 19%

Euro 11%

	2019	2018
	Increase	Decrease
	(119 802)	119 802
	(949 499)	949 499
	(86 257)	86 257
	(683 639)	683 639

Exposure to liquidity risk

Refer to note 22 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Fair value of trade and other payables

The fair value of trade and other payables approximate the carrying values.

13. Revenue

Rendering of services

(24 500 001) (24 567 548)

The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:

Opening balance

40 833 333 65 333 333

Recognised during the year

(24 500 000) (24 500 000)

Remaining contract balances

16 333 333 40 833 333

14. Operating loss

Operating loss for the year is stated after accounting for the following:

Loss on exchange differences

52 225 477 6 783 016

Depreciation on property, plant and equipment

194 128 175 892

Employee costs

12 480 084 12 317 202

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	2019 R	2018 R
15. Auditor's remuneration		
Fees	195 000	150 000
Prior years over provision	(10 000)	(34 500)
	185 000	115 500
16. Investment revenue		
Interest revenue		
Bank	296 775	454 831
17. Finance costs		
Group companies	11 783 795	11 951 921
Trade and other payables	19	156
Bank	607	228
	11 784 421	11 952 305
18. Taxation		
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit (loss)	(56 040 693)	(13 939 928)
Tax at the applicable tax rate of 28% (2018: 28%)	(15 691 394)	(3 903 180)
Tax effect of adjustments on taxable income		
Donations	4 200	-
Employee tax incentive	(12 325)	-
Unrealised profit on exchange difference to connected persons	-	(44 183)
Unrealised loss on exchange difference to connected persons	14 623 133	1 930 537
Deferred tax asset not provided for	1 076 386	2 016 826
	-	-

No provision has been made for 2019 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R408 160 361 (2018: R387 505 705).

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	2019 R	2018 R
19. Cash generated from operations		
Loss before taxation	(56 040 693)	(13 939 928)
Adjustments for:		
Depreciation	194 128	175 892
Interest received	(296 775)	(454 831)
Finance costs	11 784 421	11 952 305
Movements in provisions	(16 800 000)	(16 800 000)
Unrealised foreign exchange loss	52 225 477	6 894 774
Unrealised foreign exchange profit	-	(157 798)
Accrued expenses	(555 980)	28 329
Changes in working capital:		
Inventories	64 859	292 458
Trade and other receivables	10 216 915	25 056 732
Trade and other payables	1 948 214	(2 994 495)
	2 740 566	10 053 438

20. Related parties

Relationships

Ultimate holding company

Holding company

Shareholder

Fellow Subsidiaries

Suzlon Energy Limited (India)
Suzlon Energy Limited (Mauritius)
Suzlon Wind Energy South Africa Employee
Empowerment Trust
Suzlon Energy B.V.
SE Electricals Limited
Suzlon Energy A/S
Suzlon Global Service Ltd
Suzlon Energy GmbH Germany
Suzlon Rotor Corporation
Suzlon Energia Eolica Do Brasil Ltd
Suzlon Wind International Ltd
Suzlon Wind Energy Espana S.L.U
Suzlon Wind Enerji Tic Ve San. Ltd
SGS India Ltd
Suzlon Wind Energy Portugal
A E Rotor Holdings B.V.
Suzlon Energy Shipping Lines PTE Ltd

Common directors

Related party balances

Loan accounts - Owning (to) by related parties

A E Rotor Holdings B.V.

Suzlon Energy B.V.

Suzlon Wind Energy South Africa Employee Empowerment Trust

471 569 508	410 544 262
17 729 649	13 957 952
700 000	-

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	2019 R	2018 R
20. Related parties (continued)		
Amounts included in trade and other receivables (trade payables) regarding related parties		
A E Rotor Holdings B.V.	(3 234 244)	(3 234 244)
Suzlon Energy A/S	(16 775 969)	(14 236 562)
Suzlon Energy B.V.	(115 631 700)	(115 631 700)
Suzlon Energy Limited (India)	(6 159 373)	(6 057 326)
Suzlon Global Service Ltd	(91 720)	(73 965)
Suzlon Energy Shipping Lines PTE Ltd	31 031 926	33 371 010
Related party transactions		
Management fees paid to related parties		
Suzlon Energy A/S	3 998 526	2 419 397
Purchases from (sales to) related parties		
A E Rotor Holdings B.V.	-	47 178
Suzlon Energy A/S	5 472 280	5 438 482
Suzlon Energy Limited (India)	-	240 777
Suzlon Global Service Ltd	-	88 159
Suzlon Wind Energy Espana S.L.U	-	58 316
Suzlon Wind Energy Portugal	-	55 811
Suzlon Wind Enerji Tic Ve San. Ltd	-	(67 551)
Interest paid to related parties		
A E Rotor Holdings B.V.	11 382 548	11 565 375
Suzlon Energy B.V.	401 246	386 774

21. Directors' and prescribed officer emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Notes	Financial assets at amortised cost	Total
Loan to shareholder	4	700 000	700 000
Loans receivable		30 000	30 000
Trade and other receivables	7	72 117 369	72 117 369
Cash and cash equivalents	8	45 331 451	45 331 451
		118 178 820	118 178 820

2018

	Notes	Financial assets at amortised cost	Total
Trade and other receivables	7	74 742 199	74 742 199
Cash and cash equivalents	8	48 203 390	48 203 390
		122 945 589	122 945 589

Categories of financial liabilities

2019

	Notes	Amortised cost	Total
Loans from group companies	10	489 299 157	489 299 157
Trade and other payables	12	144 161 371	144 161 371
Provisions	11	11 200 000	11 200 000
		644 660 528	644 660 528

2018

	Notes	Amortised cost	Total
Loans from group companies	10	424 502 215	424 502 215
Trade and other payables	12	141 834 227	141 834 227
Provisions	11	28 000 000	28 000 000
		594 336 442	594 336 442

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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22. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loan receivables, trade and other receivables, cash and cash equivalents and lease receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The company only has one contract and no amounts were outstanding at year end other than the project receivable which will be recovered as part of renewal of the contract.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. At statement of financial position date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Loan to shareholder	4	700 000	-	700 000	-	-	-
Loans receivable		30 000	-	30 000	-	-	-
Trade and other receivables	7	72 117 369	-	72 117 369	74 772 172	(29 973)	74 742 199
Cash and cash equivalents	8	45 331 451	-	45 331 451	48 203 390	-	48 203 390
		118 178 820	-	118 178 820	122 975 562	(29 973)	122 945 589

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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22. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from group companies. Due to the dynamic nature of the underlying businesses, company management maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2019

		Less than 1 year	Over 1 year	Total	Carrying amount
Non-current liabilities					
Loans from group companies	10	-	489 299 157	489 299 157	489 299 157
Current liabilities					
Trade and other payables	12	144 161 371	-	144 161 371	144 161 371
Provisions	11	11 200 000	-	11 200 000	11 200 000
		155 361 371	489 299 157	644 660 528	644 660 528

2018

		Less than 1 year	Over 1 year	Total	Carrying amount
Non-current liabilities					
Loans from group companies	10	-	424 502 215	424 502 215	424 502 215
Provisions	11	-	11 200 000	11 200 000	11 200 000
Current liabilities					
Trade and other payables	12	141 834 227	-	141 834 227	141 834 227
Provisions	11	16 800 000	-	16 800 000	16 800 000
		158 634 227	435 702 215	594 336 442	594 336 442

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	2019 R	2018 R
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22. Financial instruments and risk management (continued)

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Details of foreign currency risk exposure are contained in the relevant notes throughout these financial statements. Refer to note 12 - Trade and other payables for details of foreign currency amounts and foreign currency sensitivity analysis.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

As the company has significant interest-bearing assets and liabilities, the company's income and operating cash flows are dependent of changes in market interest rates.

23. Going concern

The company's liabilities exceeded its assets by R514 220 340 (2018: R458 179 647) as at 31 March 2019.

Management believes that the company has reasonable prospects to generate the required cash flow to settle its third party liabilities in the short term. The project has entered the maintenance contract phase which includes less performance risk and in management's view should show more stability in margins and profits.

The directors have negotiated with Suzlon Energy B.V. ('SEBV') and AE Rotor Holdings B.V. ('AERH') to subordinate their loans to the company in favour of the other creditors until the assets of the company, fairly valued, exceed its liabilities. Management also believes that SEBV and AERH will not demand for repayment of the loans in the near future, and can honour the subordination agreement. Suzlon Energy Limited, a company incorporated in Mauritius, signed an agreement of support to enable the company to complete its obligations under the Operations and Maintenance contract and any other operational cash requirements until the company breaks even. The agreement of support further provides that Suzlon Energy Limited, Mauritius will arrange for the company to settle its creditors as they become due and payable.

The company's accounting loss position is inflated when compared to the commercial loss position as historical unrealised foreign exchange losses have inflated the net liability position in terms of IFRS. The group companies can afford to sub-ordinate the loans advanced to the company and will not call for payment in the near future. Further to this management's negotiations to renew the existing contract for a further period of 5 years is at an advanced stage and it is envisaged that this contract will be more profitable than the current agreement due to increased output volumes.

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STATEMENT OF FINANCIAL PERFORMANCE

		2019 R	2018 R
Revenue			
Rendering of services		24 500 001	24 567 548
Cost of sales			
Purchases		(8 584 711)	(13 162 212)
Gross profit		15 915 290	11 405 336
Other income			
Recoveries		-	18 916
Employee tax incentive		44 016	-
Interest received	16	296 775	454 831
		340 791	473 747
Expenses (Refer to page 43)		(60 512 353)	(13 866 706)
Operating loss	14	(44 256 272)	(1 987 623)
Finance costs	17	(11 784 421)	(11 952 305)
Loss for the year		(56 040 693)	(13 939 928)

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STATEMENT OF FINANCIAL PERFORMANCE

	2019 R	2018 R
Operating expenses		
Accounting fees	441 959	642 903
Advertising	-	1 400
Auditor's remuneration	185 000	115 500
BEE verification	12 800	8 500
Bad debts	-	658 768
Bank charges	80 470	54 002
Cleaning	113 271	52 125
Commission paid	-	674 072
Computer expenses	97 306	49 659
Depreciation	194 128	175 892
Donations	15 000	-
Employee costs	12 480 084	12 317 202
Entertainment	55 602	2 732
Grid report	51 502	45 286
Insurance	247 243	309 260
Loss on foreign exchange differences	52 225 477	6 783 016
Management fees	3 998 526	2 419 397
Motor vehicle expenses	106 792	74 635
Printing and stationery	45 671	13 354
Project guarantee costs	-	237 680
Protective clothing	288 773	14 028
Repairs and maintenance	183	10 174
Security	2 632 929	2 604 816
Staff accommodation	1 137 851	1 112 822
Staff recruiting costs	174 336	-
Staff welfare	212 870	61 918
Telephone and fax	465 116	352 381
Training	341 411	247 712
Transport and freight	30 743	15 784
Travel - local	1 495 766	1 397 462
Travel - overseas	94 921	134 163
Utilities	86 623	80 063
Warranty provision release	(16 800 000)	(16 800 000)
	60 512 353	13 866 706

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TAX COMPUTATION

	2019 R
Net loss per statement of comprehensive income	(56 040 693)
Permanent differences (Non-deductible/Non-taxable items)	
Donations (s18A)	15 000
Employee tax incentive (exempt (s10(s)))	(44 016)
Unrealised exchange loss: connected persons (s24I(10A))	52 225 477
	52 196 461
Temporary differences	
Amounts previously taxed as received in advance	(2 041 668)
Amounts received in advance - current year	2 041 667
Depreciation according to financial statements	194 128
Wear and tear allowance (s11(e))	(194 128)
Warranty provision not deductible current year	11 200 000
Reversal of warranty provision - prior year	(28 000 000)
Leave pay accrual not deductible current year	508 970
Prior year leave pay accrual	(519 393)
	(16 810 424)
Imputed net income from CFC	-
Calculated tax loss for the year	(20 654 656)
Assessed loss brought forward	(387 505 705)
Assessed loss for 2019 - carried forward	(408 160 361)
Tax thereon @ 28% in the Rand	-