

REC Solar Pte. Ltd.

Financial Statement
Year ended 31 December 2021

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Independent auditors' report

Member of the Company
REC Solar Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of REC Solar Pte. Ltd. (“the Company”), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS56.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (“the Act”) and Financial Reporting Standards in Singapore (“FRSs”) so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the ‘*Auditors’ responsibilities for the audit of the financial statements*’ section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors’ report thereon.

We have obtained the other information, which comprises the Directors’ statement, prior to the date of this auditors’ report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

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

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2022

Statement of financial position
As at 31 December 2021

	Note	2021 USD'000	2020 USD'000
Non-current assets			
Investments in subsidiaries	5	305	430
Property, plant and equipment	6	449,190	493,594
Intangible assets	7	8,620	5,906
Trade and other receivables	9	9,000	9,000
		467,115	508,930
Current assets			
Prepayments	8	36,966	11,576
Trade and other receivables	9	204,441	209,153
Inventories	10	106,591	82,812
Cash and cash equivalents		2,298	26,927
		350,296	330,468
Total assets		817,411	839,398
Equity			
Share capital	11	328,807	314,316
Merger reserve		209,205	209,205
Perpetual securities	12	–	40,000
Accumulated losses		(434,009)	(289,644)
Total equity		104,003	273,877
Non-current liabilities			
Loans and borrowings	13	561,868	344,540
Provisions	14	5,100	14,033
		566,968	358,573
Current liabilities			
Loans and borrowings	13	67,877	13,824
Trade and other payables	15	64,067	177,613
Contract liabilities	16	14,496	15,511
Total current liabilities		146,440	206,948
Total liabilities		713,408	565,521
Total equity and liabilities		817,411	839,398

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

Statement of comprehensive income
Year ended 31 December 2021

	Note	2021 USD'000	2020 USD'000
Revenue	18	350,726	272,485
Other income	19	25,657	14,220
Raw materials and consumables used		(334,392)	(214,228)
Change in the balance of finished goods/semi-finished goods		17,239	(11,412)
Employee benefits expenses		(48,691)	(36,297)
Depreciation of property, plant and equipment	6	(66,000)	(56,241)
Amortisation of intangible assets	7	(1,539)	(282)
Impairment losses in respect of property, plant and equipment	6	–	(75)
Loss on disposal of property, plant and equipment		(99)	(356)
Net change in inventories write-down		(1,390)	286
Net change in warranty provision	14	8,602	19,099
Gain on disposal of subsidiary		105	–
Freight expenses		(14,630)	(4,105)
Travelling expenses		(99)	(246)
Utilities expenses		(11,774)	(13,756)
Warehouse rental expenses		(2,338)	(2,563)
Other operating expenses	20	(38,431)	(27,785)
Results from operating activities		<u>(117,054)</u>	<u>(61,256)</u>
Finance income		10,315	7,545
Finance expenses		(28,751)	(36,810)
Net finance expenses	21	<u>(18,436)</u>	<u>(29,265)</u>
Loss before income tax		(135,490)	(90,521)
Income tax	22	–	–
Loss for the year, representing total comprehensive income for the year		<u>(135,490)</u>	<u>(90,521)</u>

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

Statement of changes in equity
Year ended 31 December 2021

	Share capital USD'000	Merger reserve USD'000	Perpetual securities USD'000	Accumulated losses USD'000	Total USD'000
At 1 January 2020	314,316	209,205	–	(199,123)	324,398
Transactions with owners, recognised directly in equity					
Issuance of perpetual securities (Note 12)	–	–	40,000	–	40,000
Total transactions with owners	–	–	40,000	–	40,000
Total comprehensive income for the year					
Loss for the year, representing total comprehensive income for the year	–	–	–	(90,521)	(90,521)
At 31 December 2020	314,316	209,205	40,000	(289,644)	273,877
At 1 January 2021	314,316	209,205	40,000	(289,644)	273,877
Transactions with owners, recognised directly in equity					
Deemed distribution (Note 11)	–	–	–	(8,875)	(8,875)
Issuance of ordinary shares as a result of restructuring exercise (Note 11)	14,491	–	–	–	14,491
Settlement of perpetual securities (Note 12)	–	–	(40,000)	–	(40,000)
Total transactions with owners	14,491	–	(40,000)	(8,875)	(34,384)
Total comprehensive income for the year					
Loss for the year, representing total comprehensive income for the year	–	–	–	(135,490)	(135,490)
At 31 December 2021	328,807	209,205	–	(434,009)	104,003

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

Statement of cash flows
Year ended 31 December 2021

	2021	2020
	USD'000	USD'000
Cash flows from operating activities		
Loss for the year	(135,490)	(90,521)
Adjustments for:		
Depreciation of property, plant and equipment	66,000	56,241
Amortisation of intangible assets	1,539	282
Gain on disposal of subsidiary	(105)	–
Loss on disposal of property, plant and equipment	99	356
Impairment losses in respect of property, plant and equipment	–	75
Net change to warranty provision	(8,602)	(19,099)
Finance income	(10,315)	(7,545)
Finance expenses	28,751	36,810
	<u>(58,123)</u>	<u>(23,401)</u>
Changes in working capital:		
Inventories	(23,779)	1,596
Contract liabilities	(1,015)	9,951
Trade and other receivables	(20,922)	38,825
Prepayments	(25,390)	14,424
Trade and other payables	(31,002)	(28,772)
Net cash (used in)/generated from operating activities	<u>(160,231)</u>	<u>12,623</u>
Cash flows from investing activities		
Interest received	4	127
Proceeds from government asset-related grants	5,279	233
Proceeds from sale of property, plant and equipment	287	5
Proceeds from disposal of investment in joint venture	230	–
Acquisition of property, plant and equipment	(21,272)	(70,859)
Loan to immediate holding company	(155,746)	(5,390)
Loan to a sister company	(34,700)	(39,677)
Repayment of loan from immediate holding company	34,300	891
Net cash used in investing activities	<u>(171,618)</u>	<u>(114,670)</u>

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

Statement of cash flows (cont'd)
Year ended 31 December 2021

	2021	2020
	USD'000	USD'000
Cash flows from financing activities		
Interest paid	(24,312)	(25,500)
Proceeds from trade financing	17,651	12,838
Repayment of trade financing	(17,407)	(8,999)
Proceeds from borrowings	272,283	–
Loan from immediate holding company	4,000	–
Loan from ex-intermediate holding company	–	95,000
Loan from ex-related companies	65,000	3,500
Repayment of loan to ex-related company	–	(3,500)
Repayment of loan to immediate holding company	(4,000)	–
Repayment of loan interest to ex-intermediate holding company	(806)	(376)
Payment of lease liabilities	(5,189)	(9,505)
Changes in restricted bank accounts	–	15,672
Net cash generated from financing activities	307,220	79,130
Net decrease in cash and cash equivalents	(24,629)	(22,917)
Cash and cash equivalents at beginning of the year	26,927	49,844
Cash and cash equivalents at end of the year	2,298	26,927

Significant non-cash transactions:

In December 2020, the Company converted an outstanding loan from a related corporation to perpetual securities with a principal amount of USD40,000,000 (refer to Note 12).

On 5 November 2021, as a result of restructuring exercise initiated by former intermediate parent company, China National Bluestar (Group), the aggregated funding of USD200,000,000 owed by the Company to China National Bluestar (Group) and its related companies were novated to immediate holding company, REC Solar Holdings AS (refer to Note 11 for details). This novated sum of USD200,000,000 was then offset with a corresponding account and interest receivables of USD185,508,857 due from REC Solar Holdings AS.

On the same date, the net payable due to REC Solar Holdings AS of USD14,491,143 (equivalent to SGD19,551,450) was satisfied by way of issuance of 19,551,450 ordinary shares in the share capital of the Company, at an aggregate issue price of SGD19,551,450.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2022.

1 Domicile and activities

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

The principal activities of the Company are those relating to the manufacturing of solar panels, inclusive of contract manufacturing of solar panels.

REC Solar Holdings AS, incorporated in Norway, remained the immediate holding company throughout the financial year. The Company was ultimately owned by State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”); and Bluestar REC Solar Co Ltd SARL (“Bluestar REC”) was the intermediate holding company. SASAC and Bluestar REC are established in Luxembourg and China respectively. On 1 December 2021, Bluestar REC sold its shares in REC Solar Holdings AS and its subsidiaries to Reliance New Energy Ltd (formerly known as Reliance New Energy Solar Ltd). From 1 December 2021, Reliance New Energy Ltd and Reliance Industries Limited become the intermediate holding company and ultimate holding company, respectively Both companies are incorporated in India.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore (“FRSs”). The changes to significant accounting policies are described in note 2.4.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value and/or at amortised cost as disclosed in the accounting policies set out below.

2.3 Functional and presentation currency

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

2.4 Changes in accounting policies

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to FRS 116) (early adopted in 2020)*

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

2.5 Use of estimates and judgements

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

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

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

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.4, which addresses changes in accounting policies.

3.1 Consolidated financial statements

These financial statements are the separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Reliance Industries Limited as at 31 December 2021, which prepares consolidated financial statements and makes available for public use. The registered office of Reliance Industries Limited is at Maker Chambers IV, 3rd Floor, 222 Nariman Point, Mumbai 400021, India.

3.2 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

3.3 Foreign currencies

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

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

3.4 Property, plant and equipment

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

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

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

3.5 Research and development

Research expenditure are recognised as an expense as incurred. Costs incurred on development projects (relating to the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes or systems) are capitalised as part of that equipment when it is probable that the project will be successful considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditure are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Development costs with a finite useful life that have been capitalised are amortised from the time the assets are ready for their intended use, which normally is at commencement of the commercial use.

3.6 Government grants

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

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

3.7 Inventories

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

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

3.8 Intangible assets

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

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

3.9 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

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

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

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

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

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

Financial liabilities

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

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

(iv) Offsetting

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

Share capital

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

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

3.10 Impairment

(i) Non-derivative financial assets

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

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

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

Simplified approach

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

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

General approach

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

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

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

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

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

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

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(ii) Non-financial assets

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

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

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

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

3.11 Provisions

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

Provision for onerous contracts

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

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

Warranties

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

3.12 Leases

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

3.13 Revenue

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

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

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

3.14 Employee benefits

Defined contribution plans

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

Short-term benefits

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

Employee leave entitlement

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

3.15 Finance income and expense

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

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

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

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

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

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

Finance expenses comprise interest expense on borrowings, upfront fees in relation to the establishment and restructuring of interest-bearing debt and guarantees which are amortised using the effective interest method, net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset.

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

3.16 Income tax expense

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

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

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

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

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

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

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

3.17 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

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

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

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

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

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

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

(b) Depreciation and amortisation

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

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

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

Management estimates the useful lives of these property, plant and equipment to be within 3 to 28 years.

(c) Deferred taxes

FRS 12 Income Taxes states that a deferred tax asset shall be recognised for all deductible temporary differences to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. When an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity. FRS 12 also states that unused tax losses are strong evidence that future taxable profit may not be available. The current history and the highly volatile and uncertain market development has increased uncertainty of future profit forecasts, and the Company has not recognised deferred tax assets relating to unused tax losses that are available for carry-forward post-tax pioneer period.

(d) Provision for warranty

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

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

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

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

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

(e) Lease extension

The Company has entered into a long-term lease agreement for the lease of land and buildings that originated from a sale and leaseback transaction entered by the Company with a third party in January 2019 with extension options exercisable by the Company before the end of the non-cancellable lease period. The evaluation of the exercise of the extension options for the measurement of right-of-use assets and related lease liabilities is a significant judgement to be exercised by the Company.

(f) Inventory

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

(g) Expected Credit Loss (“ECL”) allowance

In assessing the ECL allowance, the Company takes into account historical data about actual credit loss experience over the past five years, which approximates all possible default events over the expected life of a financial instrument. These credit-loss rates are then adjusted with current and forward-looking economic conditions.

5 Investments in subsidiaries

Details of the subsidiaries are as follows:

Name of the subsidiaries	Country of incorporation	Ownership interest	
		2021	2020
		%	%
REC Trading (Shanghai) Co., Ltd.	China	100	100
REC Systems (Thailand) Co., Ltd	Thailand	100	100
Renewable Energy Corporation (India) Pvt. Ltd.	India	-	99.99
REC Solar France S.A.S	France	100	100

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

On 29 November 2021, Renewable Energy Corporation (India) Pvt. Ltd. was disposed at an aggregate amount of USD229,999.

6 Property, plant and equipment

	Building USD'000	Machinery and equipment USD'000	Machinery and equipment under construction USD'000	Office and IT equipment USD'000	Furniture and fittings USD'000	Mechanical and electrical installation USD'000	Land improve- ments USD'000	Transporta- tion equipment USD'000	Total USD'000
Cost									
At 1 January 2020	324,033	720,367	22,737	16,086	5,727	22,912	–	350	1,112,212
Transfer between asset categories	91	11,417	(21,885)	413	139	9,825	–	–	–
Additions	12	63,230	1,818	213	–	153	–	–	65,426
Disposals	–	(18,809)	–	–	–	–	–	(15)	(18,824)
Reclassification to intangible assets	–	(203)	(178)	–	–	–	–	–	(381)
Government grants	–	(233)	–	–	–	–	–	–	(233)
At 31 December 2020	324,136	775,769	2,492	16,712	5,866	32,890	–	335	1,158,200
Transfer between asset categories	–	(1,167)	(1,688)	184	–	2,671	–	–	–
Additions	10,163	12,810	4,136	48	–	443	–	79	27,679
Disposals	–	(267,575)	(75)	(4,527)	(635)	(8,277)	–	(42)	(281,131)
Reclassification to intangible assets	–	–	(418)	–	–	–	–	–	(418)
Government grants	–	(5,279)	–	–	–	–	–	–	(5,279)
At 31 December 2021	334,299	514,558	4,447	12,417	5,231	27,727	–	372	899,051

	Building USD'000	Machinery and equipment USD'000	Machinery and equipment under construction USD'000	Office and IT equipment USD'000	Furniture and fittings USD'000	Mechanical and electrical installation USD'000	Land improve- ment USD'000	Transporta- tion equipment USD'000	Total USD'000
Accumulated depreciation and impairment losses									
At 1 January 2020	21,479	565,817	–	15,098	5,708	18,533	–	165	626,800
Transfer between asset categories	–	(2,368)	–	83	32	2,253	–	–	–
Depreciation charge for the year	16,593	37,749	–	455	7	1,315	–	122	56,241
Disposals	–	(18,448)	–	–	–	–	–	(15)	(18,463)
Impairment loss	–	–	75	–	–	–	–	–	75
Reclassification to intangible assets	–	(47)	–	–	–	–	–	–	(47)
At 31 December 2020	38,072	582,703	75	15,636	5,747	22,101	–	272	664,606
Transfer between asset categories	–	(533)	–	12	–	521	–	–	–
Depreciation charge for the year	16,646	46,369	–	555	24	2,336	–	70	66,000
Disposals	–	(267,217)	(75)	(4,527)	(636)	(8,250)	–	(40)	(280,745)
At 31 December 2021	54,718	361,322	–	11,676	5,135	16,708	–	302	449,861
Carrying amounts									
At 1 January 2020	302,554	154,550	22,737	988	19	4,379	–	185	485,412
At 31 December 2020	286,064	193,066	2,417	1,076	119	10,789	–	63	493,594
At 31 December 2021	279,581	153,236	4,447	741	96	11,019	–	70	449,190

Right-of-use assets (“ROU”) are presented together with individual categories of property, plant and equipment of the same class. Details of such ROU assets are disclosed in Note 23(a).

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

Cash-generating unit (“CGU”)

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

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

Basis for impairment assessment

Recoverable amount

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

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

To arrive at the estimated recoverable amount, the Company used the 2022 approved budget to estimate the cash flows for 5-year forecast period before applying a terminal value to estimate future cash flows.

Key assumptions and sensitivities

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

Selling prices are forecasted based on the Company's budget for FY2022 approved by the Board of Directors, factoring development of the market in which the Company operates. The Company developed a new technology in 2019 and currently produces Alpha, the world's most powerful solar panels. The selling price budgeted for Alpha is based on benchmarking with competitors' products, achieved selling prices during the year and secured orders and orders under negotiation as at the reporting date. Experience has shown that market demand and prices can change rapidly and significantly and are also dependent on government incentives and trade protectionism. Fluctuation in forecasted selling price of the new product may affect the estimated recoverable amount.

Production costs are forecasted based on the Company's budget for FY2022 approved by the Board of Directors and development in the Company's key technologies. The production costs budgeted for both existing and new products are based on input material costs and current product conversion costs. These input costs include contract manufacturer costs for wafer production following the Company's decision to cease the wafer production lines since April 2019.

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

In defining the discount rate for the cash-generating unit, REC uses the commonly used WACC (weighted average cost of capital). The cost of a company's market value of debt and equity capital, weighted accordingly to reflect the average capital structure of comparable companies, gives its WACC. The WACC rate used to discount future cash flows is based on government and swap interest rates for respective years in the relevant markets and take into account estimated risk premiums on debt and equity, gearing and beta.

The Company has applied a WACC of 9.0% (2020: 9.0%) over the whole forecast period.

From the cash flow assumptions described above, the recoverable amount of CGU is assessed to be higher than the carrying value of CGU as at 31 December 2021. No additional impairment loss was needed for the current year.

7 Intangible assets

	Software USD'000	Intellectual property rights USD'000	Development costs USD'000	Total USD'000
Cost				
At 1 January 2020	28,562	17,728	–	46,290
Cost transfer from property, plant and equipment	381	–	–	381
Additions	23	–	5,584	5,607
Disposals	(47)	–	–	(47)
At 31 December 2020	28,919	17,728	5,584	52,231
Cost transfer from property, plant and equipment	418	–	–	418
Additions	278	–	3,557	3,835
Disposals	(4,657)	–	–	(4,657)
At 31 December 2021	24,958	17,728	9,141	51,827
Accumulated amortisation				
At 1 January 2020	28,315	17,728	–	46,043
Accumulated amortisation transfer from property, plant and equipment	47	–	–	47
Amortisation charge for the year	282	–	–	282
Disposals	(47)	–	–	(47)
At 31 December 2020	28,597	17,728	–	46,325
Amortisation charge for the year	314	–	1,225	1,539
Disposals	(4,657)	–	–	(4,657)
At 31 December 2021	24,254	17,728	1,225	43,207
Carrying amounts				
At 1 January 2020	247	–	–	247
At 31 December 2020	322	–	5,584	5,906
At 31 December 2021	704	–	7,916	8,620

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

The carrying amount of development cost at 31 December 2021 comprises all costs that are directly attributable to development of new products, and to create, produce, and prepare the products to be capable of operating in the manner intended by Management.

8 Prepayments

	2021 USD'000	2020 USD'000
Advance payments for property, plant and equipment	9,609	11
Prepayments to suppliers	27,357	11,565
	<u>36,966</u>	<u>11,576</u>

9 Trade and other receivables

	2021 USD'000	2020 USD'000
<u>Current</u>		
Trade receivables	20,877	19,242
Current derivatives	316	712
Deposits	3,774	4,084
Amount due from immediate holding company	157,111	116,133
Amounts due from sister companies		
- Trade	11,868	-
- Non-trade	3,281	63,474
Amounts due from subsidiaries		
- Non-trade	4,842	2,178
Other receivables	2,373	3,330
	<u>204,441</u>	<u>209,153</u>
<u>Non-current</u>		
Deposits	<u>9,000</u>	<u>9,000</u>

Trade receivables are non-interest-bearing and are generally on 30 to 60 days terms.

The balance of amount due from immediate holding company as at 31 December 2020 was fully settled by partial repayment (USD29,449,000) and partial offset (USD86,684,009) following an inter-company loans restructuring exercise (refer to Note 11) in 2021. Amount due from immediate holding company was unsecured, bore interest at 4.5% per annum, and was repayable on demand.

In 2021, the Company issued another loan to immediate parent company. Outstanding balance of this loan is USD153,274,462 as at 31 December 2021. The loan is unsecured, bears interest rate at USD LIBOR + 1.2% margin per annum, and repayable on demand.

The remaining outstanding amount due from immediate holding company of USD3,837,000 is unsecured, non-interest-bearing and generally carries credit terms of 45 to 90 days.

Trade amounts due from sister companies are unsecured, non-interest-bearing and generally carry credit terms of 45 to 90 days.

Non-trade amount due from sister company of USD3,281,084 (2020: USD983,961) is unsecured, non-interest-bearing and generally carries credit terms of 45 to 90 days. As at 31 December 2020, non-trade amount due from sister company of USD62,489,491 was unsecured, bore interest at 4.5% per annum, and was repayable within a year. There is no allowance for doubtful debts arising from trade and non-trade amounts due from sister companies.

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

Non-current deposits represent deposits made by the Company to the contract manufacturer under Wafer Supply Agreement. Deposit is interest-free and repayable upon finalisation of Wafer Supply Agreement which Management plans to extend upon expiry of the current agreement in November 2022.

The Company does not have any contract assets at the reporting date (2020: Nil), as invoices are issued at the moment when goods are dispatched to the customer.

The Company's exposures to credit and currency risks related to trade and other receivables are disclosed in Note 24.

10 Inventories

	2021	2020
	USD'000	USD'000
Raw materials and consumables	18,994	9,799
Raw materials and consumables – Written Down	(22)	(56)
Finished goods	45,721	40,664
Finished goods – Written Down	(3,119)	(1,973)
Semi-finished goods	22,524	8,919
Semi-finished goods – Written Down	(1,135)	(857)
Goods in transit	18,737	20,977
Spare parts	4,891	5,339
	<u>106,591</u>	<u>82,812</u>

11 Share capital

	2021	2020
	Number of	Number of
	shares	shares
Fully paid ordinary shares, at SGD 1.00 each:		
At 1 January	537,500,000	537,500,000
Issuance during the financial year	19,551,450	-
31 December	<u>557,051,450</u>	<u>537,500,000</u>

Ordinary shares

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

Restructuring by way of loans and perpetual securities novation and issuance of shares (the “funding restructuring”)

On 4 November 2021, former intermediate parent company, China National Bluestar (Group) Co, Ltd initiated a restructuring exercise to settle all outstanding balances due to / due from REC Solar Holdings AS and its subsidiaries, as a part of sales transaction for sale of REC Solar Group to a new shareholder.

As of 4 November 2021, the outstanding principal amount of USD95,078,365 and accrued interest of USD3,746,483 receivable due from a sister company, REC Solar Norway AS, was novated from the Company to immediate holding company, REC Solar Holdings AS

On 5 November 2021, the amounts due to China National Bluestar (Group) Co, Ltd and a former related corporation, Bluestar Elkem Investment Co., Ltd amounted to USD30,000,000 and USD130,000,000, respectively; and the perpetual securities subscribed by another former related corporation, Bluestar Finance Holdings Ltd amounted to USD40,000,000 (collectively, the “funding from former shareholder”).

On the same day, the Company entered into the Deed of Confirmation and Novation Agreement with stated above entities and immediate parent company, where the aggregated funding from former shareholder of USD200,000,000 due to China National Bluestar (Group) Co, Ltd, Bluestar Elkem Investment Co., Ltd and Bluestar Finance Holdings Ltd were novated to immediate holding company REC Solar Holdings AS. As a result of this novation, the cancelled perpetual securities of USD40,000,000 previously issued by the Company, together with the remaining USD160,000,000 owed to the immediate holding company aggregating US\$200,000,000 was set-off against an outstanding amount due from immediate holding company of USD185,508,857 including accrued interests of USD12,474,628. The net difference of USD14,491,143 owed to immediate holding company was then satisfied by way of issuance of 19,551,450 ordinary shares in the share capital of the Company, at an aggregate issue price of SGD19,551,450 (equivalent to USD14,491,143).

Deemed distribution

In December 2021, the Company was instructed to settle a contingent purchase consideration payment of USD8,875,000 to former intermediate parent company, China National Bluestar (Group) Co., Ltd., for and on behalf of the new ultimate shareholder, Reliance Industries Limited. As this amount is non-recoverable from the new shareholder, it was recognised in equity as ‘deemed distribution’ to a shareholder, as transaction with owner, recognised directly in equity.

Capital management

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

12 Perpetual securities

On 23 December 2020, the Company converted a loan from a related corporation to perpetual securities with a principal amount of USD40,000,000.

Such perpetual securities bore interest at a rate of 2.356% per annum, and the Company had absolute discretion to repay principal and interest.

As a result, the perpetual securities did not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments: Presentation*. The whole instrument was presented within equity.

On 5 November 2021, former related corporation, Bluestar Finance Holdings Ltd novated USD40,000,000 to the immediate holding company, which was then subsequently settled as a part of funding restructuring exercise reached (refer to Note 11).

13 Loans and borrowings

	2021 USD'000	2020 USD'000
Current liabilities		
Working capital facility	50,028	–
Financing liability	9,065	8,835
Lease liabilities	8,784	4,989
	<u>67,877</u>	<u>13,824</u>
Non-current liabilities		
Secured bank loan	222,283	–
Lease liabilities	339,585	344,540
	<u>561,868</u>	<u>344,540</u>

Secured bank loan

On 26 November 2021, the Company entered into an Acquisition Facility Agreement of USD250,000,000 green term loan with The Hongkong and Shanghai Banking Corporation Limited (HSBC) with three years tenure. As at 31 December 2021, the Company drew down USD222,282,510 with interest rate at USD LIBOR + 1.2% margin per annum. The loan is secured by guarantee of intermediate holding company, Reliance New Energy Ltd and is repayable in 4 equal repayment instalments in 2024-2027.

Working capital facility

On 29 November 2021, the Group entered into Facility Agreement of USD50M short term loan with MUFG Bank, Ltd with 1 year tenure. As at 31 December 2021, the Group drew down USD50M with interest rate at USD LIBOR + 0.7% per annum.

Financing liability

The Company entered into a trade financing arrangement for working capital purposes. This financing arrangement is for 270 days (2020: 270 days), with interest rate of 5.9% (2020: 5.91133%) per annum.

Lease liabilities

Lease liabilities of the Company relate principally to the lease of land and buildings that originated from a sale and leaseback transaction entered by the Company with a third party in January 2019. As a result of the leaseback transaction, the Company recognised lease liabilities of USD343,060,000 (refer to Note 23) at inception date..

On 28 November 2021, based on supplemental lease agreement signed with the landlord which effectively revised the lease payments over the remaining lease period, the Company recognised additional USD9,505,000 of lease liabilities. The Company's weighted average incremental borrowing rate of 3% is used for calculation of lease liabilities at time of this lease modification (refer to Note 23).

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

	Liabilities			Total USD'000
	Other loans and borrowings (Note 13) USD'000	Lease liabilities (Note 13) USD'000	Loans due to former related companies (Note 15) USD'000	
Balance at 1 January 2020	4,517	350,567	40,000	395,084
Changes from financing cash flows				
Proceeds from trade financing	12,838	–	–	12,838
Repayment of trade financing	(8,999)	–	–	(8,999)
Loan from former intermediate holding company	–	–	95,000	95,000
Loan from a former related company	–	–	3,500	3,500
Repayment of loan to former related company	–	–	(3,500)	(3,500)
Repayment of loan interest to former intermediate holding company	–	–	(376)	(376)
Payment of lease liabilities	–	(9,505)	–	(9,505)
Interest paid	(1,060)	(24,440)	–	(25,500)
Total changes from financing cash flows	2,779	(33,945)	94,624	63,458
Other changes				
Liabilities-related				
New leases	–	174	–	174
Loan converted into perpetual securities	–	–	(40,000)	(40,000)
Interest expense	1,539	24,440	2,474	28,453
Currency effect	–	8,293	–	8,293
Total other changes	1,539	32,907	(37,526)	(3,080)
Balance at 31 December 2020	8,835	349,529	97,098	455,462

	Liabilities			Total USD'000
	Other loans and borrowings (Note 13) USD'000	Lease liabilities (Note 13) USD'000	Loans due to former related companies (Note 15) USD'000	
Balance at 1 January 2021	8,835	349,529	97,098	455,462
Changes from financing cash flows				
Loan from former related company	–	–	65,000	65,000
Loan from immediate holding company	–	–	4,000	4,000
Proceeds from trade financing	17,651	–	–	17,651
Proceeds from bank borrowings	272,283	–	–	272,283
Repayment of trade financing	(17,407)	–	–	(17,407)
Repayment of loan from immediate holding company	–	–	(4,000)	(4,000)
Payment of lease liabilities	–	(5,189)	–	(5,189)
Interest paid	(1,233)	(23,078)	(806)	(25,117)
Total changes from financing cash flows	271,294	(28,267)	64,194	307,221
Other changes				
Liabilities-related				
Waiver of interest expense	–	–	(5,717)	(5,717)
Settlement of amounts due to immediate holding company (Note 11)	–	–	(160,000)	(160,000)
Modification of lease terms (Note 13)	–	9,505	–	9,505
New leases	–	737	–	737
Interest expense	1,248	23,078	4,425	28,751
Currency effect	–	(6,213)	–	(6,213)
Total other changes	1,248	27,107	(161,292)	(132,937)
Balance at 31 December 2021	281,376	348,369	–	629,745

14 Provision

	Warranties USD'000
At 1 January 2021	14,033
Charged to profit or loss during the year:	
- Additional provisions	1,484
- Reversal of provisions	(10,086)
- Utilisation	(331)
At 31 December 2021	<u>5,100</u>
At 1 January 2020	33,142
Charged to profit or loss during the year:	
- Additional provisions	1,901
- Reversal of provisions	(21,000)
- Utilisation	(10)
At 31 December 2020	<u>14,033</u>

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

Warranties are primarily product and power output warranties related to the sale of solar panels. During the year, upon re-assessment of the Company's warranty obligation, by considering the "new warranty" arrangement (refer to Note 4.1(e) and revision in assumption used in quantitative loss simulation model, the Company's obligation has reduced, and this triggered a write-back of USD10,086,314 (2020: USD21,000,000) of warranty provision recorded in the current year's profit or loss.

15 Trade and other payables

	2021	2020
	USD'000	USD'000
Trade payables	40,486	60,216
Amount due to immediate holding company		
- Non-trade	1	-
Amount due to sister companies		
- Trade	-	480
- Non-trade	1,544	5,535
Amount due to subsidiaries		
- Non-trade	1,093	66
Amount due to former related company	-	970
Loan due to a former related company	-	1,646
Loans due to former intermediate holding companies	-	95,452
Other payables	11,486	3,162
Current derivatives	-	194
Accrued expenses	9,457	9,892
	<u>64,067</u>	<u>177,613</u>

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

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

Amount due to related company is trade related, non-interest-bearing and carry credit terms of 90 to 210 days.

Loan due to a former related company

On 6 December 2019, the Company entered into a loan facility agreement of USD40,000,000 with Bluestar Finance Holdings Ltd, a wholly-owned subsidiary of former intermediate holding company, China National Bluestar (Group) Co. Ltd. The loan was unsecured, bore interest rate at 6-month LIBOR+2.1% per annum and repayable in 4 tranches in 2020.

On 23 December 2020, the loan was converted into perpetual securities. Details of such perpetual securities are disclosed in Note 13.

On 5 November 2021, the cumulative interest on perpetual securities was waived as part of the funding restructuring (refer to Note 11).

Loans due to former intermediate holding companies

On 12 May 2020, the Company entered into a working capital loan agreement with former intermediate holding company China National Chemical Corporation Ltd. Under this agreement, the Company received facility of USD30,000,000. The facility was unsecured, bore debit base rate from Bank Mendes Gans N.V. plus margin of 2.2% per annum and repayable on 11 May 2021.

On 1 September and 9 December 2020, the Company entered into 2 loan facilities of USD35,000,000 and USD30,000,000 respectively, with former related company, Bluestar Elkem Investment Co., Ltd. The loan facilities were unsecured, bore fixed interest rate of 3.95% per annum.

During 2021, the Company received additional USD65,000,000 loan from former related company, Bluestar Elkem Investment Co., Ltd. On 5 November 2020, the outstanding amounts of USD130,000,000 were novated to immediate holding company, REC Solar Holdings AS, as a result of funding restructuring exercise (refer to Note 11).

During 2021 and 2020, the Company used Foreign Exchange (“FX”) forward contracts to hedge some of its transaction exposures. The FX forward contracts were not designated as hedging instruments, and were entered into with maturity dates ranging from 1 month to over 12 months, where REC has the flexibility to realise the currency derivatives at any point in time before maturity.

The Company’s exposures to currency and liquidity risks related to trade and other payables are disclosed in Note 24.

16 Contract liabilities

	2021	2020
	USD’000	USD’000
Advance billings	14,496	15,511

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

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

	2021	2020
	USD’000	USD’000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(15,511)	(5,560)
Increases due to cash received, excluding amounts recognised as revenue during the year	14,496	15,511

17 Government grants

	2021	2020
	USD'000	USD'000
Grants related to assets, recognised in the statement of financial position	5,279	233
Grants related to income (reduction of employee benefits expenses, raw materials and consumables and other operating expenses), recognised in the statement of comprehensive income	2,728	11,472

The above government grants awarded to the Company, include job Support Scheme to save jobs from impact of Covid-19, and other support efficiency improvement and research initiatives undertaken by the Company.

18 Revenue

The Company manufactures and sells solar panels. The Company typically fulfils its performance obligations in accordance with the terms and conditions stated in the contract (i.e. when risks and rewards are passed to the customer in accordance with Incoterms).

Disaggregation of revenue by geographical markets is as follows:

	2021	2020
	USD'000	USD'000
USA	217,051	171,351
Germany	72,095	45,663
Australia/New Zealand	24,580	25,519
Japan	5,140	11,671
India	9,313	5,470
Thailand	1,590	3,424
Domestic	3,549	3,310
Sri Lanka	3,484	1,131
China/Hong Kong	6,270	1,092
Bangladesh	610	1,077
Philippines	1,665	899
South Africa	374	528
Cyprus	-	469
Indonesia	397	362
Jordan	307	146
United Kingdom	-	79
Vietnam	-	73
Taiwan	3,453	69
French Polynesia	313	-
United Arab Emirates	146	-
Pakistan	197	-
Other	192	152
	<u>350,726</u>	<u>272,485</u>

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

The Company generated 68% of its total revenue from sales of solar panels to sister companies (2020: 83%).

The external customers of the Company are international corporations dispersed all over the world. The payments for trade receivables are due within 30 to 60 days from the invoice date. Information about trade receivables from contracts with customers is presented in Note 9 and Note 24 under Credit risk disclosure.

In the event where there are quality issues with the solar panel or claims against the Company's panels not reaching warranted efficiency levels, these amounts are being net off against warranty provision. Information about warranty provision is presented in Note 4.1(e) and Note 14.

19 Other income

	2021	2020
	USD'000	USD'000
Royalty fee	7,752	1,800
Management fee from sister companies	12,187	12,420
Waiver of intercompany loan interest	5,717	-
Miscellaneous income	1	-
	<u>25,657</u>	<u>14,220</u>

In 2021, the miscellaneous income booked was related to a late payment interest received from external customer.

20 Other operating expenses

	2021	2020
	USD'000	USD'000
Repair and maintenance expenses	3,026	3,603
Professional fees	15,691	7,417
IT expenses	2,832	3,013
Other operating costs	16,882	13,752
	<u>38,431</u>	<u>27,785</u>

21 Finance income and expenses

	2021	2020
	USD'000	USD'000
Loan interest income due from immediate holding company	2,379	4,916
Loan interest income due from a sister company	1,635	1,908
Interest income from bank deposit	4	127
Gain on revaluation of forward exchange contracts and spot contracts	369	594
Net foreign currency exchange gain	5,928	-
Finance income	<u>10,315</u>	<u>7,545</u>

	2021	2020
	USD'000	USD'000
Loan interest expense due to a former related company	(3,618)	(1,646)
Loan interest expense due to former intermediate holding companies	(807)	(828)
Interest expense due to bank loan	(279)	(5)
Interest expense due to lease liabilities	(23,078)	(24,440)
Interest expense from financing liabilities	(969)	(1,534)
Net foreign currency exchange loss	-	(8,357)
Finance expenses	<u>(28,751)</u>	<u>(36,810)</u>
Net finance expenses recognised in profit or loss	<u>(18,436)</u>	<u>(29,265)</u>

22 **Income tax**

	2021	2020
	USD'000	USD'000
Current tax expense		
Income tax	<u>-</u>	<u>-</u>
 <i>Reconciliation of effective tax rate</i>		
Loss before tax	<u>(135,490)</u>	<u>(90,521)</u>
Tax calculated using Singapore tax rate of 17% (2020: 17%)	(23,033)	(15,389)
Non-deductible expenses	9,838	8,999
Tax exempt income	(5,044)	(4,278)
Tax losses not recognised	<u>18,239</u>	<u>10,668</u>
	<u>-</u>	<u>-</u>

With effect from 1 January 2018, the Company terminated its pioneer status certificate for business activities relating to the manufacturing and sale of solar panels for the solar industry.

As at 31 December 2021, the Company has unutilised tax losses of USD477,050,640 (2020: USD432,512,593) for which no additional deferred tax asset has been recognised since it is difficult to reliably form a forecast of future taxable profits.

23 Leases

Company as a lessee of land and buildings

On 10 January 2019, the Company completed the sale and leaseback of its land and buildings located at Tuas South Avenue 14, Singapore, 637312, with carrying amount of USD396,566,000, for a consideration of SGD585,000,000 (equivalent of USD429,595,000). The Company evaluated the sale of its land and buildings as a 'true sale' within the requirements of FRS 115.

On the same date, the Company measured the right-of-use assets arising from the leaseback of buildings at the proportion of the previous carrying amount of the buildings that related to the right-of-use retained by the Company, which is USD316,684,000. Following the requirements of FRS 116 *Leases*, the gain on sale of building had been allocated between the Company and the Buyer-lessor. Through this allocation process, the Company recognised the gain that relates to the rights transferred to the buyer-lessor of USD6,653,000 in 2019's profit or loss.

The sale and leaseback transaction enabled the Company to access more capital while continuing to use the premise. The lease term was set at 20 years and right-of-use assets and lease liabilities of USD316,684,000 and USD343,060,000, respectively, were recognised at lease inception. The rent was increased every year by 1.75% to reflect increases in local market rents for similar properties.

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

The Company's weighted average incremental borrowing rate of 6.5% was used for calculation of right-of-use assets and lease liabilities of related leaseback of land and buildings before lease modification.

On 28 November 2021, the Company entered into supplemental lease agreement with the landlord to amend the Principal Lease, which resulted in lease payments over the remaining lease period revised. Lease payments were fixed over the remaining period of lease based on agreement. As a result of this amendment, the Company has recognised additional right-of-use assets and lease liabilities of USD9,505,000 (refer to Note 13 and Note 23(a)).

The supplemental lease agreement also released: 1) REC Solar Holdings AS from its obligation under the Corporate Guarantee dated 10 January 2019, 2) China National Bluestar (Group) Co., Ltd. from its obligations under Parent Guarantee dated 10 January 2019, 3) China National Bluestar (Group) Co., Ltd. from its obligations under the Keep Well Deed dated 10 January 2019, and 3) Credit Agricole Corporate & Investment Bank, Singapore Branch of bank guarantee dated 26 November 2020.

The supplemental lease agreement also requires the Company to furnish 1) two bankers guarantee totalling SGD460,000,000, 2) Banker's guarantee instead of cash payment for security deposit, 3) Corporate guarantee issued by REC Solar Holdings AS guaranteeing the Company's obligations under the lease up to a maximum amount of SGD75,000,000.

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

Company as a lessee of other assets

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

The Company also leases certain plant and equipment with lease terms of 12 months or less and leases other low value assets. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and continues recognising these leases as operating leases in 2021 (2020: operating leases).

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

	Building USD'000	Machinery and equipment USD'000	Office and IT equipment USD'000	Transportation equipment USD'000	Total USD'000
Carrying amount					
At 1 January 2020	301,238	15,762	104	173	317,277
Additions	–	175	–	–	175
Reclassification*	–	(11,344)	–	–	(11,344)
Depreciation charge for the year	(16,067)	(3,063)	(26)	(118)	(19,274)
At 31 December 2020	<u>285,171</u>	<u>1,530</u>	<u>78</u>	<u>55</u>	<u>286,834</u>
At 1 January 2021	285,171	1,530	78	55	286,834
Additions**	10,163	–	–	79	10,242
Depreciation charge for the year	(16,111)	(274)	(26)	(68)	(16,479)
At 31 December 2021	<u>279,223</u>	<u>1,256</u>	<u>52</u>	<u>66</u>	<u>280,597</u>

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

** Including recognition of additional ROU of USD9,505,000 due to lease modification (see above)

(b) Lease liabilities

The carrying amounts of lease liabilities are disclosed in Note 14 and the maturity analysis of lease liabilities is disclosed in Note 24.

(c) *Amounts recognised in statement of comprehensive income*

	2021	2020
	USD'000	USD'000
Depreciation of right-of-use assets	16,479	19,274
Interest expense on lease liabilities (Note 21)	23,078	24,440
Lease expense relating to short-term leases and low value items	322	290
Total amount recognised in statement of comprehensive income	39,879	44,004

(d) *Total cash outflows*

During the financial year, the Company had total cash outflows for leases amounted to USD28,267,000 (2020: USD33,945,000).

Company as a lessor

The Company does not have any lease contracts where the Company participates as a lessor as at and during the year ended 31 December 2021 (2020: Nil).

24 **Financial risk management**

Overview

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

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

Risk management framework

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

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

Credit risk

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

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

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

The Company held cash and cash equivalents of USD2,298,000 at 31 December 2021 (2020: USD26,927,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA-, based on Standard & Poor's ratings.

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

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

Trade receivables

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

Exposure to credit risk

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

	Carrying amount	
	2021	2020
	USD'000	USD'000
Canada	787	6,260
Australia/New Zealand	7,033	5,327
United States	10,935	2,121
India	382	1,914
Thailand	281	1,132
Bangladesh	-	894
Domestic	331	815
South Africa	-	228
Cyprus	-	162
Sri Lanka	941	112
Taiwan	-	102
Vietnam	-	73
Indonesia	-	60
Pakistan	197	-
Others	(10)	42
	<u>20,877</u>	<u>19,242</u>

Trade receivables that are past due and impaired

Of the total trade receivables of USD20,877,000 (2020: USD19,242,000), USD1,869,000 (2020: USD8,922,000) were past due at the balance sheet date.

The following table provides information about the exposure to credit risk and estimated ECL allowance for trade receivables as of 31 December 2021. The estimated ECLs were calculated based on actual credit loss experience over the past five years.

	Weighted average loss rate %	Gross carrying amount USD'000	2021	
			Impairment loss allowance USD'000	Credit impaired
Current (not past due)	–	19,481	–	No
Past due 1 - 30 days	–	1,396	–	No
Past due 31 - 60 days	–	–	–	No
Past due 61-90 days	–	–	–	No
More than 90 days past due	100%	473	(473)	Yes
		21,350	(473)	

	Weighted average loss rate %	Gross carrying amount USD'000	2020	
			Impairment loss allowance USD'000	Credit impaired
Current (not past due)	–	10,797	–	No
Past due 1 - 30 days	–	7,678	–	No
Past due 31 - 60 days	–	620	–	No
Past due 61-90 days	–	–	–	No
More than 90 days past due	76%	624	(477)	Yes
		19,719	(477)	

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

Movements in allowance for the impairment allowances are as follows:

	USD'000
At 1 January 2021 per FRS 109	(477)
- Currency effect	4
At 31 December 2021 per FRS 109	(473)
At 1 January 2020 per FRS 109	(469)
- Currency effect	(8)
At 31 December 2020 per FRS 109	(477)

The Company has intercompany loans due from immediate holding company and sister companies of USD157,111,462 (2020: USD116,132,678) and Nil (2020: USD62,489,491), respectively. Management has used a general 12-month approach in assessing the credit risk associated with these intercompany loans. The intercompany loans are re-assessed by management annually and, if required, extended for additional year with corresponding revision of key terms and interest rates which are on arms-length and compliant with tax and transfer pricing regulations. Management assessed the risk of non-payment of these intercompany loans as low, by reference to the counterparties' liquidity and financial positions, product sales and their business performances. Recoverability of intercompany loans from immediate holding company and sister companies is supported by the Letter of financial support received by immediate parent company from the ultimate holding company, Reliance Industries Limited. As such, no significant ECL allowance has been recognised at the reporting date (2020: Nil).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is dependent on external borrowings to fund its working capital and capital expenditure. In the second half of the year, the Company secured loan and working capital facilities of USD250 million and USD150 million, respectively. As at 31 December 2021, USD222.3 million of USD250 million loan facility was drawn down, while USD50 million of USD150 million working capital facility was drawn down. The Company also received letter of financial support from the ultimate holding company, Reliance Industries Limited, for at least the next 12 months, to meet debt obligations as and when they fall due; and is in the process of seeking additional USD200 million to fund the Company's operations and continuing investments in capital expenditure.

The Company monitors its liquidity risk and maintains a level of cash in hand deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. As part of liquidity management, the Company invests primarily in bank deposits and finances its operations through share capital injection by its immediate holding company. The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount USD'000	Interest rate %	Cash flows				
			Contractual cash flows USD'000	Within 6 months/ on demand USD'000	Within 6 months to 1 year USD'000	From 1 to 5 years USD'000	More than 5 years USD'000
31 December 2021							
Non-derivative financial liabilities							
Trade and other payables ^a	64,067		(64,067)	(62,216)	(11)	(1,840)	–
Bank loans and borrowings	272,311	0.80% - 1.30%	(287,230)	(1,672)	(51,611)	(198,853)	(35,094)
Trade financing	9,065	5.4%	(9,065)	(9,065)	–	–	–
Lease liabilities	348,369	3% to 9%	(452,067)	(10,732)	(10,534)	(211,032)	(219,769)
	<u>693,812</u>		<u>(812,429)</u>	<u>(83,685)</u>	<u>(62,156)</u>	<u>(411,726)</u>	<u>(254,863)</u>

^a *excluding current derivatives*

	Carrying amount USD'000	Interest rate %	Cash flows				
			Contractual cash flows USD'000	Within 6 months/ on demand USD'000	Within 6 months to 1 year USD'000	From 1 to 5 years USD'000	More than 5 years USD'000
31 December 2020							
Non-derivative financial liabilities							
Trade and other payables ^a	80,321		(80,321)	(80,052)	(253)	(16)	–
Loans due to former intermediate holding companies:		BMG Debit					
- China National Chemical Corporation Ltd	30,000	Base Rate+2.2%	(30,000)	(30,000)	–	–	–
- Bluestar Elkem Investment Co., Ltd	65,452	3.95%	(67,603)	(1,296)	(66,307)	–	–
Loan due to a related company	1,646	LIBOR+2.1%	(1,646)	(1,646)	–	–	–
Trade financing	8,835	5.91133%	(8,835)	(8,835)	–	–	–
Lease liabilities	349,529	6% to 8%	(608,171)	(39,440)	(14,149)	(115,614)	(438,968)
	<u>535,783</u>		<u>(796,576)</u>	<u>(161,269)</u>	<u>(80,709)</u>	<u>(115,630)</u>	<u>(438,968)</u>
Derivative financial liabilities							
Forward currency contracts used for hedging (gross-settled):	194						
- Outflow	–		(9,051)	(5,424)	(3,627)	–	–
- Inflow	–		8,857	5,314	3,543	–	–
	<u>194</u>		<u>(194)</u>	<u>(110)</u>	<u>(84)</u>	<u>–</u>	<u>–</u>
	<u>535,977</u>		<u>(796,770)</u>	<u>(161,379)</u>	<u>(80,793)</u>	<u>(115,630)</u>	<u>(438,968)</u>

Market risk

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

Foreign currency risk

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

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

	Singapore Dollar USD'000	Japanese Yen USD'000	Australian Dollar USD'000	Euro USD'000
31 December 2021				
Trade and other receivables	2,314	–	–	3,593
Cash and cash equivalents	(1,167)	526	72	1,367
Trade and other payables	(14,646)	(1,501)	(6)	(2,179)
	<u>(13,499)</u>	<u>(975)</u>	<u>65</u>	<u>2,781</u>
31 December 2020				
Trade and other receivables	4,440	–	–	2,989
Cash and cash equivalents	2,907	1,539	9	2,281
Trade and other payables	(19,408)	(248)	(285)	(9,223)
	<u>(12,061)</u>	<u>1,291</u>	<u>(276)</u>	<u>(3,953)</u>

Sensitivity analysis

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

	Profit or loss	
	2021 USD'000	2020 USD'000
Singapore dollar	1,350	1,206
Japanese yen	97	(129)
Australian dollar	(7)	28
Euro	(278)	395
	<u>1,162</u>	<u>1,500</u>

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

Interest rate risk

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

	Nominal amount	
	2021	2020
	USD'000	USD'000
Variable rate instruments		
Financial assets	153,274	-
Financial liabilities	(272,310)	(97,098)
	<u>(119,036)</u>	<u>(97,098)</u>

Cash flow sensitivity for variable rate instruments

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

	Profit or loss	
	50bp increase	50bp decrease
	USD'000	USD'000
31 December 2021		
Variable rate instruments	(596)	596
Cash flow sensitivity (net)	<u>(596)</u>	<u>596</u>
31 December 2020		
Variable rate instruments	(485)	485
Cash flow sensitivity (net)	<u>(485)</u>	<u>485</u>

Accounting classification and fair values

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

	Note	Carrying amount			Fair value			
		Mandatorily at FVTPL - others USD'000	Amortised cost USD'000	Total USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2021								
Financial assets								
Foreign exchange forward contracts	9	316	–	316	–	316	–	316
Trade and other receivables*	9	–	213,125	213,125				
Cash and cash equivalents		–	2,298	2,298				
		<u>316</u>	<u>215,423</u>	<u>215,739</u>				
31 December 2020								
Financial assets								
Foreign exchange forward contracts	9	712	–	712	–	712	–	712
Trade and other receivables*	9	–	217,441	217,441				
Cash and cash equivalents		–	26,927	26,927				
		<u>712</u>	<u>244,368</u>	<u>245,080</u>				

* *excluding current derivatives*

	Note	Carrying amount			Fair value			
		Mandatorily at FVTPL -		Total	Level 1	Level 2	Level 3	Total
		others	Amortised cost					
31 December 2021								
Financial Liabilities								
Trade financing	13	–	(9,065)	(9,065)	–	(9,065)	–	(9,065)
Loans and borrowings	13	–	(272,311)	(272,311)	–	(272,311)	–	(272,311)
Trade and other payables	15	–	(64,067)	(64,067)				
		–	(345,443)	(345,443)				
31 December 2020								
Financial Liabilities								
Foreign exchange forward contracts	15	(194)	–	(194)	–	(194)	–	(194)
Trade financing	13	–	(8,835)	(8,835)	–	(8,835)	–	(8,835)
Loan due to a related company	15	–	(1,646)	(1,646)	–	(1,646)	–	(1,646)
Loan due to intermediate holding companies	15	–	(95,452)	(95,452)	–	(95,452)	–	(95,452)
Trade and other payables*	15	–	(80,321)	(80,321)				
		(194)	(186,254)	(186,448)				

* *excluding current derivatives*

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

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

Contractual cash flows in foreign exchange forward contracts as at 31 December 2021

		FX Forward Nominal amount '000
Bought SGD currency (and sold USD currency)	SGD	<u>78,248</u>
Sold JPY currency (and bought USD currency)	JPY	(300,000)
Sold EUR currency (and bought USD currency)	EUR	<u>(9,000)</u>

Contractual cash flows in foreign exchange forward contracts as at 31 December 2020

		FX Forward Nominal amount '000
Bought SGD currency (and sold USD currency)	SGD	<u>30,030</u>
Sold JPY currency (and bought USD currency)	JPY	(300,000)
Sold EUR currency (and bought USD currency)	EUR	<u>(5,000)</u>

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

The table below shows the same contracts, but summarises the future currency exposure in total for the undiscounted contractual cash flows in foreign exchange forward contracts at 31 December 2021 and at 31 December 2020.

Future currency exposure, bought currency (+), sold currency (-) for the year ended 31 December 2021

	USD 2022 '000	EUR 2022 '000	JPY 2022 '000	SGD 2022 '000
EUR/USD	10,186	(9,000)	–	–
JPY/USD	2,611	–	(300,000)	–
USD/SGD	(57,810)	–	–	78,248
Total	<u>(45,013)</u>	<u>(9,000)</u>	<u>(300,000)</u>	<u>78,248</u>

At 31 December 2021, REC had estimated net positive external future cash flows in both EUR and JPY, net negative cash flows in SGD. REC is economically hedging parts of these cash flows by entering into derivative transactions for purchase of SGD, sale of EUR and JPY.

Future currency exposure, bought currency (+), sold currency (-) for the year ended 31 December 2020

	USD	JPY	SGD	EUR
	2021	2021	2021	2021
	'000	'000	'000	'000
EUR/USD	6,107	–	–	(5,000)
JPY/USD	2,894	(300,000)	–	–
USD/SGD	(22,593)	–	30,030	–
Total	(13,592)	(300,000)	30,030	(5,000)

At 31 December 2020, REC had estimated net positive external future cash flows in both EUR and JPY, net negative cash flows in SGD. REC is economically hedging parts of these cash flows by entering into derivative transactions for purchase of SGD, sale of EUR and JPY.

Fair value of foreign exchange forward contracts as at 31 December 2021

		FX Forward
		USD'000
Sold EUR currency (and bought USD currency)	EUR/USD	<u>248</u>
Bought SGD currency (and sold USD currency)	USD/SGD	<u>68</u>
		<u>316</u>

Fair value of foreign exchange forward contracts as at 31 December 2020

		FX Forward
		USD'000
Sold JPY currency (and bought USD currency)	JPY/USD	(57)
Sold EUR currency (and bought USD currency)	EUR/USD	<u>(137)</u>
Bought SGD currency (and sold USD currency)	USD/SGD	<u>712</u>
		<u>518</u>

The table above shows a specification of fair values equalling carrying amounts, at 31 December 2021 and 31 December 2020 of currency derivatives distributed by currency and year of maturity, where REC has the flexibility to realise the currency derivatives at any point in time before maturity.

25 Commitments

Capital commitments

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

	2021 USD'000	2020 USD'000
Capital commitments in respect of machinery and equipment under construction	66,031	20,111

Purchase commitments

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

	2021 USD'000	2020 USD'000
Purchase commitments for utilities, contract manufacturing and goods purchase	109,726	70,772

26 Related parties

Key management personnel compensation

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

Key management personnel compensation comprised:

	2021 USD'000	2020 USD'000
Salary and other short-term benefits	2,851	4,605
Post-employment benefits	45	33
	<u>2,896</u>	<u>4,638</u>

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

Other related party transactions

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

	2021	2020
	USD'000	USD'000
Immediate Holding Company		
Loan interest income	(2,379)	(4,916)
Royalty fee	(7,752)	-
Recovery of operating expenses	2	-
	<hr/>	<hr/>
Sister companies		
Recovery of operating expenses	411	(136)
Payment on behalf	369	(498)
Sale of solar panels	(239,010)	(226,532)
Royalty fee	-	(1,800)
Management fee	(12,187)	(12,420)
Loan interest income	(1,635)	(1,908)
	<hr/>	<hr/>
Subsidiaries		
Purchase of materials	1,968	-
Recovery of operating expenses	936	1,020
Payment on behalf	(1,626)	(2,084)
	<hr/>	<hr/>
Former Intermediate Holding Company		
Loan interest expense	3,619	828
	<hr/>	<hr/>
Former Related Companies		
Purchase of materials	65,190	1,285
Payment on behalf	-	(17)
Loan interest expense	806	1,646
	<hr/>	<hr/>