

Ashok Leyland (U.A.E.) L.L.C. and
its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

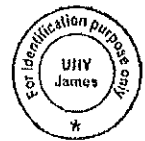
Auditor's report and consolidated financial statements
For the year ended March 31, 2022



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Table of contents

	<u>Pages</u>
Directors' report	1 & 2
Independent auditor's report	3 - 5
Consolidated statement of financial position	6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 - 38



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

**Report of the Directors
for the year ended March 31, 2022**

The Directors have pleasure in presenting their fifteenth annual report and the audited consolidated financial statements for the year ended March 31, 2022.

PRINCIPAL ACTIVITIES

The Group is licensed to engage in automobile assembling, automobile assembling with special specifications, bus assembling, special accessories fittings and manufacturing of vehicles bodies & spare parts.

BUSINESS OPERATIONS REVIEW

The performance of the Group for the year ended March 31, 2022 is as follows:

Sale Volume (nos)	1,783 vehicles (P.Y.: 1,480 vehicles)
Revenue	AED 329.48 Mn (P.Y.: AED 259.46 Mn)
Gross Profit	AED 45.18 Mn (P.Y.: AED 42.99 Mn)
Net (loss)/profit	AED (0.53) Mn (P.Y.: AED 1.61 Mn)

The ongoing relaxation of rules related to COVID-19 pandemic contributed to the substantial economic expansion. The Group reported an increase in sales volume and revenue by 20% and 27%, respectively from previous year. An increase in raw material cost driven by commodity price volatility and logistic cost shrunk the margin despite solid growth in business activity. The Group reported a gross profit of 13.71% and net loss of 0.16% on revenue in the current year compared to a gross profit of 16.57% and net profit of 0.62% on revenue from previous year.

BUSINESS UPDATE AND FUTURE OUTLOOK

GCC economies have seen a relatively strong start to 2022. Higher oil prices and increased production are favorable for GCC sovereigns, improving budget balances and resulting in higher headline GDP growth estimates for this year. Expected fiscal surpluses will allow governments to spend as planned without needing to tap debt markets in a rising interest rate environment.

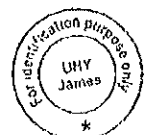
Custom Duty elimination under the 'Comprehensive Economic Partnership Agreement' (CEPA) signed between UAE and India is expected to put pressure on vehicle sale realization. On the other side, commodity price and logistic costs will result in an increase the input cost and challenge margins despite the strong business growth expected in the coming year.

The Board of Directors is confident that Value Analysis and Value Engineering (VA/VE) initiative will facilitate cost control and a focus on new products development to increase the addressable TIV to become a player in multiple segments in the region.

SUBSIDIARIES

M/s. Ashok Leyland West Africa (ALWA), SA, Ivory Coast, 100% owned subsidiary, managing Ashok Leyland's dealership network in Burkina Faso, Cameroon, Republic of Guinea, Liberia, Republic of Congo, and expanded dealership network to Sierra Leone. The Entity also certified five workshops in Ivory Coast and trained the mechanics outside the region. The Entity has signed the second phase of the contract of 1,000 vehicles and received an indicative term sheet for USD 85 million from EXIM bank, which is currently under review with the Ministry of Finance Ivory Coast.

M/s. Ashok Leyland LLC Russia, 100% owned subsidiary, sold 32 vehicles during the year and placed a further order for 40 vehicles based on repetitive enquires from customers. The Entity expanded to eight dealers across the Russia and appointed a distributor for assembly and retail sales. The current conflict between Russia and Ukraine created short term economic volatility. The management, however, remains confident that the impact will be temporary and don't have long term adverse effect on the operations.



RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group is committed to the management of risk to achieve sustainability, employment, and surpluses. The risk management framework identifies, assesses, manages, and reports risk on a consistent and reliable basis. The primary risks are those of credit, market (liquidity, interest rate, foreign exchange) and operational risk.

The Group has performed sensitivity analysis on the assumption used and based on current estimate expects the carrying amount of these assets will be recovered.

The management recognizes their responsibility for system of internal control and for reviewing its effectiveness. In view of the above, the Group continuously monitors risks through means of administrative and information systems.

Periodic MIS reports are generated which help to mitigate risks and provide full transparency.

CREDITORS' PAYMENT POLICY

The Group maintains a policy of paying suppliers in accordance with terms and conditions agreed with them.

PROPERTY, PLANT AND EQUIPMENT

The movement in the property, plant and equipment account is set out in note - 5 to these consolidated financial statements.

BOARD OF DIRECTORS

The Group's Memorandum of Association requires that all Directors retire at least every three years. It has decided to comply with the practice to maintain the highest levels of corporate governance. Mr. Sanjay Saraswat, one of the Directors, retires by rotation at the forthcoming Annual General Meeting and being eligible and offers himself for reappointment.

AUDITOR

M/s. UHY James Chartered Accountants, Dubai - United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting (AGM).

DIRECTORS' RESPONSIBILITIES


The U.A.E. Federal Commercial Companies Law No. 2 of 2015 requires the Directors to prepare the consolidated financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the net profit or loss for that year.


The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the consolidated financial statements comply with the relevant governing laws.

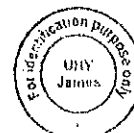
ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere gratitude for the continuous support extended by various government departments, bankers, customers, suppliers, and employees.

These financial statements were approved by the Board and signed on behalf by the authorized representatives of the Group.


Anuj Kathuria
(Director)
Date: May 12, 2022


Anand Singh Arora
(Director)



Ref: JM/AR/2022/22207

Independent auditor's report

To,

The Shareholders

M/s. Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of M/s. Ashok Leyland (U.A.E.) L.L.C. (the "Parent Entity") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at March 31, 2022 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), in compliance with the requirements of applicable laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent auditor's report to the shareholders of Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report to the shareholders of Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries (continued)

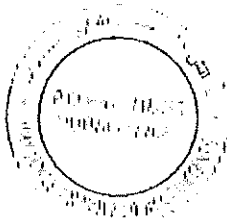
Report on other legal and regulatory requirements

As required by the U.A.E. Federal Commercial Companies Law No. 2 of 2015, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 2 of 2015 and the Memorandum of Association of the Parent Entity.
- 3 Proper books of accounts have been maintained by the Group.
- 4 The contents of the Directors' report which relates to the consolidated financial statements are in agreement with the Group's books of account.
- 5 The Group has not made any investments in share and stocks during the year ended March 31, 2022.
- 6 Note 8 to the consolidated financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended, any of the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 2 of 2015 or the Memorandum of Association of the Parent Entity, which would materially affect its activities or its consolidated financial position as at March 31, 2022.

For UHY James Chartered Accountants

James Mathew FCA, CPA
Managing Partner
Reg. No. 548
May 12, 2022
Dubai - United Arab Emirates



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

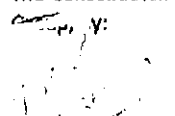
Consolidated statement of financial position as at March 31, 2022
(In Arab Emirates Dirham)


	Notes	2022	2021
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	54,285,953	59,168,898
Right-of-use assets	6	5,658,589	6,256,948
Deferred tax asset	7	1,888,292	1,469,527
Advances, deposits and other receivables - non-current portion	11	383,487	4,001,428
Total non-current assets		62,216,321	70,896,801
<i>Current assets</i>			
Due from related parties	8	4,545	653,252
Inventories	9	76,385,915	43,692,486
Trade receivables	10	44,048,333	44,569,855
Advances, deposits and other receivables - current portion	11	13,796,462	2,894,061
Cash and bank balances	12	6,016,545	2,653,376
Total current assets		140,251,800	94,463,030
Total assets		202,468,121	165,359,831
Equity and liabilities			
<i>Equity</i>			
Share capital	13	73,000,000	73,000,000
Statutory reserve	14	3,472,789	3,344,504
Foreign currency translation reserve		514,181	742,774
Accumulated (losses)	15	(74,839,911)	(74,176,610)
Total equity		2,147,059	2,910,668
<i>Non-current liabilities</i>			
Redeemable non-cumulative non-convertible preference shares	16	23,000,000	23,000,000
Employees' end of service benefits	17	3,869,413	3,412,294
Lease liabilities - non-current portion	19	11,747,038	12,290,241
Total non-current liabilities		38,616,451	38,702,535
<i>Current liabilities</i>			
Due to related parties	8	30,217,431	7,723,913
Trade and other payables	20	64,115,286	38,570,501
Contract liabilities	21	811,733	2,282,950
Bank borrowings - current portion	22	66,026,150	74,713,128
Lease liabilities - current portion	19	534,011	456,136
Total current liabilities		161,704,611	123,746,628
Total liabilities		200,321,062	162,449,163
Total equity and liabilities		202,468,121	165,359,831

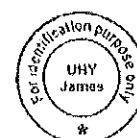
The accompanying notes form an integral part of these consolidated financial statements.

The report of the auditor is set out on pages 3 to 5.

The consolidated financial statements on pages 6 to 38 were approved on May 12, 2022 and signed on behalf of the


Anuj Kathuria
Director


Ansh Arora
Director



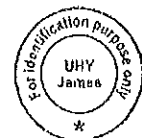
Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Consolidated statement of profit or loss and other comprehensive income for the year ended March 31, 2022
(In Arab Emirates Dirham)

	Notes	2022	2021
Revenue	23	329,478,544	259,464,476
Direct cost	24	(284,301,936)	(216,471,607)
Gross profit		45,176,608	42,992,869
Other income	25	2,029,836	1,077,131
Selling and distribution expenses	26	(25,996,696)	(18,361,015)
Administrative expenses	27	(19,196,899)	(20,701,942)
Finance costs	28	(2,947,011)	(3,677,119)
(Loss)/profit before tax		(934,162)	1,329,924
<i>Tax expenses</i>			
Current tax		(19,619)	-
Deferred tax credit income	7	418,765	279,729
(Loss)/profit for the year		(535,016)	1,609,653
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translating foreign operation		(228,593)	432,472
Total comprehensive (loss)/income for the year		(763,609)	2,042,125

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

The report of the auditor is set out on pages 3 to 5.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
 Ras Al Khaimah - United Arab Emirates

Consolidated statement of changes in equity for the year ended March 31, 2022
 (In Arab Emirates Dirham)

	Share capital	Statutory reserve	Foreign currency translation reserve	Accumulated (losses)	Total equity
Balance as at March 31, 2020	73,000,000	2,913,369	310,302	(75,355,128)	868,543
Profit for the year	-	431,135	-	1,609,653	1,609,653
Transferred to statutory reserve	-	431,135	-	(431,135)	-
Exchange difference on translating foreign operation	-	-	432,472	-	432,472
Balance as at March 31, 2021	73,000,000	3,344,504	742,774	(74,176,610)	2,910,668
(Loss) for the year	-	-	-	(535,016)	(535,016)
Transferred to statutory reserve	-	128,285	-	(128,285)	-
Exchange difference on translating foreign operation	-	-	(228,593)	-	(228,593)
Balance as at March 31, 2022	73,000,000	3,472,789	514,181	(74,839,911)	2,147,059

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

The report of the auditor is set out on pages 3 to 5



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Consolidated statement of cash flows for the year ended March 31, 2022
(In Arab Emirates Dirham)

	2022	2021
Cash flows from operating activities		
(Loss)/profit for the year	(535,016)	1,609,653
<i>Adjustments for:</i>		
Loss on effect of modification to lease terms		55,408
(Gain) on disposal of property, plant and equipment	(14,128)	(267,459)
Depreciation on property, plant and equipment	5,068,410	4,922,746
Depreciation on right-of-use assets	587,308	525,732
Allowance for slow moving inventories	-	189,215
Deferred tax Income	(418,765)	(279,729)
Allowance for expected credit loss	4,745	
Warranty provision written back	(1,367,926)	-
Provision for employees' end of service benefits	815,437	540,032
Finance costs	2,947,011	3,677,119
Operating profit before changes in operating assets and liabilities	7,087,076	10,972,717
<i>(Increase)/decrease in current and non-current assets</i>		
Inventories	(32,693,429)	14,756,571
Trade receivables	516,777	(1,721,756)
Advances, deposits and other receivables	(7,284,460)	2,153,838
Due from related parties	648,707	(508,461)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	26,912,711	(5,182,538)
Contract liabilities	(1,471,217)	2,161,586
Due to related parties	22,493,518	(10,189,573)
Cash generated from operations	16,209,683	12,442,384
Employees' end-of-service benefits paid	(358,318)	(295,741)
Net cash from operating activities	15,851,365	12,146,643
Cash flows from investing activities		
Acquisition of property, plant and equipment	(195,152)	(254,378)
Proceeds from disposal of property, plant and equipment	18,864	838,048
Net cash (used in)/from investing activities	(176,288)	583,670
Cash flows from financing activities		
Finance costs paid	(2,495,120)	(3,211,388)
(Repayment) of bank borrowings	-	(33,039,000)
Proceeds from bank borrowings - net	6,429,147	9,946,300
(Repayment) of lease liabilities	(905,639)	(809,028)
Net cash from/(used in) financing activities	3,028,388	(27,113,116)
Net increase/(decrease) in cash and cash equivalents	18,703,465	(14,382,803)
Exchange difference on translating foreign operation (net)	(224,171)	337,917
Cash and cash equivalents, beginning of the year	(29,545,712)	(15,500,826)
Cash and cash equivalents, end of the year	(11,066,418)	(29,545,712)
Cash and cash equivalents		
Cash in hand	28,178	2,971
Cash at banks	5,981,518	2,626,142
e-Dirham	6,849	24,263
Bank overdrafts	(17,082,963)	(32,199,088)
	(11,066,418)	(29,545,712)

The accompanying notes form an integral part of these consolidated financial statements.
The report of the auditor is set out on pages 3 to 5.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022

1 Legal status and business activities

- 1.1** M/s. Ashok Leyland (U.A.E.) L.L.C., Ras Al Khaimah - United Arab Emirates (the "Parent Entity") was incorporated on December 18, 2006 as a non Free Zone Limited Liability Company and operates in the United Arab Emirates under an Industrial license issued by the Ras Al Khaimah Economic Zone Authority, Government of Ras Al Khaimah, Ras Al Khaimah - United Arab Emirates.
- 1.2** The Parent Entity is licensed to engage in automobile assembling, automobile assembling with special specifications, bus assembling, special accessories fittings and manufacturing of vehicles bodies & spare parts.
- 1.3** The registered address of the Parent Entity is P.O. Box: 31376, Ras Al Khaimah - United Arab Emirates.
- 1.4** The management and control is vested with Board of Directors.
- 1.5** M/s. WSY Investment LLC, RAK Economic Zone, Ras Al Khaimah - United Arab Emirates owns 51% of the equity of the Parent Entity, and are represented by Mr. Tapas Nayak and Mr. Dinesh Kumar (both Indian nationals) to carry out the Parent Entity's affairs under their overall guidance. However, the legal process for the same is under process as at the reporting period.
- 1.6** These consolidated financial statements incorporate the operating results of the Industrial license no. RAKIA 25 IZ3 12 06 0162, operating results of Branch, M/s. Ashok Leyland UAE LLC - Dubai Branch, Dubai - United Arab Emirates (Professional license no. 757401) and its subsidiaries (listed in note 1.7).
- 1.7** The Parent Entity has the following subsidiary over which it exercises effective control.

Sl. No.	Name of the subsidiary and domicile	Date of acquisition	Percentage of shareholding		Percentage of beneficial holding		Principal activities
			2022	2021	2022	2021	
1	M/s. Ashok Leyland West Africa SA - Ivory Coast	May 26, 2016	100%	100%	100%	100%	Marketing and trading of Ashok Leyland brand vehicles and spare parts, service training and after sale services of vehicles.
2	M/s. Ashok Leyland LLC. - Russia	June 08, 2016	100%	100%	100%	100%	Trading of commercial vehicles, motor vehicle parts, components and accessories and maintenance and repair of motor vehicles.

2 Russian military invasion of Ukraine ("the conflict")

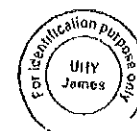
The war between Russia, Ukraine and the impact of the subsequent sanctions and embargoes placed against Russia by major world powers including the US has created significant global economic uncertainty and volatility. Many sectors are already facing the impact of rising fuel and commodity prices which have translated into increased raw materials costs. These conditions may impact the operations of the Parent Entity's Russian subsidiary. The operations of Russian subsidiary are not significant to the Group. Management however remains confident that the impact will be temporary and do not expect a long term adverse effect on the operations.

3 New standards and amendments

3.1 New standards and amendments applicable as on April 01, 2021

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after April 01, 2021.

- COVID-19-related rent concessions beyond June 30, 2021 - Amendments to IFRS 16
- Interest Rate Benchmark Reform phase 2 - Amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39



Notes to the consolidated financial statements for the year ended March 31, 2022

3 New standards and amendments (continued)

3.1 New standards and amendments applicable as on April 01, 2021 (continued)

The management believes that the adoption of the above amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the consolidated financial statements.

3.2 New standards and amendments issued but not effective for the current annual period

The following standards and interpretations had been issued but not yet mandatory for annual reporting periods ending March 31, 2022.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRSs - 2018-2020 cycle	April 01, 2022
Proceeds before Intended Use - Amendments to IAS 16, <i>Property, Plant and Equipment</i>	April 01, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	April 01, 2022
Reference to the Conceptual Framework - Amendments to IFRS 3, <i>Business Combinations</i>	April 01, 2022
IFRS 17 - <i>Insurance Contracts</i>	April 01, 2023
Amendments to IFRS 4 for Extension of the Temporary Exemption from Applying IFRS 9	April 01, 2023
Classification of Liabilities as Current or Non-Current - Amendments to IAS 1, <i>Presentation of Financial Statements</i>	April 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1, <i>Presentation of Financial Statements and IFRS Practice Statement 2</i>	April 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8, <i>Accounting policies, Changes in Accounting Estimates and Errors</i>	April 01, 2023
Deferred Tax related to Assets and Liabilities arising from Single Transaction - Amendments to IAS 12, <i>Income Taxes</i>	April 01, 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements in the period of initial application.

4 Significant accounting policies

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and applicable U.A.E. laws.

Items included in the consolidated financial statements of the foreign subsidiary are measured in the currency used in the economic environment in which the respective subsidiary operates (functional currency). The accompanying consolidated financial statements have been prepared using the United Arab Emirates Dirham (AED) the Group's reporting currency, utilizing period-end exchange rates for assets and liabilities and average exchange rates for consolidated statement of income accounts.

4.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")

Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022

4 Significant accounting policies (continued)

4.2 Basis of preparation (continued)

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

The principal accounting policies applied in these consolidated financial statements are set out below.

4.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Parent Entity and subsidiaries controlled by the Parent Entity. Control is achieved where the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and upto the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the other subsidiaries in the Group.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation.

4.4 Current/non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.5 Fair value measurement

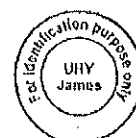
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



4 Significant accounting policies (continued)

4.6 Foreign currency

The transactions in currencies other than the Group's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Consolidation

On consolidation, the assets and liabilities of the Group's foreign operations are translated into United Arab Emirate Dirhams at exchange rates prevailing on the date of end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences are recognised in other comprehensive income and are presented in the translation reserve in equity.

4.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment using the straight-line method over its useful lives as follows:

	<u>Years</u>
Building	10 - 30
Plant and machinery	21
Equipment	4 - 5
Furniture, fixtures and equipment	2 - 4
Motor vehicles	3 - 10

When 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.

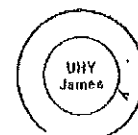
The building is being depreciated over the period from when it became available for use up to the end of the lease term.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

Capital work-in-progress

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



4 Significant accounting policies (continued)

4.8 Leases

The Group assesses at the inception of a contract, whether the 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 Group assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

4.8.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases whereby right-of-use assets and lease liabilities are recognized except for the short-term leases and leases of low-value assets.

Right-of-use assets

The Group recognizes right-of-use assets at the lease commencement date i.e. the date on which the assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of assets comprise the amount of initial lease liabilities recognised, initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and lease payments made at or before the commencement date less any lease incentives received. In addition, the Group also assesses the right-of-use asset for impairment when such indicators exist.

Depreciation is spread over the shorter of lease term and the estimated useful lives of the assets using straight-line method. The shorter of lease term and the estimated useful lives of the right-of-use assets have been listed below:

	<u>Years</u>
Land	30
Building	3

Lease liabilities

At the commencement date, the Group measures lease liabilities at present value of the lease payments that are not paid at that date. The lease payments include fixed payments less any lease incentives receivable, variable lease payments, amount expected to be paid as guaranteed residual value, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease. The Group uses its incremental borrowing rate if interest rate implicit in the lease is not readily determinable, to measure the present value of lease payments.

Subsequent to initial measurement, the Group remeasures lease by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount is remeasured if there are modification in lease contracts or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liability for short term lease contracts (i.e. lease period less than or equal to 12 months from the date of commencement) and for low value assets. The Group recognises payments associated with these leases as an expense on a straight-line basis over the lease term.



4 Significant accounting policies (continued)

4.8 Leases (continued)

4.8.2 Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease when all the risks and rewards incidental to the ownership of the underlying asset are not transferred to the lessee. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4.9 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

4.10 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

4.11 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

4 Significant accounting policies (continued)

4.11 Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in consolidated statement of profit or loss.

Financial assets comprise of cash and cash equivalents, trade receivables, due from related parties and other financial assets.

Cash and cash equivalents

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

Receivables

Receivable balances that are held to collect are subsequently measured at the lower of amortized cost or the present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of value adjustments for uncollectible amounts. The Group assesses on a forward-looking basis the expected credit losses associated with its receivables and adjusts the value to the expected collectible amounts.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

Due from related parties

Amounts due from related parties are stated at amortised cost.

Impairment of financial assets

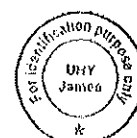
For trade receivables and due from related parties, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

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

4.12 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, due to related parties and loans and borrowings including bank overdrafts.



4 Significant accounting policies (continued)

4.12 Financial liabilities (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are measured at amortized cost.

Due to related parties

Amounts due to related parties are stated at amortised cost.

Loans and other borrowings

Loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

4.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.14 Inventories

Inventories comprise raw materials and consumables, work-in-progress and finished goods. Raw materials and consumables are valued at cost using weighted average basis. Work-in-progress and finished goods are valued at lower of manufacturing cost and net realizable value. Manufacturing cost includes cost of direct materials, direct labour and proportionate share of manufacturing overhead that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

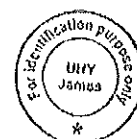
4.15 Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

4.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



4 Significant accounting policies (continued)

4.16 Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.16.1 Provision for product warranty

The product warranty obligations and estimations thereof are determined using historical information on the type of product, nature, frequency and average cost of warranty claims and the estimates regarding possible future incidences of product failures. Changes in estimated frequency and amount of future warranty claims, which are inherently uncertain, can materially affect warranty expense.

4.16.2 Employee benefits

Retirement benefits costs and termination benefits

Amounts required to cover end of service indemnity at the consolidated statement of financial position date are computed pursuant to the applicable labour law based on the employees' accumulated period of service and current basic remuneration.

In case of group companies operating in foreign jurisdiction, the payments in the form of defined contribution towards pension/social security schemes is made as per the laws and regulations of local jurisdiction in which the companies operate. These payments are made to the appropriate authority/entity which is managing the funds/schemes. The assets of the funds/schemes managed by the authorities/entities are held separately from that of these group companies and there are no further obligation once the contributions are made.

4.17 Taxation

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

Notes to the consolidated financial statements for the year ended March 31, 2022

4 Significant accounting policies (continued)

4.17 Taxation (continued)

Deferred tax assets and liabilities (continued)

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

Tax expenses

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

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

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

4.18 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to the customer.

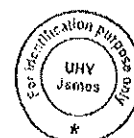
The consideration expected by the Group may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT). A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

Rendering of services

Revenue from the service contracts in the normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. Revenue from the rendering of services is recognised at a point in time because none of the following criteria has been met:



4 Significant accounting policies (continued)

4.18 Revenue recognition (continued)

Rendering of services (continued)

- i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to the customer. The consideration expected by the Group may include fixed or variable amounts which can be impacted by trade discounts and volume rebates. Revenue for the transfer of services is recognized when control of the asset is transferred to the customer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved. Revenue is recorded net of value added tax (VAT).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Parent Entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Parent Entity performs under the contract.

4.19 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group accounting policies, which are described in policy notes, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, which are described above, and due to the nature of operations, management makes the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Group considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Group has transferred control of the goods to the customer. The management is satisfied that control has been transferred and that recognition of revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision as applicable.

4 Significant accounting policies (continued)

4.19 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Business model assessment - classification and measurement of consolidated financial statements

Classification and measurement of financial assets depends on the results of business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Net realisable value of inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Useful lives of property, plant and equipment

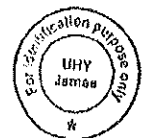
Property, plant and equipment are depreciated over their estimated useful lives, which are based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the consolidated financial statements.

Incremental borrowing rate for leases

The Group uses incremental borrowing rate to measure lease liabilities if interest rate implicit in the lease is not readily determinable. Incremental borrowing rate represents the rate of interest that Group would have to pay on funds necessary to obtain a similar asset, on similar term, with a similar security in a similar economic environment. The management estimates incremental borrowing rate using observable inputs and Group specific estimates.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

5 Property, plant and equipment (continued)

Notes:

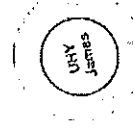
- Capital work-in-progress represents plant and machinery under erection at plant premises located at Al Ghail Industrial Area, Ras Al Khaimah - United Arab Emirates.
- Breakup of depreciation charged:

	<u>For the year ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Direct cost	4,413,154	3,653,447
Administrative expenses	655,256	1,269,299
	<u>5,068,410</u>	<u>4,922,746</u>

- Building and plant and machinery includes:

AED 87,079,203 are constructed/erected on plots of land under operating lease from M/s. RAK Investment Authority - United Arab Emirates, situated on Plot no N-176 (phase - 1) and N-175 (phase - 2), located at Al Ghail Industrial Area, Ras Al Khaimah - United Arab Emirates.

AED 344,919 are constructed/erected on plots of land under operating lease from Novoplast, situated in Abidjan-Vrtdi, Industrial Zone, Lot No. 2-ZI-094-422 Bis, 15 BP 304 Abidjan 15, registered in the Trade and Personal Property Credit Register under number CI-ABJ-2016-B-14042.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")

Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022

(In Arab Emirates Dirham)

6 Right-of-use assets	<u>Land and building</u>
Cost	
As at March 31, 2020	6,786,117
Additions during the year	745,993
Effect of modification to lease terms	<u>(403,896)</u>
As at March 31, 2021	7,128,214
Foreign exchange difference on translation	<u>(27,254)</u>
As at March 31, 2022	<u>7,100,960</u>
Accumulated depreciation	
As at March 31, 2020	346,430
Charge for the year (note 24)	525,732
Foreign exchange difference on translation	<u>(896)</u>
As at March 31, 2021	871,266
Charge for the year (note 24)	587,308
Foreign exchange difference on translation	<u>(16,203)</u>
As at March 31, 2022	<u>1,442,371</u>
Carrying value as at March 31, 2022	<u>5,658,589</u>
Carrying value as at March 31, 2021	<u>6,256,948</u>

The Group has leased 2 plots of land under operating lease from M/s. RAK Investment Authority - United Arab Emirates, situated on Plot no. N-175 (phase - 1) and N-176 (phase - 2), located at Al Ghall Industrial Area, Ras Al Khaimah - United Arab Emirates, for a period of 30 years ending on December 31, 2036 and December 31, 2038, respectively. The lease agreement provides for graduated rent payments and landlord concessions (i.e. rent free period). The right-of-use assets are amortized over the lease term on straight line basis.

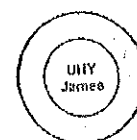
The Group has leased a building under operating lease from Mr. Abbas Jaber, the owner of Panorama Building situated in Boulevard de Marseille, Abidjan - Ivory Coast, for a period of 3 years ending on June 30, 2023. The right-of-use assets are amortized over the lease term on straight line basis.

7 Taxation

a) Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the consolidated statement of financial position as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax asset	<u>1,888,292</u>	<u>1,469,527</u>
Reconciliation of deferred tax asset		
Balance at the beginning of the year	1,469,527	1,189,798
Increase in tax loss available for setting off against future taxable income	<u>418,765</u>	<u>279,729</u>
Balance at the end of the year	<u>1,888,292</u>	<u>1,469,527</u>
b) Current tax		
	<u>For the year ended March 31,</u>	
Deferred	<u>2022</u>	<u>2021</u>
Originating and reversing temporary differences	<u>418,765</u>	<u>279,729</u>



7 Taxation (continued)

b) Current tax (continued)	For the year ended March 31,	
	2022	2021
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting loss	2,169,187	1,931,308
Tax at the applicable tax of 20%	433,837	386,212
Prior year adjustment	115,468	
Deferred tax reversed for prior years	(89,064)	
Tax effect of adjustments on taxable income		
Permanent differences	(41,476)	(106,483)
	<u>418,765</u>	<u>279,729</u>

Recognition of deferred tax asset

A Group shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the Group has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

8 Related party transactions

The Group enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

	2022	2021
a) Due from related parties		
<i>Entities under common management and control</i>		
M/s. Global TVS Bus Body Builders Ltd - India	4,545	73,211
M/s. Switch Mobility Ltd. - United Kingdom		9,627
M/s. Ashok Leyland Limited, Dubai - United Arab Emirates		570,414
	<u>4,545</u>	<u>653,252</u>
b) Due to related parties		
<i>Shareholder</i>		
M/s. Ashok Leyland Limited - India	29,932,073	7,590,233
<i>Entity under common management and control</i>		
M/s. Gulf RAK Oil L.L.C., Ras Al Khaimah - United Arab Emirates	285,358	133,680
	<u>30,217,431</u>	<u>7,723,913</u>

Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

8 Related party transactions (continued)

c) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

	For the year ended March 31,	
	2022	2021
Sales	4,283,780	3,347,336
Purchases	138,691,131	84,674,980
Other Income (note 25)	166,225	121,304
	<u>2022</u>	<u>2021</u>
9 Inventories		
Raw materials and consumables	36,058,274	25,439,028
Work-in-progress	7,706,244	1,681,992
Finished goods	4,292,794	7,733,871
	48,057,312	34,854,891
Less: Allowance for slow moving inventories	(4,135,098)	(5,162,138)
	43,922,214	29,692,753
Goods-in-transit	32,463,701	13,999,733
	<u>76,385,915</u>	<u>43,692,486</u>

Movement in allowance for slow moving inventories as at the reporting date is as follows:

Balance at the beginning of the year	5,162,138	4,972,923
Add: Charge during the year (note 27)	-	189,215
Less: Written off during the year	(1,027,040)	-
Balance at the end of the year	<u>4,135,098</u>	<u>5,162,138</u>

The above inventories are secured by bank borrowings (note 22).

10 Trade receivables

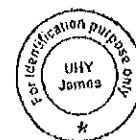
Trade receivables	44,639,967	45,156,744
Less: Allowance for expected credit loss	(591,634)	(586,889)
	<u>44,048,333</u>	<u>44,569,855</u>

The average credit period for the trade receivables is 60 days (2021: 60 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

Of the trade receivables as at March 31, 2022, there are 5 customers (2021: 5 customers) representing 97% (2021: 97%) of the total receivables.

	2022	2021
<u>Ageing of trade receivables that are neither past nor due:</u>		
1 - 60 days	38,083,090	41,272,805
<u>Ageing of trade receivables that are past due:</u>		
1 - 180 days	5,734,499	3,459,377
181 - 365 days	148,942	5,739
366 days and above	673,436	418,823
	<u>44,639,967</u>	<u>45,156,744</u>

The above trade receivables are assigned against bank facilities granted (note 22).



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

10 Trade receivables (continued)

Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In determining the impairment loss on trade receivables, the Group recognises a loss allowance based on lifetime expected credit losses at each reporting date. The management has established a provision matrix that is based on its historic credit loss experience, adjusted for forward-looking information specific to the debtor and the overall economic environment.

	<u>2022</u>	<u>2021</u>
Expected credit loss rate	1.33%	1.30%
Estimated total gross carrying amount at default	44,639,967	45,156,744
Amount not past due	38,083,090	41,272,805
Lifetime expected credit loss	591,634	586,889
Net carrying amount	44,048,333	44,569,855

The movements in the allowance for expected credit loss as at reporting date are as follows:

Balance at the beginning of the year	586,889	586,889
Charge during the year (note 27)	4,745	-
Balance at the end of the year	<u>591,634</u>	<u>586,889</u>

Geographical analysis:

The geographical analysis of trade receivables are as follows:

Within U.A.E.	44,217,529	18,413,634
Within other G.C.C. countries	415,404	25,951,746
Others	7,034	791,364
	<u>44,639,967</u>	<u>45,156,744</u>

11 Advances, deposits and other receivables

Prepayments	1,320,110	1,825,461
Deposits	963,922	531,527
Advances to suppliers	736,194	481,234
VAT receivables - net	735,627	392,383
Other receivables*	10,424,096	3,664,884
	<u>14,179,949</u>	<u>6,895,489</u>

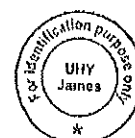
Comprising:

Current portion	13,796,462	2,894,061
Non-current portion	383,487	4,001,428
	<u>14,179,949</u>	<u>6,895,489</u>

*Other receivables include an amount of AED 6,829,145 receivable from Federal Tax Authority (FTA) refer to note 34.

12 Cash and bank balances

Cash in hand	28,178	2,971
Cash at banks	5,981,518	2,626,142
e-Dirham	6,849	24,263
	<u>6,016,545</u>	<u>2,653,376</u>



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")

Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022

(In Arab Emirates Dirham)

12 Cash and bank balances (continued)

Management has concluded that the Expected Credit Loss (ECL) for all bank balances is immaterial as these balances are held with banks/financial institutions whose credit risk rating by International rating agencies has been assessed as low.

13 Share capital

Authorised, issued and paid up capital of the Parent Entity is AED 96,000,000 comprising:

- equity share capital of AED 73,000,000 divided into 73,000 fully paid up shares of AED 1,000 each.
- Redeemable non-cumulative non-convertible preference shares of AED 23,000,000 divided into 23,000 fully paid up shares of AED 1,000 each (note 16).

The details of the equity shareholding as at the reporting date are as follows:

Name of shareholders	Domicile	Percentage	No. of shares	2022	2021
M/s. WSY Investment LLC (Represented by Mr. Tapas Nayak and Mr. Dinesh Kumar)	U.A.E.	51	37,230	37,230,000	37,230,000
M/s. Ashok Leyland Limited (Represented by Mr. Dinesh Kumar)	India	49	35,770	35,770,000	35,770,000
		100	73,000	73,000,000	73,000,000

14 Statutory reserve

	2022	2021
Balance at the beginning of the year	3,344,504	2,913,369
Add: Transferred from net profits (note 15)	128,285	431,135
Balance at the end of the year	3,472,789	3,344,504

According to the Memorandum of Association of the Parent Entity and U.A.E. Federal Commercial Companies Law, 10% of annual net profits is allocated to the statutory reserve. The transfer to statutory reserve may be suspended, when the reserve reaches 50% of the paid up capital. This reserve is not available for distribution.

15 Accumulated (losses)

	2022	2021
Balance at the beginning of the year	(74,176,610)	(75,355,128)
(Loss)/profit for the year	(535,016)	1,609,653
Transferred to statutory reserve (note 14)	(128,285)	(431,135)
Balance at the end of the year	(74,839,911)	(74,176,610)

16 Redeemable non-cumulative non-convertible preference shares

On March 31, 2019, the Group issued 23,000 (2021: 23,000) redeemable non-cumulative non-convertible preference shares of AED 1,000 each which are redeemable at par within 10 years from the date of issue and carry non-cumulative dividend @ 6% p.a. These redeemable preference shares do not carry right to vote.

The details of the shareholding as at the reporting date are as follows:

Name of shareholder	Domicile	Percentage	No. of shares	2022	2021
M/s. Ashok Leyland Limited (Represented by Mr. Dinesh Kumar)	India	100	23,000	23,000,000	23,000,000

17 Employees' end of service benefits

	2022	2021
Balance at the beginning of the year	3,412,294	3,168,003
Add: Charge for the year	815,437	540,032
Less: Paid during the year	(358,318)	(295,741)
Balance at the end of the year	3,869,413	3,412,294



17 Employees' and of service benefits (continued)

Amounts required to cover end of service indemnity at the consolidated statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

	<u>2022</u>	<u>2021</u>
18 Deferred lease rent		
Balance at the beginning of the year	-	4,568,785
Impact of adoption of IFRS 16	-	(4,568,785)
Balance at the end of the year	<u>-</u>	<u>-</u>
19 Lease liabilities		
Balance at the beginning of the year	12,746,377	12,691,342
Additions during the year		745,993
Add: interest charged during the year (note 28)	451,891	465,731
Effect of modification to lease terms	-	(348,488)
Less: Payments during the year	(905,639)	(809,028)
Foreign exchange difference on translation	(11,580)	827
Balance at the end of the year	<u>12,281,049</u>	<u>12,746,377</u>
Comprising:		
Current portion	534,011	456,136
Non-current portion	<u>11,747,038</u>	<u>12,290,241</u>
	<u>12,281,049</u>	<u>12,746,377</u>

The above represents present value of lease payments of leased assets (land situated at Plot no. N-176 (phase - 1) and N-176 (phase - 2), located at Al Ghail Industrial Area, Ras Al Khaimah - United Arab Emirates) discounted at the rate 3.5% per annum and are repayable by December 31, 2036 and December 31, 2038, respectively (maturity profile).

During the previous year, the Group entered into an operating lease arrangement with Mr. Abbas Jaber (note 6). The lease payments against the same are discounted at the rate of 4.5% per annum and are repayable by June 30, 2023.

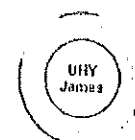
	<u>2022</u>	<u>2021</u>
<i>Maturity profile of lease payments - contractual undiscounted cash flows:</i>		
Less than 1 year	977,340	905,304
1 to 5 years	3,539,017	3,612,498
More than 5 years	11,984,611	12,888,109
	<u>16,500,968</u>	<u>17,405,911</u>
	For the year ended March 31,	
Amounts recognised in the consolidated statement of profit or loss:	<u>2022</u>	<u>2021</u>
Interest on lease liabilities (note 28)	451,891	465,731
Depreciation expense (note 24)	587,308	525,732
<i>Payments not included in the measurement of the lease liability:</i>		
Expenses related to short term leases	136,193	332,170
Net Impact for the year	<u>1,175,392</u>	<u>1,323,633</u>
Amounts recognised in the consolidated statement of cash flows:		
Total cash outflows for leases	<u>1,041,832</u>	<u>1,141,198</u>



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khalmah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

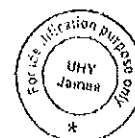
	<u>2022</u>	<u>2021</u>
20 Trade and other payables		
Trade payables	30,576,105	19,053,472
Provisions and accruals	33,032,880	18,903,572
Other payables	506,301	613,457
	<u>64,115,286</u>	<u>38,570,501</u>
21 Contract liabilities		
Advance from customers	<u>811,733</u>	<u>2,282,950</u>
22 Bank borrowings		
a) Due to banks		
Bank overdrafts	17,082,963	32,199,088
Trust receipts	12,218,187	5,789,040
Short term loan	36,725,000	36,725,000
	<u>66,026,150</u>	<u>74,713,128</u>
b) Long term loan		
Balance at the beginning of the year	-	33,039,000
Less: Repaid during the year	-	<u>(33,039,000)</u>
Balance at the end of the year	<u>-</u>	<u>-</u>
<p>The above long term loan was obtained from a bank to part finance the working capital, was repayable by June 2023 in a single installment and carries interest at prevailing commercial rate. On September 30, 2020, the Group paid AED 33,039,000 in full and final settlement of the above loan.</p>		
<u>Bank borrowings are secured by:</u>		
<ul style="list-style-type: none"> - Letter of awareness/comfort by M/s. Ashok Leyland Limited - India. - Assignment of trade receivables (note 10). - Charge over movable assets and inventories (notes 9). - Assignment of all risk insurance policies covering inventories. 		
Bank borrowings - current portion		
Due to banks	(refer a) <u>66,026,150</u>	<u>74,713,128</u>
For the year ended March 31,		
	<u>2022</u>	<u>2021</u>
23 Revenue		
Revenue from contracts with customers	<u>329,478,544</u>	<u>259,464,476</u>



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

	For the year ended March 31,	
	2022	2021
23 Revenue (continued)		
23.1 Disaggregated revenue information		
Set out below is the disaggregation of the Group's revenue from contracts with customers.		
Segments		
Commercial vehicles	323,077,435	254,697,038
Spare parts and others	3,630,376	3,088,029
Inspection services	2,770,733	1,679,409
Total revenue from contracts with customers	329,478,544	259,464,476
Geographical markets		
Within U.A.E.	204,306,887	140,762,219
Within other G.C.C. countries	118,104,956	114,081,495
Others	7,066,701	4,620,762
Total revenue from contracts with customers	329,478,544	259,464,476
Timing of revenue recognition		
Goods transferred at a point in time	326,707,811	257,785,067
Services transferred at a point in time	2,770,733	1,679,409
Total revenue from contracts with customers	329,478,544	259,464,476
23.2 Contract balances	2022	2021
Trade receivables (note 10)	44,048,333	44,569,855
Contract liabilities (note 21)	811,733	2,282,950
Trade receivables are non-interest bearing and are generally on terms of 60 days.		
23.3 Revenue recognised in relation to contract liabilities		
Revenue recognised from contract liabilities at the beginning of the year	2,282,950	121,364
23.4 Reconciliation of revenue recognised in the statement of profit and loss with the contracted price		
Contracted price	329,478,544	259,465,201
Adjustments		
Rebates and discounts	-	(725)
Revenue from contract with customers	329,478,544	259,464,476
23.5 Unsatisfied or partially unsatisfied performance obligation		
The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as follows:		
	For the year ended March 31,	
	2022	2021
Within one year	2,019,875	367,915



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

23 Revenue (continued)

23.6 Performance obligations

Information about the Group's performance obligations are summarised below:

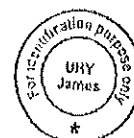
Sale of vehicle and spare parts

The performance obligation is satisfied on delivery of vehicles and spare parts or on shipping depending on the contractual terms agreed with the customers.

Inspections services

The performance obligation is satisfied on providing inspection services on vehicles as per the contractual terms agreed with the customers.

	For the year ended March 31,	
	2022	2021
24 Direct cost		
Balance at the beginning of the year - raw materials and consumables	25,439,028	28,841,342
Add: Purchases (including direct cost)	279,931,594	188,940,998
Less: Balance at the end of the year - raw materials and consumables (note 9)	(36,058,274)	(25,439,028)
Raw material consumed	269,312,348	192,343,312
Direct wages and benefits	10,492,837	8,932,192
Depreciation on property, plant and equipment (note 5)	4,413,154	3,653,447
Depreciation on right-of-use assets (note 6)	587,308	525,732
Other direct expenses	2,079,464	1,685,203
Manufacturing cost	286,885,111	207,139,886
Balance at the beginning of the year - work-in-progress	1,681,992	1,953,815
Less: Balance at the end of the year - work-in-progress (note 9)	(7,706,244)	(1,681,992)
Cost of goods manufactured	280,860,859	207,411,709
Balance at the beginning of the year - finished goods	7,733,871	16,793,769
Less: Balance at the end of the year - finished goods (note 9)	(4,292,794)	(7,733,871)
	284,301,936	216,471,607
25 Other income		
Gain on disposal of property, plant and equipment	14,128	267,459
Foreign currency exchange gain - net	58,222	
Warranty provision written back	1,367,926	
Other income	589,560	809,672
	2,029,836	1,077,131
26 Selling and distribution expenses		
Advertisement and business promotion	21,505,841	14,974,652
Warranty	459,256	176,816
Delivery charges	4,031,599	3,209,547
	25,996,696	18,361,015

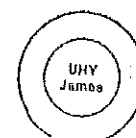


Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

	For the year ended March 31,	
	2022	2021
27 Administrative expenses		
Salaries and related benefits	14,366,749	14,876,703
Rent	136,193	332,170
Legal, visa, professional and related expenses	900,985	855,764
Printing and stationery	33,192	21,877
Loss on effect of modification to lease terms		55,408
Travelling expenses	134,463	142,998
Utilities	688,145	659,269
Telephone and communications	221,909	246,036
Repairs and maintenance	1,499,249	1,179,028
Allowance for slow moving inventories (note 9)		189,215
Allowance for expected credit loss (note 10)	4,745	-
Insurance	180,653	235,271
Depreciation on property, plant and equipment (note 5)	655,256	1,269,299
Foreign currency exchange loss - net		59,942
Bank charges	311,713	378,048
Others	63,647	200,914
	<u>19,196,899</u>	<u>20,701,942</u>
28 Finance costs		
Interest on lease liabilities (note 19)	451,891	465,731
Interest expenses	<u>2,495,120</u>	<u>3,211,388</u>
	<u>2,947,011</u>	<u>3,677,119</u>
29 Financial instruments		
a) <i>Significant accounting policies</i>		
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 4 to the consolidated financial statements.		
b) <i>Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.</i>		

	As at March 31,		As at March 31,	
	2022	2021	2022	2021
<i>Financial assets</i>	<u>Carrying amount</u>		<u>Fair value</u>	
Due from related parties	4,545	653,252	4,545	653,252
Trade receivables	44,048,333	44,569,855	44,048,333	44,569,855
Other receivables	12,123,645	4,588,794	12,123,645	4,588,794
Cash and bank balances	6,016,545	2,653,376	6,016,545	2,653,376
	<u>62,193,068</u>	<u>52,465,277</u>	<u>62,193,068</u>	<u>52,465,277</u>



29 Financial Instruments (continued)

b) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis (continued)

	As at March 31,		As at March 31,	
	2022	2021	2022	2021
<i>Financial liabilities</i>	Carrying amount		Fair value	
Redeemable non-cumulative non-convertible preference shares	23,000,000	23,000,000	23,000,000	23,000,000
Lease liabilities	12,281,049	12,746,377	12,281,049	12,746,377
Trade and other payables	64,115,286	38,570,501	64,115,286	38,570,501
Due to related parties	30,217,431	7,723,913	30,217,431	7,723,913
Bank borrowings	66,026,150	74,713,128	66,026,150	74,713,128
	<u>195,639,916</u>	<u>156,753,919</u>	<u>195,639,916</u>	<u>156,753,919</u>

Financial Instruments comprise of financial assets and financial liabilities.

Financial assets consist of due from related parties, trade receivables, other receivables and cash and bank balances. Financial liabilities consist of trade and other payables, due to related parties, lease liabilities, redeemable non-cumulative non-convertible preference shares and bank borrowings.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

As at the reporting date, financial assets and financial liabilities approximate their carrying values.

c) Valuation premise for financial instruments that are not measured at fair value on recurring basis.

The following methods and assumptions were used to estimate the fair values:

Receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at reporting date, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

30 Financial risk management objectives

The Group management set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The Group policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group faces substantial exchange rate risks on financial assets and financial liabilities which are denominated in West African CFA Franc and Russian Ruble to which Arab Emirates Dirham (AED) is not fixed.

30 Financial risk management objectives (continued)

a) Foreign currency risk management (continued)

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies other than Arab Emirates Dirham (AED) or currencies to which the Arab Emirates Dirham is fixed are as follows:

	Equivalent to AED		Equivalent to AED	
	As at March 31, 2022		As at March 31, 2021	
	CFA Franc	Ruble	CFA Franc	Ruble
Total assets	4,342,432	4,548,250	4,700,481	6,453,911
Total liabilities	(1,311,680)	(174,979)	(1,610,950)	(308,042)

Foreign currency sensitivity analysis:

The following table details the Group's sensitivity to a 10% increase or decrease in the functional currency against the relevant foreign currencies. 10% is the sensitivity rate used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive or negative number below indicates an increase or decrease in profit or loss where the functional currency weakens 10% against the relevant currency. For a 10% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	Equivalent to AED	
	Profit or loss	
	2022	2021
West African CFA Franc	303,075	308,953
Russian Ruble	437,327	614,587

b) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Group's profit for the year then ended would (decrease)/increase by AED 330,131 (2021: (decrease)/increase by AED 373,566).

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the management which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

30 Financial risk management objectives (continued)

c) Liquidity risk management (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and equity from shareholders through their current accounts or loans.

Liquidity and interest risk table:

The table below summarises the maturity profile of the Group's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the consolidated financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the consolidated statement of financial position date based on contractual repayment arrangements were shown as follows:

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at March 31, 2022							
Financial assets							
Due from related parties					4,545		4,545
Trade receivables				44,048,333			44,048,333
Other receivables					11,740,158	383,487	12,123,645
Cash and bank balances				6,016,545			6,016,545
				6,016,545	55,793,036	383,487	62,193,068
Financial liabilities							
Redeemable non-cumulative non-convertible preference shares			23,000,000				23,000,000
Lease liabilities		534,011	11,747,038				12,281,049
Trade and other payables					64,115,286		64,115,286
Due to related parties					30,217,431		30,217,431
Bank borrowings	17,082,963	48,943,187					66,026,150
	17,082,963	49,477,198	34,747,038		94,332,717		195,639,916
As at March 31, 2021							
Financial assets							
Due from related parties					653,252		653,252
Trade receivables				44,569,855			44,569,855
Other receivables					1,254,994	3,333,800	4,588,794
Cash and bank balances				2,653,376			2,653,376
				2,653,376	46,478,101	3,333,800	52,465,277



Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

30 Financial risk management objectives (continued)

c) Liquidity risk management (continued)

Liquidity and interest risk table (continued)

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at March 31, 2021							
Financial liabilities							
Redeemable non-cumulative non-convertible preference shares			23,000,000				23,000,000
Lease liabilities		456,136	12,290,241				12,746,377
Trade and other payables					38,570,501		38,570,501
Due to related parties					7,723,913		7,723,913
Bank borrowings	32,199,088	42,514,040	-				74,713,128
	<u>32,199,088</u>	<u>42,970,176</u>	<u>35,290,241</u>		<u>46,294,414</u>		<u>156,753,919</u>

d) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Group applies simplified approach under IFRS 9 to measure lifetime expected credit loss allowance on all of its trade receivables.

Trade receivables consist of a small number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are disclosed in notes 10 & 11 to the consolidated financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by International credit-rating agencies.

The carrying amounts of the financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risks.

31 Capital risk management

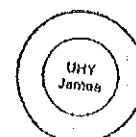
The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the stakeholders through the optimization of the equity balance. The Group's overall strategy remains unchanged from prior year. The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of cash and cash equivalents and equity comprising issued capital, reserves, and accumulated (losses) as disclosed in the consolidated financial statements.

32 Contingent liabilities

	As at March 31,	
	2022	2021
Letters of credit	<u>1,514,322</u>	

Except for the above and the ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Group's consolidated financial statements as of reporting date.



Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries ("the Group")
Ras Al Khaimah - United Arab Emirates

Notes to the consolidated financial statements for the year ended March 31, 2022
(In Arab Emirates Dirham)

	As at March 31,	
	2022	2021
33 Commitments		
Commitments for the purchase of property, plant and equipment		61,867

Except for the above and ongoing business obligations which are under normal course of business, there has been no other known commitment on Group's consolidated financial statements as of reporting date.

34 Subsequent events

On April 20, 2022, the Group received a decision in its favour from the U.A.E. Tax Disputes Settlement Committee in response to its appeal against an assessment notice from the Federal Tax Authority (FTA) of the U.A.E. in relation to VAT charged on export sales and some purchase invoices, which was issued in June 2021. According to the U.A.E. law, the FTA has a 40 days period in which to decide whether to appeal against the decision (refer note 11).

35 Reclassification

Certain figures for the previous year were regrouped/reclassified, wherever necessary, to conform to current year's presentation. However, such reclassifications do not have any impact on the Group's previously reported financial result or equity.

