

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

**Auditor's report and consolidated financial statements
For the year ended March 31, 2019**

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>
General information	1
Directors' report	2 & 3
Independent auditor's report	4 - 6
Consolidated statement of financial position	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 33

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

General information

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Website : www.ashokleyland.com

The Shareholders	Name	Nationality
	M/s. WSY Investment LLC	U.A.E.
	M/s. Ashok Leyland Limited	India

The Directors	Name	Nationality
	Mr. Rajive Saharia	Indian
	Mr. Gopal Mahadevan	Indian
	Mr. Sanjay Saraswat	Indian
	Mr. Anuj Kathuria	Indian

The Auditor : Crowe Mak
P.O. Box: 262794
Dubai - United Arab Emirates

The Main Banks : Bank of Baroda
Emirates NBD
HDFC
Gulf International Bank

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

**Report of the Directors
for the year ended March 31, 2019**

The **Directors** have pleasure in presenting their Twelfth Annual Report and the audited consolidated financial statements for the year ended March 31, 2019.

PRINCIPAL ACTIVITIES

The Group is licensed to engage in automobile 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, 2019 is as follows:

Revenue	:	AED 269.75 Mn [P.Y.: AED 547.96 Mn]
Gross Profit	:	AED 26.48 Mn [P.Y.: AED 75.59 Mn]
Net (Loss) before OCI	:	AED (46.67) Mn [P.Y.: AED (2.31) Mn]

Due to slowdown in public spending and volatile oil prices, the region has been experiencing a sluggish economic situation in FY 18-19. This has led to liquidity crunch in GCC region. Sales volume and revenue of FY 18-19 down by 51% from PFY 2017-18.

The Group achieved gross profit of 9.82% and reported net (loss) of (17.41)% on sale revenue of current FY 2018-19 as compared to gross profit of 13.79% and net (loss) of (0.47)% on sale revenue in PFY 2017-18. The Group posted an overall sale of 1620 vehicles (2017-18 : 3200 vehicles).

The Group's management is confident that the management team is well equipped to provide the leadership required to meet the challenges ahead. The emphasis will remain on managing cash-flow and increasing margins during a year of increasingly competitive and difficult market conditions. First quarter of FY 2019-20 is expected to be modest compared to earlier years but we hope to see demand picking up during school season from July 2019.

SHARE CAPITAL

During the year under review, the Group issued 23,000 - 6% redeemable non - cumulative non - convertible fully paid preference shares of AED 1,000/- each to Ashok Leyland Limited. Consequent to that, the capital increased to AED 96 Mn.

BUSINESS UPDATE AND FUTURE OUTLOOK

The UAE remains the most diversified economy in the region but similar structural changes are also now being adopted in all six GCC countries particularly Saudi Arabia, which has embarked on a massive economic and social reform program called 'Vision 2030'. With the modest recovery in the oil price since the beginning of this year, GCC economic growth is now seen making further gains this year, to +3.5%, from +2.7% in 2018, as governments scale back their respective austerity measures.

We expect that ORYX 4x4 wheel drive useful for off road application will generate additional revenue in FY 2019-20. Moreover, new products - Partner and Mitr of Light Commercial Vehicle segment under development will enrich the product portfolio.

M/s. Ashok Leyland West Africa, SA, Ivory Coast and M/s. Ashok Leyland LLC, Russia, 100% subsidiaries of the Group are actively operational to demonstrate the expansion of the business in other countries.



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Ref: JM/AR/19/12152

Independent auditor's report

To,

The Shareholders
M/s. Ashok Leyland (U.A.E.) L.L.C. and its subsidiaries
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.**, Ras Al Khaimah - United Arab Emirates ("the Parent Entity") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at March 31, 2019 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, 2019 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.

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, 2019 (continued)

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 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 - 4 to these consolidated financial statements.

BOARD OF DIRECTORS

The Parent Entity'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. Gopal Mahadevan, one of the Directors, retire by rotation at the forthcoming Annual General Meeting, and being eligible offers himself for re- appointment.

AUDITOR

M/s. Crowe Mak, 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 Company law 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.

Gopal Mahadevan
(Director)

Date: May 13, 2019

Mr. Rajive Saharia
(Director)



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**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.

Crowe Mak

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**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, 2019.
- 6 Note 5 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, 2019.

For Crowe Mak

James Mathew
Senior Partner
Regn. No. 548

May 13, 2019
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, 2019

(In Arab Emirates Dirham)

	Notes	2019	2018
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	68,824,895	70,441,894
Deferred tax asset		599,923	273,319
Advances, deposits and other receivables - non-current portion	8	5,047,434	5,537,023
<i>Total non-current assets</i>		<u>74,472,252</u>	<u>76,252,236</u>
<i>Current assets</i>			
Due from related parties	5	2,675,590	46,814
Inventories	6	45,600,822	90,538,873
Trade receivables	7	16,662,609	30,867,647
Advances, deposits and other receivables - current portion	8	6,135,045	10,288,465
Cash and bank balances	9	25,132,552	5,198,336
<i>Total current assets</i>		<u>96,206,618</u>	<u>136,940,135</u>
Total assets		<u>170,678,870</u>	<u>213,192,371</u>
Equity and liabilities			
<i>Equity</i>			
Share capital	10	73,000,000	73,000,000
Statutory reserve	11	2,223,806	2,223,806
Foreign currency translation reserve		(222,264)	(430,052)
Accumulated (losses)	12	(73,388,064)	(26,715,972)
<i>Total equity</i>		<u>1,613,478</u>	<u>48,077,782</u>
<i>Non-current liabilities</i>			
Redeemable non-cumulative non-convertible preference shares	13	23,000,000	-
Employees' end of service benefits	14	3,019,712	2,644,012
Bank borrowings - non-current portion	17	55,065,000	55,065,000
Deferred lease rent- non - current portion	15	4,038,194	3,922,543
<i>Total non-current liabilities</i>		<u>85,122,906</u>	<u>61,631,555</u>
<i>Current liabilities</i>			
Trade and other payables	16	19,006,580	43,694,636
Deferred lease rent - current portion	15	530,591	559,271
Due to related parties	5	-	2,940,935
Bank borrowings - current portion	17	64,405,315	56,288,192
<i>Total current liabilities</i>		<u>83,942,486</u>	<u>103,483,034</u>
Total liabilities		<u>169,065,392</u>	<u>165,114,589</u>
Total equity and liabilities		<u>170,678,870</u>	<u>213,192,371</u>

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

The report of the auditor is set out on pages 4 to 6.

The consolidated financial statements on pages 7 to 33 were approved on May 13, 2019 and signed on behalf of the Group by:

Mr. Gopal Mahadevan
(Director)

Mr. Rajive Saharia
(Director)

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, 2019
(In Arab Emirates Dirham)

	2019	2018
Cash flows from operating activities		
(Loss) for the year	(46,672,092)	(2,309,826)
<i>Adjustments for:</i>		
Deferred lease rent	588,881	715,932
(Gain)/loss on disposal of property, plant and equipment	(23,846)	530
Depreciation on property, plant and equipment	5,389,785	4,701,975
Allowance for slow moving inventories	3,501,842	3,747,234
Finance costs	6,718,324	4,677,949
Deferred tax income	(326,604)	(258,782)
Impairment of trade receivables	179,879	-
Interest income	(247)	-
Warranty provision written back	(415,525)	
Provision for employees' end of service benefits	875,187	834,812
Operating (loss)/profit before changes in operating assets and liabilities	(30,184,416)	12,109,824
<i>(Increase)/decrease in current assets</i>		
Inventories	41,436,209	(24,770,157)
Trade receivables	14,025,159	33,788,283
Advances, deposits and other receivables	4,654,473	(5,941,866)
Due from related parties	(2,628,776)	304,259
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	(24,272,531)	(2,749,154)
Due to related parties	(2,940,935)	(9,049,122)
Deferred lease rent	(501,910)	(501,910)
Cash (used in)/generated from operations	(412,727)	3,190,157
Employees' end-of-service benefits paid	(499,487)	(634,858)
Net cash (used in)/from operating activities	(912,214)	2,555,299
Cash flows from investing activities		
Preference share capital	23,000,000	
Acquisition of property, plant and equipment	(3,852,474)	(7,338,223)
Proceeds from sale of property, plant and equipment	29,048	22,348
Interest received	247	-
Net cash from/(used in) investing activities	19,176,821	(7,315,875)
Cash flows from financing activities		
Loans to a related party	-	4,184,940
Finance costs paid	(6,718,324)	(4,643,389)
Proceeds from long term loan	-	55,085,000
(Repayment) of bank borrowings	(9,231,619)	(54,606,761)
Net cash (used in) financing activities	(15,949,943)	(210)
Net increase/(decrease) in cash and cash equivalents	2,314,664	(4,760,786)
Exchange difference on translating foreign operation (net)	270,810	(416,195)
Cash and cash equivalents, beginning of the year	(2,243,455)	2,933,526
Cash and cash equivalents, end of the year	342,019	(2,243,455)
Cash and cash equivalents		
Cash in hand	31,544	28,800
Cash at banks	25,075,669	4,215,193
e-Dirham	25,339	954,343
Bank overdrafts	(24,790,533)	(7,441,791)
	342,019	(2,243,455)

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

The report of the auditor is set out on pages 4 to 6.

**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, 2019

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, Government of Ras Al Khaimah, Ras Al Khaimah - United Arab Emirates.
- 1.2 The Parent Entity is licensed to engage in automobile 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 L.L.C., RAK Investment Authority, Ras Al Khaimah - United Arab Emirates owns 51% of the Equity of the Parent Entity. However, M/s. WSY Investment LLC has given special power of attorney to Mr. Rajive Saharia and Mr. Srinath Nandakumar (both Indian nationals) to represent the Parent Entity's affairs under their overall guidance.
- 1.6 These consolidated financial statements incorporate the operating results of the Industrial license no. RAKIA 25 IZ3 12 06 0162 and operating results of Branch, M/s. Ashok Leyland U.A.E. L.L.C. - Dubai Branch, Dubai - United Arab Emirates (Professional license no. 757401).

2 New standards and amendments

2.1 New standards and amendments - applicable January 01, 2018

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2018.

IFRS 9 Financial Instruments and associated amendments to various other standards.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

Annual improvements 2014-2016 cycle

Transfers of Investment Property – Amendments to IAS 40

Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

The following standards and interpretations had been issued were not mandatory for annual reporting periods ending December 31, 2018.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 - Leases	January 1, 2019. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

2 New standards and amendments (continued)

2.2 New standards and amendments issued but not effective for the current annual period (continued)

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.

2.3 Impact of standards adopted in 2018

2.3.1 IFRS 15 Revenue from Contract with Customers

The effect of adoption of IFRS 15 on the consolidated balance sheet and retained earnings is not material and disclosed where applicable in the notes to these consolidated financial statements.

2.3.2 IFRS 9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments from April 01, 2018. The effect of adoption of IFRS 9 on the consolidated balance sheet and retained earnings is not material and has been disclosed where applicable in the notes to these consolidated financial statements.

2.4 Impact of standards issued but not yet applicable

2.4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and will supersede IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance lease is removed for leases. Under the new standard, both an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. The Group has decided not to adopt the standard before its effective date.

The standard will affect primarily the accounting for the Group's operating lease. At the reporting date, the Group has non-cancellable operating lease commitments of AED 18,903,421. Also, the Group plans to use the recognition exemption for low value leases and to recognize on a straight line basis as an expense in the consolidated income statement.

3 Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the applicable 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 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.

3.2 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.

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.

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, 2019

3 Significant accounting policies (continued)

3.3 Basis of consolidation

These consolidated financial statements comprise the financial information of the Parent Entity and its subsidiaries (the "Group").

Details of the subsidiaries of the Parent Entity as at the reporting date are as follows:

Sl. No.	Name of the subsidiary and domicile	Date of acquisition	Percentage of shareholding	Percentage of effective shareholding	Principal activities
1	M/s. Ashok Leyland West Africa SA - Ivory Coast	26-May-16	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	8-Jun-16	100%	100%	Trading of commercial vehicles, motor vehicle parts, components and accessories and maintenance and repair of motor vehicles.

A subsidiary is consolidated from the acquisition date, which is the date the Parent Entity gains control over the subsidiary, and lasts till the Parent Entity loses that control. Control usually occurs when the Parent Entity has the power to govern the financial and operating policies of the subsidiary for the purpose of benefiting from its activities.

All significant transactions and balances between the Parent Entity and its subsidiaries are eliminated.

3.4 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.

3.5 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.

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, 2019

3 Significant accounting policies (continued)

3.5 Fair value measurement (continued)

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.

3.6 Foreign currency

In preparing the consolidated financial statements of the Group, 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.

3.7 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, fixture and office 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.

3 Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

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.

3.8 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.

3.9 Financial instruments

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

3.10 Financial assets

Classifications

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.

3 Significant accounting policies (continued)

3.10 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, 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.

Other financial assets

Other financial assets include both debt instrument and equity instruments. Debt instruments include those subsequently carried at amortized cost, those carried at FVTPL and those carried at FVTOCI.

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.

3.11 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.

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, 2019

3 Significant accounting policies (continued)

3.11 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 recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3 Significant accounting policies (continued)

3.15 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.

3.16 Revenue recognition

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.

3.17 Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.18 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.

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, 2019

3 Significant accounting policies (continued)

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

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.

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.

Operating lease expenses

Lease payments under operating lease have been recognised as an expense on a straight-line basis over the lease rental period after considering the rent escalation as per the rent agreements. The rent charge could significantly change in subsequent accounting periods should the lease contract not be renewed or change in lease terms of the contract.

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, 2019
(In Arab Emirates Dirham)

4 Property, plant and equipment

	<u>Building</u>	<u>Plant and machinery</u>	<u>Equipment</u>	<u>Furniture, fixtures and equipment</u>	<u>Motor vehicles</u>	<u>Capital work-in-progress</u>	<u>Total</u>
Cost							
As at March 31, 2017	65,129,568	16,065,292	1,838,290	3,830,445	1,507,249	1,478,375	89,849,219
Addition during the year	1,579,417	145,168	40,380	254,390	2,269,354	3,049,514	7,338,223
Disposals during the year	-	(11,431)	(19,539)	(61,795)	(290)	-	(93,055)
Transferred from capital work-in-progress	628,093	1,714,106	804,953	887,634	-	(4,034,786)	-
As at March 31, 2018	67,337,078	17,913,135	2,664,084	4,910,674	3,776,313	493,103	97,094,387
Addition during the year	-	42,983	44,162	162,282	324,501	3,276,546	3,852,474
Disposals during the year	(11,464)	(7,426)	-	(22,550)	(84,900)	-	(126,340)
Foreign exchange difference on translation	(52,675)	1,189	-	(6,104)	(21,867)	-	(79,457)
Transferred from capital work-in-progress	216,110	223,606	45,014	41,925	-	(526,655)	-
As at March 31, 2019	67,489,049	18,173,487	2,753,260	5,086,227	3,994,047	3,244,994	100,741,064
Accumulated depreciation							
As at March 31, 2017	12,411,359	5,521,252	643,861	2,719,399	724,824	-	22,020,695
Charge for the year	2,239,259	834,773	360,831	574,256	692,856	-	4,701,975
Eliminated on disposal during the year	-	(5,030)	(16,673)	(48,306)	(168)	-	(70,177)
As at March 31, 2018	14,650,618	6,350,995	988,019	3,245,349	1,417,512	-	26,652,493
Charge for the year	2,352,829	909,382	513,329	721,621	892,624	-	5,389,785
Foreign exchange difference on translation	(5,341)	(2,165)	-	(1,564)	(7,365)	-	(16,435)
Eliminated on disposal during the year	-	(2,224)	-	(22,550)	(84,900)	-	(109,674)
As at March 31, 2019	16,998,106	7,255,988	1,501,348	3,942,856	2,217,871	-	31,916,169
Carrying value as at March 31, 2019	50,490,943	10,917,499	1,251,912	1,143,371	1,776,176	3,244,994	68,824,895
Carrying value as at March 31, 2018	52,686,460	11,562,140	1,676,065	1,665,325	2,358,801	493,103	70,441,894

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, 2019
(In Arab Emirates Dirham)

4 Property, plant and equipment (continued)

Notes:

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

	For the year ended March 31,	
	2019	2018
	AED	AED
Direct cost	3,775,540	3,434,863
Administrative expenses	1,614,245	1,267,112
	<u>5,389,785</u>	<u>4,701,975</u>

Building and plant and machinery includes:

- AED 83,994,190, 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-176 (phase - 2), located at Al Ghail Industrial Area, Ras Al Khaimah - United Arab Emirates (note 15 & 27).
- AED 1,668,356, are constructed/erected on plots of land under operating lease from Novaplant, situated in Abidjan-Vridi, 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.
- Movable assets are hypothecated against credit facilities (note 17).

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, 2019
(In Arab Emirates Dirham)

5 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.

	<u>2019</u>	<u>2018</u>
a) Due from related parties		
<i>Shareholder</i>		
M/s. Ashok Leyland Limited - India	2,651,138	-
<i>Entities under common management and control</i>		
M/s. Ashok Leyland Limited, Sharjah - United Arab Emirates	9,880	-
M/s. Global TVS Bus Body Builders Ltd - India	14,572	46,814
	<u>2,675,590</u>	<u>46,814</u>
b) Due to related parties		
<i>Shareholder</i>		
M/s. Ashok Leyland Limited - India	-	2,681,042
<i>Entities under common management and control</i>		
M/s. Ashok Leyland Limited, Sharjah - United Arab Emirates	-	13,414
M/s. Optare Group Ltd. - United Kingdom	-	246,479
	<u>-</u>	<u>2,940,935</u>
c) Transactions with related parties		

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

	<u>For the year ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales	492,041	1,484,338
Purchases	71,388,751	205,136,979
Goods-in-transit	96,856	6,777,936
6 Inventories	<u>2019</u>	<u>2018</u>
Raw materials and consumables	26,060,563	35,617,689
Work-in-progress	5,748,132	8,206,430
Finished goods	20,868,865	43,459,577
	52,677,560	87,283,696
Less: Allowance for slow moving inventories	(7,249,076)	(3,747,234)
	45,428,484	83,536,462
Goods-in-transit	172,338	7,002,411
	<u>45,600,822</u>	<u>90,538,873</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, 2019
(In Arab Emirates Dirham)

	2019	2018
6 Inventories (continued)		
Movement in allowance for slow moving inventories as at the reporting date is as follows:		
Balance at the beginning of the year	3,747,234	-
Charge during the year (note 22)	3,501,842	3,747,234
Balance at the end of the year	<u>7,249,076</u>	<u>3,747,234</u>

The inventories except goods-in-transit were physically verified and were lying in the premises at Ras Al Khaimah - United Arab Emirates.

The above inventories are secured by bank borrowings (note 17).

7 Trade receivables		
Trade receivables	16,842,488	30,867,647
Less: Impairment of trade receivables	(179,879)	-
	<u>16,662,609</u>	<u>30,867,647</u>

The average credit period for the trade receivables is 60 days (2018: 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, 2019, there are 5 customers (2018: 5 customers) representing 99% (2018: 99%) of the trade receivables.

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.

	2019
Expected credit loss rate	1.07%
Estimated total gross carrying amount at default	16,842,488
Lifetime expected credit loss	179,879
Net carrying amount	<u>16,662,609</u>

The movements in the impairment of trade receivables as at the reporting date are as follows:

Impairment during the year (note 22)	179,879	-
Balance at the end of the year	<u>179,879</u>	<u>-</u>

Ageing of trade receivables that are not past due:

1 - 60 days	15,527,610	30,428,194
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Ageing of trade receivables that are past due:

1 - 180 days	727,991	-
181 - 365 days	-	439,453
366 days and above	586,887	-
	<u>16,842,488</u>	<u>30,867,647</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, 2019

(In Arab Emirates Dirham)

	<u>2019</u>	<u>2018</u>
7 Trade receivables (continued)		
<i>Geographical analysis:</i>		
The geographical analysis of trade receivables are as follows:		
Within U.A.E.	10,185,412	16,436,319
Within other G.C.C. countries	5,287,223	14,431,328
Others	<u>1,369,853</u>	<u>-</u>
	<u>16,842,488</u>	<u>30,867,647</u>
8 Advances, deposits and other receivables		
Prepayments*	3,525,642	4,168,325
Deposits	1,059,699	1,444,372
Advances to suppliers	2,074,239	1,174,424
VAT receivable	768,541	132,056
Other receivables*	<u>3,754,358</u>	<u>8,906,311</u>
	<u>11,182,479</u>	<u>15,825,488</u>
Comprising:		
Current portion	6,135,045	10,288,465
Non - current portion	<u>5,047,434</u>	<u>5,537,023</u>
	<u>11,182,479</u>	<u>15,825,488</u>

* Prepayments and other receivables include an amount of AED 1,713,634 (2018: AED 2,203,223) and AED 3,333,800 (2018: AED 3,333,800), respectively, paid to participate in a scheme on international travel for a period of 5 years. It also includes an arrangement of mutually agreed refundable sums after deductions of applicable brokerage charges and any unpaid sums.

9 Cash and bank balances

Cash in hand	31,544	28,800
Cash at banks	25,075,669	4,215,193
e-Dirham	<u>25,339</u>	<u>954,343</u>
	<u>25,132,552</u>	<u>5,198,336</u>

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.

10 Share capital

During the year, vide addendum to the Memorandum of Association dated March 31, 2019 the Group revised its authorised, issued and paid up capital to AED 96,000,000 (2018: AED 73,000,000) comprising of AED 73,000,000 (2018: AED 73,000,000) equity share capital and AED 23,000,000 (2018: Nil) redeemable non-cumulative non-convertible preference share capital divided into 96,000 fully paid up shares of AED 1,000 each (note 13). The notrisation of the addendum is under process.

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, 2019
(In Arab Emirates Dirham)

10 Share capital (continued)

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

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2019</u>	<u>2018</u>
M/s. WSY Investment LLC (represented by Mr. Rajive Saharia and Mr. Srinath Nandakumar)	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
				<u>2019</u>	<u>2018</u>

11 Statutory reserve

Balance at the beginning of the year	2,223,806	2,021,089
Add: Transferred from net profits (note 12)	-	202,717
Balance at the end of the year	<u>2,223,806</u>	<u>2,223,806</u>

According to the Articles 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.

12 Accumulated (losses)

Balance at the beginning of the year	(26,715,972)	(24,203,429)
(Loss) for the year	(46,672,092)	(2,309,826)
Transferred to statutory reserve (note 11)	-	(202,717)
Balance at the end of the year	<u>(73,388,064)</u>	<u>(26,715,972)</u>

13 Redeemable non-cumulative non-convertible preference shares

During the year, vide addendum to the Memorandum of Association dated March 31, 2019, the Group issued 23,000 (2018: Nil) redeemable non-cumulative non-convertible preference shares of AED 1,000 each which are redeemable at par within 10 years and carry non-cumulative dividend @ 6% p.a. These redeemable preference shares do not carry right to vote. The notrisation of the addendum is under process.

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

<u>Name of shareholder</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2019</u>	<u>2018</u>
M/s. Ashok Leyland Limited (represented by Mr. Dinesh Kumar)	India	100	23,000	23,000,000	-

14 Employees' end of service benefits

Balance at the beginning of the year	2,644,012	2,444,058
Add: Charge for the year	875,187	834,812
Less: Paid during the year	(499,487)	(634,858)
Balance at the end of the year	<u>3,019,712</u>	<u>2,644,012</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, 2019
(In Arab Emirates Dirham)

14 Employees' end 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.

15 Deferred lease rent	2019	2018
Balance at the beginning of the year	4,481,814	4,267,792
Add: Lease rent expenses during the year	588,881	715,932
Less: Lease rent paid during the year	(501,910)	(501,910)
Balance at the end of the year	4,568,785	4,481,814
Comprising:		
Current portion	530,591	559,271
Non - current portion	4,038,194	3,922,543
	4,568,785	4,481,814

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-176 (phase - 1) and N-176 (phase - 2), located at Al Ghail Industrial Area, Ras Al Khaimah - United Arab Emirates, for a period of 30 years (note 26). The lease agreement provides for graduated rent payments and landlord concessions (i.e. rent free period). The Group recognises rent expenses on a straight line basis over the lease term. The cumulative difference between such rent expenses and actual rent payments to date is recorded as deferred lease rent in the consolidated statement of financial position.

16 Trade and other payables	2019	2018
Trade payables	8,464,781	30,956,898
Provisions and accruals	10,281,618	12,737,738
Advance from customers	260,181	-
	19,006,580	43,694,636
17 Bank borrowings		
a) Due to banks		
Bank overdrafts	24,790,533	7,441,791
Trust receipts	2,904,782	23,149,401
Short term loan	36,710,000	25,697,000
	64,405,315	56,288,192
b) Long term loan		
Balance at the beginning of the year	55,065,000	-
Add: Received during the year	-	55,065,000
Balance at the end of the year	55,065,000	55,065,000

The above long term loan is obtained from a bank to part finance the working capital, is repayable after 2 years in a single installment and carries interest at commercial rate.

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, 2019

(In Arab Emirates Dirham)

17 Bank borrowings

Bank borrowings are secured by:

Securities:

- Letter of comfort by M/s. Ashok Leyland Limited - India.
- Assignment of trade receivables (note 7).
- Charge over inventories and movable assets (notes 4 and 6).
- Assignment of all risk insurance policies covering inventories and certain items of property, plant and equipment.

		<u>2019</u>	<u>2018</u>
Bank borrowings - current portion			
Due to banks	(refer a)	<u>64,405,315</u>	<u>56,288,192</u>
Bank borrowings - non-current portion			
Long term loan	(refer b)	<u>55,065,000</u>	<u>55,065,000</u>
Total bank borrowings	(a + b)	<u>119,470,315</u>	<u>111,353,192</u>

For the year ended March 31,

	<u>2019</u>	<u>2018</u>
18 Revenue		
Revenue from contracts with customers	<u>269,751,850</u>	<u>547,961,712</u>

18.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers.

Segments

Commercial Vehicles	266,460,616	538,506,424
Spare parts and others	<u>3,291,234</u>	<u>9,455,288</u>
Total revenue from contracts with customers	<u>269,751,850</u>	<u>547,961,712</u>

Geographical markets

Within U.A.E.	125,394,439	352,273,108
Within other G.C.C. countries	139,362,529	194,244,686
Others	<u>4,994,882</u>	<u>1,443,918</u>
Total revenue from contracts with customers	<u>269,751,850</u>	<u>547,961,712</u>

Timing of revenue recognition

Goods transferred at a point in time	<u>269,751,850</u>	<u>547,961,712</u>
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18.2 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.

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, 2019
(In Arab Emirates Dirham)

	For the year ended March 31,	
	2019	2018
19 Direct cost		
Balance at the beginning of the year - raw materials and consumables	35,617,689	38,511,931
Add: Purchases (including direct cost)	190,781,271	474,715,445
Less: Balance at the end of the year - raw materials and consumables (note 6)	(26,060,563)	(35,617,689)
Raw material consumed	200,338,397	477,609,687
Direct wages and benefits	11,679,506	17,239,824
Depreciation on plant and machinery (note 4)	3,775,540	3,434,863
Other direct expenses	2,431,002	5,899,567
Manufacturing cost	218,224,445	504,183,941
Balance at the beginning of the year - work-in-progress	8,206,430	3,211,619
Less: Balance at the end of the year - work-in-progress (note 6)	(5,748,132)	(8,206,430)
Cost of goods manufactured	220,682,743	499,189,130
Balance at the beginning of the year - finished goods	43,459,577	16,645,455
Less: Balance at the end of the year - finished goods (note 6)	(20,868,865)	(43,459,577)
	243,273,455	472,375,008
20 Other income		
Foreign currency exchange gain - net	-	1,187,211
Interest income	247	-
Gain on sale of property, plant and equipment	23,846	
Warranty provision written back	415,525	
Discount received		725,998
Other income	881,121	804,297
	1,320,739	2,717,506
21 Selling and distribution expenses		
Advertisement and business promotion	19,151,702	24,155,576
Warranty	227,455	330,051
Delivery charges	3,798,401	6,206,380
	23,177,558	30,692,007
22 Administrative expenses		
Salaries and related benefits	30,478,784	29,453,335
Rent	1,570,007	1,630,159
Legal, visa, professional and related expenses	646,302	1,087,635
Printing and stationery	121,594	148,884
Travelling expenses	2,251,306	3,070,989

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

Notes to the consolidated financial statements for the year ended March 31, 2019
(In Arab Emirates Dirham)

	For the year ended March 31,	
	2019	2018
22 Administrative expenses (continued)		
Utilities	901,294	933,413
Telephone and communications	354,628	354,934
Repairs and maintenance	1,343,571	1,961,211
Allowance for slow moving inventories (note 6)	3,501,842	3,747,234
Impairment of trade receivables (note 7)	179,879	-
Insurance	348,802	228,766
Loss on disposal of property, plant and equipment	-	530
Depreciation on property, plant and equipment (note 4)	1,614,245	1,267,112
Foreign currency exchange loss - net	775,649	-
Bank charges	399,474	794,863
Others	388,732	804,148
	<u>44,876,109</u>	<u>45,483,213</u>
23 Finance costs		
Interest expenses	<u>6,718,324</u>	<u>4,677,949</u>

24 Financial instruments

a) *Significant accounting policies*

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 3 to the consolidated financial statements.

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

	As at March 31,		As at March 31,	
	2019	2018	2019	2018
<i>Financial assets</i>	Carrying amount		Fair value	
Due from related parties	2,675,590	46,814	2,675,590	46,814
Trade receivables	16,842,488	30,867,647	16,842,488	30,867,647
Other receivables	4,710,369	10,482,739	4,710,369	10,482,739
Cash and bank balances	25,132,552	5,198,336	25,132,552	5,198,336
	<u>49,360,999</u>	<u>46,595,536</u>	<u>49,360,999</u>	<u>46,595,536</u>
<i>Financial liabilities</i>				
Redeemable non-cumulative non convertible preference shares	23,000,000	-	23,000,000	-
Trade and other payables	18,746,399	43,694,636	18,746,399	43,694,636
Due to related parties	-	2,940,935	-	2,940,935
Bank borrowings	119,470,315	111,353,192	119,470,315	111,353,192
	<u>161,216,714</u>	<u>157,988,763</u>	<u>161,216,714</u>	<u>157,988,763</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, 2019

(In Arab Emirates Dirhams)

24 Financial instruments (continued)

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

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, 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.

25 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.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies other than United 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, 2019		As at March 31, 2018	
	CFA Franc	Ruble	CFA Franc	Ruble
Total assets	5,641,949	3,492,923	6,290,639	3,401,627
Total liabilities	(512,810)	(90,272)	(1,497,075)	180,116

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, 2019

(In Arab Emirates Dirhams)

25 Financial risk management objectives (continued)

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.

	Profit or loss for the year ended March 31,	
	2019	2018
West African CFA Franc	512,914	479,356
Russian Ruble	340,265	322,151

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 597,352 (2018: (decrease)/increase by AED 556,766).

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.

The Entity'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 on the following page 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 on the following page:

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, 2019
(In Arab Emirates Dirham)

25 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, 2019							
Financial assets							
Due from related parties	-	-	-	-	2,675,590	-	2,675,590
Trade receivables	-	-	-	-	16,842,488	-	16,842,488
Other receivables	-	-	-	-	1,376,569	3,333,800	4,710,369
Cash and bank balances	-	-	-	25,132,552	-	-	25,132,552
	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,132,552</u>	<u>20,894,647</u>	<u>3,333,800</u>	<u>49,360,999</u>
Financial liabilities							
Redeemable non-cumulative non convertible preference shares	-	-	23,000,000	-	-	-	23,000,000
Trade and other payables	-	-	-	-	18,746,399	-	18,746,399
Bank borrowings	64,405,315	-	55,065,000	-	-	-	119,470,315
	<u>64,405,315</u>	<u>-</u>	<u>78,065,000</u>	<u>-</u>	<u>18,746,399</u>	<u>-</u>	<u>161,216,714</u>
As at March 31, 2018							
Financial assets							
Due from related parties	-	-	-	-	46,814	-	46,814
Trade receivables	-	-	-	-	30,867,647	-	30,867,647
Other receivables	-	-	-	-	7,148,939	3,333,800	10,482,739
Cash and bank balances	-	-	-	5,198,336	-	-	5,198,336
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,198,336</u>	<u>38,063,400</u>	<u>3,333,800</u>	<u>46,595,536</u>
Financial liabilities							
Trade and other payables	-	-	-	-	43,694,636	-	43,694,636
Due to related parties	-	-	-	-	2,940,935	-	2,940,935
Bank borrowings	56,288,192	-	55,065,000	-	-	-	111,353,192
	<u>56,288,192</u>	<u>-</u>	<u>55,065,000</u>	<u>-</u>	<u>46,635,571</u>	<u>-</u>	<u>157,988,763</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, 2019
(In Arab Emirates Dirham)

25 Financial risk management objectives (continued)

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.

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 7 & 8 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.

26 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.

27 Operating lease commitments

Operating lease relates to factory land consisting of 2 plots of land leased from M/s. RAK Investment Authority - United Arab Emirates for a period of 30 years with an option to renew for a further period of 30 years. Lease contract contains market review clause in the event that the Group exercises its option to renew the lease. The Group does not have an option to purchase the leased asset at the expiry of lease period (note 15).

	<u>As at March 31,</u>	
	<u>2019</u>	<u>2018</u>
Non-cancellable operating lease commitments		
Not longer than 1 year	1,307,994	559,271
Longer than 1 year and not longer than 5 years	3,803,880	3,570,731
Longer than 5 years	<u>13,791,547</u>	<u>14,694,985</u>
	<u>18,903,421</u>	<u>18,824,987</u>

28 Contingent liabilities

Except for 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.

29 Commitments

	<u>As at March 31,</u>	
	<u>2019</u>	<u>2018</u>
Commitments for the purchase of property, plant and equipment	<u>466,562</u>	<u>1,892,575</u>

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.

