

Ashok Leyland (U.A.E.) L.L.C.
Ras Al Khaimah - United Arab Emirates

Auditor's report and separate financial statements
For the year ended March 31, 2020

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

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Ashok Leyland (U.A.E.) L.L.C.
Ras Al Khaimah - United Arab Emirates

**Report of the Directors
for the year ended March 31, 2020**

The **Directors** have pleasure in presenting their thirteenth annual report and the audited separate financial statements for the year ended March 31, 2020.

PRINCIPAL ACTIVITIES

The 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.

BUSINESS OPERATIONS REVIEW

The performance of the Entity for the year ended March 31, 2020 is as follows:

Revenue	:	AED 396.18 Mn (P.Y.: AED 269.36 Mn)
Gross Profit	:	AED 60.41 Mn (P.Y.: AED 26.92 Mn)
Net profit/(loss)	:	AED 6.89 Mn (P.Y.: AED (40.08) Mn)

The muted oil price and excess supply weakened the GDP growth in UAE, while most GCC countries retained strong external positions and carried out economic reforms and diversification. The Entity reported increase in sales volume and revenue by 38% and 47% respectively from previous year. With the combined market approach that focused on semi government and private institutions on school segment and launch of new product 4x4 ORYX.

The Entity reported gross profit of 15.2% and reported net profit of 1.7% on revenue in the current year as compared to gross profit 9.9% and net (loss) (14.9) % on revenue of previous year. With record sale of school buses in the current year, the Entity posted an overall sale of 2227 vehicles (2018-19: 1620 vehicles).

BUSINESS UPDATE AND FUTURE OUTLOOK

The impact caused by Covid-19 since last few weeks of March 2020 has led to significant disruption in the operating model. For the first quarter of the financial year 2020-21, sales are expected to significantly reduce due to Covid-19 lockdown. However, we are confident that operations will start to get back to normal from July 2020. The emphasis will remain on managing cash-flow and increasing margins during the year due to difficult market conditions.

The Government imposed more stringent measures in a bid to contain the spread of the Covid-19 coronavirus which will weigh heavily on the economic growth this year. The impact of lower oil revenues and the ability of the governments in the region to increase spending to support economic growth is much more limited. GCC countries have assumed zero non-oil growth in financial year 2020-21 and the U.A.E government is expected to announce new fiscal measures to contain the deficit.

The Mitr Fabricated bus of Light Commercial Vehicle segment will bring additional volume in the financial year 2020-21, but we are expecting overall volume and revenue to decline in financial year 2020-21, which is exposed due to the impact of the Covid-19 pandemic.

SUBSIDIARIES

M/s. Ashok Leyland West Africa (ALWA), SA, Ivory Coast, 100% owned subsidiary, started the delivery of 832 Ashok Leyland vehicles to Ministry of Transport, Ivory Coast after completion of PDI and successfully executed the order of 282 vehicles to Burkina Faso. The Entity has trained 150 mechanics and 300 drivers from ALWA training center as part of CSR initiative. The management continues to assess the impact of COVID 19 on its business, but is certain that there will not be any significant impact.

M/s Ashok Leyland LLC Russia ,100% owned subsidiary has assembled first twenty vehicles at manufacturing facility at CTTM Ryazan. The Entity tied up three dealers in Moscow and identified 250 service centers across the country to launch the vehicles. Management is expecting the delay in operation due to pandemic outbreak, but post COVID-19 environment is likely to bounce back faster than expected, as the markets are high and dry and business needs to start all over again.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Entity 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 Entity 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 Entity 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 Entity 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 separate financial statements.

BOARD OF DIRECTORS

The 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. Sanjay Saraswat, one of the Directors, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

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 separate financial statements for each financial year which gives a true and fair view of the state of affairs of the Entity 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 Entity and to enable them to ensure that the separate 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 Entity.

Gopal Mahadevan
(Director)
Date: June 04, 2020

Nitin Seth
(Director)

Ref: JM/AR/2020/2132

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 separate financial statements

Opinion

We have audited the accompanying separate financial statements of **M/s. Ashok Leyland (U.A.E.) L.L.C.** (the "Entity") which comprise the statement of financial position as at March 31, 2020 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020 and its financial performance and its 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 separate financial statements* section of our report. We are independent of the Entity 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 separate 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.

Other matter

The separate financial statements of the Entity for the year ended March 31, 2019 which are shown as comparatives, were audited by another auditor who expressed an unmodified opinion on those statements on May 13, 2019.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Entity'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 Entity'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 separate 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 separate 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 Entity.

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

Report on other legal and regulatory requirements (continued)

- 3 Proper books of accounts have been maintained by the Entity.
- 4 The contents of the Directors' report which relates to the separate financial statements are in agreement with the Entity's books of account.
- 5 Investment in shares are included in note 7 to the separate financial statements and include investments made by the Entity during the year ended March 31, 2020.
- 6 Note 8 to the separate 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 Entity 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 Entity, which would materially affect its activities or its financial position as at March 31, 2020.

For UHY James Chartered Accountants

**James Mathew FCA, CPA
Managing Partner
Reg. No. 548**

**June 04, 2020
Dubai - United Arab Emirates**

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Statement of financial position as at March 31, 2020

(In Arab Emirates Dirham)

	Notes	2020	2019
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	62,497,525	66,780,456
Right-of-use assets	6	6,439,687	-
Investment in subsidiaries	7	15,372,753	8,312,488
Loans to related parties - non-current portion	8	14,252,342	10,583,086
Advances, deposits and other receivables - non current portion	11	4,068,258	5,047,434
<i>Total non-current assets</i>		<u>102,630,565</u>	<u>90,723,464</u>
<i>Current assets</i>			
Loans to related parties - current portion	8	-	2,477,928
Due from related parties	8	144,791	2,609,433
Inventories	9	52,937,746	41,587,878
Trade receivables	10	42,688,752	16,555,947
Advances, deposits and other receivables - current portion	11	3,208,606	4,596,989
Cash and bank balances	12	3,258,871	24,720,219
<i>Total current assets</i>		<u>102,238,766</u>	<u>92,548,394</u>
Total assets		<u><u>204,869,331</u></u>	<u><u>183,271,858</u></u>
Equity and liabilities			
<i>Equity</i>			
Share capital	13	73,000,000	73,000,000
Statutory reserve	14	2,913,369	2,223,806
Accumulated (losses)	15	(56,002,630)	(60,719,521)
<i>Total equity</i>		<u>19,910,739</u>	<u>14,504,285</u>
<i>Non-current liabilities</i>			
Redeemable non-cumulative non-convertible preference shares	16	23,000,000	23,000,000
Bank borrowings - non-current portion	22	33,039,000	55,065,000
Lease liabilities - non-current portion	19	12,249,156	-
Employees' end of service benefits	17	3,168,003	3,019,712
Deferred lease rent - non-current portion	18	-	4,038,194
<i>Total non-current liabilities</i>		<u>71,456,159</u>	<u>85,122,906</u>
<i>Current liabilities</i>			
Trade and other payables	20	43,193,400	18,474,280
Contract liabilities	21	121,362	145,590
Deferred lease rent - current portion	18	-	530,591
Due to related parties	8	18,195,371	88,891
Bank borrowings - current portion	22	51,550,114	64,405,315
Lease liabilities - current portion	19	442,186	-
<i>Total current liabilities</i>		<u>113,502,433</u>	<u>83,644,667</u>
Total liabilities		<u>184,958,592</u>	<u>168,767,573</u>
Total equity and liabilities		<u><u>204,869,331</u></u>	<u><u>183,271,858</u></u>

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

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

The separate financial statements on pages 6 to 38 were approved on June 04, 2020 and signed on behalf of the Entity by:

Gopal Mahadevan
(Director)

Nitin Seth
(Director)

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended March 31, 2020

(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	23	396,181,951	269,365,972
Direct cost	24	(335,770,549)	(242,443,571)
Gross profit		60,411,402	26,922,401
Other income	25	3,006,179	1,224,960
Selling and distribution expenses	26	(21,430,167)	(22,347,573)
Administrative expenses	27	(29,887,125)	(39,166,961)
Finance costs	28	(5,204,660)	(6,718,324)
Profit/(loss) for the year		6,895,629	(40,085,497)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		6,895,629	(40,085,497)

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

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

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Statement of changes in equity for the year ended March 31, 2020

(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated (losses)</u>	<u>Total equity</u>
Balance as at March 31, 2018	73,000,000	2,223,806	(20,634,024)	54,589,782
(Loss) for the year	<u>-</u>	<u>-</u>	<u>(40,085,497)</u>	<u>(40,085,497)</u>
Balance as at March 31, 2019	73,000,000	2,223,806	(60,719,521)	14,504,285
Impact of adoption of IFRS 16 (note 3.3.1)	-	-	(1,489,175)	(1,489,175)
Profit for the year	-	-	6,895,629	6,895,629
Transferred to statutory reserve	<u>-</u>	<u>689,563</u>	<u>(689,563)</u>	<u>-</u>
Balance as at March 31, 2020	<u>73,000,000</u>	<u>2,913,369</u>	<u>(56,002,630)</u>	<u>19,910,739</u>

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

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

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Statement of cash flows for the year ended March 31, 2020

(In Arab Emirates Dirham)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Profit/(loss) for the year	6,895,629	(40,085,497)
<i>Adjustments for:</i>		
Deferred lease rent	-	588,881
(Gain) on disposal of property, plant and equipment	(20,139)	(23,846)
Allowance for slow moving inventories written back	(2,276,153)	-
Depreciation on property, plant and equipment	5,160,093	4,937,680
Allowance for slow moving inventories	-	3,501,842
Allowance for expected credit loss	407,010	179,879
Interest on loan to related parties	(296,610)	(148,329)
Warranty provision written back	-	(415,525)
Finance costs	5,204,660	6,718,324
Depreciation on right-of-use assets	346,430	-
Provision for employees' end of service benefits	696,797	875,187
Operating profit/(loss) before changes in operating assets and liabilities	16,117,717	(23,871,404)
<i>(Increase)/decrease in current assets</i>		
Inventories	(9,073,715)	41,408,242
Trade receivables	(26,539,815)	14,131,821
Advances, deposits and other receivables	2,492,519	3,432,511
Due from related parties	2,464,642	(2,562,619)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	24,719,120	(23,450,590)
Contract liabilities	(24,228)	-
Due to related parties	18,106,480	(2,508,490)
Deferred lease rent	-	(501,910)
Cash generated from operations	28,262,720	6,077,561
Employees' end-of-service benefits paid	(548,506)	(499,487)
Net cash from operating activities	27,714,214	5,578,074
Cash flows from investing activities		
Acquisition of property, plant and equipment	(888,594)	(3,707,939)
Proceeds from sale of property, plant and equipment	31,571	29,048
Investment in subsidiaries	(7,060,265)	(2,771,642)
Net cash (used in) investing activities	(7,917,288)	(6,450,533)

(continued)

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Statement of cash flows for the year ended March 31, 2020 (continued)

(In Arab Emirates Dirham)

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities		
Redeemable preference share capital	-	23,000,000
Finance costs paid	(4,755,107)	(6,718,324)
(Repayment) of loans to related parties	(1,191,328)	(4,074,773)
Interest received on loan to a related party	171,650	236,663
(Repayment) of bank borrowings - non - current portion	(22,026,000)	-
(Repayment) of bank borrowings - current portion	(7,047,042)	(9,231,619)
(Repayment) of lease liabilities	(602,288)	-
Net cash (used in)/from financing activities	(35,450,115)	3,211,947
Net (decrease)/increase in cash and cash equivalents	(15,653,189)	2,339,488
Cash and cash equivalents, beginning of the year	(70,314)	(2,409,802)
Cash and cash equivalents, end of the year	(15,723,503)	(70,314)
Cash and cash equivalents		
Cash in hand	26,043	15,467
Cash at banks	3,209,039	24,679,413
e-Dirham	23,789	25,339
Bank overdrafts	(18,982,374)	(24,790,533)
	(15,723,503)	(70,314)

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

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

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Notes to the separate financial statements for the year ended March 31, 2020

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 “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 Department of Economic Development, Ras Al Khaimah Economic Zone, Government of Ras Al Khaimah, Ras Al Khaimah - United Arab Emirates.
- 1.2** The 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 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 Investment Authority, Ras Al Khaimah - United Arab Emirates owns 51% of the equity of the 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 Entity’s affairs under their overall guidance.
- 1.6** These separate financial statements incorporate the operating results of the Industrial license no. RAKIA 25 IZ3 12 06 0162. These separate financial statements also include 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 COVID -19

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

As a result of the above, the Entity continues to assess regularly the impact of COVID-19 on its business, in particular the potential impact on export sales due to border restrictions. The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its impact on the business difficult to assess accurately at this stage.

3 New standards and amendments

3.1 New standards and amendments applicable as on January 01, 2019

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2019.

- IFRS 16 - Leases
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to IFRIC 23 Uncertainty over Income Tax Treatments

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 December 31, 2019.

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Notes to the separate financial statements for the year ended March 31, 2020

3 New standards and amendments (continued)

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material – Amendments to IAS 1 and IAS 8	January 1, 2020
Definition of a Business – Amendments to IFRS 3	January 1, 2020
Conceptual Framework for Financial Reporting - Amendments	January 1, 2020
IFRS 17 - Insurance Contracts	January 1, 2021

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

3.3 Impact of standard adopted in 2019

3.3.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and had superseded IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Entity is the lessor.

The Entity adopted IFRS 16 using the modified retrospective method of adoption at the date of initial application of April 01, 2019. Prior periods have not been restated. The Entity elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Entity also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). "Short term leases" and "low-value assets" are accounted for as lease expense on a straight-line basis over the remaining lease term.

Before the adoption of IFRS 16, the Entity classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Entity; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets, receivables, deposits and prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Entity applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Entity recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Entity applied IFRS 16 at the date of initial application and accordingly, the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of accumulated (losses).

The Entity has reassessed the existing lease arrangements which was previously recognised as 'operating lease' under IAS 17 based on the remaining contractual terms of the lease and recorded as a 'lease' under IFRS 16. The loss arising on lease amounting to AED 1,489,175 has been recorded as transition adjustments in the opening balance of accumulated (losses) and other adjustments which are detailed below:

Ashok Leyland (U.A.E.) L.L.C.

Ras Al Khaimah - United Arab Emirates

Notes to the separate financial statements for the year ended March 31, 2020

3 New standards and amendments (continued)**3.3 Impact of standard adopted in 2019 (continued)****3.3.1 IFRS 16 Leases (continued)**

	AED
Net of right-of-use assets and lease liabilities as at April 01, 2019	(6,057,960)
Less: Adjusted against deferred lease rent (note 18)	4,568,785
Net effect on accumulated (losses) due to recognition of right-of-use assets	(1,489,175)

Set out below, are the carrying amounts of the Entity's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets	Lease liabilities
	AED	AED
As at April 01, 2019 (Net)	6,786,117	12,844,077
Depreciation expense (note 24)	(346,430)	-
Interest expense (note 28)	-	449,553
Lease payments	-	(602,288)
As at March 31, 2020 (Net)	6,439,687	12,691,342

Lease liability comprises:

	Apr 01, 2019
	(AED)
Undiscounted lease payments	16,989,110
Effect of discounting using incremental borrowing rate	(4,145,033)
Total lease liability recognised under IFRS 16 at April 01, 2019	12,844,077

4 Significant accounting policies**4.1 Statement of compliance**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). These separate financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

4.2 Basis of preparation

The separate 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 separate financial statements are set out below.

4.3 Current/Non current classification

The Entity presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as 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.

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Notes to the separate financial statements for the year ended March 31, 2020

4 Significant accounting policies (continued)

4.3 Current/Non current classification (continued)

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 Entity classifies all other liabilities as non-current.

4.4 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 Entity.

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.

4.5 Foreign currency

The transactions in currencies other than the Entity'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. The 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.

4.6 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 Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the 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	30
Plant and machinery	21
Equipment	4
Furniture, fixtures and equipment	3 - 4
Motor vehicles	4

4 Significant accounting policies (continued)

4.6 Property, plant and equipment (continued)

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 are 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 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 Entity'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.

4.7 Leases

The Entity 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 Entity 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 Entity.
- the Entity 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 Entity has the right to direct the use of the identified asset throughout the period of use. The Entity assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

4.7.1 Entity as lessee

The Entity 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 Entity 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 Entity 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 on the following page:

	<u>Years</u>
Land	30

4 Significant accounting policies (continued)

4.7 Leases (continued)

4.7.1 Entity as lessee (continued)

Lease liabilities

At the commencement date, the Entity 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 Entity is reasonably certain to exercise that option and payments of penalties for terminating the lease. The Entity 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 Entity 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 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 Entity 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 Entity recognises payments associated with these leases as an expense on a straight-line basis over the lease term.

4.7.2 Entity as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Entity'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 Entity'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.

4.8 Impairment of tangible assets

At the end of each reporting period, the Entity 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 Entity 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 statement of profit or loss.

4 Significant accounting policies (continued)

4.8 Impairment of tangible assets (continued)

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 statement of profit or loss.

4.9 Investments in subsidiaries

The investments in subsidiaries is accounted for using cost method as suggested by IAS 39 "Financial Instruments: Recognition and Measurement.

4.10 Financial instruments

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

4.11 Financial assets

Classification

The Entity 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 Entity's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Entity 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 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 Entity 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.

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Notes to the separate financial statements for the year ended March 31, 2020

4 Significant accounting policies (continued)

4.11 Financial assets (continued)

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 Entity 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 Entity 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 Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity 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 Entity's financial liabilities include trade and other payables, due to a related party and loans and borrowings including bank overdrafts.

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 Entity derecognises financial liabilities when, and only when, the Entity'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 statement of profit or loss.

4.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 Significant accounting policies (continued)

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 statement of profit or loss in the period in which they are incurred.

4.16 Provisions

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

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.

4.17 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 Entity expects to be entitled in exchange for those goods or services.

Sale of goods or services

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 Entity expects to be entitled in exchange for transferring promised goods to the customer.

The consideration expected by the Entity 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.

4 Significant accounting policies (continued)

4.18 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's 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 Entity'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 separate financial statements.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity 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.

Lease term - the Entity as lessee

The Entity determines lease term as the non-cancellable period of a lease together with any periods covered with an option to extend or terminate. The Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease contract. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Entity reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate it.

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.

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Notes to the separate financial statements for the year ended March 31, 2020

4 Significant accounting policies (continued)

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

Key sources of estimation uncertainty (continued)

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity'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 separate financial statements.

Incremental borrowing rate for leases

The Entity 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 Entity 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 Entity specific estimates.

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Notes to the separate financial statements for the year ended March 31, 2020

(In Arab Emirates Dirham)

5 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, 2018	65,760,210	17,773,227	2,494,879	4,747,918	3,153,983	493,103	94,423,320
Addition during the year	-	28,453	44,162	161,375	195,403	3,278,546	3,707,939
Disposals during the year	-	(7,426)	-	(22,550)	(84,900)	-	(114,876)
Transferred from capital work-in-progress	216,110	223,606	45,014	41,925	-	(526,655)	-
As at March 31, 2019	65,976,320	18,017,860	2,584,055	4,928,668	3,264,486	3,244,994	98,016,383
Addition during the year	-	12,424	55,117	240,572	84,000	496,481	888,594
Disposals during the year	-	(2,200)	(5,500)	(18,607)	(190,286)	(2,185)	(218,778)
Transferred from capital work-in-progress	2,764,232	-	54,945	834,934	-	(3,654,111)	-
As at March 31, 2020	68,740,552	18,028,084	2,688,617	5,985,567	3,158,200	85,179	98,686,199
Accumulated depreciation							
As at March 31, 2018	14,597,067	6,314,674	1,139,795	3,062,134	1,294,251	-	26,407,921
Charge for the year	2,197,594	849,180	513,329	681,609	695,968	-	4,937,680
Eliminated on disposal during the year	-	(2,224)	-	(22,550)	(84,900)	-	(109,674)
As at March 31, 2019	16,794,661	7,161,630	1,653,124	3,721,193	1,905,319	-	31,235,927
Charge for the year	2,295,513	862,933	512,584	874,748	614,315	-	5,160,093
Eliminated on disposal during the year	-	(385)	(5,872)	(10,790)	(190,299)	-	(207,346)
As at March 31, 2020	19,090,174	8,024,178	2,159,836	4,585,151	2,329,335	-	36,188,674
Carrying value as at March 31, 2020	49,650,378	10,003,906	528,781	1,400,416	828,865	85,179	62,497,525
Carrying value as at March 31, 2019	49,181,659	10,856,230	930,931	1,207,475	1,359,167	3,244,994	66,780,456

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.

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Notes to the separate financial statements for the year ended March 31, 2020

(In Arab Emirates Dirham)

5 Property, plant and equipment (continued)Notes (continued)

- Breakup of depreciation charged:

	Notes	For the year ended March 31,	
		2020	2019
Direct cost	24	3,671,030	3,560,103
Administrative expenses	27	1,489,063	1,377,577
		5,160,093	4,937,680

- Building and plant and machinery 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.

- Movable assets are hypothecated against credit facilities (note 22).

6 Right-of-use assets**Land****Cost**

As at April 01, 2019 (upon adoption of IFRS 16 (note 3.3.1)) 6,786,117

As at March 31, 2020 **6,786,117**

Accumulated depreciation

Charge for the year (note 24) 346,430

As at March 31, 2020 **346,430**

Carrying value as at March 31, 2020 **6,439,687**

Depreciation charged: **2020**

Direct cost **346,430**

The following right-of-use assets were recognized as on April 01, 2019 upon adoption of IFRS 16 (note 3.3.1).

The Entity 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 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.

7 Investment in subsidiaries**I. Investment**

Share capital	Proportion of ownership		Proportion of voting power		2020	2019
	2020	2019	2020	2019		
a) M/s. Ashok Leyland West Africa SA-Ivory Coast						
- Investment in share capital	100%	100%	100%	100%	66,743	66,743
- Additional investment (Note 8 (a) (i))					9,178,150	4,405,200
					9,244,893	4,471,943
b) M/s. Ashok Leyland LLC., Russia						
- Investment in share capital	100%	100%	100%	100%	642	642
- Additional investment (Note 8 (a) (ii))					6,127,218	3,839,903
					6,127,860	3,840,545
Total (a + b)					15,372,753	8,312,488

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Notes to the separate financial statements for the year ended March 31, 2020

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7 Investment in subsidiaries (continued)

a) Represents cost of acquiring 100% ownership and an additional long term investment of capital employed in M/s. Ashok Leyland West Africa SA - Ivory Coast. The principal activities of the subsidiary consist of marketing and trading of Ashok Leyland brand vehicles and spare parts, service training and after sale services of vehicles.

b) Represents cost of acquiring 100% ownership and an additional long term investment of capital employed in M/s. Ashok Leyland LLC - Russia. The principal activities of the subsidiary consist of trading of commercial vehicles, motor vehicle parts, components, accessories and maintenance and repair of motor vehicles.

The investment in subsidiaries have been separately accounted at cost under exemption to consolidate the subsidiary as per IAS 27 "Separate Financial Statements". The Entity also prepares consolidated financial statements in accordance with IFRS 10.

8 Related party transactions

The Entity 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>2020</u>	<u>2019</u>
a) Loans to related parties		
<i>Subsidiaries</i>		
(i) M/s. Ashok Leyland West Africa SA - Ivory Coast	8,341,561	10,583,086
(ii) M/s. Ashok Leyland LLC., Russia	5,910,781	2,477,928
	<u>14,252,342</u>	<u>13,061,014</u>
<i>Comprising:</i>		
Current portion	-	2,477,928
Non-current portion	14,252,342	10,583,086
	<u>14,252,342</u>	<u>13,061,014</u>
<i>Details of loans to related parties</i>		
i) M/s. Ashok Leyland West Africa SA - Ivory Coast		
Balance at the beginning of the year	10,583,086	5,572,171
Addition during the year	2,531,425	5,010,915
Transferred to investment (Note 7 (a))	(4,772,950)	-
Balance at the end of the year	<u>8,341,561</u>	<u>10,583,086</u>
The above loan is unsecured, interest free and receivable by March 31, 2023.		
ii) M/s. Ashok Leyland LLC., Russia		
Balance at the beginning of the year	2,477,928	3,414,070
Addition during the year	5,353,019	1,835,500
Transferred to investment (Note 7 (b))	(1,920,166)	(2,771,642)
Balance at the end of the year	<u>5,910,781</u>	<u>2,477,928</u>
The above loan is unsecured, carries an interest @ 6% per annum and receivable by March 31, 2023.		

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8 Related party transactions (continued)	2020	2019
b) Due from related parties		
<i>Shareholder</i>		
b1) M/s. Ashok Leyland Limited - India	-	2,568,493
<i>Entities under common management and control</i>		
M/s. Global TVS Bus Body Builders Ltd - India	12,140	14,572
M/s. Ashok Leyland Limited, Dubai - United Arab Emirates	123,024	9,880
M/s. Optare Group Limited - United Kingdom	9,627	-
(b1)	144,791	2,592,945
<i>Subsidiary</i>		
b2) M/s. Ashok Leyland West Africa SA - Ivory Coast	(b2) -	16,488
Total due from related parties	(b1 + b2) 144,791	2,609,433
c) Due to related parties		
<i>Shareholder</i>		
M/s. Ashok Leyland Limited - India	17,967,827	-
<i>Entity under common management and control</i>		
M/s. Gulf RAK Oil L.L.C. - Ras Al Khaimah - United Arab Emirates	227,544	88,891
	18,195,371	88,891
d) Transactions with related parties		
The nature of significant related party transactions and the amounts involved were as follows:		
	For the year ended March 31,	
	2020	2019
Sales	279,591	499,170
Purchases	153,476,395	71,634,219
Interest received	296,610	148,329
	2020	2019
9 Inventories		
Raw materials and consumables	27,335,498	24,607,281
Work-in-progress	1,953,815	5,748,132
Finished goods	12,722,473	18,384,685
	42,011,786	48,740,098
Less: Allowance for slow moving inventories	(4,972,923)	(7,249,076)
	37,038,863	41,491,022
Goods-in-transit	15,898,883	96,856
	52,937,746	41,587,878
<i>Movement in allowance for slow moving inventories as at reporting date is as follows:</i>		
Balance at the beginning of the year	7,249,076	3,747,234
Add: Charge during the year (note 27)	-	3,501,842
Less: Reversal during the year (note 25)	(2,276,153)	-
Balance at the end of the year	4,972,923	7,249,076

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

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	<u>2020</u>	<u>2019</u>
10 Trade receivables		
Trade receivables	43,275,641	16,735,826
Less: Allowance for expected credit loss	(586,889)	(179,879)
	<u>42,688,752</u>	<u>16,555,947</u>

The average credit period for the trade receivables is 60 days (2019: 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, 2020, there are 5 customers (2019: 5 customers) representing 99% (2019: 99%) of the trade receivables.

Ageing of receivables that are neither past due nor impaired:

1 - 60 days	42,544,523	15,527,610
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Ageing of trade receivables that are past due:

1 - 180 days	215,431	621,329
181 - 365 days	68,239	-
366 days and above	447,448	586,887
	<u>43,275,641</u>	<u>16,735,826</u>

Impairment of trade receivables

The Entity 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.

	<u>2020</u>	<u>2019</u>
Expected credit loss rate	1.36%	1.07%
Estimated total gross carrying amount at default	43,275,641	16,735,826
Amount not past due	42,544,523	15,527,610
Lifetime expected credit loss	586,889	179,879
Net carrying amount	42,688,752	16,555,947

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

Balance at the beginning of the year	179,879	-
Less: Charge during the year (note 27)	407,010	179,879
Balance at the end of the year	<u>586,889</u>	<u>179,879</u>

In determining the impairment loss on trade receivables, the Entity 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.

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

Geographical analysis:

The geographical analysis of trade receivables are as follows:

Within U.A.E.	22,964,586	10,185,412
Within other G.C.C. countries	20,135,547	5,287,223
Others	175,508	1,263,191
	<u>43,275,641</u>	<u>16,735,826</u>

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	<u>2020</u>	<u>2019</u>
11 Advances, deposits and other receivables		
Prepayments	2,389,845	3,318,459
Deposits	499,270	598,348
Advances to a supplier	354,704	2,059,247
Other receivables*	4,033,045	3,668,369
	7,276,864	9,644,423
Comprising:		
Current portion	3,208,606	4,596,989
Non - current portion	4,068,258	5,047,434
	7,276,864	9,644,423

*Other receivables includes an amount of AED 323,770 interest receivable on loan to a subsidiary.

12 Cash and bank balances

Cash in hand	26,043	15,467
Cash at banks	3,209,039	24,679,413
e-Dirham	23,789	25,339
	3,258,871	24,720,219

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 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:

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of share:</u>	<u>2020</u>	<u>2019</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
		<u>100</u>	<u>73,000</u>	73,000,000	73,000,000

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	<u>2020</u>	<u>2019</u>
14 Statutory reserve		
Balance at the beginning of the year	2,223,806	2,223,806
Add: Transferred from net profits (note 15)	689,563	-
Balance at the end of the year	<u>2,913,369</u>	<u>2,223,806</u>

According to the Articles of Association of the 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)		
Balance at the beginning of the year	(60,719,521)	(20,634,024)
Less: Impact of adoption of IFRS 16 (note 3.3.1)	(1,489,175)	-
Profit/(loss) for the year	6,895,629	(40,085,497)
Less: Transferred to statutory reserve (note 14)	(689,563)	-
Balance at the end of the year	<u>(56,002,630)</u>	<u>(60,719,521)</u>

16 Redeemable non-cumulative non-convertible preference shares

On 31st March 2019, The Entity issued 23,000 (2019: 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:

<u>Name of shareholder</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of share:</u>	<u>2020</u>	<u>2019</u>
M/s. Ashok Leyland Limited (represented by Mr. Dinesh Kumar)	India	<u>100</u>	<u>23,000</u>	<u>23,000,000</u>	<u>23,000,000</u>
				<u>2020</u>	<u>2019</u>

17 Employees' end of service benefits		
Balance at the beginning of the year	3,019,712	2,644,012
Add: Charge for the year	696,797	875,187
Less: Paid during the year	(548,506)	(499,487)
Balance at the end of the year	<u>3,168,003</u>	<u>3,019,712</u>

Amounts required to cover end of service indemnity at the 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 the reporting period.

18 Deferred lease rent

Balance at the beginning of the year	4,568,785	4,481,814
Impact of adoption of IFRS 16 (note 3.3.1)	(4,568,785)	-
Add: Lease rent expenses during the year (note 27)	-	588,881
Less: Lease rent paid during the year	-	(501,910)
Balance at the end of the year	<u>-</u>	<u>4,568,785</u>

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	<u>2020</u>	<u>2019</u>
18 Deferred lease rent (continued)		
Comprising:		
Current portion	-	530,591
Non - current portion	-	4,038,194
	<u>-</u>	<u>4,568,785</u>
19 Lease liabilities		
As at April 01, 2019 (upon adoption of IFRS 16 (note 3.3.1))	12,844,077	-
Add: interest charged during the year (note 28)	449,553	-
Less: payments during the year	(602,288)	-
Balance at the end of the year	12,691,342	-
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).		
Comprising:		
Current portion	442,186	-
Non-current portion	12,249,156	-
	<u>12,691,342</u>	<u>-</u>
<i>Maturity profile of lease payments - contractual undiscounted cash flows:</i>		
Less than 1 year	702,674	-
1 to 5 years	3,821,686	-
More than 5 years	12,708,534	-
	<u>17,232,894</u>	<u>-</u>
	For the year ended March 31,	
Amounts recognised in profit or loss:	2020	2019
Interest on lease liabilities (note 28)	449,553	-
Depreciation expense (note 24)	346,430	-
Net impact for the year	795,983	-
<i>Amounts recognised in statement of cash flows:</i>		
Total cash outflows (net) for leases	602,288	-
20 Trade and other payables		
Trade payables	30,121,638	8,375,890
Provisions and accruals	12,334,056	9,798,380
VAT payable (net)	410,316	300,010
Other payables	327,390	-
	<u>43,193,400</u>	<u>18,474,280</u>
21 Contract liabilities		
Advance from customers	121,362	145,590

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	<u>2020</u>	<u>2019</u>
22 Bank borrowings		
a) Due to banks		
Bank overdrafts	18,982,374	24,790,533
Trust receipts	12,319,417	2,904,782
Short term loan	<u>20,248,323</u>	<u>36,710,000</u>
	<u>51,550,114</u>	<u>64,405,315</u>
b) Long term loan		
Balance at the beginning of the year	55,065,000	55,065,000
Less: Repaid during the year	<u>(22,026,000)</u>	-
Balance at the end of the year	<u>33,039,000</u>	<u>55,065,000</u>

The above long term loan obtained from a bank to part finance the working capital, is repayable by June 2023 in a single installment and carries interest at prevailing commercial rate. During the year, the Entity prepaid an amount of AED 22,026,000.

Bank borrowings are secured by:

- Letter of comfort by M/s. Ashok Leyland Limited - India.
- Assignment of trade receivables (note 10).
- Charge over inventories and movable assets (notes 5 and 9).
- Assignment of all risk insurance policies covering inventories and certain items of property, plant and equipment.

	<u>2020</u>	<u>2019</u>
Bank borrowings - current portion		
Due to banks (refer a)	<u>51,550,114</u>	<u>64,405,315</u>
Bank borrowings - non-current portion		
Long term loan (refer b)	<u>33,039,000</u>	<u>55,065,000</u>
Total bank borrowings (a + b)	<u>84,589,114</u>	<u>119,470,315</u>

For the year ended March 31,

	<u>2020</u>	<u>2019</u>
23 Revenue		
Revenue from contracts with customers	<u>396,181,951</u>	<u>269,365,972</u>

23.1 Disaggregated revenue information

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

Segments

Commercial vehicles	393,431,466	266,410,900
Spare parts and others	<u>2,750,485</u>	<u>2,955,072</u>
Total revenue from contracts with customers	<u>396,181,951</u>	<u>269,365,972</u>
Geographical markets		
Within U.A.E.	249,707,973	125,317,348
Within other G.C.C. countries	141,523,112	139,439,620
Others	<u>4,950,866</u>	<u>4,609,004</u>
Total revenue from contracts with customers	<u>396,181,951</u>	<u>269,365,972</u>

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	For the year ended March 31,	
	2020	2019
23 Revenue (continued)		
23.1 Disaggregated revenue information (continued)		
Timing of revenue recognition		
Goods transferred at a point in time	<u>396,181,951</u>	<u>269,365,972</u>
Total revenue from contracts with customers	<u><u>396,181,951</u></u>	<u><u>269,365,972</u></u>

23.2 Contract balances

Trade receivables (note 10)	42,688,752	16,555,947
Contract liabilities (note 21)	121,362	145,590

Trade receivables are non - interest bearing and are generally on terms of 60 days

23.3 Revenue recognised in relation to contract liabilities

	For the year ended March 31,	
	2020	2019
Revenue recognised from contract liabilities at the beginning of the year	145,590	-

23.4 Reconciliation of revenue recognised in the statement of profit and loss with the contracted price

	For the year ended March 31,	
	2020	2019
Contracted price	<u>396,188,622</u>	<u>269,782,631</u>
Invoice value		
<i>Adjustments</i>		
Rebates and discounts	<u>6,671</u>	<u>416,659</u>
Revenue from contract with customers	<u><u>396,181,951</u></u>	<u><u>269,365,972</u></u>

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,	
	2020	2019
Within one year	<u>974,856</u>	<u>803,219</u>

23.6 Performance obligations

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

Sale of vehicles and vehicles 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.

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	For the year ended March 31,	
	2020	2019
24 Direct cost		
Balance at the beginning of the year - raw materials and consumables	24,607,281	31,801,253
Add: Purchases (including direct cost)	310,424,802	190,159,798
Less: Balance at the end of the year - raw materials and consumables (note 9)	(27,335,498)	(24,607,281)
Raw material consumed	307,696,585	197,353,770
Direct wages and benefits	11,753,486	11,565,506
Depreciation on property, plant and equipment (note 5)	3,671,030	3,560,103
Depreciation on right-of-use assets (note 6)	346,430	-
Other direct expenses	2,846,489	2,431,002
Manufacturing cost	326,314,020	214,910,381
Balance at the beginning of the year - work-in-progress	5,748,132	8,206,430
Less: Balance at the end of the year - work-in-progress (note 9)	(1,953,815)	(5,748,132)
Cost of goods manufactured	330,108,337	217,368,679
Balance at the beginning of the year - finished goods	18,384,685	43,459,577
Less: Balance at the end of the year - finished goods (note 9)	(12,722,473)	(18,384,685)
	335,770,549	242,443,571
25 Other income		
Foreign currency exchange gain - net	166,799	318,494
Interest on loan to related parties	296,610	148,329
Gain on sale of property, plant and equipment	20,139	23,846
Warranty provision written back	-	415,525
Allowance for slow moving inventories written back (note 9)	2,276,153	-
Other income	246,478	318,766
	3,006,179	1,224,960
26 Selling and distribution expenses		
Advertisement and business promotion	15,895,683	18,321,717
Warranty	1,358,182	227,455
Delivery charges	4,176,302	3,798,401
	21,430,167	22,347,573

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	For the year ended March 31,	
	2020	2019
27 Administrative expenses		
Salaries and related benefits	23,599,425	27,834,115
Rent (note 18)	-	588,881
Legal, visa, professional and related expenses	538,599	516,200
Printing and stationery	38,478	92,292
Travelling expenses	886,244	2,061,479
Utilities	527,849	668,515
Telephone and communications	294,638	320,768
Repairs and maintenance	1,408,311	1,256,890
Allowance for slow moving inventories (note 9)	-	3,501,842
Allowance for expected credit loss (note 10)	407,010	179,879
Insurance	209,970	260,452
Depreciation on property, plant and equipment (note 5)	1,489,063	1,377,577
Bank charges	405,373	365,848
Others	82,165	142,223
	29,887,125	39,166,961
28 Finance costs		
Interest on lease liabilities (note 19)	449,553	-
Interest expenses	4,755,107	6,718,324
	5,204,660	6,718,324

29 Financial instrumentsa) *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 4 to the separate 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,	
	2020	2019	2020	2019
<i>Financial assets</i>	Carrying amount		Fair value	
Loans to related parties	14,252,342	13,061,014	14,252,342	13,061,014
Due from related parties	144,791	2,609,433	144,791	2,609,433
Trade receivables	42,688,752	16,555,947	42,688,752	16,555,947
Other receivables	4,532,315	4,163,029	4,532,315	4,163,029
Cash and bank balances	3,258,871	24,720,219	3,258,871	24,720,219
	64,877,071	61,109,642	64,877,071	61,109,642

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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,	
	2020	2019	2020	2019
<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	12,691,342	-	12,691,342	-
Trade and other payables	43,193,400	18,474,280	43,193,400	18,474,280
Due to related parties	18,195,371	88,891	18,195,371	88,891
Bank borrowings	84,589,114	119,470,315	84,589,114	119,470,315
	181,669,227	161,033,486	181,669,227	161,033,486

Financial instruments comprise of financial assets and financial liabilities.

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.

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

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 Entity 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 Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity 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 Entity's policy guidelines are complied with.

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

a) *Foreign currency risk management*

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

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30 Financial risk management objectives (continued)**b) Interest rate risk management**

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity'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 Entity's profit for the year then ended would (decrease)/increase by AED 422,946 (2019: (decrease)/increase by AED 597,352).

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 Entity's short, medium and long-term funding and liquidity management requirements. The Entity 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 below summarizes the maturity profile of the Entity'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 financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were 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, 2020							
Financial assets							
Loans to related parties	-	-	5,910,781	-	-	8,341,561	14,252,342
Due from related parties	-	-	-	-	144,791	-	144,791
Trade receivables	-	-	-	-	42,688,752	-	42,688,752
Other receivables	-	-	-	-	1,198,515	3,333,800	4,532,315
Cash and bank balances	-	-	-	3,258,871	-	-	3,258,871
	-	-	5,910,781	3,258,871	44,032,058	11,675,361	64,877,071

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(In Arab Emirates Dirhams)

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, 2020							
Financial liabilities							
Redeemable non-cumulative non convertible preference shares	-	-	23,000,000	-	-	-	23,000,000
Lease liabilities	-	442,186	12,249,156	-	-	-	12,691,342
Trade and other payables	-	-	-	-	43,193,400	-	43,193,400
Due to a related party	-	-	-	-	18,195,371	-	18,195,371
Bank borrowings	51,550,114	-	33,039,000	-	-	-	84,589,114
	<u>51,550,114</u>	<u>442,186</u>	<u>68,288,156</u>	<u>-</u>	<u>61,388,771</u>	<u>-</u>	<u>181,669,227</u>
As at March 31, 2019							
Financial assets							
Loans to related parties	-	2,477,928	-	-	-	10,583,086	13,061,014
Due from related parties	-	-	-	-	2,609,433	-	2,609,433
Trade receivables	-	-	-	-	16,555,947	-	16,555,947
Other receivables	-	-	-	-	829,229	3,333,800	4,163,029
Cash and bank balances	-	-	-	24,720,219	-	-	24,720,219
	<u>-</u>	<u>2,477,928</u>	<u>-</u>	<u>24,720,219</u>	<u>19,994,609</u>	<u>13,916,886</u>	<u>61,109,642</u>

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Notes to the separate financial statements for the year ended March 31, 2020

(In Arab Emirates Dirhams)

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, 2019							
Financial liabilities							
Redeemable non-cumulative non convertible preference shares	-	-	23,000,000	-	-	-	23,000,000
Trade and other payables	-	-	-	-	18,474,280	-	18,474,280
Due to related parties	-	-	-	-	88,891	-	88,891
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>18,563,171</u>	<u>-</u>	<u>161,033,486</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 Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity 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 discussed in notes 10 & 11 to the separate 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 separate financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

31 Capital risk management

The Entity 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 Entity's overall strategy remains unchanged from prior year.

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

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32 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 Entity exercises its option to renew the lease. The Entity does not have an option to purchase the leased asset at the expiry of lease period.

The Entity adopted IFRS 16 "Leases" on April 01, 2019 and has recognized right-of-use assets for these leases, except for short term leases and low-value assets (notes 3.3.1, 6 and 19).

	<u>As at March 31,</u>	
	<u>2020</u>	<u>2019</u>
Non-cancelable operating lease commitments		
Not longer than 1 year	-	530,591
Longer than 1 year and not longer than 5 years	-	3,599,412
Longer than 5 years	-	13,791,547

33 Contingent liabilities

Letters of guarantee

	<u>As at March 31,</u>	
	<u>2020</u>	<u>2019</u>
Letters of guarantee	<u>15,122,800</u>	<u>-</u>

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

34 Commitments

Commitments for the purchase of property, plant and equipment

	<u>As at March 31,</u>	
	<u>2020</u>	<u>2019</u>
Commitments for the purchase of property, plant and equipment	<u>14,538</u>	<u>466,562</u>

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

35 Subsequent events

Subsequent to the reporting date, the outbreak of Covid-19 may have a potential disruption to the Entity's business. As the situation is fluid and rapidly evolving, the effect of the outbreak of Covid-19 is subject to significant levels of uncertainty, with the full range of possible effects on business being unknown on the date of the approval of the financial statements. However, the management is certain that there will not be any significant impact on the operations of the Entity.

36 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 previously reported financial result or equity.