

INDEPENDENT AUDITOR'S REPORT

To the Members of Royal Enfield Canada Limited

Report on Special Purpose Financial Statements**Opinion**

We have audited the accompanying special purpose financial statements of Royal Enfield Canada Limited ("the Company"). These special purpose financial statements comprise the Balance sheet as at March 31, 2023, the Statement of Profit and Loss including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (together hereinafter referred to as "Special Purpose Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose financial statements as at and for the year ended March 31, 2023 have been prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to those special purpose financial statements and have been prepared solely for submitting to the Holding Company, to be used by them in preparation of their consolidated financial statements.

Basis for Opinion

We conducted our audit of the special purpose financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose financial statements.

Emphasis of matter – Basis of Accounting

We draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the Holding Company in preparing their consolidated financial statements as at and for the year ended March 31, 2023. As a result, these special purpose financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibility of Management for the Special Purpose Financial Statements

The Company's Board of Directors is responsible for preparation of these special purpose financial statements which comprise the Balance sheet as at March 31, 2023, the Statement of Profit and Loss including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, prepared in accordance with the basis of accounting described in Note 2 to the special purpose financial statements. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate

accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 SAs 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 special purpose financial statements.

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

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

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Restriction on Distribution and Use

Our auditor's report on Special Purpose Financial Statements is intended and has been prepared solely for the purpose of submitting to Holding Company to be used by them in preparation of their consolidated financial statements. It is not to be used for any other purpose, or referred to in any other document, or distributed to anyone other than to the Company and Holding Company.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

Per Sonika Loganey

Partner

Membership Number: 502220

UDIN: 23502220BGYHPJ8824

Place of Signature: Gurugram

Date: May 11, 2023

ROYAL ENFIELD CANADA LIMITED
BALANCE SHEET AS AT MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

Particulars	Note No.	As at March 31, 2023	As at March 31, 2022
ASSETS			
Current assets			
(a) Inventories	4	335,654	-
(b) Financial assets			
(i) Trade receivables	5	239,542	7,707
(ii) Cash and cash equivalents	6	341,041	365,008
Total current assets		916,237	372,715
Total Assets		916,237	372,715
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	7	17,446	17,446
(b) Other equity	8	259,515	229,474
Total equity		276,961	246,920
LIABILITIES			
Current liabilities			
(a) Financial liabilities			
(i) Trade payables	9	585,451	33,174
(b) Current tax liabilities	10	40,349	61,346
(c) Other current liabilities	11	13,476	31,275
Total current liabilities		639,276	125,795
Total equity and liabilities		916,237	372,715

The accompanying notes are an integral part of the financial statements

In terms of our report attached
For **S.R. Batliboi & Co LLP**
Chartered Accountants
ICAI Firm registration Number : 301003E/E300005

**For and on Behalf of the Board of Directors of
Royal Enfield Canada Limited**

Sonika Loganey
Partner
Membership No.: 502220

B Govindarajan
Director

Krishnan Ramaswamy
Director

Place: Gurugram
Date: May 11, 2023

Place: Chennai
Date: May 11, 2023

Place: Milwaukee
Date: May 11, 2023

ROYAL ENFIELD CANADA LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

Particulars	Note No.	For the year ended March 31, 2023	For the year ended March 31, 2022
INCOME			
Revenue from contract with customers	12	5,512,355	3,634,065
Other income	13	2,764	65
Total Income		5,515,119	3,634,130
EXPENSES			
Purchases of traded goods	14	5,487,122	3,390,186
(Increase)/decrease in inventories of traded goods	15	(335,654)	-
Finance costs	16	172,403	58,740
Other expenses	17	145,930	25,634
Total expenses		5,469,801	3,474,560
Profit before tax		45,318	159,570
Tax expense			
Current tax	18	15,277	39,686
Deferred tax		-	-
Total tax expense		15,277	39,686
Profit for the year		30,041	119,884
Other Comprehensive Income		-	559
Total comprehensive income for the year		30,041	120,443
Earnings per share in CAD			
Basic	20	300.41	1,198.84
Diluted	20	300.41	1,198.84
(No face value of shares defined as such)			

The accompanying notes are an integral part of the financial statements

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For **S.R. Batliboi & Co LLP**
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Date: May 11, 2023

Place: Chennai
Date: May 11, 2023

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ROYAL ENFIELD CANADA LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

a. Equity share capital

Particulars	Number of shares	Amount
Balance as at April 01, 2021	100	16,723
Changes in equity share capital during the year	-	-
Forex Impact	-	723
Balance as at April 01, 2022	100	17,446
Changes in equity share capital during the year	-	-
Balance as at March 31, 2023	100	17,446

b. Other Equity

Particulars	Retained earnings
Balance as at April 01, 2021	109,031
Profit for the year	120,443
Balance as at April 01, 2022	229,474
Profit for the year	30,041
Balance as at March 31, 2023	259,515

The accompanying notes are an integral part of the financial statements

In terms of our report attached
For **S.R. Batliboi & Co LLP**
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**For and on Behalf of the Board of Directors of
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Sonika Loganey
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Director

Place: Gurugram
Date: May 11, 2023

Place: Chennai
Date: May 11, 2023

Place: Milwaukee
Date: May 11, 2023

ROYAL ENFIELD CANADA LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
A. CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES		
Profit before tax for the year	45,318	159,570
Adjustments for:		
Net Foreign Exchange difference (unrealised)	-	1,282
Interest expense	172,403	58,740
Operating profit before changes in working capital	217,721	219,592
Changes in working capital:		
Adjustments for (increase)/decrease in current assets:		
Inventories	(335,654)	-
Trade receivables	(231,836)	186,409
Adjustments for increase/(decrease) in current liabilities:		
Trade payables	552,279	(31,789)
Other Current liabilities	(17,799)	20,120
Cash generated from operating activities	184,710	394,332
Direct taxes paid / (Refund)	36,274	(3,635)
Net cash flow from / (used in) operating activities (A)	148,436	397,967
B. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Interest paid	(172,403)	(58,740)
Net cash flow from / (used in) financing activities (B)	(172,403)	(58,740)
Net Increase/(decrease) in cash and cash equivalents (A) + (B)	(23,967)	339,227
Cash and cash equivalents at the beginning of the year	365,008	25,781
Cash and cash equivalents at the end of the year	341,041	365,008

Particulars	As at March 31, 2023	As at March 31, 2022
Components of cash and cash equivalents		
Balances with banks:		
In current accounts	341,041	365,008
Cash and cash equivalents as per balance sheet (refer note 6)	341,041	365,008

The accompanying notes are an integral part of the financial statements

In terms of our report attached
For **S.R. Batliboi & Co LLP**
Chartered Accountants
ICAI Firm registration Number : 301003E/E300005

For and on Behalf of the Board of Directors of
Royal Enfield Canada Limited

Sonika Loganey
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Place: Gurugram
Date: May 11, 2023

Place: Chennai
Date: May 11, 2023

Place: Milwaukee
Date: May 11, 2023

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

1. Corporate Information

Royal Enfield Canada Limited (“RECA” or “the Company”) was incorporated on April 19, 2016 under the Business Corporation Act. The Company is principally engaged in trading of two wheelers in Canada.

2. Basis of Preparation

2.1 Statement of Compliance

The special purpose financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The special purpose financial statements have been prepared for the purpose of submitting to shareholders to be used by them in preparing their consolidated financial statements. As a result, the special purpose financial statements may not be suitable for any other purpose. Consequently, these financial statements do not purport to be, and are not prepared to comply with the requirements of the Companies Act, 2013 and include only those disclosures prescribed under the Companies Act, 2013 as the management deems relevant.

2.2 Accounting convention

The special purpose financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The financial statements are presented in CAD which is the company’s functional currency.

2.3 Operating cycle

Based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

3. Significant Accounting Policies

a. Current and non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is expected to be realised within 12 months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be settled in the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is due to be settled within 12 months after the reporting date; or
- d. the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

b. Revenue from contract with customer

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 Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, Road Side Assistance, Free Service Coupons, etc.). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3(g) Financial instruments – initial recognition and subsequent measurement.

c. Foreign currencies

In preparing the financial statements of the Company transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

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

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

d. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

e. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories of traded goods and packing materials are determined on a moving weighted average. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

f. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 the effect of the time value of money is material).

g. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated at fair value through profit or loss on initial recognition):

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI") (except for debt instruments that are designated at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised in profit or loss for FVTOCI debt instruments.

All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

Financial assets at fair value through profit or loss (FVTPL)

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated at FVTPL.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on historical credit loss experience and adjustments for forward looking information.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains / losses attributable to changes in own credit risk are recognized in the other comprehensive income. These gains/ loss are not subsequently transferred to P&L. However, the group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' Line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

ROYAL ENFIELD CANADA LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

h. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above.

i. Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) after tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

j. Earnings per share

Basic earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

4. Inventories

(At lower of cost and net realisable value)

Particulars	As at March 31, 2023	As at March 31, 2022
Goods in transit:		
Traded goods	335,654	-
Total	335,654	-

5. Trade receivables

Particulars	As at March 31, 2023	As at March 31, 2022
Current		
Trade Receivables from Related Parties	-	-
Others - Considered good, unsecured	239,542	7,707
Total	239,542	7,707

No trade receivables are due from directors or other officers of the company either severally or jointly with any other person.

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

Trade receivables ageing

As at March 31, 2023

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	> 0 < 180 days	180 - 365 days	1 - 2 years	2 - 3 years	> 3 years	
Undisputed trade receivables - considered good	-	239,542	-	-	-	-	239,542
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	-	-
Disputed trade receivables - considered good	-	-	-	-	-	-	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed trade receivables - credit impaired	-	-	-	-	-	-	-
Total	-	239,542	-	-	-	-	239,542

As at March 31, 2022

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	> 0 < 180 days	180 - 365 days	1 - 2 years	2 - 3 years	> 3 years	
Undisputed trade receivables - considered good	-	7,707	-	-	-	-	7,707
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	-	-
Disputed trade receivables - considered good	-	-	-	-	-	-	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed trade receivables - credit impaired	-	-	-	-	-	-	-
Total	-	7,707	-	-	-	-	7,707

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

6. Cash and cash equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances with banks:		
In current accounts	341,041	365,008
Total	341,041	365,008

7. Equity share capital

Particulars	As at March 31, 2023	As at March 31, 2022
Authorised		
100 (March 31, 2022 : 100) Equity shares (no face value)	17,446	17,446
Total	17,446	17,446
Issued, Subscribed and fully paid up		
100 (March 31, 2022 : 100) Equity shares (no face value)	17,446	17,446
Total	17,446	17,446

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
At the beginning of the year (April 1, 2022: 100 and April 1, 2021: 100 Equity shares)	17,446	17,446
Issued during the year	-	-
Outstanding at the end of the year (March 31, 2022: 100 and March 31, 2021: 100 Equity shares)	17,446	17,446

The company has only one class of equity shares having face value of NIL.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

% holding by Royal Enfield North America Limited as at March 31, 2023: 100% (March 31, 2022: 100%)

8. Other equity

Particulars	As at March 31, 2023	As at March 31, 2022
Retained earnings		
Surplus in the statement of profit and loss		
Opening balance	229,474	109,031
Add: Profit for the year	30,041	120,443
Net surplus in the statement of profit and loss Total	259,515	229,474

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
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9. Trade payables

Particulars	As at March 31, 2023	As at March 31, 2022
Trade payables to related parties	567,482	33,174
Trade payables to others	17,969	-
Total	585,451	33,174

Particulars	As at March 31, 2023						Total
	Unbilled	Not due	< 1 year	1 - 2 years	2 - 3 years	> 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	17,711	346,322	221,418	-	-	-	585,451
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-	-
Total	17,711	346,322	221,418	-	-	-	585,451

Particulars	As at March 31, 2022						Total
	Unbilled	Not due	< 1 year	1 - 2 years	2 - 3 years	> 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	33,174	-	-	-	33,174
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-	-
Total	-	-	33,174	-	-	-	33,174

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
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10. Current tax liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for Income tax	40,349	61,346
Total	40,349	61,346

11. Other current liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory remittances	13,476	29,314
Other liabilities	-	1,961
Total	13,476	31,275

12. Revenue from contract with customers

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of traded goods		
Two-Wheelers	4,828,355	3,240,549
Other Operating Revenue		
Freight Recovery	684,000	393,516
Total	5,512,355	3,634,065

13. Other Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Exchange differences (net)	2,764	-
Interest on IT Refund	-	65
Total	2,764	65

14. Purchases of traded goods

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Two wheelers	5,487,122	3,390,186
Total	5,487,122	3,390,186

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED
15. (Increase)/decrease in inventories of traded goods

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Inventories at the end of the year		
Traded goods	335,654	-
Sub-total (A)	335,654	-
Inventories at the beginning of the year		
Traded goods	-	-
Sub-total (B)	-	-
Net change (B-A)	(335,654)	-

16. Finance costs

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest expense on bills discounting	172,403	58,740
Total	172,403	58,740

17. Other expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Repairs and maintenance		
Others	659	2,261
Selling and distribution expenses	135,689	3,027
Legal and professional charges	7,191	13,527
Miscellaneous expenses	2,391	3,672
Exchange differences (net)	-	3,147
Total	145,930	25,634

18. Income tax recognised in Statement of profit and loss

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Current tax		
In respect of the current year	15,277	39,686
Total income tax expense recognised in the current period	15,277	39,686

ROYAL ENFIELD CANADA LIMITED**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023****ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED****19. Commitments**

The Company has commitments, for purchase/sales orders which are issued after considering requirements per operating cycle for purchase /sale of goods and services. The Company does not have any capital commitments or long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

20. Earnings per share

Particulars	For the year ended March 31, 2023	For the year ended March 31,2022
a) Profit for the Year, as per statement of profit and loss	30,041	119,884
b) Weighted average number of equity shares (Nos.)	100	100
c) Earnings per share:		
- Basic/Diluted [(a)/(b)]	300.41	1,198.84

21. Segment reporting

The Company primarily operates in the automotive segment. The automotive segment includes all activities related to sale of two-wheelers as well as sale of related parts and accessories.

As defined in Ind AS 108, the chief operating decision maker (CODM), evaluates the Company's performance, allocate resources based on the analysis of the various performance indicator of the Company as a single unit. Therefore, there is no reportable segment for the Company as per the requirement of IND AS 108 "Operating Segments".

22. Related party disclosures

a) Names of related parties and their relationship:

Name of related party	Nature of Relationship
Eicher Motors Limited (EML)	Ultimate Holding Company
Royal Enfield North America Limited (RENA)	Holding Company

b) Key Management Personnel:

Mr. Govindarajan Balakrishnan	Director
Mr. Krishnan Ramaswamy	Director
Mr. Michael A Roark	Director (Resigned w.e.f 10th Jun 2022)

c) Transactions with the related parties

Particulars	RENA	
	For the year ended March 31, 2023	For the year ended March 31,2022
Purchase of traded goods	5,487,122	3,390,186
Expenses reimbursed	255,235	183,539
Aggregate balances outstanding as at the year end		
- Payables	567,482	33,174
- Receivables	-	-

Terms and conditions of transactions with related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended March 31, 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2022 : Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
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23. Capital Management

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return to stakeholders. The Capital structure of the Company consists of total equity of the Company.

The Company is not subject to any externally imposed capital requirements.

The management of the Company reviews the capital structure of the Company on regular basis. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital.

The following table summarizes the capital of the Company:

Particulars	As at	As at
	March 31, 2023	March 31, 2022
Equity Share Capital	17,446	17,446
Other equity	259,515	229,474
Total Equity	276,961	246,920

24. Financial instruments

Categories of financial instruments

Particulars	Level 1	
	As at	As at
	March 31, 2023	March 31, 2022
Financial assets at amortised cost		
Current		
Trade receivables	239,542	7,707
Cash and cash equivalents	341,041	365,008
Total	580,583	372,715
Financial liabilities at amortised cost		
Current - Financial liabilities		
Trade payables	585,451	33,174
Total	585,451	33,174

24.2 Fair value measurements

The Company uses the following hierarchy for determining and/or disclosing the fair value of financial instruments by valuation techniques

The following is the basis of categorizing the financial instruments measured at fair value into Level 1 to Level 3 :-

Level 1: This level includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: This level includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: This level includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023
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25. Financial risk management objectives and Policies

The Company's management monitors and manages the financial risks relating to the operations of the Company. These risks include market risk , credit risk and liquidity risk.

The management reviews cash resources, implements strategies for foreign currency exposures and ensuring market risk limit and policies.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market Risk:

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including loans and borrowings.

Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturity profile of financial liabilities:

Particulars	As at March 31, 2023			Total
	Less than 1 year	1 to 5 years	>5 Years	
Trade payables	585,451	-	-	585,451

Particulars	As at March 31, 2022			Total
	Less than 1 year	1 to 5 years	>5 Years	
Trade payables	33,174	-	-	33,174

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Financial instruments that are subject to concentrations of credit risk, principally consist of balance with banks, investments in debt instruments/ bonds, trade receivables, loans and advances. None of the financial instruments of the Company result in material concentrations of credit risks. Balances with banks were not past due or impaired as at the year end. In other financial assets that are not past dues and not impaired, there were no indication of default in repayment as at the year end. Trade receivables are non interest bearing and are generally on terms of 30-60 days.

26. Critical Accounting Judgements and key resources of estimation uncertainty

Use of estimates

The preparation of the financial statements in conformity with IND AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

27. The company did not have any long term contracts including derivative contracts for which there are material foreseeable losses.

28. There are no events that occurred after the reporting period.

29. The company does not have any litigation during the year or any litigation pending/contingent liabilities not provided for at the year end.

ROYAL ENFIELD CANADA LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2023
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

30. Ratio Analysis and its elements

Ratio	31-Mar-23	31-Mar-22	% change	Reason for variance
Current ratio: <i>Current Assets / Current Liabilities</i>	1.4	3.0	-51.6%	Change in current ratio is due to the increase in Inventory in Transit
Return on Equity ratio: <i>Net Profits after taxes – Preference Dividend / Average Shareholder's Equity</i>	11.5%	64.3%	-82.2%	Change due to decrease in net profit after taxes primarily on account of higher finance cost
Trade Receivable Turnover Ratio: <i>Net credit sales = Gross credit sales - sales return / Average Trade Receivable</i>	44.6	36.0	23.9%	Not applicable
Trade Payable Turnover Ratio: <i>Net credit purchases = Gross credit purchases - purchase return / Average Trade Payables</i>	17.7	69.1	-74.3%	Change is due to increase in trade payables owing to Inventory in Transit
Net Capital Turnover Ratio: <i>Net sales = Total sales - sales return / Working capital = Current assets – Current liabilities</i>	19.9	14.7	35.2%	Change is due to increase in sales
Net Profit ratio: <i>Net Profit / Net sales = Total sales - sales return</i>	0.01	0.03	-83.6%	Change due to decrease in net profit after taxes primarily on account of higher finance cost
Return on Capital Employed: <i>Earnings before interest and taxes / Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability</i>	78.6%	88.4%	-11.1%	Not applicable

31. Previous year's figures have been regrouped and reclassified where necessary to conform to the current year's classification.

In terms of our report attached
 For **S.R. Batliboi & Co. LLP**
 Chartered Accountants
 ICAI Firm registration Number : 301003E/E300005

For and on Behalf of the Board of Directors of Royal Enfield Canada Limited

Sonika Loganey
 Partner
 Membership No.: 502220

B Govindarajan
 Director

Krishnan Ramaswamy
 Director

Place: Gurugram
 Date: May 11, 2023

Place: Chennai
 Date: May 11, 2023

Place: Milwaukee
 Date: May 11, 2023