

## **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, 2024, 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, 2024 have been prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to those special purpose financial statements have been prepared solely for submitting to the Holding Company, to be used by them in preparation of their consolidated financial statements and to assist the Holding Company in filing Annual Performance Report with the Authorized dealers category – I bank in accordance with the RBI Master direction – Reporting under FEMA Act, 1999 updated on time to time issued by the RBI.

#### **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 Companies Act, 2013. 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 and to assist the Holding Company in filing Annual Performance Report with the Authorized dealers category – I bank in accordance with the RBI Master direction – Reporting under FEMA Act, 1999 updated on time to time issued by the RBI as at and for the year ended March 31, 2024. 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, 2024, 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 and to assist the Holding Company in filing Annual Performance Report with the Authorized dealers category – I bank in accordance with the RBI Master direction – Reporting under FEMA Act, 1999 updated on time to time issued by the RBI.. 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: XXX

Place of Signature: Gurugram

Date: May 08, 2024

**ROYAL ENFIELD CANADA LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

| Particulars                         | Note No. | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-------------------------------------|----------|-------------------------|-------------------------|
| <b>ASSETS</b>                       |          |                         |                         |
| <b>Non-current assets</b>           |          |                         |                         |
| (a) Deferred tax assets             | 4        | 4,673                   | -                       |
| <b>Total non-current assets</b>     |          | 4,673                   | -                       |
| <b>Current assets</b>               |          |                         |                         |
| (a) Inventories                     | 5        | 19,645                  | 3,35,654                |
| (b) Financial assets                |          |                         |                         |
| (i) Trade receivables               | 6        | 5,84,154                | 2,39,542                |
| (ii) Cash and cash equivalents      | 7        | 1,01,484                | 3,41,041                |
| <b>Total current assets</b>         |          | 7,05,283                | 9,16,237                |
| <b>Total Assets</b>                 |          | 7,09,956                | 9,16,237                |
| <b>EQUITY AND LIABILITIES</b>       |          |                         |                         |
| <b>Equity</b>                       |          |                         |                         |
| (a) Equity share capital            | 8        | 17,446                  | 17,446                  |
| (b) Other equity                    | 9        | 2,40,332                | 2,59,515                |
| <b>Total equity</b>                 |          | 2,57,778                | 2,76,961                |
| <b>LIABILITIES</b>                  |          |                         |                         |
| <b>Current liabilities</b>          |          |                         |                         |
| (a) Financial liabilities           |          |                         |                         |
| (i) Trade payables                  | 10       | 3,76,937                | 5,85,451                |
| (b) Current tax liabilities         | 11       | 27,081                  | 40,349                  |
| (c) Other current liabilities       | 12       | 48,160                  | 13,476                  |
| <b>Total current liabilities</b>    |          | 4,52,178                | 6,39,276                |
| <b>Total equity and liabilities</b> |          | 7,09,956                | 9,16,237                |

Summary of material accounting policies

3

The accompanying notes are an integral part of the financial statements

As per our report of even date  
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 8, 2024

Place: UK  
Date: May 8, 2024

Place: Milwaukee  
Date: May 8, 2024

**ROYAL ENFIELD CANADA LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

| Particulars                                    | Note No. | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--|----------|--------------------------------------|--------------------------------------|
| <b>INCOME</b>                                  |          |                                      |                                      |
| Revenue from contract with customers           | 13       | 35,83,615                            | 55,12,355                            |
| Other income                                   | 14       | 4,500                                | 2,764                                |
| <b>Total Income</b>                            |          | <b>35,88,115</b>                     | <b>55,15,119</b>                     |
| <b>EXPENSES</b>                                |          |                                      |                                      |
| Purchases of traded goods                      | 15       | 30,29,726                            | 54,87,122                            |
| Changes in inventories of traded goods         | 16       | 3,16,009                             | (3,35,654)                           |
| Finance costs                                  | 17       | 1,08,570                             | 1,72,403                             |
| Other expenses                                 | 18       | 1,57,666                             | 1,45,930                             |
| <b>Total expenses</b>                          |          | <b>36,11,971</b>                     | <b>54,69,801</b>                     |
| <b>Profit before tax</b>                       |          | <b>(23,856)</b>                      | <b>45,318</b>                        |
| <b>Tax expense</b>                             |          |                                      |                                      |
| Current tax                                    | 19       | -                                    | 15,277                               |
| Deferred tax                                   |          | (4,673)                              | -                                    |
| <b>Total tax expense</b>                       |          | <b>(4,673)</b>                       | <b>15,277</b>                        |
| <b>Profit/(loss) for the year</b>              |          | <b>(19,183)</b>                      | <b>30,041</b>                        |
| <b>Other comprehensive income</b>              |          | <b>-</b>                             | <b>-</b>                             |
| <b>Total comprehensive income for the year</b> |          | <b>(19,183)</b>                      | <b>30,041</b>                        |
| <b>Earnings per share in CAD</b>               |          |                                      |                                      |
| Basic  | 21       | (191.83)                             | 300.41                               |
| Diluted  | 21       | (191.83)                             | 300.41                               |
| (No face value of shares defined as such)      |          |                                      |                                      |

Summary of material accounting policies

3

The accompanying notes are an integral part of the financial statements

As per our report of even date  
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 8, 2024

Place: UK  
Date: May 8, 2024

Place: Milwaukee  
Date: May 8, 2024

**ROYAL ENFIELD CANADA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

**a. Equity share capital**

| <b>Particulars</b>                              | <b>Number of shares</b> | <b>Amount</b> |
|---|-------------------------|---------------|
| <b>Balance as at April 01, 2022</b>             | <b>100</b>              | <b>17,446</b> |
| Changes in equity share capital during the year | -                       | -             |
| <b>Balance as at March 31, 2023</b>             | <b>100</b>              | <b>17,446</b> |
| Changes in equity share capital during the year | -                       | -             |
| <b>Balance as at March 31, 2024</b>             | <b>100</b>              | <b>17,446</b> |

**b. Other Equity**

| <b>Particulars</b>                  | <b>Retained earnings</b> |
|-------------------------------------|--------------------------|
| <b>Balance as at April 01, 2022</b> | <b>2,29,474</b>          |
| Profit for the year                 | 30,041                   |
| <b>Balance as at March 31, 2023</b> | <b>2,59,515</b>          |
| Profit for the year                 | (19,183)                 |
| <b>Balance as at March 31, 2024</b> | <b>2,40,332</b>          |

Summary of material accounting policies (refer note 3)

The accompanying notes are an integral part of the financial statements

As per our report of even date  
For **S.R. Batliboi & Co LLP**  
Chartered Accountants  
ICAI Firm registration Number : 301003E/E300005

**For and on Behalf of the Board of Directors of  
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Director

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Director

Place: Gurugram  
Date: May 8, 2024

Place: UK  
Date: May 8, 2024

Place: Milwaukee  
Date: May 8, 2024

ROYAL ENFIELD CANADA LIMITED  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2024  
ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED

| Particulars   | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| <b>A. CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>             |                                      |                                      |
| Profit/(loss) before tax for the year                                 | (23,856)                             | 45,318                               |
| Adjustments for:  |                                      |                                      |
| Net Foreign Exchange difference (unrealised)                          | -                                    | -                                    |
| Interest expense  | 1,08,570                             | 1,72,403                             |
| <b>Operating profit before changes in working capital</b>             | <b>84,714</b>                        | <b>2,17,721</b>                      |
| <b>Changes in working capital:</b>                                    |                                      |                                      |
| <b>Adjustments for (increase)/decrease in current assets:</b>         |                                      |                                      |
| Inventories   | 3,16,009                             | (3,35,654)                           |
| Trade receivables   | (3,44,612)                           | (2,31,836)                           |
| <b>Adjustments for increase/(decrease) in current liabilities:</b>    |                                      |                                      |
| Trade payables  | (2,08,515)                           | 5,52,279                             |
| Other Current liabilities   | 34,685                               | (17,799)                             |
| <b>Cash generated from operating activities</b>                       | <b>(1,17,719)</b>                    | <b>1,84,710</b>                      |
| Less: Direct taxes paid / (Refund)                                    | 13,268                               | 36,274                               |
| <b>Net cash flow from / (used in) operating activities (A)</b>        | <b>(1,30,987)</b>                    | <b>1,48,436</b>                      |
| <b>B. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>             |                                      |                                      |
| Interest paid   | (1,08,570)                           | (1,72,403)                           |
| <b>Net cash flow from / (used in) financing activities (B)</b>        | <b>(1,08,570)</b>                    | <b>(1,72,403)</b>                    |
| <b>Net Increase/(decrease) in cash and cash equivalents (A) + (B)</b> | <b>(2,39,557)</b>                    | <b>(23,967)</b>                      |
| <b>Cash and cash equivalents at the beginning of the year</b>         | <b>3,41,041</b>                      | <b>3,65,008</b>                      |
| <b>Cash and cash equivalents at the end of the year</b>               | <b>1,01,484</b>                      | <b>3,41,041</b>                      |

| Particulars  | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|--|-------------------------|-------------------------|
| <b>Components of cash and cash equivalents</b>                       |                         |                         |
| <b>Balances with banks:</b>  |                         |                         |
| In current accounts  | 1,01,484                | 3,41,041                |
| <b>Cash and cash equivalents as per balance sheet (refer note 7)</b> | <b>1,01,484</b>         | <b>3,41,041</b>         |

Summary of material accounting policies (refer note 3)

The accompanying notes are an integral part of the financial statements

As per our report of even date  
For **S.R. Batliboi & Co LLP**  
Chartered Accountants  
ICAI Firm registration Number : 301003E/E300005

For and on Behalf of the Board of Directors of  
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Place: Gurugram  
Date: May 8, 2024

Place: UK  
Date: May 8, 2024

Place: Milwaukee  
Date: May 8, 2024

## **ROYAL ENFIELD CANADA LIMITED**

### **NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

#### **1. Corporate Information**

Royal Enfield Canada Limited (“RECA” or “the Company”) was incorporated on April 19, 2016 under the Business Corporation Act, the Company, a wholly owned subsidiary of Royal Enfield North America Limited (Holding Company). 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 preparation of the Holding Company's consolidated financial statements and filing Annual Performance Report with the Authorized dealers category – I bank in accordance with the RBI Master direction –Reporting under FEMA Act, 1999 updated on time to time issued by the RBI.

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. Material 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

#### **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 a point in time when control of the goods is transferred to the customer, at the time of dispatch from the point of sale.

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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

#### 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024****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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

#### 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

#### 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

**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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

**4. Deferred Tax Asset**

| Particulars           | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-----------------------|-------------------------|-------------------------|
| Deferred tax assets   |                         |                         |
| -Carry forward Losses | 4,673                   | -                       |
|                       | <b>4,673</b>            | <b>-</b>                |

**5. Inventories**

(At lower of cost and net realisable value)

| Particulars       | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-------------------|-------------------------|-------------------------|
| Goods in transit: |                         |                         |
| Traded goods      | 19,645                  | 3,35,654                |
| <b>Total</b>      | <b>19,645</b>           | <b>3,35,654</b>         |

**6. Trade receivables**

| Particulars                            | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|--|-------------------------|-------------------------|
| <b>Current</b>                         |                         |                         |
| Trade Receivables from Related Parties | -                       | -                       |
| Others - Considered good, unsecured    | 5,84,154                | 2,39,542                |
| <b>Total</b>                           | <b>5,84,154</b>         | <b>2,39,542</b>         |

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, 2024**

| 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                                | -  | 5,84,154        | -              | -           | -           | -         | 5,84,154        |
| 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                                  | -  | -               | -              | -           | -           | -         | -               |
| <b>Total</b>  | <b>-</b>   | <b>5,84,154</b> | <b>-</b>       | <b>-</b>    | <b>-</b>    | <b>-</b>  | <b>5,84,154</b> |

**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                                | -  | 2,39,542        | -              | -           | -           | -         | 2,39,542        |
| 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                                  | -  | -               | -              | -           | -           | -         | -               |
| <b>Total</b>  | <b>-</b>   | <b>2,39,542</b> | <b>-</b>       | <b>-</b>    | <b>-</b>    | <b>-</b>  | <b>2,39,542</b> |

**ROYAL ENFIELD CANADA LIMITED**
**NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**
**7. Cash and cash equivalents**

| Particulars                 | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-----------------------------|-------------------------|-------------------------|
| <b>Balances with banks:</b> |                         |                         |
| In current accounts         | 1,01,484                | 3,41,041                |
| <b>Total</b>                | <b>1,01,484</b>         | <b>3,41,041</b>         |
|                             |                         |                         |

**8. Equity share capital**

| Particulars  | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|--|-------------------------|-------------------------|
| <b>Authorised</b>  |                         |                         |
| 100 (March 31, 2023 : 100) Equity shares (no face value) | 17,446                  | 17,446                  |
| <b>Total</b>   | <b>17,446</b>           | <b>17,446</b>           |
| <b>Issued, Subscribed and fully paid up</b>              |                         |                         |
| 100 (March 31, 2023 : 100) Equity shares (no face value) | 17,446                  | 17,446                  |
| <b>Total</b>   | <b>17,446</b>           | <b>17,446</b>           |

**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<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| At the beginning of the year (April 1, 2023: 100 and April 1, 2022: 100 Equity shares)         | 17,446                               | 17,446                               |
| Issued during the year   | -                                    | -                                    |
| Outstanding at the end of the year (March 31, 2024: 100 and March 31, 2023: 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, 2024: 100% (March 31, 2023: 100%)

**9. Other equity**

| Particulars  | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|--|-------------------------|-------------------------|
| <b>Retained earnings</b>                               |                         |                         |
| <b>Surplus in the statement of profit and loss</b>     |                         |                         |
| Opening balance  | 2,59,515                | 2,29,474                |
| Add: Profit/(loss) for the year                        | (19,183)                | 30,041                  |
| <b>Net surplus in the statement of profit and loss</b> | <b>2,40,332</b>         | <b>2,59,515</b>         |
| <b>Total</b>   |                         |                         |



**ROYAL ENFIELD CANADA LIMITED**
**NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**
**10. Trade payables**

| Particulars                       | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-----------------------------------|-------------------------|-------------------------|
| Trade payables to related parties | 3,43,840                | 5,67,482                |
| Trade payables to others          | 33,097                  | 17,969                  |
| <b>Total</b>                      | <b>3,76,937</b>         | <b>5,85,451</b>         |
|                                   |                         |                         |

**As at March 31, 2024**

| Particulars  | Unbilled      | < 1 year        | 1 - 2 years | 2 - 3 years | > 3 years | Total           |
|--|---------------|-----------------|-------------|-------------|-----------|-----------------|
| Total outstanding dues of micro enterprises and small enterprises                      | -             | -               | -           | -           | -         | -               |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 31,502        | 3,45,435        | -           | -           | -         | 3,76,937        |
| Disputed dues of micro enterprises and small enterprises                               | -             | -               | -           | -           | -         | -               |
| Disputed dues of creditors other than micro enterprises and small enterprises          | -             | -               | -           | -           | -         | -               |
| <b>Total</b>   | <b>31,502</b> | <b>3,45,435</b> | <b>-</b>    | <b>-</b>    | <b>-</b>  | <b>3,76,937</b> |

**As at March 31, 2023**

| Particulars  | Unbilled        | < 1 year        | 1 - 2 years | 2 - 3 years | > 3 years | Total           |
|--|-----------------|-----------------|-------------|-------------|-----------|-----------------|
| Total outstanding dues of micro enterprises and small enterprises                      | -               | -               | -           | -           | -         | -               |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 3,64,033        | 2,21,418        | -           | -           | -         | 5,85,451        |
| Disputed dues of micro enterprises and small enterprises                               | -               | -               | -           | -           | -         | -               |
| Disputed dues of creditors other than micro enterprises and small enterprises          | -               | -               | -           | -           | -         | -               |
| <b>Total</b>   | <b>3,64,033</b> | <b>2,21,418</b> | <b>-</b>    | <b>-</b>    | <b>-</b>  | <b>5,85,451</b> |

*[The space below has been intentionally left blank]*

**ROYAL ENFIELD CANADA LIMITED**  
**NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

**11. Current tax liabilities**

| Particulars  | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|--|-------------------------|-------------------------|
| Provision for Income tax (net of advance income tax) | 27,081                  | 40,349                  |
| <b>Total</b>   | <b>27,081</b>           | <b>40,349</b>           |
|  |                         |                         |

**12. Other current liabilities**

| Particulars           | As at<br>March 31, 2024 | As at<br>March 31, 2023 |
|-----------------------|-------------------------|-------------------------|
| Statutory remittances | 48,160                  | 13,476                  |
| <b>Total</b>          | <b>48,160</b>           | <b>13,476</b>           |
|                       |                         |                         |

**13. Revenue from contract with customers**

| Particulars                    | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--------------------------------|--------------------------------------|--------------------------------------|
| <b>Sale of traded goods</b>    |                                      |                                      |
| Two-Wheelers                   | 31,23,615                            | 48,28,355                            |
| <b>Other Operating Revenue</b> |                                      |                                      |
| Freight Recovery               | 4,60,000                             | 6,84,000                             |
| <b>Total</b>                   | <b>35,83,615</b>                     | <b>55,12,355</b>                     |
|                                |                                      |                                      |

**Reconciling the amount of revenue recognised in the statement off profit & loss with the contracted price**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Revenue as per contracted price | 33,62,495        | 49,77,155        |
| Adjustments :                   |                  |                  |
| - Trade Discount                | 2,38,880         | 1,48,800         |
|                                 | <b>31,23,615</b> | <b>48,28,355</b> |

**Contract Balances**

| Particulars       | For the year ended<br>March 31, 2024 | For the year ended March<br>31, 2023 |
|-------------------|--------------------------------------|--------------------------------------|
| Trade receivables | 5,84,154                             | 2,39,542                             |

**14. Other Income**

| Particulars                | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|----------------------------|--------------------------------------|--------------------------------------|
| Exchange differences (net) | -                                    | 2,764                                |
| Interest on IT Refund      | 4,500                                | -                                    |
| <b>Total</b>               | <b>4,500</b>                         | <b>2,764</b>                         |
|                            |                                      |                                      |

**15. Purchases of traded goods**

| Particulars  | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--------------|--------------------------------------|--------------------------------------|
| Two wheelers | 30,29,726                            | 54,87,122                            |
| <b>Total</b> | <b>30,29,726</b>                     | <b>54,87,122</b>                     |
|              |                                      |                                      |

**ROYAL ENFIELD CANADA LIMITED**

**NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

**16. Changes in inventories of traded goods**

| Particulars                                     | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| <b>Inventories at the end of the year</b>       |                                      |                                      |
| Traded goods                                    | 19,645                               | 3,35,654                             |
| <b>Sub-total (A)</b>                            | <b>19,645</b>                        | <b>3,35,654</b>                      |
| <b>Inventories at the beginning of the year</b> |                                      |                                      |
| Traded goods                                    | 3,35,654                             | -                                    |
| <b>Sub-total (B)</b>                            | <b>3,35,654</b>                      | <b>-</b>                             |
| <b>Net change (B-A)</b>                         | <b>3,16,009</b>                      | <b>(3,35,654)</b>                    |

**17. Finance costs**

| Particulars                           | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Interest expense on bills discounting | 1,08,570                             | 1,72,403                             |
| <b>Total</b>                          | <b>1,08,570</b>                      | <b>1,72,403</b>                      |

**18. Other expenses**

| Particulars                       | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Repairs and maintenance           |                                      |                                      |
| Others                            | 44                                   | 659                                  |
| Selling and distribution expenses | 1,29,745                             | 1,35,689                             |
| Legal and professional charges    | 4,942                                | 7,191                                |
| Rates & Taxes                     | 991                                  | -                                    |
| Miscellaneous expenses            | 18,691                               | 2,391                                |
| Exchange differences (net)        | 3,253                                | -                                    |
| <b>Total</b>                      | <b>1,57,666</b>                      | <b>1,45,930</b>                      |

**19. Income tax recognised in Statement of profit and loss**

| Particulars  | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| <b>Current tax</b>   |                                      |                                      |
| In respect of the current year                                   | -                                    | 15,277                               |
| <b>Deferred tax</b>  |                                      |                                      |
| In respect of the current year                                   | (4,673)                              | -                                    |
| <b>Total income tax expense recognised in the current period</b> | <b>(4,673)</b>                       | <b>15,277</b>                        |

**ROYAL ENFIELD CANADA LIMITED****NOTES FORMING PART OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024****ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED****20. 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.

**21. Earnings per share**

| Particulars  | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| a) Profit/(loss) for the Year, as per statement of profit and loss | (19,183)                             | 30,041                               |
| b) Weighted average number of equity shares (Nos.)                 | 100                                  | 100                                  |
| c) Earnings per share:   |                                      |                                      |
| - Basic/Diluted [(a)/(b)]  | (191.83)                             | 300.41                               |

**22. 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".

**23. 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. Shray Gupta               | Director (with effect from Sep 11, 2023) |

c) Transactions with the related parties

| Particulars  | RENA                                 |                                      |
|--|--------------------------------------|--------------------------------------|
|  | For the year ended<br>March 31, 2024 | For the year ended<br>March 31, 2023 |
| Purchase of traded goods                                 | 30,29,726                            | 54,87,122                            |
| Expenses reimbursed                                      | -                                    | 2,55,235                             |
| <b>Aggregate balances outstanding as at the year end</b> |                                      |                                      |
| - Payables   | 3,43,840                             | 5,67,482                             |
| - 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, 2024, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2023 : 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024****ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED****24. 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:

| <b>Particulars</b>   | <b>As at</b>          | <b>As at</b>          |
|----------------------|-----------------------|-----------------------|
|                      | <b>March 31, 2024</b> | <b>March 31, 2023</b> |
| Equity Share Capital | <b>17,446</b>         | 17,446                |
| Other equity         | <b>2,40,332</b>       | 2,59,515              |
| <b>Total Equity</b>  | <b>2,57,778</b>       | 2,76,961              |

**25. Financial instruments****25.1 Categories of financial instruments**

| <b>Particulars</b>                             | <b>Level 1</b>        |                       |
|--|-----------------------|-----------------------|
|  | <b>As at</b>          | <b>As at</b>          |
|  | <b>March 31, 2024</b> | <b>March 31, 2023</b> |
| <b>Financial assets at amortised cost</b>      |                       |                       |
| <b>Current</b>                                 |                       |                       |
| Trade receivables                              | <b>5,84,154</b>       | 2,39,542              |
| Cash and cash equivalents                      | <b>1,01,484</b>       | 3,41,041              |
| <b>Financial liabilities at amortised cost</b> |                       |                       |
| <b>Current</b>                                 |                       |                       |
| Trade payables                                 | <b>3,76,937</b>       | 5,85,451              |

**25.2 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024****ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED****26. 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, 2024 |              |          | Total    |
|----------------|----------------------|--------------|----------|----------|
|                | Less than 1 year     | 1 to 5 years | >5 Years |          |
| Trade payables | 3,76,937             | -            | -        | 3,76,937 |

| Particulars    | As at March 31, 2023 |              |          | Total    |
|----------------|----------------------|--------------|----------|----------|
|                | Less than 1 year     | 1 to 5 years | >5 Years |          |
| Trade payables | 5,85,451             | -            | -        | 5,85,451 |

**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.

**27. 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.

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

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

30. 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 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**  
**ALL AMOUNTS ARE IN CAD UNLESS OTHERWISE STATED**

**31. Ratio Analysis and its elements**

| Ratio  | 31-Mar-24 | 31-Mar-23 | % change | Reason for variance                                      |
|--|-----------|-----------|----------|--|
| Current ratio:<br><i>Current Assets / Current Liabilities</i>  | 1.6       | 1.4       | 8.8%     | Not applicable   |
| Return on Equity ratio:<br><i>Net Profits after taxes – Preference Dividend / Average Shareholder’s Equity</i>   | -7.2%     | 11.5%     | -162.4%  | Change due to losses incurred during the year            |
| Trade Receivable Turnover Ratio:<br><i>Net credit sales = Gross credit sales - sales return / Average Trade Receivable</i>                             | 8.7       | 44.6      | -80.5%   | Change due to reduction in sales during the current year |
| Trade Payable Turnover Ratio:<br><i>Net credit purchases = Gross credit purchases - purchase return / Average Trade Payables</i>                       | 6.3       | 17.7      | -64.4%   | Change due to decrease in trade payables                 |
| Net Capital Turnover Ratio:<br><i>Net sales = Total sales - sales return / Working capital = Current assets – Current liabilities</i>                  | 14.2      | 19.9      | -28.9%   | Change due to decrease in sales                          |
| Net Profit/(Loss) ratio:<br><i>Net Profit/(Loss) / Net sales = Total sales - sales return</i>  | (0.01)    | 0.01      | -198.2%  | Change due to losses incurred during the year            |
| Return on Capital Employed:<br><i>Earnings before interest and taxes / Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability</i> | 32.9%     | 78.6%     | -58.2%   | Change due to losses incurred during the year            |

As per our report of even date  
 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 8, 2024

Place: UK  
 Date: May 8, 2024

Place: Milwaukee  
 Date: May 8, 2024