SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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Directors	:		**Date of appointment**
		Venkatesen Saminada Chetty	04 December 2008
		Vivek Chaand Sehgal	24 February 2009
		Bimal Dhar	24 February 2009
		Rishal Tanee	01 October 2016
		Laksh Vaaman Sehgal (Alternate to Vivek Chaand Sehgal)	28 June 2019

Administrator and Secretary : Ocorian Corporate Services (Mauritius) Limited
6th Floor, Tower A,
1, CyberCity
Ebene
Mauritius

Registered office : Ocorian Corporate Services (Mauritius) Limited
6th Floor, Tower A,
1, CyberCity
Ebene
Mauritius

Auditor **:** Ernst & Young
9th Floor, Tower 1
NexTeracom
Cybercity
Ebene
Mauritius

Banks : HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre,
18 Cybercity.
Ebene
Mauritius

Afrasia Bank Limited
3rd Floor, NeXTeracom
Tower III
Ebene
Mauritius

The directors present their report and the financial statements of SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LTD (the “Company”) for the year ended 31 March 2022.

Principal activity

The Company is registered in the Republic of Mauritius under the Companies Act 2001 and holds a Global Business Licence. Its primary object is to act as an investment company.

Results and dividend

The Company’s profit for the year ended 31 March 2021 is **EUR 7,856,890** (2021 – loss of EUR 8,792,502).

The directors do not recommend the payment of dividend for the year under review (2021 – nil).

Statement of directors’ responsibilities in respect of the financial statements

The Company’s directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 March 2021, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001.

The directors’ responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

During the year under review, there has been no impact of COVID 19 on the results of the Company. The significant doubt associated with the current uncertainties related to COVID 19 currently, does not result in a material uncertainty that may cause significant doubt on the entity's ability to continue as a going concern or cause any disruption in relation to its business activity.

The directors have made an assessment of the Company’s ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Auditors

Ernst & Young have indicated their willingness to continue in office and will be automatically re-appointed at the Annual Meeting.

By order of the Board

Ocorian Corporate Services (Mauritius) Limited
Corporate Secretary

Date: ………………………

OCORIAN CORPORATE SERVICES (MAURITIUS) LIMITED
6TH Floor, Tower A
1, CyberCity
Ebene
Mauritius

SECRETARY'S REPORT TO THE MEMBERS OF

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED
(Under Section 166(d) of the Companies Act 2001)

We confirm, as Secretary of the above-named Company, that based on records and information made available to us by the directors and shareholder of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 March 2022, all such returns as are required of the Company under Section 166 (d) the Companies Act 2001.

Corporate Secretary

Date: ……………………..

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022 EUR**	2021 EUR
Income			
Finance income	4	**1,890,237**	2,281,734
Exchange difference		**44,814**	47,474
		1,935,051	2,329,208
Expenses			
Directors' fees		**2,068**	2,363
Secretarial fees		**1,680**	1,680
Administration fees		**32,516**	45,414
Rent		**2,121**	2,410
Legal and professional fees		**6,547**	66,438
Licence fees		**2,012**	2,552
Audit fees		**11,168**	9,301
Accountancy fees		**12,850**	15,500
Tax fees		**875**	975
Finance costs	5	**629,062**	758,159
Sundry expenses		**3,766**	868
Commission fees		**250,000**	313,221
Expected credit loss charge on loan receivable	13	**1,926,136**	30,348,574
		2,881,401	31,567,455
Operating loss for the year		**(946,350)**	(29,238,247)
Income tax expenses	6	**(54,719)**	-
Share of Profit of joint venture	7	**8,828,600**	20,445,745
Profit for the year		**7,827,531**	(8,792,502)
Other comprehensive loss			
Share of other reserve of joint venture	7	**10,544,981**	(3,592,782)
Total comprehensive loss for the year		**18,372,512**	(12,385,284)

The notes on pages 12 to 38 form part of these financial statements

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022 EUR**	2021 EUR
ASSETS			
Non-current asset			
Investment in joint venture	7	**236,341,932**	217,179,042
Trade and other receivables	8	**234,884**	2,000,000
		236,576,816	219,179,042
Current assets			
Trade and other receivables	8	**5,467,102**	5,413,453
Cash and cash equivalents		**113,541**	85,038
Total current assets		**5,580,643**	5,498,491
Total assets		**242,157,459**	224,677,533
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	9	**4,943,769**	4,943,769
Other reserves	10	**39,887,478**	30,359,150
Retained earnings		**120,173,652**	111,540,159
Total capital and reserves		**165,004,899**	146,843,078
Liabilities			
Non-current liabilities			
Borrowings	11	**4,050,000**	4,724,344
Current liabilities			
Trade and other payables	12	**289,837**	349,040
Borrowings	11	**72,783,364**	72,761,071
Tax liability	6	**29,359**	-
Total current liabilities		**73,102,560**	73,110,111
Total equity and liabilities		**242,157,459**	224,677,533

Approved by the Board of Directors and authorised for issue on ……………………………

…………………………………… ……………………………………
Director *Director*

The notes on pages 12 to 38 form part of these financial statements

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Stated capital EUR	**Other reserves EUR**	**Retained earnings EUR**	**Total EUR**
Balance at 01 April 2020	4,585,177	33,947,873	119,391,767	157,924,817
Profit for the year	-	-	(8,792,502)	(8,792,502)
Other comprehensive income	-	(3,588,723)	(4,059)	(3,592,782)
Total comprehensive income	-	(3,588,723)	(8,796,561)	(12,385,284)
Transactions with owners				
Issue of shares	385,592	-	-	385,592
Addition during the year	-	-	944,953	944,953
	385,592		944,953	1,303,545
Balance at 31 March 2021	**4,943,769**	**30,359,150**	**111,540,159**	**146,843,078**
Profit for the year	-	-	**7,827,531**	**7,827,531**
Other comprehensive loss	-	**9,528,328**	**1,016,653**	**10,544,981**
Total comprehensive loss	-	**9,528,328**	**8,844,184**	**18,372,512**
Transactions with owners				
Addition during the year	-	-	(**210,691**)	(**210,691**)
	-	-	(**210,691**)	(**210,691**)
Balance at 31 March 2022	**4,943,769**	**39,887,478**	**120,173,652**	**165,004,899**

The notes on pages 12 to 38 form part of these financial statements

SAMVARDHANA MOTHERSON HOLDING (M) PRIVATE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	**2022 EUR**	2021 EUR
Cash flows from operating activities			
Profit/(loss) for the year		**7,882,250**	(8,792,502)
Adjustments for:			
Finance income		**(1,890,237)**	(2,281,734)
Finance costs	5	**627,002**	755,480
Unrealised exchange difference		**-**	-
Share of profit of joint venture	7	**(8,828,600)**	(20,445,745)
Impairment		**1,926,136**	30,348,574
Other comprehensive income		**(10,544,981)**	-
Working capital adjustments:			
Change in trade and other receivables		**(39,326)**	943,851
Change in trade and other payables		**(58,460)**	326,272
		(10,926,216)	854,196
Interest paid	14	**(605,452)**	(937,181)
Interest received		-	(1,012,231)
Tax paid		**(25,360)**	-
Net cash used in operating activities		**(11,557,028)**	(1,095,216)
Cash flows from investing activities			
Repayment of loan receivable	13	**2,000,000**	68,500,000
Loan advanced	13	**(284,884)**	(74,083,000)
Net cash generated/(used in) investing activities		**1,715,116**	(5,583,000)
Cash flows from financing activities			
Proceeds from borrowings	14	-	54,050,000
Repayment of borrowings	14	**(656,528)**	(67,100,000)
Net cash used in financing activities		**(656,528)**	(13,050,000)
Movement in cash and cash equivalents		**(10,498,440)**	(19,728,216)
Cash and cash equivalents at the beginning of the year		**85,038**	19,843,255
Unrealised exchange gain		**10,526,943**	(30,001)
Cash and cash equivalents at the end of the year		**113,541**	85,038

The notes on pages 12 to 38 form part of these financial statements

1. GENERAL INFORMATION

The Company was incorporated as a private company limited by shares in the Republic of Mauritius on 04 December 2008. The principal activity of the Company is that of investment holding.

The Company has been granted a Global Business Licence by the Financial Services Commission and is governed by the Financial Services Act 2007. The Company operates in an international environment and conducts most of its transactions in foreign currencies. The Euro (Eur) is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company. So, the Company has retained Eur as its functional currency.

The registered office and place of business is situated at Ocorian Corporate Services (Mauritius) Limited, 6th Floor, Tower A, 1 Cybercity, Ebene, Mauritius.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in Euro (Eur) which is the Company's functional and presentation currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Note 15 under Credit risk section.

2. BASIS OF PREPARATION (CONTINUED)

Use of estimates and judgements (continued)

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future. The Company has a net current liability of **EUR 67,492,558** (2021: EUR 67,611,620).

The Company has also received a letter of financial support from holding company signed as of 11 June 2022 to provide support to the entity. The cash at bank is sufficient to meet the other current liabilities. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and over the recognition of deferred taxes. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 01 April 2021. The standards, amendments and interpretations that are issued and effective are disclosed below, except for those standards which, in the opinion of the directors, will not impact the financial statements of the Company.

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments – Amendments regarding replacement issues in the context of the IBOR reform

Conceptual Framework - Amendments to IAS 1, IAS 8 and IAS 37 to update those pronouncements with regards to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework

2. BASIS OF PREPARATION (CONTINUED)

New or revised standards and interpretations issued but not effective

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

	Effective for accounting period beginning on or after
Reference to the conceptual framework - Amendments to IFRS 3	1 January 2022
Onerous contracts - Costs of fulfilling a contract- Amendments to IAS 37	1 January 2022
IFRS 9: Financial instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

IFRS 17: Insurance contracts

In May 2017, the IASB issued IFRS 17: Insurance contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4: Insurance contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary
participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach) A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Company currently has no insurance contracts and hence the standard has no impact on the financial statements for the year under review. It will however apply the amendments to any insurance contracts entered in the future.

2. BASIS OF PREPARATION (CONTINUED)

New or revised standards and interpretations issued but not effective (Continued)

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS I to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Company currently has no loan liability agreements and will apply these amendments to any future loan liability contracts.

Reference to the conceptual framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3: Business combinations - Reference to the conceptual framework. The amendments are intended to replace a reference to the framework for the preparation and presentation of financial statements, issued in 1989, with a reference to the conceptual framework for financial reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 2] Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and will be applied apply prospectively.

2. BASIS OF PREPARATION (CONTINUED)

New or revised standards and interpretations issued but not effective (Continued)

Onerous contracts - Costs of fulfilling a contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9: Financial instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currency translation

Transactions in foreign currencies are translated to EUR at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to EUR at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at foreign exchange rates ruling at the dates the fair values were determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of prior year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by end of reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary can be utilised.

Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them.

With the exception of receivable from related party that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Financial assets (Continued)

Initial recognition and measurement (Continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash at bank and loans to related parties.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all trade receivables with third parties. ECLs are based on the difference between the contractual cash flows due and all the cash flows that the Company expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include borrowings, loan from related parties and accruals.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Investment in joint venture

The Company has an interest of 49% in a jointly controlled entity, Samvardhana Motherson Global Holdings Limited, an unquoted company incorporated in Cyprus.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Investment in joint venture (Continued)

Investment in jointly venture is accounted for under the equity method, as allowed by International Financial Reporting Standard, IFRS 11 –Joint Arrangements and is initially recognised at cost.

The Company's share of the post-acquisition profits and losses of the joint venture is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in retained earnings and other reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognise further losses, unless the Company has incurred obligations or made payments on behalf of the joint venture.

Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to profit or loss. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Stated capital

Ordinary and redeemable preference shares are classified as equity. Incremental costs directly attributable to the issue of these shares are recognised as a deduction from equity, net of any tax effects.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue recognition

Interest income is recognised in profit or loss on a time proportion basis that takes into account the effective yield on the asset.

Dividend income is recognised when the right to receive the dividend is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Expense recognition

All expenses are accounted for in profit or loss on the accruals basis.

4. FINANCE INCOME

	2022 EUR	2021 EUR
Interest on loan to related parties (Note 13)	**1,890,237**	2,281,734

5. FINANCE COST

	2022 EUR	2021 EUR
Loan interest	**627,002**	755,480
Bank charges	**2,060**	2,679
	629,062	758,159

6. TAXATION

The Company is chargeable to tax at 15% under the provision of the Income Tax Act 1995. However, it is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income. Thus, the effective tax rate is reduced to 3%. Capital gains are exempt from tax in Mauritius.

The foregoing is based on current interpretation and practice and is subject to any future changes in Mauritian laws:

At 31 March 2022, the Company has a provision for income tax amounting to EUR 29,359 (2021: accumulated tax losses of EUR 1,784,473).

6. TAXATION (CONTINUED)

Tax reconciliation:

A reconciliation of the income tax expense based on accounting profit and actual income tax expense is as follows:

	2022	2021
	EUR	EUR
Profit/(loss) for the year	**7,882,250**	(20,445,745)
Less share of Profit of joint venture	(**8,828,600**)	(8,792,502)
	(**946,350**)	(29,238,247)
Income tax at 15%	(**141,953**)	(4,385,737)
Income not subject to tax		
Less disallowed expenses	**295,465**	4,562,252
Add exempt income	(**6,718**)	-
Foreign tax credit	(**117,435**)	-
Utilised tax losses	-	(176,515)
Income tax charge	**29,359**	-

7. INVESTMENT IN JOINT VENTURE

	2022	2021
	EUR	EUR
At cost:		
At start and end of year	**15,781,620**	15,781,620
Results of joint venture:		
Share of profit of joint venture recognised:		
– as a result of disposal and acquisition of entities under common control	**(66,177,385)**	(66,177,385)
– for the year	**8,828,600**	20,445,745
– for prior year	**241,828,772**	221,383,027
Share of other comprehensive income of joint venture:		
– as a result of disposal and acquisition of entities under common control	**32,893,147**	32,893,147
– for the year	**10,544,981**	(3,592,782)
– for prior year	**(8,516,900)**	(4,924,118)
Other movements:		
– for the year	**(210,691)**	944,953
– for prior year	**1,369,788**	424,835
Carrying amount at end of year	**236,341,932**	199,381,126

The investment consists of **981,166** (2021 – 981,166) ordinary shares and **4,900** (2021 – 4,900) preferences shares of Eur 1 each representing a holding of **49%** (2021 – 49%) in Samvardhana Motherson Global Holdings Limited, an unquoted company incorporated in Cyprus. Its principal activity is investment holding.

7. INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised financial information for equity accounted investment is as follows:

	2022 EUR	2021 EUR
Current assets	**1,534,259,754**	1,528,116,902
Non-current assets	**2,376,922,495**	2,420,637,717
Current liabilities	(**1,706,151,003**)	(1,634,666,418)
Non-current liabilities	(**1,360,414,808**)	(1,531,066,265)
Non-controlling interest	(**362,285,965**)	(339,799,401)
Net assets	**482,330,473**	443,222,535
Company shares of net assets – 49%	**236,341,932**	217,179,042

	2022 EUR	2021 EUR
Revenue	**4,988,353,000**	4,805,944
Profit/(loss) from continuing operations	**43,972,191**	84,293,317
Other comprehensive income	**35,310,000**	(11,517,000)
Total comprehensive income	**79,282,191**	72,776,317
Non-controlling interest	(**39,744,270**)	(38,382,515)
Equity	**39,537,921**	34,393,802
Company share of total comprehensive income – 49%	**19,373,581**	16,852,963

7. INVESTMENT IN JOINT VENTURE (CONTINUED)

	2022 EUR	2021 EUR
Net assets include:		
- Cash and cash equivalents	**372,409,868**	790,442
- Current financial liabilities (excluding trade and other payables and provisions)	**620,473,000**	560,779,293
- Non-current financial liabilities (excluding trade and other payables and provisions)	**27,922,000**	1,458,111,265
Profit from continuing operations include:		
- Depreciation and amortisation	**227,242,000**	232,433,000
- Interest income	**5,938,000**	4,730,000
- Interest expense	**57,256,888**	70,866,154
- Income tax expense	**33,771,000**	23,350,000

8. TRADE AND OTHER RECEIVABLES

	2022 EUR	2021 EUR
Current portion		
Interest receivable (Note 13)	**5,334,663**	5,321,034
Amount receivable from third parties	**129,015**	88,639
Prepaid expenses	**3,424**	3,780
	5,467,102	5,413,453
Non-current portion		
Loan to joint venture (Note 13)	**234,884**	2,000,000
	5,701,986	7,413,453

Further details on new loans, repayment of loans and expected credit loss (ECL) for the year are provided in Note 13 below.

9. STATED CAPITAL

	2022 EUR	2021 EUR
Issued and fully paid:		
1,325,714 Ordinary shares of no-par value	**1,388,594**	1,388,594
3,555,175 Preference shares of no-par value	**3,555,175**	3,555,175
	4,943,769	4,943,769

The ordinary and preference shares of no-par value have the following rights, privileges, restrictions and conditions:

9. STATED CAPITAL (CONTINUED)

Voting:

The holders of the ordinary shares have the right to attend and to vote at any meeting of shareholders of the Company and shall have one vote per share. Preference shareholders shall have no voting rights.

Dividend:

Dividend is payable to all shareholders as may be decided by the board from time to time. However, no dividend shall be payable to ordinary shareholders unless the dividend declared to Preference shareholders have been paid in full.

Redemption:

Ordinary shares shall not be redeemable. Preference shares shall be redeemable at the option of the Company.

Distribution on winding up:

Ordinary shareholders shall be entitled to repayment of capital and any surplus assets after the preference shareholders have been repaid the face value of their capital contribution plus any unpaid preference dividend. Thereafter, the preference shareholders are proportionately entitled to surplus assets with ordinary shareholders.

10. OTHER RESERVES

Other reserves include translation reserves which comprises all foreign exchange differences arising on the results and financial position of subsidiaries of the joint venture whose functional currencies differ from the group reporting currency of the joint venture.

They also include the Company's share in a merger reserve, a cash flow hedge reserve and a fair value reserve to which the joint venture is entitled as per its consolidated results.

11. BORROWINGS

	2022	2021
	EUR	EUR
Loan from holding entity:		
At the beginning of the year	**4,079,238**	-
Addition during the year	-	4,050,000
Interest during the year	**38,475**	29,238
	4,117,713	4,079,238

The loan due to the holding entity is unsecured, interest at 0.95% libor rate and repayable as at 26 June 2023.

11. BORROWINGS (CONTINUED)

	2022 EUR	2021 EUR
Samvardhana Motherson Finance Services Cyprus Ltd - under common control		
At the beginning of the year	**678,127**	804,521
Interest during the year	**872**	17,149
Repayment during the year	(**660,958**)	(94,226)
Exchange difference	(**18,041**)	(49,317)
	-	678,127

	2022 EUR	2021 EUR
Axis Bank Limited		
At beginning of year	**50,016,667**	-
Interest accrued	**375,000**	16,667
Addition during the year	-	50,000,000
Repayment during the year	(**380,208**)	-
Balance at end of year	**50,011,459**	50,016,667

Pursuant to the deed guarantee dated 07 December 2020, the Company has obtained a loan of EUR 50,000,000 from Axis Bank India for an interest of 0.75%.

	2022 EUR	2021 EUR
SBI Mauritius Term loan		
At beginning of year	**-**	9,820,825
Repayment during the year	**-**	(9,820,825)
Balance at end of year	**-**	-

11. BORROWINGS (CONTINUED)

	2022 EUR	2021 EUR
SBI Antwerp Term Loan		
At beginning of year	**22,711,382**	80,121,767
Interest during the year	**212,657**	10,184
Repayment during the year	(**219,843**)	(57,420,569)
Balance at end of year	**22,704,196**	22,711,382

Pursuant to the deed guarantee dated 24 September 2018, the Company has obtained a loan of EUR 22,700,000 from State Bank of India, (SBI) Antwerp Branch and is repayable as at 24 September 2021 and carries an annual interest rate of 0.95%.

	2022 EUR	2021 EUR
Total carrying amount at end of year	**76,833,364**	77,485,415
Less: current portion	(**72,783,364**)	(72,761,071)
Non-current portion	**4,050,000**	4,724,344

12. TRADE AND OTHER PAYABLS

	2022 EUR	2021 EUR
Other payable (Note 13)	**250,000**	313,211
Accrued expenses	**39,837**	35,829
	289,837	349,040

13. RELATED PARTY TRANSACTIONS

Other than transactions with its holding entity and entity under common control as disclosed in Note 11, the Company transacted with other related parties during the year ended 31 March 2022. The nature, volume of transactions and balances are as follows:

	2022	2021
	EUR	EUR
Motherson Sintermetal Technology BV.- under common control		
At beginning of year	**-**	-
Addition during the year	**50,000**	29,083,000
Interest for the year	**1,876,136**	1,265,574
Impaired during the year	(**1,926,136**)	(30,348,574)
At end of year (Note 8)	**-**	**-**

The loan to the entity under common control carries interest at the rate of 4.32% per annum and is repayable on demand.

The directors have accessed the loan and the interest receivable recoverability and of the opinions that the company, Motherson Sintermetal Technology BV. does not have enough cash flow to repay the amount advanced. Hence, based on future cash flow have concluded that the loan and interest on loan receivable should be fully impaired as at 31 March 2022.

	2022	2021
	EUR	EUR
Loan to Joint venture - Samvradhana Motherson Global Holdings Limited		
Opening balance	**7,320,804**	29,808,573
Addition during the year	-	45,000,000
Repayments during the year	(**2,000,000**)	(68,500,000)
Interest for the year	**9,162**	1,012,231
At end of year (Note 8)	**5,329,966**	7,320,804

The loan to joint venture carries interest at the rate of 4.78% per annum and is repayable not earlier than 26 June 2026 and it is renewable by mutual agreement for a further period. Interest is repayable on demand.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022 EUR	2021 EUR
Loan to Related party – Samvardhana Motherson Employee Wealth Trust		
Opening balance	**42,680**	-
Addition during the year	-	43,029
Exchange difference	**2,490**	(349)
At end of year (Note 8)	**45,170**	42,680

	2022 EUR	2021 EUR
Interest on Loan to Related party – Samvardhana Motherson Employee Wealth Trust		
Opening balance	**230**	-
Interest charged during the year	**452**	230
Exchange difference	**13**	-
At end of year (Note 8)	**695**	230

The loan due from related party - Samvardhana Motherson Employee Wealth Trust are unsecured, interest of 1% and repayable on demand.

	2022 EUR	2021 EUR
Interest on Loan to Related party – Atar Mauritius Private Limited		
Interest charged during the year	**3,699**	3,699
Repayment during the year	**(3,699)**	-
At end of year	-	3,699

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Amount receivables-expenses paid on behalf of related parties

	2022 EUR	2021 EUR
Samvardhana Motherson Employees Benefit Limited	**88,031**	65,798
Samvardhana Motherson Employees Wealth Trust	**6,685**	6,316
Samvardhana Motherson UK	**33,604**	16,524
	128,320	88,638

The amount receivable from the above related parties are repayable on demand and are interest-free.

Amount payable to holding company

	2022 EUR	2021 EUR
Opening balance	**313,211**	358,582
Commission paid during the year	(**313,211**)	313,211
Conversion into equity during the year	-	(358,592)
Charged during the year	**250,000**	
Under-provision	-	10
	250,000	313,211

	2022 EUR	2021 EUR
Ocorian corporate services - Administrator		
Directors' fees	**2,068**	2,363
Other fees	**47,921**	50,193
	49,989	52,556

14. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings EUR	Interest payable EUR	Total EUR
At 01 April 2020	92,084,150	(1,337,034)	90,747,116
Interest expense	755,209	-	755,209
Cash flows			
- Loan received	54,050,000	-	54,050,000
- Loan repaid	(67,100,000)	-	(67,100,000)
- Interest paid	-	(937,181)	(937,181)
Exchange difference	-	(29,729)	(29,729)
At 31 March 2021	79,789,359	(2,274,215)	77,485,415
Interest expense	**627,004**	**-**	**627,004**
Cash flows			
- Interest paid	**-**	**(1,261,009)**	**(1,261,009)**
Exchange difference	**-**	**(18,046)**	**(18,046)**
At 31 March 2022	**80,386,634**	**(3,553,270)**	**76,833,364**

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Fair value

The Company's financial assets and liabilities include trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The basis of measurement in respect of each class of financial asset and financial liability is disclosed in Note 3 of the financial statements.

The carrying amounts of financial assets and liabilities approximate their fair values due to the short term nature of balance involved. The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Company are discussed below.

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Credit risk

Credit risk represents the potential loss that the Company would incur if counter-parties fail to perform pursuant to the terms of their obligations to the Company. At the reporting date, the credit risk against which the Company was associated was as follows:

	2022	2021
	EUR	EUR
Loan to related parties	**234,884**	2,000,000
Interest receivable	**5,334,663**	5,321,034
Other receivables	**129,015**	92,419
Cash and cash equivalents	**113,541**	85,038
	5,812,103	7,498,491

Investment in joint venture **EUR 236,341,932** (2021 – EUR 217,179,042) and prepaid expenses amounting to **EUR 3,424** (2021 – EUR 3,780) have not been included in financial assets**.**

Credit risk arises from cash and cash equivalents, loans and interest receivable from related parties and other receivables. For banks and financial institutions, the Company maintain banking relationships with only creditworthy banks, which it reviews on an on-going basis. The credit risk on the bank balance is not considered material. Other receivables represent balances recoverable from related parties companies, accordingly no credit risk arises on these balance.

The risk of financial loss due to counterparty`s failure to honour its obligations arise principally in relation to transactions where the Company provides funding to its joint venture.

Liquidity risk

This refers to availability of funds for the Company to meet its financial obligations as they fall due. The Company pays out its obligations from finance received from its holding and related entities and loans from financial institutions. The good financial standing enjoyed by the Company with these institutions gives it the ability to raise sufficient funds when required. So it is not exposed to liquidity risk.

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Contractual cash flows

The following are the undiscounted contractual maturities of financial liabilities:

Non-derivative financial liabilities	**Carrying amount EUR**	**Within 1 year EUR**	**1 – 2 years EUR**	**2 – 5 years EUR**	**More than 5 years EUR**
At 31 March 2022					
Borrowings	**76,833,364**	**72,783,364**	**4,050,000**	-	-
Trade and other payables	**289,837**	**289,837**	-	-	-
	=======	=======	=======	=======	=======
At 31 March 2021					
Borrowings	77,485,540	72,761,071	4,724,344	-	-
Trade and other payables	349,040	349,040	-	-	-
	=======	=======	=======	=======	=======

Market risk

At the end of the year, a significant portion of the Company's net assets was based in Cyprus, which involves certain considerations and risks not typically associated with investment in other developed countries. Future economic and political developments in Cyprus could adversely affect the liquidity and/or the value of the securities in which the Company has invested.

Interest rate risk

The Company's finance and operating expenses are met by equity finance and advances from its holding and related entities and financial institutions. At the reporting date, the Company is exposed to interest rate risk to the extent that it has interest-bearing financial assets and liabilities.

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

Variable rate instruments	**2022 EUR**	2021 EUR
Financial asset		
Loan to related parties	**5,569,546**	7,320,804
	==========	==========
Financial liability		
Borrowings	**76,833,364**	77,485,415
	==========	==========

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Sensitivity analysis for variable rate instruments

The following table indicates the approximate change in the Company's statement of comprehensive income in response to reasonable possible changes in the interest rates to which the Company has significant exposure at the reporting date:

	Change in interest rates	Effective change in profit after tax 2022 EUR	2021 EUR
Variable rate instrument			
Financial asset			
Loan to related parties	**50 basis points**	**8,825**	8,825
Financial liability			
Borrowings	**50 basis points**	**96,913**	96,913

Currency risk

The Company is exposed to currency risk to the extent that it has financial assets and liabilities denominated in a currency other than EUR.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2022 EUR	**Financial liabilities 2022 EUR**	Financial assets 2021 EUR	Financial liabilities 2021 EUR
United States Dollars	**112,145**	**39,837**	88,869	35,829
Euro	**5,699,958**	**77,083,364**	7,409,622	77,798,626
	5,812,103	**77,123,201**	7,498,491	77,834,455

Investment in joint venture **EUR 236,341,932** (2021 – EUR 217,179,042) and prepaid expenses amounting to **EUR 3,424** (2021 – EUR 3,780) have not been included in financial assets**.**

15. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Currency sensitivity analysis

The following table indicates the approximate change in the Company's profit after tax in response to a reasonable possible change in the foreign exchange rates of 10% to which the Company has significant exposure at the reporting date.

	Effect on profit after tax	
	2022	2021
	EUR	EUR
United States Dollars	**5,304**	5,304
	=========	=========

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

Financial instruments by category	**Amortised cost**
	2022
	EUR
Financial assets	
Loans to related parties	**234,884**
Interest and other receivable	**5,463,678**
Cash and cash equivalents	**113,541**
Financial liabilities	
Borrowings	**76,833,364**
Trade and other payables	**289,837**

	Amortised cost
	2021
	EUR
Financial assets	
Loans to related parties	2,050,000
Interest and other receivable	5,355,893
Cash and cash equivalents	85,038
Financial liabilities	
Borrowings	77,485,415
Trade and other payables	349,040

16. CAPITAL MANAGEMENT

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level.

The management of the Company's capital position is undertaken by the management team of its holding Company. The management team ensures that the Company is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely fashion, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account key considerations, which may include business developments, regulatory requirements, gap profitability and market movements such as foreign exchange and interest rate.

17. HOLDING AND ULTIMATE HOLDING ENTITY

The directors consider Samvardhana Motherson International Limited, a limited liability company incorporated in India, as the Company's holding and ultimate holding entity.

18. GOING CONCERN

The company's total current liabilities exceed its current assets. It is noted that the net current liabilities position is due to loan from Axis Bank. These loans are secured against corporate guarantee given by the holding company. Further details are given in note 2.

19. COVID-19 ASSESSMENTS

Estimation of uncertainties relating to the global health pandemic from COVID-19:

The Group's operations have been impacted partially by the outbreak of COVID-19 pandemic and the consequent lockdown announced by governments in many of the jurisdictions, the Group operates. Accordingly, the figures presented in the consolidated financial statements are not strictly comparable.

20. EVENTS AFTER REPORTING DATE

There are no material events after the reporting date, which require amendments to, or additional disclosure in the financial statements for the year ended 31 March 2022.