

ROYAL ENFIELD BRASIL COMÉRCIO DE
MOTOCICLETAS LTDA.

Independent auditors' report

Financial statements
As of March 31, 2023

ROYAL ENFIELD BRASIL COMÉRCIO DE MOTOCICLETAS LTDA.

Financial statements
As of March 31, 2023

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the
Shareholders and Management of
Royal Enfield Brasil Comércio de Motocicletas Ltda.
São Paulo - SP

Opinion on the financial statements

We have audited the financial statements of Royal Enfield Brasil Comércio de Motocicletas Ltda. ("Company"), which comprise the statement of financial position as of March 31, 2023 and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion on the financial statements

We conducted our audit of the financial statements in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the statements of financial position" section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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

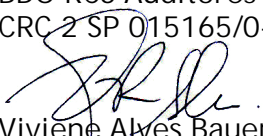
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 controls;
- Obtain an understanding of internal control relevant to the audit of the financial statements 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 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;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the planned audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

São Paulo, May 05, 2023.



BDO RCS Auditores Associados Ltda.
CRC 2 SP 015165/O-8


Vivienne Alves Bauer

Accountant CRC 1 SP 253472/O-2

ROYAL ENFIELD BRASIL COMERCIO DE MOTOCICLETAS LTDA

Balance Sheet

For the years ended March 31, 2023 and 2022

(In Reals)

Assets				Liabilities and equity			
	Note	31/03/2023	31/03/2022		Note	31/03/2023	31/03/2022
Current assets				Current liabilities			
Cash and equivalents	5	5.495.094	2.730.165	Loan		-	-
Clients - trade receivables	6	2.211.142	1.000.875	Intercompany payable	13	131.191.465	39.035.198
Inventories	7	95.055.654	42.747.716	Expenses payable		4.598.311	1.831.437
Advances to suppliers & deposits	8	38.244.020	3.894.448	Accrued expenses	14	9.610.425	319.109
Loans & advances to employee		48.738	35.867	Provisions - employee related	15	1.436.626	898.582
Tax credit	9	8.703.002	12.108.660	Taxes payable	16	6.409.846	2.787.952
		<u>149.757.650</u>	<u>62.517.731</u>	Other current liabilities		61.987	-
				Leasing		292.866	-
Non-current						<u>153.601.527</u>	<u>44.872.279</u>
Fixed assets	10	10.111.894	154.650	Net equity			
Intangible	11	1.440.713	1.581.385	Share capital	17	79.041.570	79.041.570
Rental agreement (Right of use)	12	281.922	-	Accumulated deficit		(71.050.918)	(59.660.082)
		<u>11.834.529</u>	<u>1.736.035</u>			<u>7.990.652</u>	<u>19.381.487</u>
Total assets		<u><u>161.592.179</u></u>	<u><u>64.253.766</u></u>	Total liabilities and equity		<u><u>161.592.179</u></u>	<u><u>64.253.766</u></u>

The accompanying notes are an integral part of these Financial Statements

ROYAL ENFIELD BRASIL COMERCIO DE MOTOCICLETAS LTDA

Income Statement

For the years ended March 31, 2023 and 2022

(In Reals)

	Note	31/03/2023	31/03/2022
Revenue	18	160.549.548	96.509.549
Cost	19	(134.929.837)	(84.168.781)
		<u>25.619.710</u>	<u>12.340.768</u>
General administrative expenses			
Expenses with personnel	20	(7.165.364)	(5.380.805)
Depreciation and amortization		(1.207.192)	(454.109)
Professional fees	21	(4.094.657)	(2.335.284)
Rent		(108.924)	(133.577)
Marketing expenses	22	(5.421.053)	(3.505.412)
Other general and administrative expenses	23	(13.219.006)	(7.933.826)
Other revenues/(expenses)		(236.067)	(46.036)
Total - General and administrative expenses		<u>(31.452.262)</u>	<u>(19.789.049)</u>
Operation loss before finance income		<u>(5.832.552)</u>	<u>(7.448.281)</u>
Finance income and expense	24	(5.101.777)	11.627.506
Profit/Loss before provision for Income tax		<u>(10.934.329)</u>	<u>4.179.225</u>
Provision for income tax		(456.506)	-
Profit/Loss for the period		<u><u>(11.390.836)</u></u>	<u><u>4.179.225</u></u>
Profit/Loss per lot of one thousand shares		(0,14)	0,05

The accompanying notes are an integral part of these Financial Statements

ROYAL ENFIELD BRASIL COMERCIO DE MOTOCICLETAS LTDA.

Statement of comprehensive income
For the years ended March 31, 2023 and 2022
(In Reals)

	<u>31/03/2023</u>	<u>31/03/2022</u>
Profit/Loss for the period	(11.390.836)	4.179.225
Other comprehensive income	-	-
Total - General and administrative expenses	<u>(11.390.836)</u>	<u>4.179.225</u>

The accompanying notes are an integral part of these Financial Statements

ROYAL ENFIELD BRASIL COMERCIO DE MOTOCICLETAS

Statement of changes in net equity

For the years ended March 31, 2023 and 2022

(In Reals)

	Share Capital		Total
	Subscribed	Accumulated deficit	
Balances as of March 31st, 2021	4.713.570	(63.839.308)	(59.125.738)
Capital increase	74.328.000	-	74.328.000
Loss for the financial period ended March 31, 2022	-	4.179.225	4.179.225
Balances as of March 31st, 2022	<u>79.041.570</u>	<u>(59.660.082)</u>	<u>19.381.487</u>
Capital increase	-	-	-
Profit for the financial period ended March 31, 2023	-	(11.390.836)	(11.390.836)
Balances as of March 31st, 2023	<u>79.041.570</u>	<u>(71.050.918)</u>	<u>7.990.652</u>

The accompanying notes are an integral part of these Financial Statements

ROYAL ENFIELD BRASIL COMERCIO DE MOTOCICLETAS LTDA.

Statement of cash flows

For the years ended March 31, 2023 and 2022

(In Reals)

	31/03/2023	31/03/2022
Loss/Profit for the period	(11.390.836)	4.179.225
Items that do not affect operation cash		
Accrued expenses	9.291.316	(54.552)
Exchange variation	-	(19.587.960)
Depreciation	1.126.768	454.109
Adjusted loss for the financial period	(972.751)	(15.009.178)
Increase and reduction of asset and liability accounts		
Clients - trade receivables	(1.210.267)	333.652
Inventories	(52.307.938)	(24.795.243)
Loans & deposits	(34.349.572)	(2.536.498)
Loans & advances to employee	(12.871)	(7.937)
Tax credit	3.405.657	(8.133.074)
Intercompany payable	92.156.267	11.878.652
Expenses payable	2.766.874	1.346.916
Provisions - employee related	538.044	202.680
Taxes payable	3.621.894	1.253.296
Other current liabilities	61.987	(17.144)
Leasing	292.866	-
Cash used in/(generated) from operating activities	14.962.941	(20.474.698)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10.494.729)	(67.398)
Sales of property, plant and equipment	-	99.874
Acquisition of Intangible	(448.611)	(189.964)
Rent Agreement (Right of use)	(281.922)	-
Amortization Rent Agreement	-	-
Capital Injection receipt	-	74.328.000
Net cash used/(generated) in investing activities	(11.225.261)	74.170.512
Cash flows from financing activities		
Net decrease in loan	-	(38.490.584)
Generated in financing activities	-	(38.490.584)
Increase in cash and cash equivalents	2.764.928	196.052
Cash and cash equivalents at the beginning of the financial period	2.730.165	2.534.114
Cash and cash equivalents at the end of the financial period	5.495.094	2.730.165
Increase in cash and cash equivalents	2.764.928	196.051

The accompanying notes are an integral part of these Financial Statements

ROYAL ENFIELD BRASIL COMÉRCIO DE MOTOCICLETAS LTDA.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

1. Operational context

Royal Enfield Brasil Comércio de Motocicletas Ltda. (the “Company” or “REBRA”) is a subsidiary of Eicher Motors Limited (“EML”), constituted as a limited liability company domiciled in Brazil at Alameda Campinas, 802 - Conj. 122 - 12º Andar - Jardim Paulista, CEP: 01404-200 in São Paulo/SP.

The Company’s activities comprise in: a) import, commercialization and distribution of motorcycles, spare parts and accessories; b) provision of services related to motorcycles, spare parts and accessories; and c) import and sale of clothing, personal accessories, footwear, helmets and walking equipment and security in general.

REBRA was registered with the São Paulo State Board of Trade (“JUCESP”) on June 26th, 2013 under registration number (“NIRE”) 35.227.630.407 and registered with the Federal Revenue Service under CNPJ nº 18/369.408/0001-09.

In October 17th, 2017 the Company set up a subsidiary domiciled in Brazil at Avenida José Luiz Mazzalli, 450 - CEP: 13294-002 in Louveira/SP under registration number (“NIRE”) 35.905.363.387. In September 2019 set up a subsidiary domiciled in Brazil at Rodovia Antonio Heil, 4605 Itaipava - CEP: 88316-003 in Itajaí/SC register number (“NIRE”) 42.901.268.024. And in March 2022 set up a subsidiary domiciled in Brazil at Avenida Toquato Tapajós, 11600 - Galpão 2 Sala 2 - CEP: 69059-165 in Manaus/AM under registration number (“NIRE”) 13.920.010.572, in which REBRA is building a plant.

During the current year, EML and REBRA entered into a tripartite agreement with Dafra da Amazônia Indústria e Comércio de Motocicletas (“Dafra”), a third-party manufacturer, to assemble the components into bike. This operation is intended to take place at least until the completion of the plant’s construction in Manaus/AM.

Like its headquarters, the financial year of REBRA begins on April 1st and ends on March 31st.

Below, the main accounting policies followed for the preparation of the financial statements.

Unless otherwise stated, these policies were consistently applied in every year presented.

These financial statements for the year ended March 31st, 2023 were authorized to be issued by the Board of Directors as at April 28th, 2023.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

2. Accounting policies

a. Compliance Statement (in relation to IFRS and CPC standards)

The financial statements were prepared in accordance with accounting practices adopted in Brazil, which include those set forth in the Brazilian corporate law and the pronouncements, guidelines and technical interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CPC).

b. Basis of preparation and presentation of the financial statements

The financial statements are presented in Reals, which is the functional currency of the company. All financial information disclosed in the financial statements is presented in Brazilian Reals, unless otherwise stated.

The financial statements are prepared based on historical cost, except where otherwise indicated.

The preparation of the financial statements in accordance with IFRS and Technical Pronouncements - CPC require the use of certain accounting estimates by the management.

3. Summary of significant accounting policies

3.1 Classification of assets and liabilities as current and non-current

Assets that are expected to be realized or are intended to be sold or used within twelve months from the base date of this financial statement, as well as those held mainly for trading, and cash and cash equivalents are classified as current assets. Liabilities scheduled for settlement within twelve months from the balance sheet date are classified as current liabilities. All other assets and liabilities are classified as "non-current".

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments maturing in up to three months, with immaterial risk of change in value.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

3.3 Trade and other receivables

Sales are mostly performed on regular credit basis. Receivables are non-interest bearing. At the end of each reporting period the book value of trade and other receivables are reviewed in search for any objective evidence of non-recoverability. Should any such evidence be found, a loss for impairment is promptly recognized in a profit and loss account.

3.4 Inventories

Goods for resale inventories are valued at the average acquisition cost, which is lower than market value. No financial charges are included in cost of services.

3.5 Property, plant and equipment

Property, plant and equipment are stated at the historical cost of acquisition, manufacturing or construction, net of accumulated depreciation and/or accumulated impairment losses, if any, including replacement equipment cost, if the recognition criteria are met.

The remaining annual useful lives are as follows:

Description of the asset	Rate (%)
Computers and Peripherals	20
Furniture and Fittings	10
Auto-vehicles	20
Machinery and equipment	20

The recognition of the items of property, plant and equipment and of any significant parts thereof initially recognized is written off when they are disposed of or when there is no expectation of future economic benefits arising from their use or disposal. Any gains or losses resulting from the write-off of the asset (calculated as the difference between the net income of the disposal and the carrying amount of the asset) are included in the income statement when the asset is written off.

3.6 Other intangible assets

Other intangible assets are recognized the right-of-used assets for the existing lease agreement according to IFRS 16 Leases implementation. The lease agreement is the office rental.

3.7 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business, and accounts payable are classified as current liabilities if payment is due in one year or less.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

3.8 Vacation pay

Vacation payable is calculated on the basis of the compensation and related payroll taxes incurred up to the balance sheet date.

3.9 Provisions

These are recognized in the balance sheet based on a past event representing an obligation, whenever economic resources will possibly be required to settle this obligation. The provisions are recorded based on the best estimate of risks involved, according to information provided by our external legal counsellors.

3.10 Financial instruments

Financial assets and liabilities

a) Financial assets

(I) Initial Recognition and measurement

Financial instruments include cash and cash equivalents, accounts receivable and other receivables. Financial instruments are recognized at fair value plus costs directly attributable to their acquisition or issue.

(II) Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered as impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an "event of loss") and this event of loss has an impact on the estimated future cash flow of the financial asset or group of financial assets, which can reasonably be estimated.

b) Financial liabilities

(I) Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value or as loans and financing. The classification of its financial liabilities is determined at the time of its initial recognition.

Financial liabilities include accounts payable to suppliers, and other accounts payable.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

(II) Derecognition (Write-off)

A financial liability is written off when the obligation is revoked, canceled or expires.

When an existing financial liability is replaced by another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, such replacement or change is treated as write-off of the original liability and recognition of a new liability, and the difference in the respective accounting values is recognized in the statement of income.

(III) Financial instruments - Net presentation

Financial assets and liabilities are presented net in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle or realize the asset and settle the liability simultaneously.

3.11 Determination of net income

The income from operations are determined in accordance with the accrual basis of accounting for the year. Sales revenues are presented, if any, net of taxes, returns, cancellations, rebates and discounts.

Other operating income and expenses correspond to the effects of significant events occurring during the period that do not fit into the definition of the other items of the comprehensive income statement adopted.

Accounting expenses include all expenses generated by net debt, financial charges on taxes and interest expenses on financial leases, as well as adjustments relating to financial discounts.

Accounting revenues include income generated by cash and cash equivalents, discounts on purchases from suppliers and adjustments related to discounts.

3.12 Income Tax and Social Contribution

Income tax payable is calculated based on the taxable income for the year and any adjustments recognized in the profit and loss account.

Income tax and social contribution are calculated by the taxable income method, as follows: income tax - at 15% (fifteen percent) on the book value of taxable income duly adjusted for legally established additions, exclusions and offsetting, plus 10% (ten percent) on any portion of taxable income in excess of R\$ 240 thousand; and social contribution - at 9% on the book value of taxable income, duly adjusted for legally stipulated additions, exclusions and offsetting of negative bases.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

4. New technical pronouncements adopted

The following new standards were approved and issued by the IASB and the CPC. The management has adopted such new standards as mentioned below. The management did not identify any relevant impacts.

4.1 IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - (CPC 25 - Insurance Contracts Provisions, Contingent Liabilities and Contingent Assets)

The new standard defines an onerous contracts and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

4.2 Amendments to IAS 16, Property, Plant and Equipment (PPE) - CPC 27 - Property, Plant and Equipment)

The new statement introduces new guidance for Proceeds before Intended Use. Proceeds from selling items (e.g. samples) before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of producing those items.

Management evaluated the impacts of the new standard and concluded that there was no impact on its financial statements.

5 Cash and cash equivalents

The amounts held as cash and cash equivalents are classified as financial assets measured at fair value through profit or loss.

	<u>31/03/2023</u>	<u>31/03/2022</u>
Cash	903	909
Bank account	15.136	26.327
Investment	5.479.055	2.702.929
Total	<u>5.495.094</u>	<u>2.730.165</u>

Cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment or other purposes, and a financial investment is considered as cash equivalent if immediately convertible into a known amount of cash and subject to an insignificant risk of change in value. Investments are classified as cash equivalents, as described in CPC 3 (IAS 7).

ROYAL ENFIELD BRASIL COMÉRCIO DE MOTOCICLETAS LTDA.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

6 Clients - Trade receivables

	<u>31/03/2023</u>	<u>31/03/2022</u>
Local clients	2.211.142	1.000.875
Total	<u>2.211.142</u>	<u>1.000.875</u>

The following refers to the balance of accounts receivable from clients according to maturity date:

	<u>31/03/2023</u>	<u>31/03/2022</u>
Coming due	2.211.142	1.000.875
Maturity (due receivables aging)		
Up to 30 days	-	-
From 31 to 60 days	-	-
From 61 to 90 days	-	-
From 91 to 180 days	-	-
Over 181 days	-	-
Total	<u>2.211.142</u>	<u>1.000.875</u>

For Motorcycles the invoice is discounted immediately and amount is received on next day of sales, for Spare Parts the credit period is 30 days and for Accessories & Apparel the credit period is 90 days.

7 Inventories

Inventories are stated at the weighted average cost of acquisition, reduced from recoverable taxes.

	<u>31/03/2023</u>	<u>31/03/2022</u>
Inventories in transit	69.755.828	17.805.733
Motorcycle	8.788.765	8.940.604
Spare parts	8.229.539	6.246.815
Accessories	3.614.985	4.438.096
Apparel	3.474.071	4.481.164
BRI	1.165.551	975.102
Other	26.915	26.915
Motorcycle (used)	-	8.590
Provision and inventory adjustments	-	(175.303)
Total	<u>95.055.654</u>	<u>42.747.716</u>

The 2023 inventories in transit reflects mainly the CKD kits sent from EML to Dafra in the amount of R\$ 59.627.944.

ROYAL ENFIELD BRASIL COMÉRCIO DE MOTOCICLETAS LTDA.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

8 Advances to suppliers & Deposits

The following refers to the balance of prepaid expenses for suppliers, including advances to Dafra to produce motorcycles (R\$ 35.598.187), and judicial deposits.

	31/03/2023	31/03/2022
Prepaid expenses	38.000.028	3.723.974
Judicial deposits	243.992	170.474
Total	<u>38.244.020</u>	<u>3.894.448</u>

9 Tax credit

	31/03/2023	31/03/2022
Prepaid income tax	-	7.658
Withholding tax - IRRF	51.730	5.362
Social contribution - PIS	149.306	193.319
Social contribution - Cofins	736.188	888.634
ICMS / VAT	5.270.941	7.010.237
IPI	382.111	4.003.449
Income tax - IRPJ	1.554.414	-
Social contribution - CSLL	555.269	-
Others tax credit	3.043	-
Total	<u>8.703.002</u>	<u>12.108.660</u>

10 Property, plant and equipment

(i) Balances as follows:

Description	31/03/2023			31/03/2022
	Cost	Accumulated Depreciation	Net	Net
Furniture	205.139	(91.788)	113.352	45.618
Computers	296.467	(120.070)	176.398	82.863
Vehicles	43.192	(33.833)	9.358	17.996
Machinery and equipment	9.283.631	(419.588)	8.864.043	8.173
Asset under construction	948.743	-	948.743	-
	<u>10.777.172</u>	<u>(665.279)</u>	<u>10.111.894</u>	<u>154.650</u>

Activity of property, plant and equipment

	31/03/2022	Additions	Write-offs	Depreciations	31/03/2023
Furniture	45.618	128.950	-	(61.216)	113.352
Computers	82.863	146.980	-	(53.445)	176.398
Vehicles	17.997	-	-	(8.638)	9.358
Machinery and equipment	8.173	9.270.056	-	(414.187)	8.864.043
Asset under construction	-	948.743	-	-	948.743
Total	<u>154.651</u>	<u>10.494.729</u>	<u>-</u>	<u>(537.486)</u>	<u>10.111.894</u>

ROYAL ENFIELD BRASIL COMÉRCIO DE MOTOCICLETAS LTDA.

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

	<u>31/03/2021</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Depreciations</u>	<u>31/03/2022</u>
Furniture	53.464	-	-	(7.847)	45.618
Computers	81.448	37.433	(3.124)	(32.893)	82.863
Vehicles	107.307	29.965	(96.750)	(22.526)	17.997
Machinery and equipment	9.531	-	-	(1.357)	8.173
Total	<u>251.750</u>	<u>67.398</u>	<u>(99.874)</u>	<u>(64.624)</u>	<u>154.651</u>

11 Intangible

	<u>31/03/2022</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Depreciations</u>	<u>31/03/2023</u>
System Implementation	1.581.385	692.011	(243.400)	(589.283)	1.440.713
Total	<u>1.581.385</u>	<u>692.011</u>	<u>(243.400)</u>	<u>(589.283)</u>	<u>1.440.713</u>

12 Other intangible assets (Right of use)

	<u>31/03/2022</u>	<u>Additions</u>	<u>Depreciations</u>	<u>31/03/2023</u>
Rent Agreement (Right of use)	-	441.108	(110.277)	330.831
PVA (Present Value Adjustment)	-	(65.213)	16.303	(48.909)
Total	<u>-</u>	<u>375.895</u>	<u>(93.974)</u>	<u>281.922</u>

13 Intercompany payable

All outstanding balance with related parties are in foreign currency in original amount USD 14.050.548. The balance is updated to BRL in the end of each month according the rate published by Brazilian Central Bank.

	<u>31/03/2023</u>	<u>31/03/2022</u>
Eicher Motors Limited (EML)	62.808.190	24.945.277
Eicher Motors Limited (In Transit)	69.755.828	17.805.733
Exchange variation	(1.372.553)	(3.715.812)
Total	<u>131.191.465</u>	<u>39.035.198</u>

14 Accrued expense

The amounts held as accrued expenses include provision for legal processes, for general expenses (IPI reduction) and for slow moving stock.

	<u>31/03/2023</u>	<u>31/03/2022</u>
General expenses	8.332.897	314.751
Provision for labor	4.358	4.358
Provision for slow moving	1.273.170	-
Total	<u>9.610.425</u>	<u>319.109</u>

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Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

15 Provisions - employee related

	<u>31/03/2023</u>	<u>31/03/2022</u>
Accrued bonus	647.443	333.119
Accrued 13th salary bonus	109.195	78.237
Accrued vacation	679.988	487.226
Total	<u>1.436.626</u>	<u>898.582</u>

16 Taxes payable

	<u>31/03/2023</u>	<u>31/03/2022</u>
ICMS / VAT	1.877.060	1.795.460
IPI	3.120.931	877.299
PIS	(27.428)	(9.235)
COFINS	1.037.822	(49.825)
Payroll taxes	187.447	142.182
Others taxes payables	214.014	32.071
Total	<u>6.409.846</u>	<u>2.787.952</u>

17 Share capital

The capital stock, fully subscribed on March 31st, 2023, is R\$ 79.041.569, divided as follows:

Members	Number of shares Held	Par Value R\$	%
Eicher Motors Limited	79.041.568	79.041.568	99.99
Eicher Goodearth Private Limited	1	1	0.01
	<u>79.041.569</u>	<u>79.041.569</u>	<u>100%</u>

18. Revenues

	<u>31/03/2023</u>	<u>31/03/2022</u>
Revenue from motorcycle	242.342.184	143.993.078
Deductions from revenue from motorcycle	(110.184.534)	(62.368.939)
Revenue from spare parts	9.809.250	6.659.091
Deductions from revenue from spare parts	(3.107.035)	(2.164.767)
Revenue from accessories	4.731.784	3.305.042
Deductions from revenue from accessories	(1.685.140)	(1.240.745)
Revenue from apparel	3.297.534	1.602.280
Deductions from revenue from apparel	(594.076)	(321.354)
Revenue from motorcycle used	253.314	64.874
Deductions from revenue from motorcycle used	(122.657)	(27.397)
Freight revenue	15.808.924	7.008.386
Total	<u>160.549.548</u>	<u>96.509.549</u>

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18 Cost of sales

	<u>31/03/2023</u>	<u>31/03/2022</u>
Costs from motorcycle	(118.204.877)	(73.790.120)
Costs from spare parts	(5.157.703)	(3.077.210)
Costs from accessories	(2.278.707)	(1.494.699)
Costs from apparel	(2.011.812)	(1.472.993)
Costs from used motorcycle	(8.590)	-
Costs from storage	(5.708.475)	(1.987.236)
Other costs	(1.559.673)	(2.346.523)
Total	<u>(134.929.837)</u>	<u>(84.168.781)</u>

19 Expenses with personnel

	<u>31/03/2023</u>	<u>31/03/2022</u>
Salaries	(3.315.371)	(2.500.646)
13 Month Salary	(335.801)	(264.532)
Vacations	(440.914)	(440.366)
Social Security (INSS)	(1.173.072)	(871.897)
Social Security (FGTS)	(350.402)	(295.052)
Health Insurance	(615.650)	(463.917)
Welfare Expenses	(208.697)	(134.274)
Bonus	(690.540)	(356.085)
Labor Provision	-	3.156
Life Insurance	(18.808)	(13.142)
Other expenses (employees)	(16.109)	(44.050)
Total	<u>(7.165.364)</u>	<u>(5.380.805)</u>

20 Professional fees

	<u>31/03/2023</u>	<u>31/03/2022</u>
Consulting fees	(103.359)	(93.012)
Accounting fees	(789.485)	(535.527)
Legal Fees	(527.594)	(195.494)
Professional fees	(2.674.219)	(1.511.251)
Total	<u>(4.094.657)</u>	<u>(2.335.284)</u>

21 Marketing

	<u>31/03/2023</u>	<u>31/03/2022</u>
Marketing	(5.395.085)	(2.533.515)
Events and advertising	(25.968)	(971.897)
Total	<u>(5.421.053)</u>	<u>(3.505.412)</u>

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22 Other general and administrative expenses

	<u>31/03/2023</u>	<u>31/03/2022</u>
Travel	(930.496)	(381.393)
Computer expenses	(866.829)	(1.032.122)
Rent	(35.987)	(44.179)
Electricity, water and gas	(4.280)	-
Communications	(37.178)	(31.715)
Bank charges	(66.977)	(23.207)
Transport (Taxi and Train)	(44.030)	(23.625)
Post and courier	(18.510)	(14.478)
Penalties	(84.085)	(183.470)
Meals	(299.860)	(181.560)
Repair and maintenance	(32.955)	-
General insurance	(111.495)	(203.890)
Office supplies	(16.696)	(6.608)
Kitchen supplies	(10.772)	(562)
Transport and freight	(7.742.099)	(3.816.016)
Small equipment	(28.439)	(25.783)
Other taxes	(171.186)	(1.849.816)
Homologation	(94.788)	(54.224)
Other administrative expenses	(2.622.344)	(61.178)
Total	<u>(13.219.006)</u>	<u>(7.933.826)</u>

The other administrative expenses in 2023 had a significantly increase due to expenses paid to Dafra to start assembly at Manaus (R\$ 1.843.901 were paid directly to Dafra).

23 Finance income and expense

	<u>31/03/2023</u>	<u>31/03/2022</u>
Interest expenses	(2.819.945)	(2.058.143)
Financial expenses - discount	(3.538)	(3.114)
Financial expenses - leasing	(20.783)	-
Exchange variation	(1.750.965)	(5.266.397)
Financial expenses	<u>(4.595.230)</u>	<u>(7.327.654)</u>
Other income	34.847	252
Interest income	219.595	34.634
Exchange variation	(760.989)	18.920.273
Financial income	<u>(506.547)</u>	<u>18.955.160</u>
Total	<u>(5.101.777)</u>	<u>11.627.506</u>

Notes to the financial statement

For the years ended March, 31st 2023 and 2022

(All amounts in Real, unless otherwise stated)

24 Financial instruments

Financial risk management

The Company is exposed to the following risks:

- Liquidity risk;
- Interest rate risk;
- Market risk;
- Foreign exchange risk; and
- Operating risk

This note presents information on the Company's exposure to each of the risks abovementioned and measurement and risk and capital management proceedings.

Risk management structure

The Management is responsible for the follow-up of the Company's risk management policies and managers of each area regularly report to the Company on their activities. The Company's risk management policies were established to identify and analyze the risks that the Company is exposed, to define appropriate limits and controls of risks, and to monitor risks and adherence to the limits. Risk policies and systems are reviewed regularly to reflect changes in the market conditions and in the activities of the Company.

(i) Liquidity risk

Liquidity risk is the risk of the Company may find difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments.

The Company's approach to liquidity risk management is to maintain cash availability and liquidity to ensure payment of its obligations.

The table below shows the risks of liquidity by maturity and reflects the financial flow of the Company on March 31, 2023:

March 31, 2023			
	Note	Book value	Cash flow Up to 1 year
Assets			
Cash and cash equivalents	5	5.495.094	5.495.094
Clients - trade receivables	6	2.211.142	2.211.142
		<u>7.706.236</u>	<u>7.706.236</u>
Liabilities			
Intercompany payable		131.191.465	131.191.465
Expenses payable		4.598.311	4.598.311
		<u>135.789.776</u>	<u>135.789.776</u>

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March 31, 2022			
	Note	Book value	Cash flow Up to 1 year
Assets			
Cash and cash equivalents	5	2.730.165	2.730.165
Clients - trade receivables	6	1.000.875	1.000.875
		<u>3.731.041</u>	<u>3.731.041</u>
Liabilities			
Loan		-	-
Intercompany payable		39.035.198	39.035.198
Expenses payable		1.831.437	1.831.437
		<u>40.866.635</u>	<u>40.866.635</u>

Management does not expect that cash flows, including in the Company's maturity analysis, may occur significantly earlier or in significantly amounts.

(ii) Interest rate risk

The Company is exposed to the risks and fluctuations of interest rates in its investments.

On the date of Company's financial statements, the profile of financial instruments remunerated through interests was:

	Book value March, 2023	Book value March, 2022
Variable rate instruments		
Financial assets		
Interest earning bank deposits	5.479.055	2.702.929

Sensitivity analysis of interest

The Company performed sensitivity analysis of main risks to which its financial instruments are exposed. For the sensitivity analysis of changes in the interest rates. Management adopted, for the probable scenario, the same rates used on balance sheet end date. Scenarios II and III were estimated with additional valuation of rates of 25% and 50% respectively, while scenarios IV and V have estimated additional devaluation of 25% and 50%, respectively, for the probable scenario.

The table below show possible impacts on results for each of the scenarios:

Asset Exposure	Exposure	Risk	Effective interest rate March, 2023	Scenarios				
				I - Probable	II 25%	III 50%	IV - 25%	V - 50%
Interest earning bank deposits	5.479.055	CDI change	12%	680.499	850.623	1.020.748	510.374	340.249

Asset Exposure	Exposure	Risk	Effective interest rate March, 2022	Scenarios				
				I - Probable	II 25%	III 50%	IV - 25%	V - 50%
Interest earning bank deposits	2.702.929	CDI change	6%	165.419	206.774	248.129	124.064	82.710

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(iii) Market risk

Market risk is the risk from changes in market prices. The objective of market risk management is to manage and control exposures to market risks according to acceptable parameters and optimize the return at the same. The Company's expenses are concentrated in the provision of services, which can bring market risks. As a measure of market risk management, the Company establishes service contracts with pre-fixed amounts.

(iv) Foreign exchange risk

Foreign exchange risk is the risk of losses arising from causes associated with exchange rate fluctuations. The Company makes monthly payments from its parent company abroad and thus concentrates on the parent company its risks.

(v) Operating risk

Operating risk is the risk of direct or indirect losses arising from causes associated with changes in the operating management of the parent company.

Capital management

Management's policy is to maintain a strong compliance with the Business Plan agreed with the controlling shareholders, ensuring efficiency in the agreed levels of investment in the operation.

The operation is the initial phase of its business model. Thus, the returns are measured based on your business objectives, aligned with the controlling shareholders.

Classification of financial instruments

The classification of financial instruments is presented in the table below, and there are no financial instruments classified in other categories besides those informed:

	Note	Fair value through profit or loss	Liabilities at amortized	Total in March, 2023
Assets				
Cash and cash equivalents	5	5.495.094	-	5.495.094
Clients - trade receivables	6	-	2.211.142	2.211.142
		<u>5.495.094</u>	<u>2.211.142</u>	<u>7.706.236</u>
Liabilities				
Intercompany payable		-	131.191.465	131.191.465
Expenses payable		-	4.598.311	4.598.311
		<u>-</u>	<u>135.789.776</u>	<u>135.789.776</u>

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	Note	Fair value through profit or loss	Liabilities at amortized	Total in March, 2022
Assets				
Cash and cash equivalents	5	2.730.165	-	2.730.165
Clients - trade receivables	6	-	1.000.875	1.000.875
		<u>2.730.165</u>	<u>1.000.875</u>	<u>3.731.041</u>
Liabilities				
Intercompany payable		-	39.035.198	39.035.198
Expenses payable		-	1.831.437	1.831.437
		<u>-</u>	<u>40.866.635</u>	<u>40.866.635</u>

Fair value

(i) Derivative financial instruments

The Company does not perform operations with derivative financial instruments in order to mitigate or eliminate risks to its operation.

(ii) "Non-derivative" financial instruments

Management considers that fair value equals book value for all operations, as for these operations the book value reflects the settlement value on that date on account of the short maturity of these operations. Thus, the book values amount recorded in the balance sheet related to the balances of interest earning bank deposits, accounts receivable, other receivables, as well as other accounts payable do not differ from their fair values as of March 31, 2021.

(iii) Fair value hierarchy

The different levels were defined as follows:

- Level 1 - Prices quoted (not adjusted) in active markets for identical assets and liabilities;
- Level 2 - Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices), and
- Level 3 - Assumptions, for assets or liabilities, which are not based on observable market data (non-observable inputs).

(iv) Determination of fair value

- Level 2 - Interest earning bank deposits were recorded on a basis of the redemption value on that date, representing the best fair value.

In Levels 1 and 3, the Company had no operation to be classified on the base dates.

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25 Subsequent Events

From March 31st until the date of the release of this financial statements, none subsequent events that would impact this statements was noted.