

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Financial Statements

**March 31, 2018 and 2017**

(With Independent Auditors' Report Thereon)

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## Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholder  
TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.:

We have audited the accompanying financial statements of TATA DAEWOO COMMERCIAL VEHICLE CO., LTD. (the "Company") which comprise the statement of financial position as of March 31, 2018, and the statements of income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and results of its operations, changes in its equity and its cash flows for the year then ended, in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

***Other Matters***

The Company's accompanying statement of financial position of the Company as of March 31, 2017, and the related statements of income, changes in equity and cash flows for the year then ended were audited by other auditor, whose report thereon, dated April 26, 2017, expressed an unqualified opinion. The accompanying statement of financial position of the Company as of March 31, 2017, presented for comparative purposes, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Seoul, Korea  
April 19, 2018

This report is effective as of April 19, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2018 AND 2017**

<u>ASSETS</u>	2018	2017
	(In Korean won)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, net of government subsidy of ₩7,861,202 as of March 31, 2018 and ₩161,471,170 as of March 31, 2017 (Notes 10 and 16)	\ 124,302,401,818	115,623,836,080
Short-term financial instruments (Note 4)	2,036,490,000	4,500,000,000
Accounts and notes receivable (Notes 16 and 17):		
- Trade, net allowance for doubtful accounts of ₩24,439,326,457 as of March 31, 2018 and ₩18,848,599,368 as of March 31, 2017 and	56,693,976,837	72,633,742,128
- Other, net allowance for doubtful accounts of ₩97,215,693 as of March 31, 2018 and ₩128,261,252 as of March 31, 2017	9,356,835,065	12,717,020,824
Advance payments, net allowance for doubtful accounts of ₩7,146,941 as of March 31, 2018 and ₩37,171,809 as of March 31, 2017	707,547,206	3,680,009,030
Foreign currency forward contracts (Notes 19 and 28)	7,326,734	-
Current deferred tax assets (Note 25)	15,315,849,103	15,592,778,719
Inventories, net (Notes 5 and 9)	233,082,551,298	204,333,283,572
Other current assets (Note 6)	1,127,704,725	572,333,078
<b>Total Current Assets</b>	<b>442,630,682,786</b>	<b>429,653,003,431</b>
<b>NON-CURRENT ASSETS</b>		
Long-term financial instruments (Note 4)	2,288,060,000	2,030,020,000
Equity method investment securities (Note 7)	3,633,736,050	4,337,744,814
Property, plant and equipment, net (Notes 8 and 9)	190,794,607,096	198,083,475,268
Intangible assets, net (Note 11)	11,101,168,747	14,600,220,748
Non-current deferred tax assets (Note 25)	1,486,581,232	1,831,754,503
Other non-current assets (Note 12)	6,717,063,583	3,038,925,008
<b>Total Non-current Assets</b>	<b>216,021,216,708</b>	<b>223,922,140,341</b>
<b>TOTAL ASSETS</b>	<b>658,651,899,494</b>	<b>653,575,143,772</b>

(Continued)

**KPMG Sanjong Accounting Corp.**  
**Byun, Jae Jun**  
*Partner*

**Guenter Karl Butschek**  
*Director*  
**S. B. Borwankar**  
*Director*  
**Asim Mukhopadhyay**  
*Director*  
**Girish Wagh**  
*Director*  
**Kim, Kwan Kju**  
*Representative Director and President*

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION, CONTINUED**  
**AS OF MARCH 31, 2018 AND 2017**

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	2018	2017
	(In Korean won)	
<b>CURRENT LIABILITIES</b>		
Accounts payable (Notes 16, 17 and 28):		
- Trade	108,164,885,541	117,476,388,466
- Other	21,505,897,182	24,913,260,934
Short-term borrowings (Notes 13 and 28)	60,000,000,000	40,000,000,000
Advance receipts	5,474,479,445	3,148,031,785
Accrued expenses (Notes 16, 17 and 28)	15,380,785,774	18,771,493,496
Withholdings	4,667,904,276	5,278,370,448
Current income tax liability (Note 25)	28,717,780	13,259,989,946
Current portion of provision for warranties (Note 14)	12,807,528,085	12,652,006,440
Foreign currency forward contracts (Notes 19 and 28)	-	380,150,600
	<u>228,030,198,083</u>	<u>235,879,692,115</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term guarantee deposits received	56,000,000	36,000,000
Accrued severance indemnities, net of transfers to the National Pension Fund of ₩202,884,500 as of March 31, 2018 and ₩210,477,500 as of March 31, 2017, and retirement pension fund of ₩63,969,349,050 as of March 31, 2018 and ₩55,971,939,532 as of March 31, 2017 (Note 15)	-	509,235,708
Provision for warranties (Note 14)	6,602,203,580	6,640,472,482
	<u>6,658,203,580</u>	<u>7,185,708,190</u>
Total Non-current Liabilities	<u>6,658,203,580</u>	<u>7,185,708,190</u>
Total Liabilities	<u>234,688,401,663</u>	<u>243,065,400,305</u>
<b>SHAREHOLDER'S EQUITY</b>		
Common stock (Notes 1 and 20)	15,080,300,000	15,080,300,000
Capital surplus (Note 20):		
Paid-in capital in excess of par value	92,753,162,813	92,753,162,813
Gain on capital reduction	50,650,609,388	50,650,609,388
Retained earnings (Note 21):		
Earned surplus reserve	8,436,000,000	6,415,000,000
Reserve for research and human resource development	38,572,066,667	38,572,066,667
Unappropriated retained earnings	218,471,358,963	207,038,604,599
	<u>423,963,497,831</u>	<u>410,509,743,467</u>
Total Shareholder's Equity	<u>423,963,497,831</u>	<u>410,509,743,467</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>658,651,899,494</u>	<u>653,575,143,772</u>

(Concluded)

See accompanying notes to financial statements.

KPMG Samjong Accounting Corp.  
**Byun, Jae Jun**  
*Partner*

**Guenter Karl Butschek**  
*Director*  
**S. B. Borwankar**  
*Director*  
**Asim Mukhopadhyay**  
*Director*  
**Girish Wagh**  
*Director*  
**Kim, Kwan Kju**  
*Representative Director and President*

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	2018	2017
	(In Korean won)	
SALES (Note 17):		
Finished goods	789,223,050,555	951,370,512,560
Others	79,035,666,732	80,403,481,042
	868,258,717,287	1,031,773,993,602
COST OF SALES:		
Finished goods	(637,816,198,899)	(762,079,625,421)
Others	(61,478,398,943)	(61,701,305,426)
	(699,294,597,842)	(823,780,930,847)
GROSS PROFIT	168,964,119,445	207,993,062,755
SELLING AND ADMINISTRATIVE EXPENSES (Notes 24 and 29)	(127,324,714,523)	(145,465,538,777)
OPERATING INCOME	41,639,404,922	62,527,523,978
OTHER INCOME (EXPENSE):		
Interest income	1,717,412,082	1,992,912,564
Interest expense	(1,347,897,207)	(1,633,185,213)
Rental income	24,880,000	19,417,400
Gain (loss) on foreign currency transactions, net	(3,515,761,332)	2,876,953,051
Gain (loss) on foreign currency translation, net	566,590,238	(399,468,643)
Gain (loss) on disposal of property, plant and equipment, net	(8,746,873)	21,876,661
Loss on impairment of property, plant and equipment	(125,000,000)	-
Loss on impairment of intangible assets (Note 11)	-	(271,790,045)
Gain on disposal of intangible assets	32,361,233	-
Reversal (other provision) for doubtful accounts	61,070,427	(83,407,195)
Equity income (loss) of associate (Note 7)	(704,008,764)	591,790,485
Gain (loss) on derivative instruments transactions, net (Note 19)	1,963,961,890	(1,449,078,381)
Gain (loss) on derivative instruments valuation, net (Note 19)	7,326,734	(380,150,600)
Loss on disposal of trade accounts receivable	(541,262,515)	(177,351,954)
Others	599,690,276	2,530,498,571
Other income (expense), net	(1,269,383,811)	3,639,016,701
INCOME BEFORE INCOME TAX	40,370,021,111	66,166,540,679
INCOME TAX EXPENSE (Note 25)	(6,708,664,747)	(15,914,982,438)
NET INCOME	33,661,356,364	50,251,558,241
EARNINGS PER SHARE (Note 26)	11,161	16,661

See accompanying notes to financial statements.

KPMG Samjong Accounting Corp.  
**Byun, Jae Jun**  
*Partner*

**Guenter Karl Butschek**  
*Director*  
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*Director*  
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**Kim, Kwan Kju**  
*Representative Director and President*

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	2018	2017
	(In Korean won)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	33,661,356,364	50,251,558,241
Expenses (income) not involving cash outflows (inflows):		
Depreciation	20,020,745,754	19,074,830,653
Amortization	5,103,658,669	5,276,708,092
Provision for severance indemnities	9,054,185,457	8,734,074,815
Provision for doubtful accounts	5,590,727,089	17,467,800,447
Other provision for (reversal of) doubtful accounts	(61,070,427)	83,407,195
Loss on (reversal of) valuation of inventories	(6,481,643,598)	8,081,578,853
Warranties	14,313,284,195	6,295,858,357
Loss on foreign currency translation, net	358,724,576	44,021,791
Loss (gain) on derivative instruments transactions, net	(1,963,961,890)	1,449,078,381
Loss (gain) on derivative instruments valuation, net	(7,326,734)	380,150,600
Equity loss (income) of associate	704,008,764	(591,790,485)
Loss (gain) on disposal of property, plant and equipment, net	8,746,873	(21,876,661)
Loss on impairment of property, plant and equipment	125,000,000	-
Loss on impairment of intangible assets	-	271,790,045
Gain on disposal of intangible asset	(32,361,233)	-
Loss on disposal of trade accounts receivable	541,262,515	177,351,954
Subtotal	47,273,980,010	66,722,984,037
Changes in assets and liabilities related to operating activities:		
Trade accounts and notes receivable	9,368,276,812	(51,182,186,384)
Other receivables	3,352,982,655	(6,036,018,691)
Advance payments	3,002,486,692	(2,212,199,549)
Current deferred tax assets	276,929,616	(5,025,779,324)
Other current assets	(555,371,647)	298,329,767
Inventories	(22,267,624,128)	31,499,182,602
Non-current deferred tax assets	345,173,271	447,529,743
Trade accounts payable	(9,229,601,239)	19,834,307,732
Other payables	(3,886,358,489)	3,455,176,354
Advance receipts	2,326,447,660	(1,048,901,390)
Withholdings	(610,466,172)	(1,892,553,739)
Accrued expenses	(3,364,643,709)	176,019,163
Current income tax liability	(13,231,272,166)	5,004,766,927
Payments of warranty claims	(14,196,031,452)	(10,796,919,341)
Payments of severance indemnities	(1,573,604,647)	(890,960,885)
Funded deposit of retirement pension plan	(10,605,962,093)	(10,790,529,171)
Transfers from the National Pension Fund	7,593,000	4,487,100
Other non-current liabilities	-	178,800,000
Subtotal	(60,841,046,036)	(28,977,449,086)
Net cash provided by operating activities	20,094,290,338	87,997,093,192

(Continued)

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	2018	2017
	(In Korean won)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in short-term financial instruments \	(36,702,130,728)	(4,500,000,000)
Decrease in short-term financial instruments	39,165,640,728	-
Acquisition of long-term financial instruments	(258,040,000)	(270,780,000)
Proceeds from sale of property, plant and equipment	15,954,545	55,581,500
Proceeds from sale of intangible asset	55,000,000	-
Acquisition of property, plant and equipment	(12,391,527,000)	(18,317,336,046)
Acquisition of intangible assets	(1,627,245,435)	(1,576,374,429)
Settlements of currency forward contracts	1,583,811,290	(1,555,000,000)
Increase in guarantee deposits	(1,069,586,000)	(1,251,000,000)
Decrease in guarantee deposits	20,000,000	-
Net cash used in investing activities	(11,208,122,600)	(27,414,908,975)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	80,000,000,000	60,000,000,000
Repayment of short-term borrowings	(60,000,000,000)	(90,000,000,000)
Payment of dividend	(20,207,602,000)	(13,572,270,000)
Net cash used in financing activities	(207,602,000)	(43,572,270,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,678,565,738	17,009,914,217
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	115,623,836,080	98,613,921,863
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> \	124,302,401,818	115,623,836,080

(Concluded)

See accompanying notes to financial statements.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
(In Korean won)				
Balance at April 1, 2016	15,080,300,000	143,403,772,201	215,346,383,025	373,830,455,226
Cash dividend paid	-	-	(13,572,270,000)	(13,572,270,000)
Net income	-	-	50,251,558,241	50,251,558,241
Balance, March 31, 2017	<u>15,080,300,000</u>	<u>143,403,772,201</u>	<u>252,025,671,266</u>	<u>410,509,743,467</u>
Balance at April 1, 2017	15,080,300,000	143,403,772,201	252,025,671,266	410,509,743,467
Cash dividend paid (Note 22)	-	-	(20,207,602,000)	(20,207,602,000)
Net income	-	-	33,661,356,364	33,661,356,364
Balance at March 31, 2018	<u>15,080,300,000</u>	<u>143,403,772,201</u>	<u>265,479,425,630</u>	<u>423,963,497,831</u>

See accompanying notes to financial statements.

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 1. Reporting Entity

Tata Daewoo Commercial Vehicle Co., Ltd. (the “Company”) located in Gunsan-si, Jeollabuk-do, Republic of Korea, is engaged in manufacturing and selling of commercial vehicles. The Company was spun off from Daewoo Motor Co., Ltd. on November 1, 2002. As of March 31, 2018, the Company’s common stock totaled ₩15,080,300 thousand, all of which is owned by TML Holdings Pte. Ltd., a wholly owned subsidiary of Tata Motors Limited.

### 2. Basis of Preparation

Financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements.

The accompanying financial statements will be approved at the annual shareholder’s meeting to be held on May 23, 2018.

#### (1) Statement of compliance

The Company prepared the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea (“K-GAAP for Non-Public Entities”).

The accompanying financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. Accordingly, the accompanying financial statements are for use by those knowledgeable about Korean accounting principles and their application in practice.

#### (2) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- ✓ derivative financial instruments are measured at fair value

#### (3) Use of estimates and judgments

The preparation of the financial statements in conformity with K-GAAP for Non-Public Entities requires management to make judgments, 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 these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 14 – Provisions for Warranties

Note 25 – Income Taxes

### 3. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (1) Cash and cash equivalents

Cash and cash equivalents include cash, cash equivalent securities, including checks issued by others and checking accounts, ordinary deposits and financial instruments that can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition.

#### (2) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts to cover estimated losses that may arise from non-collection of its receivables. The estimate of losses is based on the review of the aging and current status of outstanding receivables.

**3. Significant Accounting Policies, Continued**

**(3) Inventories**

Inventories are stated at cost, which is determined by using the moving-average method, except for finished goods, work in process and goods in transit whose value is determined using the specific identification method. The Company maintains perpetual inventory system, which is adjusted to physical inventory counts performed at period-end. When the market value of inventories (net realizable value for finished goods, work in process and service parts and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. The Company applies the lower of cost or market method and loss on inventory valuation is presented as a deduction from inventories and charged to cost of sales. However, when the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

**(4) Equity method investment securities**

Investments in equity securities of companies, over which the Company exercises significant influence, are reported using the equity method of accounting.

1) Accounting for changes in the equity of the investee

Under the equity method of accounting, the Company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows: (i) "equity income (loss) of associates" in the non-operating income (expense) for net income (loss) of the investee; (ii) "increase (decrease) in retained earnings of associates" in the retained earnings for changes in beginning retained earnings of the investee; and (iii) "increase (decrease) in equity of associates" in the accumulated other comprehensive income (loss) for other changes in shareholder's equity of the investee.

When the equity method investee's unappropriated retained earnings carried over from prior period changes due to significant error corrections, the Company records the changes in equity as "equity income (loss) of associates" included in the non-operating income (expense) if the impact of the changes on the Company's financial statements is not significant. If the changes result from the changes in accounting policies of the equity method investee, they are reflected in the unappropriated retained earnings carried over from prior period in accordance with Statements of Korea Accounting Standards on changes in accounting policy and errors corrections. When the investee declares cash dividends, the dividends to be received are deducted directly from equity method investment securities.

2) Treatment of investment difference

Difference between the acquisition cost and the Company's proportionate equity in the fair value of net assets of the investee upon acquisition ("investment difference") is considered as (negative) goodwill and accounted for in accordance with accounting standards for business combination.

When the Company's equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company's proportionate equity in the investee are accounted for as investment difference. If the Company's equity interest decreases, the changes are accounted for as "gain (loss) on disposal of the equity method investment securities." However, if the investee is the Company's subsidiary, those changes are accounted for and included in the capital surplus (capital adjustments).

3) Difference between the fair value and book value of net asset of the investee

Upon acquisition of the equity method investment securities, the Company's proportionate shares in the differences between the fair values and book values of the identifiable assets and liabilities of the investee are amortized/reversed and included in "equity income (loss) of associates" in accordance with the investee's methods of accounting for the assets and liabilities.

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

#### (4) Equity method investment securities, continued

##### 4) Elimination of unrealized gain or loss from intercompany transactions

The Company's proportionate share in the gain (loss) arising from transactions between the Company and the investee, which remains in the book value of assets held as of the statement of financial position date, is considered unrealized gain (loss) and adjusted to equity method investment securities. If the investee is a subsidiary of the Company, unrealized gain (loss) from sale of an asset by the Company to the investee (downstream transaction) is fully eliminated and adjusted to equity method investment securities.

##### 5) Impairment loss on equity method investment securities

When there is objective evidence that the equity method investment securities are impaired and the recoverable amount is lower than the carrying amount of the equity method investment securities, an impairment loss is recognized as "loss on impairment of equity method investment securities" included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the equity method investment securities after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not have been originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

##### 6) Disposal of equity method investment securities

When the investor disposes of all or part of an investment in an associate, any accumulated other comprehensive income (loss) relating to the disposed investment is accounted for as gain or loss on disposal of equity method investment securities.

#### (5) Property, plant and equipment

Property, plant and equipment are stated at cost (acquisition cost or manufacturing cost, plus expenditures directly related to preparing the assets ready for use in time and place, net of sales discount given) and assets acquired from investment in-kind, by donation or free of charge are stated at fair value. When an asset is exchanged for a similar kind of asset, the asset received is stated at the carrying value of the asset given. When an asset is exchanged for a different kind of asset, the asset received is stated at the fair value of the asset given. When there is uncertainty as to the fair value of the asset given, the asset received is recorded at its fair value.

If the costs incurred after acquisition or completion increase the future economic benefit of an asset, such costs are capitalized if the costs can be objectively measured and incurred to replace an existing asset, the existing asset is removed from the financial statements. Costs incurred to repair and maintain assets are expensed as incurred.

In accordance with the Company's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are charged to current operations as incurred.

Property, plant and equipment are depreciated using a straight-line method over their economic useful lives, which are determined from the time when the assets are ready for use (ready for their intended use by the management in time and place). Depreciation expense is recognized as manufacturing cost or as selling, general and administrative expense for all other cases, as incurred.

	<u>Useful lives (years)</u>
Buildings	40
Structures	20
Machinery and equipment	12
Others	6

**3. Significant Accounting Policies, Continued**

**(6) Intangible assets**

Intangible assets are initially recognized at acquisition cost (purchase cost, plus expenditures directly related to preparing the assets ready for use) and subsequently presented at amortized cost. Development costs and software are amortized when the capitalized assets can be used or sold, over five to six years and intangible assets other than development costs and software are amortized over the useful lives, 10 years of the related assets using the straight-line method. Amortization related to the manufacturing of other assets is included in the manufacturing cost of the asset whereas other amortization is included in selling and administrative expense.

**(7) Impairment of assets**

At the end of each reporting period, the Company reviews the carrying values of assets except for financial assets, inventories, and deferred tax assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value of the asset is reduced to its recoverable amount, and an impairment loss is immediately recorded in profit or loss. If an individual asset has impairment indication, cash flow from disposition of asset is less than its carrying amount, the carrying value of the asset is reduced to the net proceed on disposition, and an impairment loss is immediately recorded in profit or loss.

Also, regardless of impairment loss indicators, assets not in use and assets held for future use are estimated for recoverable amounts.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of goodwill is estimated to be less than its carrying amount, an impairment loss is allocated to reduce the carrying value of the goodwill, and then allocated to reduce the carrying value of individual assets. The allocated amounts to individual assets cannot be lower than the larger of estimated recovered amount, value in use amount, and zero.

**(8) Government subsidy**

Government subsidy for the purpose of acquisition of certain assets is recorded as a deduction from the assets granted or other assets acquired for the temporary use of the assets granted. When the related assets are acquired, they are recorded as a deduction from the acquired assets and are offset against the depreciation of the acquired assets over their useful lives.

In addition, government subsidy without any repayment obligation is offset against the related expenses, which they are intended to compensate; however, if there is no matching expense, they are recorded as operating revenue or non-operating revenue depending on whether they are directly related to the Company's principal operating activities. Government subsidy with a repayment obligation is recorded as a liability.

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

#### (9) Effects of foreign exchange fluctuations

Functional currency and reporting currency

The Company presented the accompanying financial statements in Korean won, the currency in which the Company performs business operations, such as sales and purchases.

Foreign currency transaction

The Company records transactions made in foreign currency converted at the transaction-date exchange rate. Non-monetary foreign exchange items, which are estimated by historical cost, are converted as of the transaction-date exchange rate. Non-monetary items, which are fair valued, are converted at the exchange rate on the date when their fair values are fixed. If the gain or loss incurred from non-monetary items is recognized as other comprehensive income, the gain or loss from the exchange rate fluctuation is also recognized as other comprehensive income. Whereas, if the related gain or loss incurred from non-monetary items is recognized in the current-period profit or loss, the related exchange rate fluctuation is also recognized in the current-period profit or loss.

In addition, monetary assets and liabilities denominated in foreign currency are translated into Korean won at the base rates announced by Seoul Money Brokerage Services, Ltd. on the dates of the statements of financial position, which were ₩1,066.50 and ₩1,116.10 to USD1 at March 31, 2018 and 2017, respectively.

#### (10) Accrued severance indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive lump-sum severance payments upon termination of their employment, based on their current salary and years of service. In accordance with the National Pension Act of Korea, a portion of the Company's severance indemnities was transferred, in cash, to the National Pension Fund until March 1999, and such amounts are presented as a deduction from accrued severance indemnities.

The Company maintains provident fund, a defined benefit retirement plan, with irrevocable trust for employees covered and entitled to benefit, and such amounts also are presented as a deduction from accrued severance indemnities.

#### (11) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, it is highly probable that the Company will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset and as a reimbursement net of the provision-related expense.

#### (12) Derivative financial instruments

The Company records rights and obligations arising from derivative instruments in assets and liabilities, which are stated at fair value. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. However, for derivative instruments for which cash flow hedge accounting is applied, the effective portion of the gain or loss on the derivatives instruments is recorded as gain (loss) on valuation of derivatives included in accumulated other comprehensive income (loss).

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

#### (13) Revenue recognition

The Company's revenue is composed of sale of goods and rendering of services. Revenue is measured at the fair value of the consideration received or receivable and net of any sales allowances, discounts, estimated customer returns and other allowances. Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue from rendering of services is recognized by reference to the stage of completion of the contract. Revenue is recognized when stages of the contract can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### (14) Income tax

The Company recognizes deferred tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability for the financial reporting purposes and the amounts used for income tax purposes. A deferred tax liability is generally recognized for all taxable temporary differences with some exceptions and a deferred tax asset is recognized to the extent when it is probable that taxable income will be available against which the deductible temporary difference can be utilized in the future. Deferred tax asset (liability) is classified as a current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred tax asset (liability), which does not relate to a specific asset (liability) account in the statement of financial position, such as a deferred tax asset recognized for tax loss carryforwards, is classified as a current or non-current asset (liability) depending on the expected reversal period. Deferred tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred tax expenses are included in income tax expenses in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expenses for the current period when recognized.

#### (15) Critical accounting judgments and key sources of estimation uncertainty

In application of the Company's accounting policies, estimates and assumptions are applied to measure the carrying values of assets and liabilities, disclosures on provision, income and expense. The use of estimates and associated assumptions include the measurement of the carrying values of property, plant and equipment, accounts receivable, inventory, evaluation of deferred tax asset and evaluation of derivatives. Actual results may differ from these estimates.

### 4. Restricted Deposits

Deposits which are restricted in use as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>	<u>Description</u>
Short-term deposits				
Bank Deposit	₩	2,036,490,000	-	Payment guarantee
Long-term deposits				
Personal pension		<u>2,288,060,000</u>	<u>2,030,020,000</u>	Employee personal pension
	₩	<u>4,324,550,000</u>	<u>2,030,020,000</u>	

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.  
Notes to the Financial Statements  
March 31, 2018 and 2017

5. Inventories

Inventories as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Finished goods	₩	86,989,726,997	72,830,635,635
Work in process		24,914,615,583	21,031,331,914
Raw materials		98,255,149,318	84,501,319,236
Materials in transit		16,682,725,565	25,941,795,570
Parts for service		21,525,131,451	21,794,642,431
Less: allowance for valuation loss		<u>(15,284,797,616)</u>	<u>(21,766,441,214)</u>
	₩	<u>233,082,551,298</u>	<u>204,333,283,572</u>

6. Other Current Assets

Other current assets as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Prepaid expenses	₩	1,053,841,674	531,930,824
Accrued income		<u>73,863,051</u>	<u>40,402,254</u>
	₩	<u>1,127,704,725</u>	<u>572,333,078</u>

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2018 and 2017**

**7. Equity Method Investment Securities**

(1) Investment in security accounted for by using the equity method as of March 31, 2018 and 2017 is summarized as follows:

① As of March 31, 2018

*(In Korean won)*

<u>Investee</u>	<u>Ownership (%)</u>	<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Book value</u>
Tata Daewoo Commercial Vehicle Sales & Distribution Co., Ltd. ("TDSC")	100%	1,000,000,000	3,633,736,050	3,633,736,050

② As of March 31, 2017

*(In Korean won)*

<u>Investee</u>	<u>Ownership (%)</u>	<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Book value</u>
TDSC	100%	1,000,000,000	4,337,744,814	4,337,744,814

(2) Changes in the balance of investment in security accounted for using the equity method of accounting for the years ended March 31, 2018 and 2017 are as follows:

① For the year ended March 31, 2018

*(In Korean won)*

<u>Investee</u>	<u>Balance at April 1,2017</u>	<u>Acquisition</u>	<u>Equity loss</u>	<u>Balance at March 31,2018</u>
TDSC	₩ 4,337,744,814	-	(704,008,764)	3,633,736,050

② For the year ended March 31, 2017

*(In Korean won)*

<u>Investee</u>	<u>Balance at April 1,2016</u>	<u>Acquisition</u>	<u>Equity income</u>	<u>Balance at March 31,2017</u>
TDSC	₩ 3,745,954,329	-	591,790,485	4,337,744,814

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

7. Equity Method Investment Securities, Continued

(3) Financial information of equity-accounted investment, which represents 100% of the entities' balances as of and for the years ended March 31, 2018 and 2017 is summarized as follows:

① As of and for the year ended March 31, 2018

(In Korean won)

Investee	Total assets	Total liabilities	Revenue	Net loss
TDSC	₩ 10,358,522,128	6,724,786,078	48,992,268,577	(704,008,764)

② As of and for the year ended March 31, 2017

(In Korean won)

Investee	Total assets	Total liabilities	Revenue	Net income
TDSC	₩ 11,014,228,480	6,676,483,666	62,804,255,855	591,790,485

8. Property, Plant and Equipment

(1) Property, plant and equipment and related accumulated depreciation as of March 31, 2018 and 2017 are summarized as follows:

(In Korean won)

	2018	2017
Land	₩ 55,672,351,701	55,672,351,701
Buildings	96,431,834,200	96,290,866,200
Structures	15,372,269,741	14,338,869,741
Machinery and equipment	101,701,719,653	98,810,068,213
Vehicles	903,458,991	860,210,260
Tools	5,130,820,605	4,342,334,134
Furniture and fixtures	9,852,399,847	9,024,670,506
Computers	12,824,618,996	12,507,534,996
Molds	137,028,365,881	131,403,395,881
Construction in progress	2,240,959,367	1,708,892,000
<b>Total cost</b>	<b>437,158,798,982</b>	<b>424,959,193,632</b>
Less: assets acquired using government subsidy	(552,323,068)	(656,981,893)
Less: accumulated depreciation	(245,811,868,818)	(226,218,736,471)
<b>Property, plant and equipment, net</b>	<b>₩ 190,794,607,096</b>	<b>198,083,475,268</b>

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**Notes to the Financial Statements**  
**March 31, 2018 and 2017**

**8. Property, Plant and Equipment, Continued**

(2) Changes in property, plant and equipment for the year ended March 31, 2018 and 2017 are as follows:

(In Korean won)

		<b>2018</b>					
		<b>April 1</b>	<b>Acquisitions</b>	<b>Disposals or impairment</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>March 31</b>
Land	₩	55,672,351,701	-	-	-	-	55,672,351,701
Buildings		69,360,352,978	140,968,000	-	-	(2,476,391,625)	67,024,929,353
Structures		8,027,115,073	1,033,400,000	-	-	(763,868,880)	8,296,646,193
Machinery and equipment		24,274,761,444	2,834,643,400	(24,666,418)	375,600,000	(4,533,233,956)	22,927,104,470
Vehicles		109,285,885	67,175,239	(2,000)	-	(61,791,033)	114,668,091
Tools		1,019,579,361	328,508,105	-	459,978,366	(347,198,814)	1,460,867,018
Furniture and fixtures		2,819,906,409	878,994,523	(27,000)	-	(890,721,877)	2,808,152,055
Computers		1,348,499,244	550,274,000	(6,000)	-	(498,426,156)	1,400,341,088
Molds		33,742,731,173	4,942,578,000	-	612,392,000	(10,449,113,413)	28,848,587,760
Construction in progress		1,708,892,000	2,105,037,733	(125,000,000)	(1,447,970,366)	-	2,240,959,367
	₩	<u>198,083,475,268</u>	<u>12,881,579,000</u>	<u>(149,701,418)</u>	<u>-</u>	<u>(20,020,745,754)</u>	<u>190,794,607,096</u>

(In Korean won)

		<b>2017</b>					
		<b>April 1</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Transfer(*)</b>	<b>Depreciation</b>	<b>March 31</b>
Land	₩	55,672,351,701	-	-	-	-	55,672,351,701
Buildings		70,727,068,774	1,090,045,320	-	-	(2,456,761,116)	69,360,352,978
Structures		5,223,806,492	3,377,800,000	-	39,000,000	(613,491,419)	8,027,115,073
Machinery and equipment		26,681,901,041	2,037,200,000	(2,000)	81,000,000	(4,525,337,597)	24,274,761,444
Vehicles		180,757,138	720,000	(2,000)	-	(72,189,253)	109,285,885
Tools		1,290,676,142	93,933,726	-	-	(365,030,507)	1,019,579,361
Furniture and fixtures		2,864,564,946	791,340,000	(493,000)	-	(835,505,537)	2,819,906,409
Computers		1,446,723,035	328,943,000	(1,000)	67,000,000	(494,165,791)	1,348,499,244
Molds		32,166,637,445	8,600,150,000	(33,206,839)	2,721,500,000	(9,712,349,433)	33,742,731,173
Construction in progress		3,157,100,000	1,465,892,000	-	(2,914,100,000)	-	1,708,892,000
	₩	<u>199,411,586,714</u>	<u>17,786,024,046</u>	<u>(33,704,839)</u>	<u>(5,600,000)</u>	<u>(19,074,830,653)</u>	<u>198,083,475,268</u>

(\*) Construction in progress amounting to ₩5,600,000 was transferred to research and development expenses.

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 8. Property, Plant and Equipment, Continued

(4) The officially declared value of land at March 31, 2018 and 2017, as announced by the Ministry of Land, Transport and Maritime Affairs, is as follows:

<i>(In Korean won)</i>	Book value	Declared value	
		2018	2017
Plant site	₩ 55,487,999,429	81,363,740,460	84,839,515,670
Housing	184,352,272	210,567,994	192,702,835
	₩ <u>55,672,351,701</u>	<u>81,574,308,454</u>	<u>85,032,218,505</u>

The officially declared value which is used for government purposes is not intended to represent fair value.

### 9. Insured Assets

Listing and description of insured assets as of March 31, 2018 is summarized as follows:

*(In Korean won)*

Related assets	Risk	Book value	Insured amount	Insurance company
Inventories	Fire and comprehensive liability	₩ 216,399,825,733	626,668,079,264	Dongbu Insurance Co., Ltd.
Property, plant and equipment		132,881,296,028		
		₩ <u>349,281,121,761</u>	<u>626,668,079,264</u>	

### 10. Government Subsidy

The Company received a subsidy from the Ministry of Trade, Industry & Energy and Korea Agency for Infrastructure Technology Advancement for development of the high efficiency transmission and middle lower floor bus.

As of March 31, 2018 and 2017, unused portion of such government subsidy totaling ₩7,861,202 and ₩161,471,170 respectively, is presented as a contra cash and cash equivalents account.

As of March 31, 2018 and 2017, the subsidy with recourse obligation amounting to ₩2,430,000,000 and ₩2,450,400,000, respectively, is recorded as other accounts payable and other current liabilities.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**Notes to the Financial Statements**  
**March 31, 2018 and 2017**

**11. Intangible Assets**

(1) Details of intangible assets as of March 31, 2018 and 2017 are as follows:

		2018			2017		
		Acquisition cost	Accumulated amortization	Book value	Acquisition cost	Accumulated amortization	Book value
<i>(In Korean won)</i>							
Development costs	₩	5,841,832,814	(1,923,933,809)	3,917,899,005	5,564,601,507	(2,560,049,012)	3,004,552,495
Software		4,114,284,051	(2,521,041,059)	1,593,242,992	4,114,284,051	(1,835,327,048)	2,278,957,003
Industrial rights		37,266,845,000	(31,676,818,250)	5,590,026,750	37,266,845,000	(27,950,133,750)	9,316,711,250
	₩	<u>47,222,961,865</u>	<u>(36,121,793,118)</u>	<u>11,101,168,747</u>	<u>46,945,730,558</u>	<u>(32,345,509,810)</u>	<u>14,600,220,748</u>

(2) Changes in intangible assets for the years ended March 31, 2018 and 2017 are as follows:

		April 1, 2017	Acquisition	Disposal	Amortization	March 31, 2018
<i>(In Korean won)</i>						
Development costs	₩	3,004,552,495	1,627,245,435	(22,638,767)	(691,260,158)	3,917,899,005
Software		2,278,957,003	-	-	(685,714,011)	1,593,242,992
Industrial rights		9,316,711,250	-	-	(3,726,684,500)	5,590,026,750
	₩	<u>14,600,220,748</u>	<u>1,627,245,435</u>	<u>(22,638,767)</u>	<u>(5,103,658,669)</u>	<u>11,101,168,747</u>

		April 1, 2016	Acquisition	Obsolescence	Amortization	March 31, 2017
<i>(In Korean won)</i>						
Development costs	₩	2,942,872,819	1,217,173,553	(271,790,045)	(883,703,832)	3,004,552,495
Software		2,586,075,887	359,200,876	-	(666,319,760)	2,278,957,003
Industrial rights		13,043,395,750	-	-	(3,726,684,500)	9,316,711,250
	₩	<u>18,572,344,456</u>	<u>1,576,374,429</u>	<u>(271,790,045)</u>	<u>(5,276,708,092)</u>	<u>14,600,220,748</u>

(3) Major item of intangible assets as of March 31, 2018 is as follows:

<i>(In Korean won)</i>		Description	Book value	Remaining useful lives
	₩	Intellectual property right	5,590,026,750	18 months

**12. Other Non-Current Assets**

Other non-current assets as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		2018	2017
Guarantee deposits	₩	2,987,181,000	1,917,595,000
Deposit for severance benefit insurance		2,608,552,575	-
Others		1,121,330,008	1,121,330,008
	₩	<u>6,717,063,583</u>	<u>3,038,925,008</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

13. Short-term Borrowings

Short-term borrowings as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>			<b>Amount</b>	
<b>Description</b>	<b>Lender</b>	<b>Annual interest rate at Mar. 31, 2018</b>	<b>2018</b>	<b>2017</b>
General loan	KEB HANA and others	2.46 – 3.00%	₩ 60,000,000,000	40,000,000,000

14. Provision for Warranties

Changes in provisions for warranty claims for the years ended March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		<b>2018</b>	<b>2017</b>
Beginning of the year	₩	19,292,478,922	23,793,539,906
Provision for warranty claims, net		14,313,284,195	6,295,858,357
Payments		(14,196,031,452)	(10,796,919,341)
End of the year	₩	<u>19,409,731,665</u>	<u>19,292,478,922</u>
Thereof non-current	₩	(6,602,203,580)	(6,640,472,482)

15. Accrued Severance Indemnities

(1) Changes in retirement and severance benefits for the years ended March 31, 2018 and 2017 are as follows:

<i>(In Korean won)</i>		<b>2018</b>	<b>2017</b>
<b>Provision for retirement and severance benefits at beginning of the year</b>	₩	56,691,652,740	48,848,538,810
Accrual for retirement and severance benefits		9,054,185,457	8,734,074,815
Payments		(1,573,604,647)	(890,960,885)
<b>Provision for retirement and severance benefits at end of the year</b>		64,172,233,550	56,691,652,740
Transfer to National Pension Fund		(202,884,500)	(210,477,500)
Deposit for severance benefit insurance		(63,969,349,050)	(55,971,939,532)
<b>Net balance at end of the year</b>	₩	<u>-</u>	<u>509,235,708</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

15. Accrued Severance Indemnities, Continued

(2) Changes in retirement pension assets for the years ended March 31, 2018 and 2017 are as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
<b>Beginning balance</b>	₩	55,971,939,532	45,181,410,361
Deposits		11,306,000,000	11,000,000,000
Payments		(1,219,984,834)	(730,271,970)
Interest accrued		519,946,927	520,801,141
<b>Ending balance</b>	₩	<u>66,577,901,625</u>	<u>55,971,939,532</u>

(3) Pension plan assets as of March 31, 2018 and 2017 are summarized as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Time deposit	₩	66,577,901,625	55,971,939,532

16. Assets and Liabilities Denominated in Foreign Currencies

(1) Assets and liabilities denominated in foreign currencies as of March 31, 2018 are as follows:

<i>(In Korean won)</i>		<u>2018</u>		
		<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Translation into won</u>
Cash and cash equivalents	USD	8,942,582	₩ 1,066.50	9,537,263,574
	EUR	3,600,735	1,311.95	4,723,984,060
Accounts receivable - trade	USD	32,211,733	1,066.50	34,353,813,389
	EUR	1,609,578	1,311.95	2,111,685,803
	ZAR	60,173,988	90.08	5,420,472,838
Accounts receivable - others	USD	18,447	1,066.50	19,673,598
	EUR	1,830,142	1,311.95	2,401,054,797
Total foreign currency denominated assets			₩	<u>58,567,948,059</u>
Accounts payable - trade	USD	1,098,657	1,066.50	₩ 1,171,717,307
	EUR	7,112,470	1,311.95	9,331,205,324
	CNY	483,919	169.68	82,111,408
Accounts payable - others	USD	904,233	1,066.50	964,364,953
	EUR	2,669	1,311.95	3,501,595
Accrued expenses	USD	692,259	1,066.50	738,293,969
	EUR	35,700	1,311.95	46,836,615
	ZAR	65,065	90.08	5,861,055
Total foreign currency denominated liabilities			₩	<u>12,343,892,226</u>

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2018 and 2017**

**16. Assets and Liabilities Denominated in Foreign Currencies, Continued**

(2) Assets and liabilities denominated in foreign currencies as of March 31, 2017 are as follows:

(In Korean won)

		<b>March 31, 2017</b>		
		<b>Foreign currency</b>	<b>Exchange rate</b>	<b>Translation into won</b>
Cash and cash equivalents	USD	10,034,741	₩ 1,116.10	₩ 11,199,774,944
	EUR	6,704,661	1,192.61	7,996,045,791
Accounts receivable - trade	USD	31,545,946	1,116.10	35,208,430,151
	ZAR	27,623,856	83.27	2,300,238,490
Accounts receivable - others	USD	10,803	1,116.10	12,057,563
	EUR	642,000	1,192.61	765,655,620
Total foreign currency denominated assets				₩ <u>57,482,202,559</u>
Accounts payable - trade	USD	1,890,832	1,116.10	₩ 2,110,357,870
	EUR	13,436,090	1,192.61	16,024,015,539
	CNY	978,191	162.27	158,730,982
	AUD	409	853.37	349,148
Accounts payable - others	USD	768,480	1,116.10	857,700,629
	EUR	647,551	1,192.61	772,275,798
Accrued expenses	USD	960,239	1,116.10	1,071,723,252
Total foreign currency denominated liabilities				₩ <u>20,995,153,218</u>

**17. Related Party Transactions**

(1) Details of parent and subsidiary relationships as of March 31, 2018 are as follows:

<b>Relationship</b>	<b>Related parties</b>
Ultimate controlling party	Tata Motors Limited
Immediate Parent	TML Holdings Pte., Ltd.
Controlled subsidiary	TDSC
Others	Tata Motors Limited's subsidiaries and associates

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**  
**Notes to the Financial Statements**  
**March 31, 2018 and 2017**

**17. Related Party Transactions, Continued**

(2) Significant transactions which occurred in the normal course of business with related parties for the years ended March 31, 2018 and 2017 are as follows:

(In Korean won)

<b>Transaction</b>	<b>Name</b>		<b>2018</b>	<b>2017</b>
Sales to	Tata Motors Limited	₩	660,809,455	1,551,343,618
	TDSC		225,606,852	247,712,000
	Tata Motors Thailand Ltd.		98,397,545	113,927,940
	Tata Motors (SA)(PTY) Ltd.		1,601,555,094	-
	Total	₩	<u>2,586,368,946</u>	<u>1,912,983,558</u>
Purchase from	Tata Motors Limited	₩	114,936,432	233,341,324
	Tata Technologies Pte., Ltd.		1,676,589,063	1,765,940,488
	Total	₩	<u>1,791,525,495</u>	<u>1,999,281,812</u>
Fee and charge to	TDSC	₩	54,622,008,497	70,559,204,470
	Total	₩	<u>54,622,008,497</u>	<u>70,559,204,470</u>
Other to	Tata Motors Limited	₩	722,541,727	811,068,654
	Tata Motors Limited Holdings Pte., Ltd		20,207,602,000	13,572,270,000
	TDSC		-	38,797,855
	Tata Sons Limited		2,172,812,153	2,579,455,484
	R. Pisharody		-	25,000,000
	Total	₩	<u>23,102,955,880</u>	<u>17,026,591,993</u>
Other from	TDSC	₩	455,855	644,000
	Total	₩	<u>455,855</u>	<u>644,000</u>

(3) Account balances with related parties as of March 31, 2018 and 2017 are as follows:

① As of March 31, 2018

<b>Name</b>		<b>Receivables</b>		<b>Payables</b>	
		<b>Accounts receivable - trade</b>	<b>Advance payment</b>	<b>Other payables</b>	<b>Accrued expenses</b>
Tata Motors Limited	₩	168,253,323	26,299,840	87,943,246	456,106,835
TDSC		18,700,000	-	4,321,970,405	-
Tata Motors Thailand Ltd.		9,006,454	-	-	-
Tata Motors (SA) (PTY) Ltd.		1,752,595,399	-	-	-
Tata Technologies Pte., Ltd.		-	-	177,791,903	-
Tata Sons Limited		-	-	523,250	2,170,646,791
Total	₩	<u>1,948,555,176</u>	<u>26,299,840</u>	<u>4,588,228,804</u>	<u>2,626,753,626</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

17. Related Party Transactions, Continued

② As of March 31, 2017

(In Korean won)

Name	Receivables		Payables	
	Accounts receivable - trade	Accounts payable - trade	Other payables	Accrued expenses
Tata Motors Limited	₩ 161,877,347	31,171,557	185,697,176	-
TDSC	12,516,240	-	7,396,989,725	-
Tata Motors Thailand Ltd.	10,378,335	-	-	-
Tata Motors (SA) (PTY) Ltd.	1,688,203,989	-	-	-
Tata Technologies Pte., Ltd.	-	-	114,727,701	-
Tata Sons Limited	-	-	-	2,579,455,484
Total	₩ 1,872,975,911	31,171,557	7,697,414,602	2,579,455,484

18. Commitments and Contingencies

(1) The Company's significant pending litigations as of March 31, 2018 are as follows:

(In Korean won)

Court	Plaintiff	Defendant	Descriptions	Amount of damage claim	Progress
Suwon	Kwangsin	The Company and others	Claim for repair	315,101,422	Proceeding in first trial
Jeonju	Kim, Youngnam and 2 people	The Company	Confirmation of employee status	150,000,000	Proceeding in first trial
Jeju	Kim, Miza	The Company and others	Claim for repair	100,000,000	Proceeding in first trial

As of March 31, 2018, the ultimate outcome of the legal cases cannot presently be predicted and outflow of resources is not probable.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2018 and 2017**

**18. Commitments and Contingencies, Continued**

(2) Comprehensive bank facilities as of March 31, 2018 are provided by financial institutions for the Company as follows:

(In Korean won and in each foreign currency)

<u>Provider</u>	<u>Credit limit</u>	<u>Amount utilized</u>	<u>Period</u>	<u>Description</u>
KEB HANA	KRW 12,300,000,000	USD 4,142,000 (*1)	July 19, 2017-July 19, 2018	Export-Import finance and working capital
		EUR 480,656		
	USD 5,700,000	EUR 2,000,000 (*2)	June 19, 2017-June 10, 2018	Foreign exchange and derivatives
	USD 7,000,000	USD 5,713,361	June 10, 2016-June 10, 2019	Export finance
	KRW 25,000,000,000	KRW 11,167,145,652	Jan. 17, 2018-Jan. 17, 2019	Seller's loan
	KRW 10,000,000,000	KRW 10,000,000,000	Oct. 07, 2017-Oct. 07, 2018	General loan
	KRW 10,000,000,000	KRW 10,000,000,000	Dec. 15, 2017-Dec. 15, 2018	General loan
	USD 3,000,000	-	Nov. 24, 2017-Nov. 24, 2018	Import finance
	KRW 13,910,000,000	KRW 3,021,673,098	Dec. 10, 2016-Feb. 16, 2023	Employee welfare
Exim Bank	KRW 30,000,000,000	KRW 20,000,000,000	Sept. 14, 2017-Sept. 14, 2018	Import finance
Shinhan Bank	KRW 10,000,000,000	KRW 3,092,273,447	Oct. 08, 2017-Oct. 08, 2018	Seller's loan
		USD 3,000,000	EUR 1,453,519	Oct. 08, 2017-Oct. 08, 2018
	KRW 10,000,000,000	KRW 10,000,000,000	Mar. 20, 2018-Mar. 20, 2019	General loan
	KRW 10,000,000,000	KRW 10,000,000,000	Feb. 17, 2018-Feb. 17, 2019	General loan
ANZ Bank	USD 20,000,000	-	June 30, 2017-June 30, 2018	Export-Import finance and working capital
	USD 20,000,000	-	June 30, 2017-June 30, 2018	Foreign exchange and derivatives
Kookmin Bank	USD 5,000,000	-	Sept. 06, 2017-Sept. 06, 2018	Import finance
		-	Sept. 06, 2017-Sept. 06, 2018	Export finance
Jeonbuk Bank	USD 3,000,000	-	Aug. 18, 2017-Aug. 18, 2018	Import finance
HSBC	USD 10,000,000	-	Oct. 31, 2017-Oct. 31, 2018	Foreign exchange and derivatives
Total	KRW 131,210,000,000	KRW 77,281,092,197		
		USD 81,700,000	USD 9,855,361	
			EUR 3,934,175	

(\*1) As of March 31, 2018, the utilized line of credit includes accounts receivable that the Company factored at a discount or transferred with recourse.

(\*2) These amounts represent contract amounts of derivatives held by the Company as of March 31, 2018.

(3) The Company has provided payment guarantee amounting to ₩2,036,490,000 to IBK Bank in favor of the borrowings of Sekyung Auto Trading Co., Ltd. and Frendit Co., Ltd. as of March 31, 2018, for which it will be contingently liable.

In addition to the above line of credit arrangements, as of March 31, 2018, export financing arrangements were provided to the Company by KEB Hana Bank totaling USD 4,552,000 and EUR 665,000, and UBAF totaling USD 2,319,200, respectively, for which the Company is contingently liable.

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

19. Derivatives

(1) The Company maintains foreign currency forward contracts with financial institutions and details of such contracts as of March 31, 2018 and 2017 are as follows:

		March 31, 2018								
		Contract amount				Fair value				
		Foreign	Rate		Amount	Assets	Liabilities	Net		
Bank		currency								
Buying	KEB HANA	EUR	2,000,000	USD	1.2274	USD	2,454,800 ₩	7,326,734	-	7,326,734

		March 31, 2017							
		Contract amount				Fair value			
		Foreign	Rate		Amount	Assets	Liabilities	Net	
Bank		currency							
Buying	ANZ	EUR	7,000,000 ₩	1,201.48-1,228.55	₩	8,488,090,000	-	(131,278,941)	(131,278,941)
Buying	HSBC		10,000,000	1,200.20-1,221.20		12,056,830,000	-	(107,974,863)	(107,974,863)
Buying	KEB HANA		9,000,000	1,200.64-1,220.62		10,892,880,000	-	(140,896,796)	(140,896,796)
		EUR	<u>26,000,000</u>		₩	<u>31,437,800,000</u>	-	<u>(380,150,600)</u>	<u>(380,150,600)</u>

(2) Gains or losses in connection with foreign currency forward contracts for the years ended March 31, 2018 and 2017 are as follows:

		2018	2017
Gain on derivative instruments valuation	₩	7,326,734	-
Loss on derivative instruments valuation		-	(380,150,600)
Gain on derivative instruments transactions		2,047,411,890	206,054,214
Loss on derivative instruments transactions		(83,450,000)	(1,655,132,595)

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

20. Shareholder's Equity

Common stock and capital surplus as of March 31, 2018 and 2017 are as follows:

<i>(In Korean won except for share data)</i>	<u>2018</u>	<u>2017</u>
Number of shares:		
Authorized	70,000,000 shares	70,000,000 shares
Issued and outstanding	3,016,060 shares	3,016,060 shares
Par value	<u>5,000</u>	<u>5,000</u>
Common stock	₩ 15,080,300,000	15,080,300,000
Capital surplus:		
Paid-in capital in excess of par value	92,753,162,813	92,753,162,813
Gain from capital reduction	<u>50,650,609,388</u>	<u>50,650,609,388</u>
Total	₩ <u>158,484,072,201</u>	<u>158,484,072,201</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

21. Retained Earnings

(1) Earned surplus reserve

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

(2) Reserve for research and human resources development

Under the Special Tax Treatment Control Law, the Company appropriated retained earnings for research and human resources development. The reserve used for its original purpose and the remaining balance after use are restored to retained earnings and can be used for dividends.

(3) Statements of Appropriations of Retained Earnings

<i>(In Korean won)</i>	<u>2018</u>	<u>2017</u>
RETAINED EARNINGS BEFORE		
APPROPRIATIONS:		
Beginning of the year	₩ 184,810,002,599	156,787,046,358
Net income	<u>33,661,356,364</u>	<u>50,251,558,241</u>
End of the year	218,471,358,963	207,038,604,599
APPROPRIATIONS:		
Cash dividends	10,556,210,000	20,207,602,000
Earned surplus reserve	<u>-</u>	<u>2,021,000,000</u>
Total Appropriations	<u>10,556,210,000</u>	<u>22,228,602,000</u>
UNAPPROPRIATED RETAINED EARNINGS		
TO BE CARRIED FORWARD TO		
SUBSEQUENT YEAR	₩ <u>207,915,148,963</u>	<u>184,810,002,599</u>

## TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

### Notes to the Financial Statements

March 31, 2018 and 2017

#### 22. Dividends

Details of dividends for common stocks included in the Company's statements of appropriations of retained earnings for the years ended March 31, 2018 and 2017 are as follows:

(1) Dividends (in Korean won and shares):

	<u>2018</u>	<u>2017</u>
Dividends per share (dividend ratio)	3,500(70%)	6,700(134%)
Number of shares outstanding	3,016,060	3,016,060
Dividend	₩ 10,556,210,000	20,207,602,000

(2) Dividend Payout Ratios

	<u>2018</u>	<u>2017</u>
Dividends	₩ 10,556,210,000	20,207,602,000
Net income	33,661,356,364	50,251,558,241
Payout ratio	31.36%	40.21%

#### 23. Comprehensive Income

Comprehensive income for the years ended March 31, 2018 and 2017 are same as net income.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2018 and 2017**

**24. Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

		<u>2018</u>	<u>2017</u>
Salaries	₩	18,469,722,160	16,971,315,219
Provision for severance indemnities		1,595,995,605	1,464,312,858
Other employee benefits		3,781,442,081	3,794,884,169
Utilities		183,861,463	183,227,921
Vehicle maintenance		162,041,719	166,504,955
Repairs		571,184,472	663,030,048
Rental		1,242,417,174	1,291,110,308
Insurance		159,302,357	155,330,119
Depreciation		958,194,036	990,111,858
Amortization		5,103,658,669	5,276,708,092
Supplies		121,712,361	125,509,813
Publication		146,090,132	166,051,754
Communication		268,659,489	256,392,536
Freight and storage		5,507,066,017	4,357,180,470
Taxes and dues		391,544,745	725,867,161
Travel		526,708,903	555,686,557
Fee and charges		61,874,493,450	79,703,554,955
Entertainment		112,470,901	101,706,511
Advertising		145,484,050	173,239,381
Training		207,417,745	111,608,509
Outsourcing		1,765,662,748	1,989,872,552
Research and development		818,836,319	1,497,576,108
Sales promotion, net		1,658,530,975	(564,523,881)
Provision for warranty, net		14,313,284,195	6,295,858,357
Packaging		942,157,389	1,196,131,236
Overseas marketing		656,357,568	326,569,700
Provision for doubtful accounts, net		5,590,727,089	17,467,800,447
Others		49,690,711	22,921,064
		<u>127,324,714,523</u>	<u>145,465,538,777</u>
Total	₩	<u>127,324,714,523</u>	<u>145,465,538,777</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

25. Income Taxes

(1) The components of income tax expense for the years ended March 31, 2018 and 2017 are as follows:

(In Korean won)

		<u>2018</u>	<u>2017</u>
Current tax expense	₩	6,086,561,860	20,493,232,019
Changes in deferred tax for temporary differences		<u>622,102,887</u>	<u>(4,578,249,581)</u>
<b>Income tax expense in continuing operation</b>	₩	<u>6,708,664,747</u>	<u>15,914,982,438</u>

(2) The income tax expense calculated by applying statutory tax rates to the Company's income before income taxes for the years differs from the actual tax expense in the statements of income for the years ended March 31, 2018 and 2017 for the following reasons:

(In Korean won)

		<u>2018</u>	<u>2017</u>
<b>Income before income taxes</b>	₩	40,370,021,111	66,166,540,679
Tax rate		24.2%	24.2%
<b>Income taxes at normal tax rates</b>		9,769,545,109	16,012,302,844
Tax effects of permanent difference		287,019,812	134,763,290
Tax credit		(315,536,740)	(446,116,447)
Adjustment of prior year tax return		(2,587,846,630)	-
Others		<u>(444,516,804)</u>	<u>214,032,751</u>
<b>Income tax expense</b>	₩	<u>6,708,664,747</u>	<u>15,914,982,438</u>
<b>Effective tax rate</b>		<u>16.6%</u>	<u>24.1%</u>

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.  
Notes to the Financial Statements  
March 31, 2018 and 2017

25. Income Taxes, Continued

(3) Changes in temporary differences and deferred tax assets (liabilities) for the years ended March 31, 2018 and 2017 are as follows:

<i>(In Korean won)</i>		<b>2018</b>			
<u>Account</u>		<u>April 1</u>	<u>Decrease</u>	<u>Increase</u>	<u>March 31</u>
<b>Temporary differences (current):</b>					
Accrued expenses	₩	8,371,880,030	8,371,880,030	8,556,187,429	8,556,187,429
Provision for warranties		12,652,006,440	12,652,006,440	12,807,528,085	12,807,528,085
Allowance for doubtful accounts		17,933,584,385	17,933,584,385	23,630,668,609	23,630,668,609
Valuation of inventories		21,866,897,645	21,766,441,214	15,284,797,616	15,385,254,047
Loss on currency forward valuation		380,150,600	380,150,600	-	-
Government subsidy		3,268,853,069	448,662,439	169,993,640	2,990,184,270
Gain on currency forward valuation		-	-	(7,326,734)	(7,326,734)
Accrued interest income		(40,402,254)	(40,402,254)	(73,863,051)	(73,863,051)
Subtotal		64,432,969,915	61,512,322,854	60,367,985,594	63,288,632,655
Tax rate (*1)		24.20%			24.20%
Current deferred tax assets	₩	15,592,778,719			15,315,849,103
<b>Temporary differences (non-current):</b>					
Accrued warranties	₩	6,640,472,482	6,640,472,482	6,602,203,580	6,602,203,580
Depreciation		4,266,505,815	2,330,524,713	238,449,019	2,174,430,121
Equity method investment securities		(3,337,744,814)	(704,008,764)	-	(2,633,736,050)
Subtotal		7,569,233,483	8,266,988,431	6,840,652,599	6,142,897,651
Tax rate (*1)		24.20%			24.20%
Non-current deferred tax assets		1,831,754,503			1,486,581,232
Deferred tax assets (*2)	₩	17,424,533,222			16,802,430,335

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

25. Income Taxes, Continued

<i>(In Korean won)</i>		2017			
Account		April 1	Decrease	Increase	March 31
<b>Temporary differences (current):</b>					
Accrued expenses	₩	10,152,868,092	10,152,868,092	8,371,880,030	8,371,880,030
Allowance for doubtful accounts		972,808,042	972,808,042	17,933,584,385	17,933,584,385
Accrued warranties		15,801,605,266	15,801,605,266	12,652,006,440	12,652,006,440
Valuation of inventories		13,785,318,792	13,684,862,361	21,766,441,214	21,866,897,645
Loss on currency forward valuation		198,022,269	198,022,269	380,150,600	380,150,600
Government subsidy		2,865,747,266	669,775,777	1,072,881,580	3,268,853,069
Gain on currency forward valuation		(92,100,650)	(92,100,650)	-	-
Accrued interest income		(18,982,322)	(18,982,322)	(40,402,254)	(40,402,254)
Subtotal		43,665,286,755	41,368,858,835	62,136,541,995	64,432,969,915
Tax rate (*1)		24.20%			24.20%
Current deferred tax assets	₩	10,566,999,395			15,592,778,719
<b>Temporary differences (non-current):</b>					
Accrued warranties	₩	7,991,934,640	7,991,934,640	6,640,472,482	6,640,472,482
Depreciation		4,172,549,636	1,356,929,038	1,450,885,217	4,266,505,815
Equity method investment securities		(2,745,954,329)	-	(591,790,485)	(3,337,744,814)
Subtotal		9,418,529,947	9,348,863,678	7,499,567,214	7,569,233,483
Tax rate (*1)		24.20%			24.20%
Non-current deferred tax assets		2,279,284,246			1,831,754,503
Deferred tax assets (*2)	₩	12,846,283,641			17,424,533,222

(\*1) Tax rate is the enacted tax rate that is expected to be applicable to future taxable income in the periods in which the deferred tax liability and asset are expected to be settled or realized.

(\*2) Deductible temporary differences are recorded to the extent that the resulting deferred tax assets are certain to be realized as of March 31, 2018 and 2017, respectively.

**TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2018 and 2017**

**25. Income Taxes, Continued**

(4) Current income tax asset and current income tax liability as of March 31, 2018 and 2017 are as follows:

*(In Korean won)*

		<u>2018</u>	<u>2017</u>
Current income tax asset	₩	(8,920,026,480)	(6,538,042,430)
Current income tax liability		<u>8,948,744,260</u>	<u>19,798,032,376</u>
Current income tax liability, net	₩	<u>28,717,780</u>	<u>13,259,989,946</u>

**26. Earnings per Share**

The Company's earnings per share for the years ended March 31, 2018 and 2017 is as follows:

*(In Korean won except for share data)*

		<u>2018</u>	<u>2017</u>
Net income	₩	33,661,356,364	50,251,558,241
Weighted-average number of common shares outstanding (*)		<u>3,016,060</u>	<u>3,016,060</u>
Earnings per share	₩	<u>11,161</u>	<u>16,661</u>

(\*) Weighted-average number of shares outstanding for the years ended March 31, 2018 and 2017, was the same as the issued number of shares, as there was no change in outstanding shares of common stock for the years ended March 31, 2018 and 2017.

**27. Non-cash Investing and Financing Activities**

Significant non-cash investing and financing activities for the years ended March 31, 2018 and 2017 are as follows

*(In Korean won)*

		<u>2018</u>	<u>2017</u>
Transfer from construction in progress to molds	₩	612,392,000	2,721,500,000
Transfer from construction in progress to machinery		375,600,000	81,000,000
Transfer from construction in progress to tools		459,978,366	-
Earned surplus reserve		2,021,000,000	1,358,000,000
Increase(decrease) of other payables due to acquisition of construction in progress		490,052,000	(531,312,000)

TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

28. Financial Instruments

(1) Financial instruments that are measured subsequent to initial recognition at fair value as of March 31, 2018 and 2017 are as follows:

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Financial instrument assets			
Foreign currency forward contracts (*)	₩	7,326,734	-
Financial instrument liabilities			
Foreign currency forward contracts (*)	₩	-	380,150,600

(\*) Foreign currency forward contracts are stated at the market value as fair value.

(2) The maturity analysis of financial liabilities as of March 31, 2018 and 2017 is as follows:

<i>(In Korean won)</i>		<u>2018</u>		
<u>Account</u>		<u>3 months or less</u>	<u>3-12 months</u>	<u>Total</u>
Short-term borrowings	₩	-	60,000,000,000	60,000,000,000
Accounts payable, trade		108,164,885,541	-	108,164,885,541
Accounts payable, other		21,505,897,182	-	21,505,897,182
Accrued expenses		5,779,762,980	9,601,022,794	15,380,785,774
Total	₩	<u>135,450,545,703</u>	<u>69,601,022,794</u>	<u>205,051,568,497</u>

<i>(In Korean won)</i>		<u>2017</u>		
<u>Account</u>		<u>3 months or less</u>	<u>3-12 months</u>	<u>Total</u>
Short-term borrowings	₩	-	40,000,000,000	40,000,000,000
Accounts payable, trade		117,476,388,466	-	117,476,388,466
Accounts payable, other		24,913,260,934	-	24,913,260,934
Accrued expenses		12,015,533,712	6,755,959,784	18,771,493,496
Foreign currency forward contracts		362,934,251	17,216,349	380,150,600
Total	₩	<u>154,768,117,363</u>	<u>46,773,176,133</u>	<u>201,541,293,496</u>

(3) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

# TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.

## Notes to the Financial Statements

March 31, 2018 and 2017

### 29. Value Added Information

Details of value-added information included in cost of goods manufactured and selling and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

*(In Korean won)*

		<u>2018</u>	<u>2017</u>
Wages and salaries	₩	110,190,026,553	100,490,053,777
Provision for severance indemnities		9,054,185,457	8,734,074,815
Employee welfare		19,994,994,575	19,551,695,221
Rent		2,898,648,615	2,992,548,767
Depreciation		20,020,745,754	19,074,830,653
Amortization		5,103,658,669	5,276,708,092
Taxes and dues		1,319,772,817	1,647,179,834

## **Internal Accounting Control System Review Report**

English Translation of a Report Originally Issued in Korean

To the President of TATA DAEWOO COMMERCIAL VEHICLE CO., LTD.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of TATA DAEWOO COMMERCIAL VEHICLE CO., LTD. (the "Company") as of March 31, 2018. The Company's management is responsible for designing and maintaining an effective IACS and for its assessment of the effectiveness of the IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of the IACS, the Company's management stated: "Based on the assessment of the operations of the IACS as of March 31, 2018, no material weaknesses are identified as of March 31, 2018, in all material respects, in accordance with the IACS Standards established by the IACS Operations Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. A review consists principally of obtaining an understanding of the Company's IACS, inquiries of the Company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion. However, as the Company is a privately-held large enterprise, the design, operations and assessment of its IACS are limited compared with those of publicly-held large enterprises, under Chapter 5, "Application for Small and Medium-sized Enterprises" of IACS Standards. As such, we performed our review in accordance with Chapter 14, "Review Standards for Small and Medium-sized Enterprises".

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of March 31, 2018 is not prepared, in all material respects, in accordance with Chapter 5, "Application for Small and Medium-sized Enterprises of the IACS Review Standards issued by the IACS Operation Committee.

This report applies to the Company's IACS in existence as of March 31, 2018. We did not review the Company's IACS subsequent to March 31, 2018. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

*KPMG Samjong Accounting Corp.*

April 19, 2018

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2018 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.



## Report on Operation of Internal Accounting Control System (“IACS”)

To the Board of Directors and the Auditor of  
Tata Daewoo Commercial Vehicle Co., Ltd

I, as the Internal Accounting Control Officer (“IACO”) of Tata Daewoo Commercial Vehicle Co., Ltd (the “Company”), assessed the status of the design and operation of the Company’s IACS for the year ended March 31, 2018.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, as of March 31, 2018, the Company did not identify any material weakness, in all material respects, in accordance with the IACS Framework.

April 10, 2018

Dileep G. Naik  
Internal Accounting Control Officer

Kim, Kwan Kju  
President & CEO