

TATA DAEWOO COMMERCIAL VEHICLE
SALES & DISTRIBUTION 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 SALES & DISTRIBUTION CO., LTD.:

We have audited the accompanying financial statements of TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD. (the "Company") which comprise the statement of financial position as of March 31, 2018, and the statements of operation, 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 18, 2018

This report is effective as of April 18, 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 SALES & DISTRIBUTION CO., LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2018 AND 2017

<u>ASSETS</u>	2018	2017
	(In Korean won)	
CURRENT ASSETS		
Cash and cash equivalents	₩ 4,380,234,969	2,165,577,778
Short-term financial instrument	-	50,000,000
Accounts receivable (Note 8)		
- Trade, net of allowance for doubtful accounts of		
₩43,219,704 as of March 31, 2018 and		
₩73,969,897 as of March 31, 2017	4,278,750,701	7,323,019,828
Other receivables	156,544,580	135,057,340
Accrued income	749,134	895,699
Prepaid income tax	171,408,750	-
Current deferred tax assets (Note 11)	146,468,999	140,020,934
Total Current Assets	9,134,157,133	9,814,571,579
NON-CURRENT ASSETS		
Property and equipment, net (Note 4)	281,019,720	269,493,457
Intangible assets, net (Note 5)	232,758,333	287,525,000
Non-current deferred tax assets (Note 11)	467,511,942	407,563,444
Other non-current assets (Note 6)	243,075,000	235,075,000
Total Non-current Assets	1,224,364,995	1,199,656,901
Total Assets	₩ 10,358,522,128	11,014,228,480
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable (Notes 8 and 15)	₩ 3,649,304,455	3,267,013,898
Accrued expenses (Notes 8 and 15)	492,725,975	681,121,663
Withholdings	427,807,248	590,680,375
Current portion of long-term liability (Notes 14 and 15)	33,950,000	55,350,000
Advanced receipts	10,483,360	2,820,000
Income tax payable (Note 11)	-	202,487,500
Total Current Liabilities	4,614,271,038	4,799,473,436
NON-CURRENT LIABILITIES		
Accrued severance indemnities (Note 7)	1,722,775,040	1,641,980,230
Long-term other payable (Note 15)	387,740,000	235,030,000
Total Non-current Liabilities	2,110,515,040	1,877,010,230
Total Liabilities	6,724,786,078	6,676,483,666
SHAREHOLDER'S EQUITY		
Common stock (Notes 1 and 9)	1,000,000,000	1,000,000,000
Retained earnings (Note 10):		
Earned surplus reserve	70,000,000	70,000,000
Unappropriated retained earnings	2,563,736,050	3,267,744,814
Total Shareholder's Equity	3,633,736,050	4,337,744,814
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	₩ 10,358,522,128	11,014,228,480

See accompanying notes to financial statements.

KPMG Samjong Accounting Corp.
Byun, Jae Jun
Partner

Kim, Kwan Kju
Chairman
Yuh, Seung Soon
Director
Dileep G Naik
Director

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
	(In Korean won)	
OPERATING REVENUE (Note 8)		
Service fee	₩ 55,070,778,773	71,542,418,606
Sales incentive	(6,078,510,196)	(8,738,162,751)
Net	48,992,268,577	62,804,255,855
OPERATING EXPENSES		
Salaries	(4,286,012,946)	(3,957,185,342)
Provision for severance indemnities	(327,476,897)	(320,147,685)
Other employee benefits	(891,382,759)	(910,429,154)
Utilities	(17,352,606)	(16,741,288)
Vehicle maintenance	(91,661,235)	(110,542,540)
Rental	(428,888,605)	(414,843,552)
Insurance	(37,610,899)	(32,535,155)
Depreciation	(92,461,070)	(118,818,097)
Amortization	(54,766,667)	(52,405,826)
Supplies	(20,284,139)	(22,486,059)
Publication	(40,974,841)	(52,181,448)
Communication	(89,084,395)	(92,395,935)
Taxes and dues	(21,687,821)	(16,673,596)
Travel	(76,571,327)	(71,996,005)
Training	(91,051,425)	(70,758,842)
Sales commission	(25,176,254,767)	(32,095,186,951)
Fee and charge	(1,117,328,241)	(1,771,603,540)
Entertainment	(59,167,640)	(80,252,913)
Advertising	(71,282,500)	(47,694,400)
Outsourcing	(2,531,463,607)	(2,558,826,119)
Sales promotion	(14,389,879,080)	(19,243,819,602)
Expenditure for meeting	(75,346,635)	(26,040,948)
Reversal(provision) for doubtful accounts	30,750,193	(19,711,072)
Others	(26,605,002)	(29,499,906)
Total	(49,983,844,911)	(62,132,775,975)
OPERATING INCOME (LOSS)	(991,576,334)	671,479,880
OTHER INCOME (EXPENSES)		
Interest income	62,029,187	69,935,447
Others, net	159,141,820	126,313,448
Other income, net	221,171,007	196,248,895
INCOME (LOSS) BEFORE INCOME TAX EXPENSES	(770,405,327)	867,728,775
INCOME TAX BENEFIT (EXPENSES) (Note 11)	66,396,563	(275,938,290)
NET INCOME (LOSS)	₩ (704,008,764)	591,790,485
EARNINGS (LOSS) PER SHARE (Note 12)	₩ (3,520)	2,959

See accompanying notes to financial statements.

KPMG Samjong Accounting Corp.
Byun, Jae Jun
Partner

Kim, Kwan Kju
Chairman
Yuh, Seung Soon
Director
Dileep G Naik
Director

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

	2018	2017
	(In Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	₩ (704,008,764)	591,790,485
Expenses (income) not involving cash outflows (inflows):		
Depreciation	92,461,070	118,818,097
Amortization	54,766,667	52,405,826
Provision for severance indemnities	327,476,897	320,147,685
Provision (reversal of) for doubtful accounts	(30,750,193)	19,711,072
Loss on disposal of property and equipment	560,667	1,154,235
Subtotal	444,515,108	512,236,915
Changes in assets and liabilities related to operating activities:		
Accounts receivable	3,075,019,320	(1,971,107,244)
Other receivables	(21,487,240)	(76,967,340)
Accrued income	146,565	18,530,328
Prepaid expense	-	148,260,000
Prepaid income tax	(171,408,750)	-
Current deferred tax assets	(6,448,065)	(92,772,088)
Non-current deferred tax assets	(59,948,498)	(949,812)
Other payables	382,290,557	530,566,293
Accrued expenses	(188,395,688)	420,957,976
Current portion of long-term liability	(21,400,000)	(1,676,500,000)
Withholdings	(162,873,127)	(67,166,348)
Advanced receipts	7,663,360	1,028,900
Income tax payable	(202,487,500)	11,486,803
Payment of severance indemnities	(246,682,087)	(70,466,175)
Long-term other payable	152,710,000	520,980,000
Subtotal	2,536,698,847	(2,304,118,707)
Net cash provided by (used in) operating activities	2,277,205,191	(1,200,091,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term financial instrument	-	(50,000,000)
Decrease in short-term financial instrument	50,000,000	3,000,000,000
Acquisition of property and equipment	(104,548,000)	(130,090,909)
Acquisition of intangible asset	-	(98,580,000)
Increase in guarantee deposits	(8,000,000)	-
Net cash provided by (used in) investing activities	(62,548,000)	2,721,329,091
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,214,657,191	1,521,237,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,165,577,778	644,339,994
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₩ 4,380,234,969	2,165,577,778

See accompanying notes to financial statements.

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

		Common stock	Retained earnings	Total shareholder's equity
			(In Korean won)	
Balance at April 1, 2016	₩	1,000,000,000	2,745,954,329	3,745,954,329
Net income		-	591,790,485	591,790,485
Balance at March 31, 2017	₩	1,000,000,000	3,337,744,814	4,337,744,814
Balance at April 1, 2017	₩	1,000,000,000	3,337,744,814	4,337,744,814
Net loss		-	(704,008,764)	(704,008,764)
Balance at March 31, 2018	₩	1,000,000,000	2,633,736,050	3,633,736,050

See accompanying notes to financial statements.

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

1. Reporting Entity

Tata Daewoo Commercial Vehicle Sales & Distribution Co., Ltd. (the "Company"), located in Seoul, Republic of Korea, is engaged in sales agent service of commercial vehicles. The Company was incorporated on April 9, 2010.

As of March 31, 2018, the Company's capital stock totals ₩1,000,000,000 and its common shares are wholly owned by Tata Daewoo Commercial Vehicle Co., Ltd.

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 April 18, 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.

(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 11 – 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 deposit 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.

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

3. Significant Accounting Policies, Continued

(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) Property and equipment

Property and equipment are stated at cost (acquisition cost or manufacturing cost, plus expenditures directly related to preparing the asset ready for use in time and bringing asset to the required place, net of sales discount given). 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 exchange 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 increases 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; such existing asset is removed from the financial statements. Costs incurred to repair and to 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 and equipment are depreciated using the 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 operating expense.

Depreciation is computed using the straight-line method over the following economic useful lives:

	<u>Useful lives (years)</u>
Tools	6
Furniture and fixtures	6
Computers	6

(4) Intangible assets

Intangible assets are initially recognized at acquisition cost (purchase cost, plus expenditures directly related to preparing the asset ready for use) and subsequently presented at amortized cost. Software are amortized when the capitalized assets can be used or sold (over six years). Amortization is included in the operating expense.

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

3. Significant Accounting Policies, Continued

(5) Impairment of assets

At the end of each reporting period, the Company reviews the carrying values of assets, except for financial assets 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 a tangible asset (an individual asset or cash-generating unit) has an indication of impairment and 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, in regard to impairment loss indicators, assets not in use and assets held for future use are estimated for recoverable amounts.

(6) 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.

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.

(7) Income taxes

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 statements of financial position, such as a deferred tax asset recognized for tax loss carry forwards, 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 income tax expenses are included in income tax expense in the statements of income, and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period, when recognized.

(8) Revenues

Revenues for the sales agent service of commercial vehicles are recognized when related revenue activities are completed, revenues are measurable and economic benefits are highly expected.

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

4. Property and Equipment

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

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Tools	₩	105,914,000	105,914,000
Furniture and fixtures		840,461,471	768,939,769
Computers		180,359,800	180,359,800
Total cost		<u>1,126,735,271</u>	<u>1,055,213,569</u>
Less: accumulated depreciation		<u>(845,715,551)</u>	<u>(785,720,112)</u>
Property and equipment, net	₩	<u>281,019,720</u>	<u>269,493,457</u>

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

<i>(In Korean won)</i>		<u>2018</u>				
		<u>April 1</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>March 31</u>
Tools	₩	24,883,564	-	-	(6,333,327)	18,550,237
Furniture and fixtures		215,604,286	104,548,000	(560,667)	(77,275,737)	242,315,882
Computers		29,005,607	-	-	(8,852,006)	20,153,601
	₩	<u>269,493,457</u>	<u>104,548,000</u>	<u>(560,667)</u>	<u>(92,461,070)</u>	<u>281,019,720</u>

<i>(In Korean won)</i>		<u>2017</u>				
		<u>April 1</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>March 31</u>
Tools	₩	40,581,533	-	-	(15,697,969)	24,883,564
Furniture and fixtures		201,026,773	102,690,909	(1,154,235)	(86,959,161)	215,604,286
Computers		17,766,574	27,400,000	-	(16,160,967)	29,005,607
	₩	<u>259,374,880</u>	<u>130,090,909</u>	<u>(1,154,235)</u>	<u>(118,818,097)</u>	<u>269,493,457</u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

5. 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>							
Software	₩	491,763,895	(259,005,562)	232,758,333	491,763,895	(204,238,895)	287,525,000

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

		2018			
		April 1	Acquisition	Amortization	March 31
<i>(In Korean won)</i>					
Software	₩	287,525,000	-	(54,766,667)	232,758,333

		2017			
		April 1	Acquisition	Amortization	March 31
<i>(In Korean won)</i>					
Software	₩	241,350,826	98,580,000	(52,405,826)	287,525,000

(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	
CRM System	₩ 232,758,333	4.25 years	

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

6. Other Non-Current Assets

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

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Guarantee deposits	₩	243,075,000	235,075,000

7. Accrued Severance Indemnities

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

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Provision for retirement and severance benefits at beginning of the year	₩	1,641,980,230	1,392,298,720
Accrual for retirement and severance benefits		327,476,897	320,147,685
Payments		<u>(246,682,087)</u>	<u>(70,466,175)</u>
Provision for retirement and severance benefits at end of the year	₩	<u>1,722,775,040</u>	<u>1,641,980,230</u>

8. Related Party Transactions

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

<u>Relationship</u>	<u>Related parties</u>
Ultimate controlling party	Tata Motors Limited
Immediate Parent	Tata Daewoo Commercial Vehicle Co., Ltd. ("TDCV")
Others	Tata Motors Limited's subsidiaries and associates

(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:

<i>(In Korean won)</i>			<u>2018</u>	<u>2017</u>
<u>Transaction</u>	<u>Name</u>			
Sales agent service	TDCV	₩	54,622,008,497	70,559,204,470
Purchase	TDCV	₩	226,062,707	248,356,000
Other to	Tata Sons Limited	₩	-	45,669,936
Other from	TDCV	₩	-	38,797,855

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

8. Related Party Transactions, Continued

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

① As of March 31, 2018

(In Korean won)

Name	Receivables		Payables	
	Accounts receivable - trade	Accounts receivable - other	Accounts payable - other	Accrued expenses
TDCV	₩ 4,321,970,405	-	18,700,000	-

② As of March 31, 2017

(In Korean won)

Name	Receivables		Payables	
	Accounts receivable - trade	Accounts receivable - other	Accounts payable - other	Accrued expenses
TDCV	₩ 7,396,989,725	-	12,516,240	-
Tata Sons Limited	-	-	-	45,669,936
Total	₩ 7,396,989,725	-	12,516,240	45,669,936

9. Shareholder's Equity

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

(In Korean won except for share data)

	2018	2017
Number of shares:		
Authorized	800,000 shares	800,000 shares
Issued and outstanding	200,000 shares	200,000 shares
Par value	₩ 5,000	₩ 5,000
Common stock	₩ 1,000,000,000	₩ 1,000,000,000

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

10. 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) 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	₩	3,267,744,814	2,675,954,329
Net income (loss)		<u>(704,008,764)</u>	<u>591,790,485</u>
End of the year		2,563,736,050	3,267,744,814
APPROPRIATIONS;		-	-
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩	<u>2,563,736,050</u>	<u>3,267,744,814</u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

11. Income Taxes

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

<i>(In Korean won)</i>	<u>2018</u>	<u>2017</u>
Current tax expense	₩ -	369,660,190
Changes in deferred tax for temporary differences	<u>(66,396,563)</u>	<u>(93,721,900)</u>
Income tax recognized in continuing operation	₩ <u>(66,396,563)</u>	<u>275,938,290</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:

<i>(In Korean won)</i>	<u>2018</u>	<u>2017</u>
Income (loss) before income taxes	₩ (770,405,327)	867,728,775
Income taxes at normal tax rates	(169,489,172)	190,900,331
Tax effects of permanent differences	103,092,609	107,057,959
Others	<u>-</u>	<u>(22,020,000)</u>
Income tax expense (benefit)	₩ <u>(66,396,563)</u>	<u>275,938,290</u>
Effective tax rate	<u>-</u>	<u>31.8%</u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

11. 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>		2018			
<u>Account</u>		<u>April 1</u>	<u>Decrease</u>	<u>Increase</u>	<u>March 31</u>
Temporary differences (current):					
Accrued expenses	₩	635,451,727	635,451,727	492,725,975	492,725,975
Depreciation		1,902,762	1,902,762	-	-
Accrued income		(895,699)	(895,699)	(749,134)	(749,134)
Loss carry forward		-	-	173,791,338	173,791,338
Subtotal		<u>636,458,790</u>	<u>636,458,790</u>	<u>665,768,179</u>	<u>665,768,179</u>
Tax rate		<u>22%</u>			<u>22%</u>
Current deferred tax assets		<u>140,020,934</u>			<u>146,468,999</u>
Temporary differences (non-current):					
Accrued severance indemnities	₩	1,641,980,230	246,682,087	327,476,897	1,722,775,040
Long-term other payable		206,920,000	206,920,000	395,870,000	395,870,000
Depreciation vehicle for business use		3,660,880	-	2,748,360	6,409,240
Subtotal		<u>1,852,561,110</u>	<u>453,602,087</u>	<u>726,095,257</u>	<u>2,125,054,280</u>
Tax rate		<u>22%</u>			<u>22%</u>
Non-current deferred tax assets		<u>407,563,444</u>			<u>467,511,942</u>
Deferred tax assets	₩	<u><u>547,584,378</u></u>			<u><u>613,980,941</u></u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

11. Income Taxes, Continued

<i>(In Korean won)</i>		2017			
<u>Account</u>		<u>April 1</u>	<u>Decrease</u>	<u>Increase</u>	<u>March 31</u>
Temporary differences (current):					
Accrued expenses	₩	209,457,413	209,457,413	635,451,727	635,451,727
Depreciation		24,736,098	24,736,098	1,902,762	1,902,762
Accrued income		(19,426,027)	(19,426,027)	(895,699)	(895,699)
Subtotal		<u>214,767,484</u>	<u>214,767,484</u>	<u>636,458,790</u>	<u>636,458,790</u>
Tax rate		<u>22%</u>			<u>22%</u>
Current deferred tax assets		<u>47,248,846</u>			<u>140,020,934</u>
Temporary differences (non-current):					
Accrued severance indemnities	₩	1,322,683,784	851,239	320,147,685	1,641,980,230
Long-term other payable		525,560,000	525,560,000	206,920,000	206,920,000
Depreciatoin		-	-	3,660,880	3,660,880
Subtotal		<u>1,848,243,784</u>	<u>526,411,239</u>	<u>530,728,565</u>	<u>1,852,561,110</u>
Tax rate		<u>22%</u>			<u>22%</u>
Non-current deferred tax assets		<u>406,613,632</u>			<u>407,563,444</u>
Deferred tax assets	₩	<u>453,862,478</u>			<u>547,584,378</u>

(4) Deferred tax assets have been recognized as the Company has determined it is probable that future profits will be available against which the Company can utilize the related benefit.

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

<i>(In Korean won)</i>		<u>2018</u>	<u>2017</u>
Current income tax asset	₩	171,408,750	167,172,690
Current income tax liability		-	(369,660,190)
Current income tax asset (liability), net	₩	<u>171,408,750</u>	<u>(202,487,500)</u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

12. Earnings (loss) per Share

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

<i>(In Korean won except for share data)</i>	<u>2018</u>	<u>2017</u>
Net income (loss)	₩ (704,008,764)	591,790,485
Weighted-average number of common shares outstanding (*)	<u>200,000</u>	<u>200,000</u>
Earnings (loss) per share	₩ <u>(3,520)</u>	<u>2,959</u>

(*) Weighted-average number of shares outstanding for the years ended March 31, 2018 and 2017, is 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.

13. Employee Welfare

In connection with the employee welfare, the Company maintains various employee welfare programs, including scholarship, medical insurance, workers' compensation, paid absence, subsidies to pension contributions and others.

14. 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:

<i>(In Korean won)</i>	<u>2018</u>	<u>2017</u>
Current portion of long-term liability	₩ 33,950,000	55,350,000

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.

Notes to the Financial Statements

March 31, 2018 and 2017

15. Financial Instruments

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

<i>(In Korean won)</i>		2018			
		3 months or less	3-12 months	1-5 years	Total
Accounts payable	₩	3,649,304,455	-	-	3,649,304,455
Accrued expenses		316,000,000	176,725,975	-	492,725,975
Current portion of long-term liability		6,300,000	27,650,000	-	33,950,000
Long-term other payable		-	-	387,740,000	387,740,000
Total	₩	3,971,604,455	204,375,975	387,740,000	4,563,720,430

<i>(In Korean won)</i>		2017			
		3 months or less	3-12 months	1-5 years	Total
Accounts payable	₩	3,267,013,898	-	-	3,267,013,898
Accrued expenses		502,369,936	178,751,727	-	681,121,663
Current portion of long-term liability		9,350,000	46,000,000	-	55,350,000
Long-term other payable		-	-	235,030,000	235,030,000
Total	₩	3,778,733,834	224,751,727	235,030,000	4,238,515,561

(2) 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.