

PT Tata Motors Distribusi Indonesia
Annual Financial Statements
For the year ended March 31, 2018



Siddharta Widjaja & Rekan **Registered Public Accountants**

33rd Floor Wisma GKBI
28, Jl. Jend. Sudirman
Jakarta 10210
Indonesia
+62 (0) 21 574 2333 / 574 2888

Independent Auditors' Report

No.: L.18 - 1000534083 - 18/IV.24.009

The Shareholders,
Board of Commissioners and Board of Directors
PT Tata Motors Distribusi Indonesia:

We have audited the accompanying financial statements of PT Tata Motors Distribusi Indonesia, which comprise the statement of financial position as of 31 March 2018, and the statements of profit or loss and other comprehensive 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 Indonesian Financial Accounting Standards, 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. 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 our 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 PT Tata Motors Distribusi Indonesia as of 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.

Other matters

The financial statements of PT Tata Motors Distribusi Indonesia as of 31 March 2017 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements on 10 May 2017.

Siddharta Widjaja & Rekan
Registered Public Accountants

A handwritten signature in black ink, appearing to read 'Beatrice'.

Beatrice Tanuwijaya, S.E., CPA
Public Accountant License No. AP. 1547

Jakarta, 24 April 2018

PT. TATA MOTORS DISTRIBUSI INDONESIA
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018 and 2017

	Notes	March 31, 2018 Rp	March 31, 2017 Rp
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	18,669,558,165	6,026,420,494
Trade and other receivables	5	44,543,486,612	17,717,402,945
Inventories	6	76,138,068,340	38,753,926,056
Prepaid taxes	9	4,212,209,336	2,788,271,882
Prepaid expenses		665,758,356	1,407,395,002
Other current assets		3,869,098,633	2,669,619,436
Total Current Assets		148,098,179,442	69,363,035,815
NON-CURRENT ASSETS			
Property, plant and equipment (net)	7	8,070,074,274	8,825,372,937
Intangible assets (net)	8	9,935,792	1,582,482,164
Prepaid taxes	9	11,837,411,897	21,263,722,192
Total Non-current Assets		19,917,421,963	31,671,577,293
TOTAL ASSETS		168,015,601,405	101,034,613,108
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loan	10	26,157,743,056	54,057,217,565
Trade payables	11	48,694,379,360	22,338,699,279
Other payables	12	24,069,776,174	21,419,042,311
Accrued expenses	13	27,194,293,702	16,296,283,162
Derivative liabilities		-	93,586,321
Other taxes payables		361,761,446	305,257,806
Total Current Liabilities		126,477,953,738	114,510,086,444
NON-CURRENT LIABILITIES			
Accrued expenses	13	2,160,350,000	524,000,000
Deferred tax liabilities	20	830,600,382	517,272,719
Employee benefits obligation	21	3,657,739,505	3,011,912,000
Other non-current liabilities		894,927,058	-
Total Non-current Liabilities		7,543,616,945	4,053,184,719
EQUITY			
Share capital	14	424,817,575,000	330,817,575,000
Advances for share capital	15	23,000,000,000	-
Accumulated deficit		(413,823,544,278)	(348,346,233,055)
Total Equity		33,994,030,722	(17,528,658,055)
TOTAL LIABILITIES AND EQUITY		168,015,601,405	101,034,613,108

See Notes to the Financial Statements, which form an integral part of these financial statements.

PT. TATA MOTORS DISTRIBUSI INDONESIA
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 YEARS ENDED MARCH 31, 2018 AND 2017

	Notes	Year ended March, 31	
		2018 Rp	2017 Rp
NET SALES	16	134,460,680,541	84,701,404,561
COST OF SALES	17	112,742,337,239	73,864,626,123
GROSS PROFIT		21,718,343,302	10,836,778,438
Salaries and employee benefits		(20,269,119,499)	(23,763,113,971)
Depreciation and amortization		(3,829,030,075)	(4,524,895,952)
General and administrative expenses	18	(34,123,914,141)	(30,112,113,248)
Selling expenses	19	(27,364,835,914)	(31,835,498,648)
Other expense		(18,765,989)	(205,026,705)
Currency exchange loss (net)		(1,123,280,362)	(4,075,066,689)
Finance costs		(949,406,111)	(4,959,845,020)
Finance income		320,617,121	49,743,514
Other income		100,198,108	481,391,224
LOSS BEFORE INCOME TAX		(65,539,193,560)	(88,107,647,057)
INCOME TAX EXPENSE	20	313,327,663	184,478,906
LOSS FOR THE YEAR		(65,852,521,223)	(88,292,125,963)
OTHER COMPREHENSIVE INCOME			
<i>Items that will never be reclassified to profit or loss:</i>			
Changes resulting from actuarial remeasurements of employee benefits obligation		375,210,000	389,843,000
Tax on other comprehensive income		-	-
		375,210,000	389,843,000
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(65,477,311,223)	(87,902,282,963)

See Notes to the Financial Statements, which form an integral part of these financial statements.

PT. TATA MOTORS DISTRIBUSI INDONESIA
 STATEMENT OF CHANGES IN EQUITY
 YEARS ENDED MARCH 31, 2018 AND 2017

	<u>Notes</u>	<u>Share capital</u> Rp	<u>Advances for share capital</u> Rp	<u>Accumulated Deficit</u> Rp	<u>Total</u> Rp
Balance as of March 31, 2016		258,176,830,000	14,011,305,000	(260,443,950,092)	11,744,184,908
Issuance of share capital		72,640,745,000	(14,011,305,000)	-	58,629,440,000
Loss for the year		-	-	(88,292,125,963)	(88,292,125,963)
Total other comprehensive income		-	-	389,843,000	389,843,000
Balance as of March 31, 2017		330,817,575,000	-	(348,346,233,055)	(17,528,658,055)
Issuance of share capital	14	94,000,000,000	-	-	94,000,000,000
Capital paid in advance	15	-	23,000,000,000	-	23,000,000,000
Loss for the year		-	-	(65,852,521,223)	(65,852,521,223)
Total other comprehensive income		-	-	375,210,000	375,210,000
Balance as of March 31, 2018		<u>424,817,575,000</u>	<u>23,000,000,000</u>	<u>(413,823,544,278)</u>	<u>33,994,030,722</u>

See Notes to the Financial Statements, which form an integral part of these financial statements.

PT. TATA MOTORS DISTRIBUSI INDONESIA
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2018 AND 2017

	Year ended March, 31	
	2018 Rp	2017 Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(65,852,521,223)	(88,292,125,963)
Adjustments for:		
Depreciation and amortization	3,829,030,075	4,524,895,952
Finance costs	949,406,111	4,959,845,020
Finance income	(320,617,121)	(49,743,514)
Loss on impairment of trade and other receivables	1,288,015,623	2,978,598,976
Loss on sale of property, plant and equipment	-	18,854,572
Loss on decline in value of inventories	2,100,982,406	877,954,612
Net unrealized loss (gain) on foreign exchange	700,725,323	(22,859,402)
Income tax expense	313,327,663	184,478,906
Cash flows from operating activities before changes in following assets and liabilities:	(56,991,651,143)	(74,820,100,841)
Trade and other receivables	(28,056,115,517)	1,409,072,603
Inventories	(39,485,124,690)	8,687,640,732
Prepaid taxes	9,498,971,841	(2,643,158,261)
Prepaid expenses	741,636,646	-
Other current assets	(1,199,479,197)	255,844,096
Trade payables	26,018,979,301	(5,426,269,223)
Other payables	2,228,725,547	1,900,853,915
Accrued expenses	12,534,360,540	5,981,035,047
Other non-current liabilities	894,927,058	-
Derivative liabilities	(93,586,321)	(7,060,358,592)
Other taxes payable	56,503,640	(90,508,872)
Employee benefit obligation	1,021,037,505	1,297,598,000
Cash used in operations	(72,830,814,790)	(70,508,351,396)
Income tax paid	(3,046,736,000)	(1,440,212,218)
Income tax refund	1,550,137,000	1,034,067,000
Net cash used in operating activities	(74,327,413,790)	(70,914,496,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,501,185,040)	(1,103,633,144)
Proceed from sale of property, plant and equipment	-	54,545,455
Interest received	320,617,121	49,743,514
Net cash used in investing activities	(1,180,567,919)	(999,344,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	94,000,000,000	58,629,440,000
Proceeds from advances for share capital	23,000,000,000	-
Proceeds from short-term bank loan	85,000,000,000	209,000,000,000
Repayment of short-term bank loan	(113,000,000,000)	(189,000,000,000)
Interest paid	(848,880,620)	(4,893,898,332)
Net cash provided by financing activities	88,151,119,380	73,735,541,668
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,643,137,671	1,821,700,879
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,026,420,494	4,204,719,615
CASH AND CASH EQUIVALENTS, END OF YEAR	18,669,558,165	6,026,420,494

See Notes to the Financial Statements, which form an integral part of these financial statements.

1 GENERAL

PT. Tata Motors Distribusi Indonesia (the "Company") was established within the framework of the Foreign Capital Investment Law No. 25 Year 2007, based on notarial deed No. 70, dated January 23, 2013, made before Aryanti Artisari S.H., M.Kn, notary public in Jakarta. The deed of establishment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia based on decree No. AHU-05503.AH.01.01 dated February 11, 2013. The articles of association have been amended several times, most recently by Notarial Deed No. 54 dated March 21, 2018, of Fardian, S.H., notary public in Jakarta, concerning addition of 4 commissioners. This changes was reported and acknowledged by the Minister of Justice and Human Rights of the Republic of Indonesia through its Letter No. AHU-AH.01.03-0119871 dated March 22, 2018.

The Company is domiciled in South Jakarta and its office is located in Pondok Indah Office Tower 3 Floor 8 Suite 801B, Jl. Sultan Iskandar Muda Kav.V-TA Kebayoran Lama Jakarta Selatan 12310. The Company has 64 and 59 employees (unaudited) as of March 31, 2018 and 2017, respectively.

In accordance with article 3 of the Company's articles of association, the scope of its activities is to engage in the wholesale trading and after-sales service with business activities as distributors for new cars and parts (for vehicles with four-wheel or more wheeled vehicles which include engine, gear box, axles and propeller shafts), and importer and exporter for new domestic carrosserie vehicles, military vehicles, and parts (for vehicles with four-wheel or more wheeled vehicles which include engine, gear box, axles and propeller shafts).

The Company is majorly owned by PT. Tata Motors Indonesia. As of March 31, 2018, the Company's management consists of the following:

President Commissioner	: Mr. Kottamasu Venkateswara Rao
Commissioners	: Mr. Setthapathi Vaidyanathan
	: Mr. Vinay Kumar Pathak
	: Mr. Rudharup Maitra
	: Mr. Abhay Padmakar Bawale
President Director	: Mr. Biswadev Sengupta
Directors	: Mr. Achmad Djauhari
	: Mr. Pankaj Jain

2 BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK").

b. The Company's directors approved the financial statements for issuance on 24 April 2018.

c. Basis of measurement

The financial statements are prepared on the accrual basis using the historical cost concept, except where the accounting standards require fair value measurement.

d. Functional and presentation currency

The financial statements are presented in full amount of Rupiah, which is the Company's functional currency.

e. Use of judgments, estimates and assumptions

The preparation of financial statements 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 the estimated amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2 BASIS OF PREPARATION (Continued)

e. *Use of judgments, estimates and assumptions (Continued)*

Below are the critical judgments, apart from those involving estimations that the management have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Key Sources of Estimation Uncertainty

The key assumptions concerning future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment Loss on Receivables

The Company assesses its receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, management makes judgment as to whether there is objective evidence that loss event has occurred. Management also makes judgment as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss.

The carrying amounts of receivables are disclosed in Note 5.

Allowance for Decline in Value of Inventories

The Company provides allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will impact the result of the Company's operations.

The carrying amounts and provision for decline in value of inventories are disclosed in Note 6.

Estimated Useful Lives of Property, Plant and Equipment and Intangible Assets

The useful life of each item of the Company's property, plant and equipment and intangible assets are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property and equipment and intangible assets would affect the recorded depreciation and amortization expense and decrease in the carrying values of these assets.

The carrying amounts of property, plant and equipment and intangible assets are disclosed in Note 7 and 8, respectively.

Employee benefits obligation

The determination of employee benefits obligation depends on selection of certain assumptions used by the actuary for the calculation of the liability. These assumptions include discount rate and rate of increase in salaries. Although the assumptions of the Company are considered appropriate and reasonable, significant changes in fact or significant changes in assumptions used can significantly affect the employee benefits obligation of the Company.

The carrying amount of employee benefits obligation is disclosed in Note 21.

2 BASIS OF PREPARATION (Continued)

Provision for buy back guarantee

The Company determines the provision for buy back guarantee based on the estimated losses that will be incurred in case of default by end customer. In estimating the provision, management considers the rate of default, cost of repossession of vehicles, cost of repairing and other incremental costs and estimated selling price to sell the repossessed vehicles. While it is believed that the assumptions used in the estimation of provision for buy back guarantee are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the provision, which ultimately will impact the result of the Company's operations. Each quarter, the Company re-evaluate the estimates to assess the adequacy of the recorded provisions and adjust the amounts as necessary.

The carrying amount of provision for buy back guarantee is disclosed in Note 13.

f. *New/revised accounting standards and interpretations issued but not yet effective*

Certain new/revised accounting standards and interpretations have been issued that are not yet effective for the year ended March 31, 2018, and have not been applied in preparing these financial statements, but may be relevant to the Company.

Effective starting on or after January 1, 2018:

- PSAK 2 (2016 Amendment), " Disclosure Initiative in Statement of Cash Flows"
- PSAK 46 (2016 Amendment), "Recognition of Deferred Tax Assets for Unrealized Losses"

Effective starting on or after January 1, 2019:

- ISAK 33, "Foreign Currency Transactions and Advance Consideration"

Effective starting on or after January 1, 2020:

- PSAK 71, "Financial Instruments"
- PSAK 72, "Revenue from Contracts with Customer"
- PSAK 73, "Leases"

As of the issuance of these financial statements, management has not determined the extent of the retrospective impact, if any, that the future adoption of these standards will have on the Company's financial position and operating results.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and in banks and time deposits with maturities of three months or less from the date of placement.

b. *Inventory valuation*

Inventories are measured at the lower of cost and net realizable value; cost is determined using the weighted average method, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. *Property, plant and equipment*

Property, plant and equipment are measured using the cost model, i.e. initially measured at cost and subsequently carried net of accumulated depreciation. Depreciation is applied using the straight-line method over the estimated useful lives of the assets as follows:

IT equipment	4 Years
Furniture, fixtures and office equipment	4 - 8 Years
Vehicles	8 Years
Building improvements	10 Years
Factory equipment	4 Years
Tools	4 Years

d. *Intangible assets*

Purchased intangible assets, which comprise computer software licenses, have finite useful lives, and are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful life of the Company's computer software license is 4 years.

e. *Leases*

Leasing arrangements in which risks and rewards of ownership are not conveyed to the Company are classified as operating leases and treated as an executory contract.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f. *Prepaid expenses*

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

g. *Provision*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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. Where 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.

A provision for product warranty is recognized when products are sold. The provision is estimated based on historical warranty claims and a weighing of all possibilities outcomes against their associated probabilities.

h. *Employee benefits*

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Employee benefits (Continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Re-measurement.

The Company presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

i. Revenue recognition

Revenue from sales of products is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the products and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the contract of sale. For sales of vehicles and spare parts, the transfer usually occurs when sales invoice is made by the instruction from customers.

j. Financial instruments

The Company's financial assets comprise cash in bank and cash equivalents, trade and other receivables, and refundable deposits (other current assets) which are categorized as "Loans and receivables". Derivative liabilities comprise forward foreign exchange contract which are categorized as "Fair-value-through-profit or loss". Financial liabilities comprise short-term bank loan, trade payables, other payables, and accrued expenses (exclude product warranty and buy back guarantee) which are categorized as "Financial liabilities measured at amortized cost".

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company's contractual rights to the cash flows from the financial assets expire, i.e. when the asset is transferred to another party without retaining control, or when substantially all risks and rewards are transferred. Financial liabilities are derecognized if the Company's obligations expire, or are discharged or cancelled.

Financial assets that are categorized as loans and receivables are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial measurement, they are carried at amortized cost, net of provision for impairment, if necessary. Amortized cost is measured by discounting the asset amounts using the effective interest rate, unless the effect of discounting would be insignificant. The effective interest rate is the rate that discounts expected future cash flows to the net carrying amount, on initial recognition. Interest effects from the application of the effective interest method are recognized in profit or loss.

An impairment provision is recognized for financial assets that are categorized as loans and receivables when there is objective evidence that the Company will not be able to recover the carrying amounts according to the original terms of the instrument. The amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of its estimated future cash flows, discounted at the original effective interest rate. Changes in the impairment provision are recognized in profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, changes therein are recognized in profit or loss. Transaction costs are recognized immediately in profit or loss as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. *Financial instruments (Continued)*

Short-term bank loan, trade payables, other payables, and accrued expenses (exclude product warranty and buy back guarantee) are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial measurement, these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legal right of offset and there is an intention to settle on a net basis, or when the asset is realized and the liability settled simultaneously.

k. *Derivative financial instrument*

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at each reporting date.

The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of hedging relationship, and further, on type of hedging relationship.

For derivative instruments which do not qualify for hedge accounting or which are not designated as hedges, changes in fair value of the derivative are recognized as gains or losses in profit or loss.

l. *Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amount of non-financial 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 the impairment loss (if any). Where 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.

Estimated recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

m. *Transaction with related party*

A related party is a person or entity that is related to the Company (the reporting entity):

- a. A person or a close member of that person's family is related to the reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of the parent of the reporting entity.
- b. An entity is related to the reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. Both entities are joint ventures of the same third party;
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity, or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - vi. The entity is controlled, or jointly controlled, by a person identified in (a);
 - vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. *Foreign currency transactions*

Transactions in foreign currencies are translated to the Company's functional currency (Rupiah) at the rates of exchange prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency gains or losses on monetary items are comprised of the difference between amortized cost measured in the functional currency at the beginning of the period as adjusted for effective interest and payments during the period, and the amortized cost measured in foreign currency translated at the exchange rate at reporting date.

Non-monetary assets and liabilities denominated in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated.

Foreign currency gains and losses on retranslation of monetary assets and liabilities that arise from operating activities are generally recognized in profit or loss.

o. *Finance income and finance costs*

Finance income comprises interest income on funds invested, and fair value gains on financial assets carried at fair-value-through-profit-or-loss.

Finance costs comprise interest expense on borrowings, and fair value losses on financial assets carried at fair-value-through-profit-or-loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

p. *Income tax*

Income tax expense comprises current and deferred corporate income tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or refundable on taxable income or loss for the year, using tax rates substantively enacted as of the reporting date, and includes true-up adjustments made to the previous years' tax provisions either to reconcile them with the income tax reported in annual tax returns, or to account for differences arising from tax assessments. Current tax payable or refundable is measured using the best estimate of the amount expected to be paid or received, taking into consideration the uncertainty associated with the complexity of tax regulations.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date. This method also requires the recognition of future tax benefits, such as tax loss carry forwards, to the extent that realization of such benefits is probable.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

PT. TATA MOTORS DISTRIBUSI INDONESIA
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

4 CASH AND CASH EQUIVALENTS

	March 31, 2018	March 31, 2017
	Rp	Rp
Cash on hand	-	4,225,069
Cash in banks	5,549,558,165	5,902,195,425
Short-term time deposits	13,120,000,000	120,000,000
Total	<u>18,669,558,165</u>	<u>6,026,420,494</u>

Short-term deposits denominated in Rupiah, earns interest at an annual rate ranging from 4.5% to 6.85% (March 31, 2017: 6% to 7.5%).

5 TRADE AND OTHER RECEIVABLES

	March 31, 2018	March 31, 2017
	Rp	Rp
Receivables resulting from revenue generation activities consists of:		
Trade receivables from third parties	40,859,882,458	11,960,535,851
Less: Provision for impairment	(3,716,601,515)	(1,046,837,963)
	<u>37,143,280,943</u>	<u>10,913,697,888</u>
Other receivables		
Related party	4,923,558,694	4,217,524,249
Third parties (net of provision for impairment of Rp 2,261,474,423 at March 31, 2018 and Rp 3,643,222,352 at March 31, 2017)	2,476,646,975	2,586,180,808
Total other receivables	<u>7,400,205,669</u>	<u>6,803,705,057</u>
Total	<u>44,543,486,612</u>	<u>17,717,402,945</u>

Movement in the balance of provision for impairment was as follows:

	March 31, 2018	March 31, 2017
	Rp	Rp
Balance at beginning of year	(4,690,060,315)	-
Provision for impairment of trade receivables made during the year	(2,669,763,552)	(1,046,837,963)
Reversal / (Provision) for impairment of other receivables made during the year	1,381,747,929	(3,643,222,352)
Written off	-	-
Balance at end of year	<u>(5,978,075,938)</u>	<u>(4,690,060,315)</u>

6 INVENTORIES

	March 31, 2018	March 31, 2017
	Rp	Rp
Vehicles	67,035,764,462	29,570,998,821
Spare parts	12,081,240,896	10,060,881,847
	79,117,005,358	39,631,880,668
Less: Provision for decline in value of inventories	(2,978,937,018)	(877,954,612)
	<u>76,138,068,340</u>	<u>38,753,926,056</u>

All of the Company's vehicles inventories are pledged as collaterals for the bank loan (Note 10).

PT. TATA MOTORS DISTRIBUSI INDONESIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

7 PROPERTY, PLANT AND EQUIPMENT (NET)

	March 31, 2017	Additions	Deductions	Reclassifications	March 31, 2018
	Rp	Rp	Rp	Rp	Rp
Cost:					
IT equipment	1,349,748,403	94,185,040	-	-	1,443,933,443
Furniture, fixtures and office equipment	8,449,737,795	804,000,000	-	125,000,000	9,378,737,795
Vehicles	2,225,567,215	125,000,000	-	-	2,350,567,215
Building improvements	1,150,000,000	-	-	-	1,150,000,000
Tools	529,457,823	31,100,000	-	-	560,557,823
Construction in-progress	222,006,714	446,900,000	-	(125,000,000)	543,906,714
Total	<u>13,926,517,950</u>	<u>1,501,185,040</u>	<u>-</u>	<u>-</u>	<u>15,427,702,990</u>
Accumulated Depreciation:					
IT equipment	(1,020,760,476)	(289,914,649)	-	-	(1,310,675,125)
Furniture, fixtures and office equipment	(2,959,615,838)	(351,111,668)	-	-	(3,310,727,506)
Vehicles	(696,624,114)	(861,484,871)	-	-	(1,558,108,985)
Building improvements	(239,583,333)	(620,960,142)	-	-	(860,543,475)
Tools	(184,561,252)	(133,012,373)	-	-	(317,573,625)
Total	<u>(5,101,145,013)</u>	<u>(2,256,483,703)</u>	<u>-</u>	<u>-</u>	<u>(7,357,628,716)</u>
Net Carrying Value	<u>8,825,372,937</u>				<u>8,070,074,274</u>
	March 31, 2016	Additions	Deductions	Reclassifications	March 31, 2017
	Rp	Rp	Rp	Rp	Rp
Cost:					
IT equipment	1,294,778,403	54,970,000	-	-	1,349,748,403
Furniture, fixtures and office equipment	7,214,487,245	847,250,550	-	388,000,000	8,449,737,795
Vehicles	2,327,688,992	-	(102,121,777)	-	2,225,567,215
Building improvements	1,150,000,000	-	-	-	1,150,000,000
Tools	453,045,229	76,412,594	-	-	529,457,823
Construction in-progress	485,006,714	125,000,000	-	(388,000,000)	222,006,714
Total	<u>12,925,006,583</u>	<u>1,103,633,144</u>	<u>(102,121,777)</u>	<u>-</u>	<u>13,926,517,950</u>
Accumulated Depreciation:					
IT equipment	(687,350,894)	(333,409,582)	-	-	(1,020,760,476)
Furniture, fixtures and office equipment	(1,637,954,720)	(1,321,661,118)	-	-	(2,959,615,838)
Vehicles	(443,958,659)	(281,387,205)	28,721,750	-	(696,624,114)
Building improvements	(124,583,333)	(115,000,000)	-	-	(239,583,333)
Tools	(55,380,654)	(129,180,598)	-	-	(184,561,252)
Total	<u>(2,949,228,260)</u>	<u>(2,180,638,503)</u>	<u>28,721,750</u>	<u>-</u>	<u>(5,101,145,013)</u>
Net Carrying Value	<u>9,975,778,323</u>				<u>8,825,372,937</u>

As of March 31, 2018, management has reviewed the estimated useful lives of fixed assets and has found them to be appropriate. The useful lives are based on the estimated period over which future economic benefits will be received by the Company, taking into account any unexpected adverse changes in circumstances or events.

Construction in-progress represents furniture, fixtures and office equipment under construction which are estimated to be completed by end of 2018.

PT. TATA MOTORS DISTRIBUSI INDONESIA
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

8 INTANGIBLE ASSETS (NET)

	March 31, 2017 Rp	Additions Rp	Deductions Rp	Reclassifications Rp	March 31, 2018 Rp
Cost:					
Software	9,377,029,789	-	-	-	9,377,029,789
Accumulated Amortization:					
Software	(7,794,547,625)	(1,572,546,372)	-	-	(9,367,093,997)
Net Carrying Value	<u>1,582,482,164</u>	<u>(1,572,546,372)</u>	<u>-</u>	<u>-</u>	<u>9,935,792</u>

	March 31, 2016 Rp	Additions Rp	Deductions Rp	Reclassifications Rp	March 31, 2017 Rp
Cost:					
Software	9,377,029,789	-	-	-	9,377,029,789
Accumulated Amortization:					
Software	(5,450,290,176)	(2,344,257,449)	-	-	(7,794,547,625)
Net Carrying Value	<u>3,926,739,613</u>	<u>(2,344,257,449)</u>	<u>-</u>	<u>-</u>	<u>1,582,482,164</u>

9 PREPAID TAXES

	March 31, 2018 Rp	March 31, 2017 Rp
Overpayment of corporate income tax		
2018	3,046,736,000	-
2017	1,462,721,810	1,440,212,218
2016	-	1,550,137,000
Claim for VAT refund	7,327,954,087	-
VAT - net	<u>4,212,209,336</u>	<u>21,061,644,856</u>
	16,049,621,233	24,051,994,074
Less: current portion	<u>(4,212,209,336)</u>	<u>(2,788,271,882)</u>
Non-current portion	<u>11,837,411,897</u>	<u>21,263,722,192</u>

10 SHORT-TERM BANK LOAN

	March 31, 2018 Rp	March 31, 2017 Rp
Working capital loan and bank overdraft facility from		
PT Bank ANZ Indonesia	26,000,000,000	54,000,000,000
Accrued interest	<u>157,743,056</u>	<u>57,217,565</u>
	<u>26,157,743,056</u>	<u>54,057,217,565</u>

This loan is secured by a fiducial security over inventories. Maximum facility: USD 5,000,000 or its equivalent in Rupiah, bearing interest rate per annum at 1% above bank cost of fund. Outstanding amount as of March 31, 2018: Rp 21,000,000,000, due in April 2018 and subsequently has been rolled over to May 2018; Rp 5,000,000,000 fully paid in April 2018 (March 31, 2017: USD 2,099,572 and Rp 26,031,601,388, due in April 2017). The facility agreement include certain restrictions, among other things, on compliance with certain administrative requirements.

PT. TATA MOTORS DISTRIBUSI INDONESIA
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

11 TRADE PAYABLES

	March 31, 2018 <u>Rp</u>	March 31, 2017 <u>Rp</u>
Payables arising from purchases of products and services consist of the following:		
Related party	46,174,103,555	22,338,699,279
Third parties	<u>2,520,275,805</u>	<u>-</u>
Total	<u><u>48,694,379,360</u></u>	<u><u>22,338,699,279</u></u>

12 OTHER PAYABLES

	March 31, 2018 <u>Rp</u>	March 31, 2017 <u>Rp</u>
Other payables		
Related parties	13,292,514,486	10,038,614,944
Third parties	<u>10,777,261,688</u>	<u>11,380,427,367</u>
Total	<u><u>24,069,776,174</u></u>	<u><u>21,419,042,311</u></u>

13 ACCRUED EXPENSES

	March 31, 2018 <u>Rp</u>	March 31, 2017 <u>Rp</u>
Current portion		
Product warranty	4,898,861,521	6,023,270,807
Advertising and promotion expenses	9,569,668,967	4,342,580,392
Employees' compensation	1,428,358,342	2,035,000,000
Buy back guarantee (Note 22)	7,200,604,963	2,262,452,408
Professional fees	395,457,200	555,977,900
Transportation and logistics	59,881,340	46,000,000
Others	<u>3,641,461,369</u>	<u>1,031,001,655</u>
Total	<u><u>27,194,293,702</u></u>	<u><u>16,296,283,162</u></u>
Non-current portion		
Product warranty	<u><u>2,160,350,000</u></u>	<u><u>524,000,000</u></u>

PT. TATA MOTORS DISTRIBUSI INDONESIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

14 SHARE CAPITAL

The Company's authorized share capital amounted to Rp 550,000,000,000 (550,000,000 shares at nominal value of Rp 1,000 per share).

In March 2018, the Circular Resolution in Lieu of Extraordinary General Meeting of the Company's shareholders resolved to approve the increase of the Company's issued and paid-up capital to become Rp 424,817,575,000 (424,817,575 shares at nominal value of Rp 1,000). PT. Tata Motors Indonesia has paid Rp 94,000,000,000 for the newly issued 94,000,000 shares of the Company.

The Company's shareholding as of March 31, 2018 and 2017 was as follows:

Name of Shareholders	March 31, 2018		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital Rp
PT. Tata Motors Indonesia	424,806,720	99.99%	424,806,720,000
TML Holdings Pte., Ltd.	10,855	0.01%	10,855,000
Total	424,817,575	100%	424,817,575,000

Name of Shareholders	March 31, 2017		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital Rp
PT. Tata Motors Indonesia	330,806,720	99.99%	330,806,720,000
TML Holdings Pte., Ltd.	10,855	0.01%	10,855,000
Total	330,817,575	100%	330,817,575,000

15 ADVANCES FOR SHARE CAPITAL

On December 27, 2017, PT. Tata Motors Indonesia, has paid the amount of Rp 23,000,000,000 for capital paid in advance.

16 NET SALES

	March 31, 2018 Rp	March 31, 2017 Rp
Vehicles	128,262,461,844	79,660,211,651
Spare parts	6,198,218,697	5,041,192,910
	134,460,680,541	84,701,404,561

17 COST OF SALES

	March 31 2018 Rp	March 31 2017 Rp
Inventories, beginning of year	38,753,926,056	48,319,521,400
Purchases of vehicles and spare parts	150,126,479,523	64,299,030,779
Less: Inventories, end of year	(76,138,068,340)	(38,753,926,056)
	112,742,337,239	73,864,626,123

PT. TATA MOTORS DISTRIBUSI INDONESIA
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

18 GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2018	March 31, 2017
	Rp	Rp
Rental	8,837,506,654	9,811,932,396
Transportation, logistics, and trials	9,112,374,646	8,183,260,065
Office expenses	4,843,740,687	3,941,592,743
After sales service	2,747,310,946	2,107,762,076
Professional fees	1,285,710,490	1,378,223,797
Utilities	1,215,908,777	1,499,542,673
Provision for impairment losses on receivables	2,669,763,552	1,046,837,963
Others	3,411,598,389	2,142,961,535
Total	<u>34,123,914,141</u>	<u>30,112,113,248</u>

19 SELLING EXPENSES

	March 31, 2018	March 31, 2017
	Rp	Rp
Advertising and promotion	15,224,087,784	20,207,265,097
Sponsorship	3,513,493,504	5,133,697,811
Buy back guarantee	5,534,524,052	3,097,863,953
Others	3,092,730,574	3,396,671,787
Total	<u>27,364,835,914</u>	<u>31,835,498,648</u>

20 TAXATION

	March 31, 2018	March 31, 2017
	Rp	Rp
The components of income tax recognized in profit or loss are as follows:		
Current	-	-
Deferred	313,327,663	184,478,906
	<u>313,327,663</u>	<u>184,478,906</u>

Current tax

The reconciliations between loss before tax per statement of profit or loss and other comprehensive income and the Company's fiscal losses are as follows:

	March 31, 2018	March 31, 2017
	Rp	Rp
Loss before income tax	(65,539,193,560)	(88,107,647,057)
Temporary difference:		
Difference between commercial and fiscal depreciation	(1,253,310,652)	(737,915,624)
Provision for employee benefits obligation	645,827,210	1,297,598,000
Provision for impairment of trade and other receivables	1,288,015,623	1,046,837,963
Provision for decline in value of inventories	2,100,982,406	877,954,612
Other provisions	9,566,662,657	6,178,125,590
Total	<u>12,348,177,244</u>	<u>8,662,600,541</u>
Permanent differences:		
Non-deductible expenses	5,639,332,273	2,711,205,841
Interest income subject to final tax	(320,617,121)	(49,743,514)
Total	<u>5,318,715,152</u>	<u>2,661,462,327</u>
Fiscal loss before fiscal loss carryforward	(47,872,301,164)	(76,783,584,189)
Fiscal loss carryforward		
2017	(76,783,584,189)	-
2016	(81,060,680,439)	(81,060,680,439)
2015	(86,838,680,437)	(86,838,680,437)
2014	(56,044,578,561)	(56,044,578,561)
2013	(282,682,828)	(282,682,828)
Accumulated Fiscal Losses	<u>(348,882,507,618)</u>	<u>(301,010,206,454)</u>

PT. TATA MOTORS DISTRIBUSI INDONESIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

20 TAXATION (Continued)

A reconciliation between the tax expense of the Company and the amounts computed by applying the enacted tax rates to loss before tax per statement of profit or loss and other comprehensive income is as follows:

	March 31, 2018 Rp	March 31, 2017 Rp
Loss before income tax	(65,539,193,560)	(88,107,647,057)
Tax benefit at enacted tax rates (25%)	(16,384,798,390)	(22,026,911,764)
Tax effect of permanent differences:		
Non-deductible expenses	177,486,811	(821,655,804)
Benefits in kind	1,232,475,743	1,499,457,265
Interest income subject to final tax	(80,154,280)	(12,435,879)
Total	(15,054,990,117)	(21,361,546,183)
Unrecognized deferred tax	15,368,317,780	21,546,025,089
Income tax expense	<u>313,327,663</u>	<u>184,478,906</u>

No current tax expense was provided as the Company incurred fiscal loss. According to tax regulations, such loss may be carried forward and applied against taxable income in any of the 5 years following the year in which the fiscal loss was incurred.

Deferred Tax

As of March 31, 2018 and 2017, the Company did not recognize deferred tax assets on temporary differences from fiscal losses and temporary differences. Realization of deferred tax assets is depend upon the Company profitable operations. Deferred tax assets have not been recognized with respect of these items because it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

Recognized deferred tax balances, and the movement thereof during the year were comprised of the following:

	March 31, 2017 Rp	Recognized in Profit or Loss Rp	Recognized in Other Comprehensive Income Rp	March 31, 2018 Rp
Deferred tax liability:				
Property, plant and equipment	(517,272,719)	(313,327,663)	-	(830,600,382)
	<u>(517,272,719)</u>	<u>(313,327,663)</u>	<u>-</u>	<u>(830,600,382)</u>
	March 31, 2016 Rp	Recognized in Profit or Loss Rp	Recognized in Other Comprehensive Income Rp	March 31, 2017 Rp
Deferred tax liability:				
Property, plant and equipment	(332,793,813)	(184,478,906)	-	(517,272,719)
	<u>(332,793,813)</u>	<u>(184,478,906)</u>	<u>-</u>	<u>(517,272,719)</u>

Under the taxation laws of Indonesia, the Company submits tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within the statute of limitations, under prevailing regulations.

The Company's tax positions may be challenged by the tax authorities. Management vigorously defends the Company's tax positions which are believed to be grounded on sound technical basis, in compliance with the tax regulations. Accordingly, management believes that the accruals for tax liabilities are adequate for all open tax years based on the assessment of various factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve judgment about future events. New information may become available that causes management to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which such determination is made.

PT. TATA MOTORS DISTRIBUSI INDONESIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

21 EMPLOYEE BENEFITS OBLIGATION

Post-employment Benefits Under Labor Law No. 13/2013

The Company provides post-employment benefits for its qualifying employees in accordance with the Labor Law No. 13/2003. As of March 31, 2018 the number of employees entitled to the benefits is 44 employees (March 31, 2017: 40 employees).

Amounts recognized in the statement of profit or loss and other comprehensive income with respect to these employee benefits obligation are as follows:

	March 31, 2018 Rp	March 31, 2017 Rp
Service Cost		
Current service cost	885,194,000	952,609,000
Interest cost	236,330,000	201,577,000
Past service cost	-	165,879,000
Adjustments	-	521,632,000
Components of defined benefit costs recognized in profit or loss	<u>1,121,524,000</u>	<u>1,841,697,000</u>
Remeasurement on the net defined benefit liability:		
Actuarial gain arising from changes in financial assumptions	(204,167,000)	(390,185,000)
Actuarial (gain) loss arising from experience adjustments	<u>(171,043,000)</u>	<u>342,000</u>
Components of defined benefit costs recognized in other comprehensive income	<u>(375,210,000)</u>	<u>(389,843,000)</u>
Total	<u><u>746,314,000</u></u>	<u><u>1,451,854,000</u></u>

Movements in the present value of the employee benefits obligation were as follows:

	March 31, 2018 Rp	March 31, 2017 Rp
Beginning balance	3,011,912,000	2,104,157,000
Current service cost	885,194,000	952,609,000
Interest cost	236,330,000	201,577,000
Past service cost	-	165,879,000
Adjustments	-	521,632,000
Excess benefit paid	-	(65,443,000)
Benefits paid	(100,486,495)	(478,656,000)
Remeasurement (gain)/loss:		
Actuarial gain arising from experience adjustments	(204,167,000)	(390,185,000)
Actuarial (gain) loss arising from changes in financial assumptions	<u>(171,043,000)</u>	<u>342,000</u>
Ending balance	<u><u>3,657,739,505</u></u>	<u><u>3,011,912,000</u></u>

The defined benefit pension plan typically exposes the Company to actuarial risks such as interest rate risk and salary risk.

Interest risk

The present value of the defined benefits obligation is calculated using a discount rate that correlates with the yield on government bonds that are traded in active capital markets at the reporting date. Decrease in the interest rate will increase the benefits obligation.

Salary risk

The present value of the defined benefits obligation is calculated by reference to the future salaries of plan participants. The salary increase rate is generally determined by applying inflation adjustments to pay scales, and by taking account of the length of service. Increase in the salary of the plan participants will increase the benefits obligation.

As of March 31, 2018 and 2017, the effect of 1% movement in assumed discount rate and salary incremental rate on present value of defined benefit obligation is as follows:

	March 31, 2018		March 31, 2017	
	Increase Rp	Decrease Rp	Increase Rp	Decrease Rp
Discount rate	(337,081,000)	384,713,000	(298,501,000)	342,491,000
Salary incremental rate	389,722,000	(346,945,000)	345,361,000	(305,915,000)

This analysis provides an approximation of the sensitivity of the assumptions shown, but does not take account of the variability in the timing of the distribution of benefit payments expected under the plan.

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21 EMPLOYEE BENEFITS OBLIGATION (Continued)

Calculation of employee benefits obligation is performed by a qualified actuary (i.e. PT Dayamandiri Dharmakonsilindo) using the following key assumptions:

	March 31, 2018	March 31, 2017
Discount rate	7.45% per annum	7.9% per annum
Salary increment rate	5% per annum	6% per annum

At March 31, 2018, the weighted-average duration of the defined benefit obligation was 13.37 years (March 31, 2017: 14.13 years).

22 COMMITMENT

Under an buy back guarantee cooperation agreement with several financing companies, the Company is obliged to pay the unpaid installment on behalf of the end-customers in the events of default.

The Company also entered into cooperation agreement with various dealers for the execution of buy back guarantee above. Under this agreement, the Company act as the proxy receiver for and on behalf of the dealer, where the Company will buy back the vehicles from financing companies under certain conditions as mention in the agreement. Buy back cost will be charge to the dealers, and the dealers are required to sell the vehicles within certain period of time. Any gain or loss from this transaction will be shared between the Company and dealers.

The Company record buy back cost that charged to dealers as part of other receivables, while the estimated loss from buy back guarantee was recorded as part of other payables and accrued expenses

23 RELATED PARTY TRANSACTIONS

The following table summarizes related party transactions and balances included in the financial statements for the year ended/as at March 31:

	March 31, 2018			March 31, 2017		
	Tata Motors Limited	Tata Technologies Limited	PT. Tata Consultancy Services Indonesia	Tata Motors Limited	Tata Technologies Limited	PT. Tata Consultancy Services Indonesia
Purchase of products	132,541,373,894	-	-	54,024,660,388	-	-
Services received	1,130,850,117	2,257,482,727	919,121,748	989,738,711	2,175,992,410	-
Receivables	4,923,558,694	-	-	4,217,524,249	-	-
Trade payables	46,174,103,555	-	-	22,338,699,279	-	-
Other payables	12,508,673,164	783,841,322	-	9,492,038,817	546,576,127	-
Accrued expenses	-	-	835,445,385	-	-	-

Key management compensation:

Key management includes directors and commissioners. The following reflects the compensation paid or payable to key management individuals for services rendered in their capacity as employees:

	2018	2017
Salaries and other short-term benefits	<u>1,733,806,332</u>	<u>1,594,683,875</u>

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Company's financial assets and liabilities are expected to be realized, or settled in the near term. Therefore, their carrying amounts approximate their fair values.

Financial risk management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk.

Credit risk

The Company's credit risk mainly arises from risk of loss if customers fail to discharge their contractual obligations. The Company manages and controls the credit risk of receivables by assessing and monitoring the credit worthiness of customers.

To avoid concentration of risk of loss that might result from bank failures, cash in banks and cash equivalents are deposited at multiple financial institutions of good standing.

The ultimate amount of exposure to credit risk of financial assets is equal to their carrying amounts, as follows:

	March 31, 2018 Rp	March 31, 2017 Rp
Cash in banks and cash equivalents	18,669,558,165	6,022,195,425
Trade and other receivables	44,543,486,612	17,717,402,945
Refundable deposits (other current assets)	1,635,983,550	1,669,226,550
	<u>64,849,028,327</u>	<u>25,408,824,920</u>

Impairment exposure

The aging of trade receivables that were not impaired was as follows at reporting dates:

	March 31, 2018 Rp	March 31, 2017 Rp
Not past due	23,204,623,736	6,881,172,925
Past due 1 - 90 days	13,938,657,207	664,145,946
Past due 91 - 180 days	-	1,533,934,840
Past due more than 180 days	-	1,834,444,177
	<u>37,143,280,943</u>	<u>10,913,697,888</u>

Management believes that the unimpaired amounts that are past due remain collectible, based on historical payment behavior and analyses of the underlying customer's credit worthiness.

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount Rp	Contractual cash flows		
		Total Rp	Within 1 year Rp	Beyond 1 year Rp
March 31, 2018				
Financial liabilities				
Trade payables	48,694,379,360	48,694,379,360	48,694,379,360	-
Other payables	24,069,776,174	24,069,776,174	24,069,776,174	-
Accrued expenses (exclude product warranty and buy back guarantee)	15,094,827,218	15,094,827,218	15,094,827,218	-
Short-term bank loan	26,157,743,056	26,157,743,056	26,157,743,056	-
	<u>114,016,725,808</u>	<u>114,016,725,808</u>	<u>114,016,725,808</u>	<u>-</u>

	Carrying amount Rp	Contractual cash flows		
		Total Rp	Within 1 year Rp	Beyond 1 year Rp
March 31, 2017				
Financial liabilities				
Trade payables	22,338,699,279	22,338,699,279	22,338,699,279	-
Other payables	21,419,042,311	21,419,042,311	21,419,042,311	-
Accrued expenses (exclude product warranty and buy back guarantee)	8,010,559,947	8,010,559,947	8,010,559,947	-
Short-term bank loan	54,057,217,565	54,134,485,153	54,134,485,153	-
	<u>105,825,519,102</u>	<u>105,902,786,690</u>	<u>105,902,786,690</u>	<u>-</u>

Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to maintain market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Monetary liabilities arising from purchases of inventories from overseas suppliers and short-term bank loan expose the Company to fluctuating foreign exchange rates, from the currencies other than the Company's functional currency, primarily US Dollar. The Company manages this risk by buying or selling foreign currencies at spot rates, when necessary.

The Company's net exposure to currency risk is as follows:

	2018		2017	
	In USD	Equivalent in Rp	In USD	Equivalent in Rp
Assets :				
Cash and cash equivalents	4,997	68,740,795	24,396	324,978,583
Trade and other receivables	357,932	4,923,712,454	316,607	4,217,524,249
Total Assets	<u>362,929</u>	<u>4,992,453,250</u>	<u>341,003</u>	<u>4,542,502,832</u>
Liabilities :				
Trade payables	(3,356,652)	(46,174,103,555)	(1,676,954)	(22,338,699,279)
Other payables	(632,404)	(8,699,348,461)	(532,195)	(7,089,365,066)
Short-term bank loan	-	-	(2,099,572)	(27,968,398,346)
Total Liabilities	<u>(3,989,056)</u>	<u>(54,873,452,016)</u>	<u>(4,308,721)</u>	<u>(57,396,462,691)</u>
Net Liabilities	<u>(3,626,127)</u>	<u>(49,880,998,766)</u>	<u>(3,967,718)</u>	<u>(52,853,959,859)</u>

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24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

At reporting dates, balances of monetary assets and liabilities denominated in foreign currencies are translated into Rupiah using the prevailing exchange rates, which were Rp 13,756/US Dollar at March 31, 2018, and Rp 13,321/US Dollar at March 31, 2017.

A strengthening/weakening of the Rupiah, as indicated below, against the US Dollar at March 31, 2018 and 2017 would have increased (decreased) equity and profit or loss after income tax by the amounts shown below. This analysis is based on US Dollar rate variances that management considers as being reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Impact on profit or loss before income tax / equity
	Rp
March 31, 2018:	
2% strengthening of US Dollar	(997,619,975)
2% weakening of US Dollar	997,619,975
March 31, 2017:	
2% strengthening of US Dollar	(1,057,079,197)
2% weakening of US Dollar	1,057,079,197

Interest rate risk

The Company has a variable-rate bank loan. The Company's variable-rate loan is exposed to fluctuation in cash flows due to changes in interest rate.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss after income tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for March 31, 2017.

	Impact on profit or loss before income tax / equity	
	<u>25 bp increase</u>	<u>25 bp decrease</u>
	Rp	Rp
March 31, 2018:		
Variable rate instruments	(65,000,000)	65,000,000
March 31, 2017:		
Variable rate instruments	(135,000,000)	135,000,000

Capital risk management

The Company manages capital with the objective of being able to continue as a going concern and sustaining its ability to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to minimize the effective cost of capital. This objective is achieved by optimizing debt levels.