

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

Financial Statements

**March 31, 2020 and 2019**

(With Independent Auditors' Report Thereon)

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## Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholder

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

### Opinion

We have audited the financial statements of TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD. ("the Company"), which comprise the statements of financial position as of March 31, 2020 and 2019, the statements of operations, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations, changes in its equity and its cash flows for the years then ended in accordance with Korean Accounting Standards for Non-public Entities ("K-GAAP").

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.

Seoul, Korea

May 6, 2020

This report is effective as of May 6, 2020, 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, 2020 and 2019**

(In Korean won)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Cash and cash equivalents	₩	2,788,783,277	3,624,016,384
Accounts receivable – Trade, net of allowance for doubtful accounts of ₩28,140,472 as of March 31, 2020 and ₩48,399,910 as of March 31, 2019	9	4,127,293,678	4,791,591,058
Other receivable		87,886,200	95,089,200
Current deferred tax assets	13	395,334,874	360,262,215
Other current assets	4, 13	7,340,420	8,248,454
<b>Total current assets</b>		<b>7,406,638,449</b>	<b>8,879,207,311</b>
Property and equipment, net	5	379,554,707	206,627,476
Intangible assets, net	6	123,225,000	177,991,666
Non-current deferred tax assets	13	235,898,980	236,856,640
Other non-current assets	7	362,273,000	245,075,000
<b>Total non-current assets</b>		<b>1,100,951,687</b>	<b>866,550,782</b>
<b>Total assets</b>	₩	<b>8,507,590,136</b>	<b>9,745,758,093</b>

(Continued)

**TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.**  
**Statements of Financial Position**  
**As of March 31, 2020 and 2019**

(In Korean won)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Liabilities</b>			
Accounts payable – Other	9, 17	₩ 2,641,193,729	3,165,718,989
Accrued expenses	17	996,830,874	957,373,891
Withholdings		627,138,158	1,028,568,702
Current portion of long-term liability	16, 17	-	4,250,000
Advance receipts		10,483,360	10,483,360
<b>Total current liabilities</b>		<b>4,275,646,121</b>	<b>5,166,394,942</b>
Accrued severance indemnities	8	547,498,710	576,851,750
Long-term other payable	17	520,250,000	496,500,000
Long-term guarantee deposits received		20,000,000	20,000,000
<b>Total non-current liabilities</b>		<b>1,087,748,710</b>	<b>1,093,351,750</b>
<b>Total liabilities</b>		<b>5,363,394,831</b>	<b>6,259,746,692</b>
<b>Shareholder's equity</b>			
Common stock	1, 11	1,000,000,000	1,000,000,000
Retained earnings	12		
Earned surplus reserve		70,000,000	70,000,000
Unappropriated retained earnings		2,074,195,305	2,416,011,401
<b>Total shareholder's equity</b>		<b>3,144,195,305</b>	<b>3,486,011,401</b>
<b>Total liabilities and shareholder's equity</b>		<b>₩ 8,507,590,136</b>	<b>9,745,758,093</b>

See accompanying notes to the financial statements.

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

## Statements of Operations

For the years ended March 31, 2020 and 2019

(In Korean won)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Operating revenue</b>	9		
Service fee		₩ 43,338,185,974	43,902,241,786
Sales incentive		(3,687,161,747)	(3,604,243,474)
Operating revenue, net		39,651,024,227	40,297,998,312
<b>Operating expenses</b>	9		
Salaries		(3,178,412,898)	(3,686,195,360)
Provision for severance indemnities		(261,367,432)	(279,608,659)
Other employee benefits		(758,212,080)	(788,345,580)
Utilities		(8,556,278)	(16,764,340)
Vehicle maintenance		(90,811,705)	(86,973,663)
Rental		(522,631,737)	(427,130,751)
Insurance		(17,051,939)	(17,142,231)
Depreciation		(107,682,527)	(87,701,827)
Amortization		(54,766,666)	(54,766,667)
Supplies		(18,161,792)	(15,300,843)
Publication		(15,098,000)	(40,312,840)
Communication		(81,509,470)	(89,977,343)
Taxes and dues		(14,176,151)	(14,236,089)
Travel		(85,527,873)	(82,129,836)
Training		(25,709,077)	(22,639,478)
Sales commission		(12,373,732,032)	(14,862,186,141)
Fee and charge		(695,947,056)	(564,071,808)
Entertainment		(36,459,310)	(36,871,000)
Advertising		(56,717,500)	(255,291,180)
Outsourcing		(2,054,149,713)	(2,439,721,670)
Sales promotion		(19,668,234,406)	(16,690,783,761)
Expenditure for meeting		(7,905,508)	(21,758,857)
Reversal of(provision for) doubtful accounts		20,259,438	(5,180,206)
Others		(82,320,400)	(25,557,755)
Total operating expenses		(40,194,882,112)	(40,610,647,885)
<b>Operating loss</b>		(543,857,885)	(312,649,573)
<b>Other income and expenses</b>			
Interest income		46,529,757	46,571,331
Others, net		121,397,033	135,215,679
Other income, net		167,926,790	181,787,010
<b>Loss before income tax</b>		(375,931,095)	(130,862,563)
Income tax benefit (expenses)	13	34,114,999	(16,862,086)
<b>Net loss</b>		₩ (341,816,096)	(147,724,649)
<b>Loss per share</b>	14	₩ (1,709)	(739)

See accompanying notes to the financial statements.

**TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.**  
**Statements of Changes in Equity**  
**For the years ended March 31, 2020 and 2019**

<i>(In Korean won)</i>		<b>Common stock</b>	<b>Retained earnings</b>	<b>Total shareholder's equity</b>
<b>Balance at April 1, 2018</b>	₩	1,000,000,000	2,633,736,050	3,633,736,050
Net loss		-	(147,724,649)	(147,724,649)
<b>Balance at March 31, 2019</b>	₩	1,000,000,000	2,486,011,401	3,486,011,401
<b>Balance at April 1, 2019</b>	₩	1,000,000,000	2,486,011,401	3,486,011,401
Net loss		-	(341,816,096)	(341,816,096)
<b>Balance at March 31, 2020</b>	₩	1,000,000,000	2,144,195,305	3,144,195,305

*See accompanying notes to the financial statements.*



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

## Statements of Cash Flows

For the years ended March 31, 2020 and 2019

(In Korean won)

		2020	2019
<b>Cash flows from operating activities</b>			
Net loss	₩	(341,816,096)	(147,724,649)
Adjustments for:			
Depreciation		107,682,527	87,701,827
Amortization		54,766,666	54,766,667
Provision for severance indemnities		261,367,432	279,608,659
Provision for(Reversal of) doubtful accounts		(20,259,438)	5,180,206
Loss on disposal of property and equipment		9,524,833	9,998,598
Changes in assets and liabilities:			
Accounts receivable		684,556,818	(518,020,563)
Other receivables		7,203,000	61,455,380
Accrued income		1,136,244	(387,110)
Prepaid income tax		(228,210)	164,296,540
Current deferred tax assets		(35,072,659)	(213,793,216)
Non-current deferred tax assets		957,660	230,655,302
Other payables		(524,525,260)	(483,585,466)
Accrued expenses		35,206,983	464,647,916
Current portion of long-term liability		-	(29,700,000)
Withholdings		(401,430,544)	600,761,454
Payments of severance indemnities		(290,720,472)	(1,425,531,949)
Long-term other payable		23,750,000	108,760,000
Long-term guarantee received		-	20,000,000
<b>Net cash used in operating activities</b>		(427,900,516)	(730,910,404)
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(290,134,591)	(23,308,181)
Increase in guarantee deposits		(117,198,000)	(2,000,000)
<b>Net cash used in investing activities</b>		(407,332,591)	(25,308,181)
<b>Cash flows from financing activities</b>		-	-
<b>Net decrease in cash and cash equivalents</b>		(835,233,107)	(756,218,585)
Cash and cash equivalents at beginning of year		3,624,016,384	4,380,234,969
<b>Cash and cash equivalents at end of the year</b>	₩	2,788,783,277	3,624,016,384

See accompanying notes to the financial statements.

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

## Notes to the Financial Statements

March 31, 2020 and 2019

### 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, 2020, the Company's capital stock totals ₩1,000 million 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 June 26, 2020.

#### (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").

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 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 13 – Income Taxes

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

## Notes to the Financial Statements

March 31, 2020 and 2019

### 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.

#### (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

### **3. Significant Accounting Policies, Continued**

#### **(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.

#### **(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.

#### **(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, 2020 and 2019**

**4. Other Current Assets**

Other current assets as of March 31, 2020 and 2019 are summarized as follows:

<i>(In Korean won)</i>		<b>2020</b>	<b>2019</b>
Accrued income	₩	-	1,136,244
Prepaid income tax		7,340,420	7,112,210
	₩	<u>7,340,420</u>	<u>8,248,454</u>

**5. Property and Equipment**

(1) Property and equipment and related accumulated depreciation as of March 31, 2020 and 2019 are summarized as follows:

<i>(In Korean won)</i>		<b>2020</b>	<b>2019</b>
Tools	₩	105,914,000	105,914,000
Furniture and fixtures		888,756,344	827,235,365
Computers		105,115,800	180,359,800
<b>Total cost</b>		<u>1,099,786,144</u>	<u>1,113,509,165</u>
Less: accumulated depreciation		<u>(720,231,437)</u>	<u>(906,881,689)</u>
<b>Property and equipment, net</b>	₩	<u>379,554,707</u>	<u>206,627,476</u>

(2) Changes in property and equipment for the years ended March 31, 2020 and 2019 are as follows:

<i>(In Korean won)</i>		<b>2020</b>				
		<b>April 1</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>March 31</b>
Tools	₩	12,216,891	-	-	(6,333,327)	5,883,564
Furniture and fixtures		180,092,975	286,864,591	(9,518,833)	(95,815,368)	361,623,365
Computers		14,317,610	3,270,000	(6,000)	(5,533,832)	12,047,778
	₩	<u>206,627,476</u>	<u>290,134,591</u>	<u>(9,524,833)</u>	<u>(107,682,527)</u>	<u>379,554,707</u>

  

<i>(In Korean won)</i>		<b>2019</b>				
		<b>April 1</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>March 31</b>
Tools	₩	18,550,237	-	-	(6,333,346)	12,216,891
Furniture and fixtures		242,315,882	23,308,181	(9,998,598)	(75,532,490)	180,092,975
Computers		20,153,601	-	-	(5,835,991)	14,317,610
	₩	<u>281,019,720</u>	<u>23,308,181</u>	<u>(9,998,598)</u>	<u>(87,701,827)</u>	<u>206,627,476</u>

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.  
Notes to the Financial Statements  
March 31, 2020 and 2019

## 6. Intangible Assets

(1) Details of intangible assets as of March 31, 2020 and 2019 are as follows:

(In Korean won)

		2020			2019		
		Acquisition cost	Accumulated amortization	Book value	Acquisition cost	Accumulated amortization	Book value
Software	₩	328,600,000	(205,375,000)	123,225,000	491,763,895	(313,772,229)	177,991,666

(2) Changes in intangible assets for the years ended March 31, 2020 and 2019 are as follows:

(In Korean won)

		2020			
		April 1	Acquisition	Amortization	March 31
Software	₩	177,991,666	-	(54,766,666)	123,225,000

(In Korean won)

		2019			
		April 1	Acquisition	Amortization	March 31
Software	₩	232,758,333	-	(54,766,667)	177,991,666

(3) Major item of intangible assets as of March 31, 2020 is as follows:

(In Korean won)

Description	Book value	Remaining useful lives
CRM System	₩ 123,225,000	2.25 years

## 7. Other Non-Current Assets

Other non-current assets as of March 31, 2020 and 2019 are summarized as follows:

(In Korean won)

	2020	2019
Guarantee deposits	₩ 362,273,000	245,075,000

TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.  
Notes to the Financial Statements  
March 31, 2020 and 2019

## 8. Accrued Severance Indemnities

Changes in retirement and severance benefits for the years ended March 31, 2020 and 2019 are as follows:

(In Korean won)		2020	2019
<b>Provision for retirement and severance benefits at beginning of the year</b>	₩	576,851,750	1,722,775,040
Accrual for retirement and severance benefits		261,367,432	279,608,659
Payments		(290,720,472)	(1,425,531,949)
<b>Provision for retirement and severance benefits at end of the year</b>	₩	547,498,710	576,851,750

## 9. Related Party Transactions

(1) Details of parent and subsidiary relationships as of March 31, 2020 are as follows:

Relationship	Related parties
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, 2020 and 2019 are as follows:

(In Korean won)

Transaction	Name		2020	2019
Sales to	TDCV	₩	43,338,185,974	43,902,241,786
Purchase from	TDCV	₩	385,426,268	213,034,460

(3) Account balances with related parties as of March 31, 2020 and 2019 are as follows:

① As of March 31, 2020

(In Korean won)

Name		Receivables Accounts receivable - trade	Payables Accounts payable - other
TDCV	₩	4,155,434,150	36,707,220

② As of March 31, 2019

(In Korean won)

Name		Receivables Accounts Receivable - trade	Payables Accounts Payable - other
TDCV	₩	4,839,990,968	18,700,000

**TATA DAEWOO COMMERCIAL VEHICLE SALES & DISTRIBUTION CO., LTD.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**10. Commitment and Contingency**

The Company has provided continuing guarantee amounting to ₩1,182 million to Hana Bank in favor of the borrowings of Daewoo Truck Seoul Nambu Co., Ltd. and 9 other sales dealers as of March 31, 2020, for which it will be contingently liable.

**11. Shareholder's Equity**

Common stock as of March 31, 2020 and 2019 are as follows:

*(In Korean won except for share data)*

	<b>2020</b>	<b>2019</b>
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

**12. 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

*(In Korean won)*

	<b>2020</b>	<b>2019</b>
Retained earnings before appropriations		
Beginning of the year	₩ 2,416,011,401	2,563,736,050
Net loss	(341,816,096)	(147,724,649)
End of the year	2,074,195,305	2,416,011,401
Appropriations	-	-
Unappropriated retained earnings to be carried forward to subsequent year	₩ 2,074,195,305	2,416,011,401



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**13. Income Taxes**

(1) The components of income tax expense for the years ended March 31, 2020 and 2019 are as follows:

*(In Korean won)*

	<b>2020</b>	<b>2019</b>
Changes in deferred tax for temporary differences	(34,114,999)	16,862,086
<b>Income tax recognized in continuing operation</b>	<b>₩ (34,114,999)</b>	<b>16,862,086</b>

(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, 2020 and 2019 for the following reasons:

*(In Korean won)*

	<b>2020</b>	<b>2019</b>
<b>Loss before income taxes</b>	<b>₩ (375,931,095)</b>	<b>(130,862,563)</b>
Tax rate	22%	22%
<b>Income taxes at normal tax rates</b>	<b>(82,704,841)</b>	<b>(28,789,764)</b>
Tax effects of permanent differences	48,589,842	45,651,850
<b>Income tax expense (benefit)</b>	<b>₩ (34,114,999)</b>	<b>16,862,086</b>
<b>Effective tax rate</b>	<b>-</b>	<b>-</b>

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13. Income Taxes, Continued

(3) Changes in temporary differences and deferred tax assets (liabilities) for the years ended March 31, 2020 and 2019 are as follows:

(In Korean won)

Account	2020			
	April 1	Decrease	Increase	March 31
<b>Temporary differences (current):</b>				
Accrued expenses	₩ 957,373,891	957,373,891	996,830,874	996,830,874
Accrued income	(1,136,244)	(1,136,244)	-	-
Loss carry forward	681,317,874	-	118,827,952	800,145,826
Subtotal	1,637,555,521	956,237,647	1,115,658,826	1,796,976,700
Tax rate	22%			22%
Current deferred tax assets	360,262,215			395,334,874
<b>Temporary differences (non-current):</b>				
Accrued severance indemnities	₩ 576,851,750	290,720,472	261,367,432	547,498,710
Long-term other payable	498,090,000	498,090,000	520,250,000	520,250,000
Depreciation vehicle for business use	1,679,343	409,240	3,249,280	4,519,383
Subtotal	1,076,621,093	789,219,712	784,866,712	1,072,268,093
Tax rate	22%			22%
Non-current deferred tax assets	236,856,640			235,898,980
Deferred tax assets	₩ 597,118,855			631,233,854

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13. Income Taxes, Continued

(In Korean won)

Account	2019			
	April 1	Decrease	Increase	March 31
<b>Temporary differences (current):</b>				
Accrued expenses	₩ 492,725,975	492,725,975	957,373,891	957,373,891
Accrued income	(749,134)	(749,134)	(1,136,244)	(1,136,244)
Loss carry forward	173,791,338	-	507,526,536	681,317,874
Subtotal	665,768,179	491,976,841	1,463,764,183	1,637,555,521
Tax rate	22%			22%
Current deferred tax assets	146,468,999			360,262,215
<b>Temporary differences (non-current):</b>				
Accrued severance indemnities	₩ 1,722,775,040	1,425,531,949	279,608,659	576,851,750
Long-term other payable	395,870,000	395,870,000	498,090,000	498,090,000
Depreciation vehicle for business use	6,409,240	6,000,000	1,270,103	1,679,343
Subtotal	2,125,054,280	1,827,401,949	778,968,762	1,076,621,093
Tax rate	22%			22%
Non-current deferred tax assets	467,511,942			236,856,640
Deferred tax assets	₩ 613,980,941			597,118,855

(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) Prepaid income tax as of March 31, 2020 and 2019 are as follows:

(In Korean won)

	2020	2019
Prepaid income tax	₩ 7,340,420	7,112,210

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**14. Loss per Share**

The Company's loss per share for the years ended March 31, 2020 and 2019 is as follows:

*(In Korean won except for share data)*

	<u>2020</u>	<u>2019</u>
Net loss	₩ (341,816,096)	(147,724,649)
Weighted-average number of common shares outstanding (*)	<u>200,000</u>	<u>200,000</u>
Loss per share	<u>₩ (1,709)</u>	<u>(739)</u>

(\*) Weighted-average number of shares outstanding for the years ended March 31, 2020 and 2019, 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, 2020 and 2019.

**15. 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.

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

Significant non-cash investing and financing activities for the years ended March 31, 2020 and 2019 are as follows:

*(In Korean won)*

	<u>2020</u>	<u>2019</u>
Current portion of long-term liability	₩ -	4,250,000

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**17. Financial Instruments**

(1) The maturity analysis of financial liabilities as of March 31, 2020 and 2019 is as follows:

(In Korean won)

Account		2020			Total
		3 months or less	3-12 months	1-5 years	
Accounts payable	₩	2,641,193,729	-	-	2,641,193,729
Accrued expenses		787,369,400	209,461,474	-	996,830,874
Long-term other payable		-	-	520,250,000	520,250,000
Total	₩	<u>3,428,563,129</u>	<u>209,461,474</u>	<u>520,250,000</u>	<u>4,158,274,603</u>

(In Korean won)

Account		2019			Total
		3 months or less	3-12 months	1-5 years	
Accounts payable	₩	3,165,718,989	-	-	3,165,718,989
Accrued expenses		774,600,000	182,773,891	-	957,373,891
Current portion of long-term liability		3,900,000	350,000	-	4,250,000
Long-term other payable		-	-	496,500,000	496,500,000
Total	₩	<u>3,944,218,989</u>	<u>183,123,891</u>	<u>496,500,000</u>	<u>4,623,842,880</u>

(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.