

**TATA HISPANO MOTORS CARROCERA S.A.U.**

**AUDIT REPORT ON THE ANNUAL ACCOUNTS FOR THE  
FINANCIAL YEAR ENDING  
31 MARCH 2018**

**RECORD NUMBER: 6/2018**



**Official Registry of Auditors no.: S-2440**

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**AUDIT REPORT ON THE ABRIDGED ANNUAL ACCOUNTS**  
**ISSUED BY AN INDEPENDENT AUDITOR**

To the sole shareholder of TATA HISPANO MOTORS CARROCERA S.A.U.

***Qualified opinion***

We have audited the abridged annual accounts of TATA HISPANO MOTORS CARROCERA S.A.U., which include the abbreviated Balance Sheet as at 31st March 2018, the abridged Profit and Loss statement and the abbreviated Annual Report, all corresponding to the financial year ending on that date.

In our opinion, except for the possible effects of the issue described under the heading “Basis of the qualified opinion”, the abridged accounts attached express, in all significant respects, the true and faithful image of the assets and financial situation of the company TATA HISPANO MOTORS CARROCERA S.A.U. on 31st March 2018, as well as of its year-end results for the financial year ending on that date, in accordance with the applicable framework regulations on financial disclosure (identified in Note 2.1 of the abbreviated Annual Report) and, in particular, with the accounting principles and criteria contained therein.

***Basis of the qualified opinion***

The item “Non-current assets held for sale” on the attached abbreviated Balance Sheet includes 1,830 k Euros (2,438 k Euros in the previous fiscal year). We do not have evidence, nor have we been able to obtain it through an alternative method, of the amount included in this item and therefore of the impairment booked in the Profit and Loss in an amount of 608 thousand Euros.

We have undertaken our audit in accordance with the current regulations governing the auditing of accounts in Spain. Our responsibilities pursuant to those regulations are described later in the section entitled ‘Auditor’s responsibilities in regard to the abridged annual accounts’ herein.

We are independent of the company, in accordance with the requirements of ethics, including those of independence, which are applicable to our auditing of abridged annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this sense, we have not provided services other than those of auditing accounts nor have situations or circumstances arisen that, in accordance with the provisions of the afore-mentioned regulations, have affected such required independence in a way that it may be jeopardised.

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

### ***Most relevant findings in the audit***

The most relevant findings of the audit are those that, according to our professional judgement, have been considered as the most significant risks of material misstatement in our audit of the abridged annual accounts for the current period. These risks have been addressed in the context of our audit of the abridged annual accounts as a whole and in the formation of our opinion about them and we do not express a separate opinion on these risks.

Except for the issue described in the 'Basis of the qualified opinion' section above, we have determined that there are no other more significant risks found in the audit that should be addressed in our report.

### ***Emphasis of matter***

We call attention to what is indicated in Note 2.5 of the attached abbreviated annual report, in which it is mentioned that the Company has incurred significant losses in the past financial years which has given rise to a negative net worth amounting to 95 million Euros as at 31<sup>st</sup> March 2018, with the company being eligible for dissolution as provided for in the Capital Company Act and furthermore it shows a negative working capital position for an amount of 75 million Euros as at the aforesaid date. These circumstances indicate the existence of a material uncertainty that may generate significant doubts about the capacity of the Company to continue as a going concern, which will depend on the economic and financial support of its sole shareholder, TATA Motors, Ltd, a company with which it has carried out and is expected to carry out significant transactions. This matter does not alter our opinion.

### ***Other matters***

The annual accounts of TATA Hispano Motors Carrocera S.A.U, corresponding to the financial year ending 31<sup>st</sup> March 2017, were audited by other auditors who, in their report dated 19<sup>th</sup> December 2017 offered a qualified opinion due to the restriction of not being able to conclude on the classification, recovery value and need to record a impairment on the value at which the items contained in the sections "Non-current assets held for sale", "Inventories" and "Short-term financial investments" are recorded. In addition, a qualification was included due to not being able to obtain supporting evidence of the integrity of the physical assets included in the first two sections. Furthermore the report contained a qualification with regard to the reasonableness of balances and applications recorded in the "Short-term provisions" and "Long-term provisions" sections of the abbreviated balance sheet.

### ***Board of Directors' responsibility for the Abridged Annual Accounts***

The Board of Directors is responsible for preparing the attached abridged annual accounts such that they give a true view of the Company's assets, financial position and results, in accordance with the framework regulations on financial disclosure applicable to the entity in Spain, and for ensuring the internal control it considers necessary to enable the abbreviated annual accounts to be prepared free of material misstatement, whether due to fraud or error.

In the preparation of the abridged annual accounts, the Board of Directors is responsible for assessing the ability of the Company to continue as a going concern, disclosing as appropriate matters relating to the business as a going concern, except when the Board of Directors intends to liquidate the company or cease operations, or when there is no other realistic alternative.

***Auditor's responsibilities in regard to the audit of the abridged annual accounts***

Our objectives are to obtain reasonable assurance that the abridged annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that contains our opinion.

Reasonable assurance is a high degree of certainty but does not guarantee that an audit conducted in accordance with auditing regulations currently in force in Spain always detects material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or in an aggregate form, they can reasonably be expected to influence the economic decisions made by users on the basis of the abridged annual accounts.

As part of an audit in accordance with the regulations governing the auditing of accounts in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the abridged annual accounts, whether due to fraud or error, and design and apply audit procedures to respond to such risks and to obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since fraud may entail collusion, falsification, deliberate omission, intentionally erroneous statements, or circumvention of internal controls.
- We acquire an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the Board of Directors.
- We conclude on whether the use by the Board of Directors of the going concern accounting principle is suitable and, based on the audit evidence obtained, we conclude on whether or not there is a material uncertainty related to the facts or conditions that may raise significant doubts as to the company's ability to continue as a going concern. If we conclude that such material uncertainty does exist, we are required to draw attention in our audit report to the relevant data disclosed in the abridged annual accounts or, if such disclosures are not appropriate, to express an amended opinion. Our conclusions are based on the audit evidence obtained up to the date of issue of our audit report. However, future events or conditions may cause the company to cease being a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts, including the data disclosed, and whether the abridged annual accounts represent the underlying transactions and events in a way that manages to express the true image.

We discuss with the company's Board of Directors in regard to, among other matters, the scope and timing of the planned audit, and any significant findings of the completed audit, as well as any significant deficiencies in internal control that we identified during the course of the audit.

Among the significant risks that have been reported to the Board of Directors, we determine those that are of the greatest significance in the audit of the abridged annual accounts in the current period and which are, therefore, the risks considered to be the most significant to the company.

We outline these risks in our audit report unless legal or regulatory provisions prohibit such public disclosure of the matter.

Zaragoza, Spain 21th May 2018



**INEX AUDITORES, S.L.P.**

**2018 Núm.08/18/00886**

**COPIA**

Informe de auditoría de cuentas sujeto  
a la normativa de auditoría de cuentas  
española o Internacional



**INEX**  
AUDITORES, S.L.P.  
Official Registry of  
Auditors (ROAC):  
S2440

Signed Carmen Tejero Nebra  
Member no. 21534 of ROAC  
Partner - Auditor

***TATA HISPANO MOTORS CARROCERA, S.A.U.***

**ANNUAL ACCOUNTS AT 31 MARCH 2018**

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**TATA HISPANO MOTORS CARROCERA, S.A.U.**  
TAX ID N°. A50089119

Financial Year 2017-2018

**BALANCE SHEET AT 31 MARCH 2018 (Euros)**

ASSETS	Notes	31/03/2018	31/03/2017	EQUITY AND LIABILITY	Notes	31/03/2018	31/03/2017
<b>B) CURRENT ASSETS:</b>		<b>4,375,357.94</b>	<b>6,301,109.99</b>	<b>A) EQUITY:</b>		<b>(95,003,340.58)</b>	<b>(92,726,124.50)</b>
I. Long term assets held for sale	N 8	1,829,829.90	2,437,543.94	A.1) OWNERS' EQUITY:-	N 9	(95,003,340.58)	(92,726,124.50)
II. Inventories	N 9	102,519.50	177,171.77	I. Share capital		538,092.00	538,092.00
III. Trade and other receivables:-		159,174.72	118,921.69	III. Other reserves		79,187.00	79,187.00
1. Trade receivables for sales and services	N 6	145,856.34	80,315.26	V. Retained losses		(93,343,403.50)	(92,825,032.96)
3. Other accounts receivable from public authorities		13,318.38	38,606.43	VII. Profit for the period		(2,277,216.08)	(518,370.54)
IV. Current financial assets in Group companies and associates	N 11						
V. Current financial assets	N 6	1,350,000.33	2,742,675.53	<b>B) NON-CURRENT LIABILITIES:</b>		<b>19,630,757.36</b>	<b>20,219,441.82</b>
VII. Cash and cash equivalents		782,859.00	782,859.00	I. Long-term provisions-	N 12	15,682.00	15,682.00
		150,874.49	41,938.06	II. Non-current payables	N 7	4,615,075.36	5,203,759.82
				III. Non-current payables to Group companies and associates	N 7-9-11	15,000,000.00	15,000,000.00
<b>TOTAL ASSETS:</b>		<b>4,375,357.94</b>	<b>6,301,109.99</b>	<b>C) CURRENT LIABILITIES:</b>		<b>79,747,941.16</b>	<b>78,807,792.67</b>
				II. Short-term provisions	N 12	204,525.48	333,861.96
				III. Current payables-	N 7	932,324.61	932,324.61
				1. Other financial liabilities		932,324.61	932,324.61
				IV. Current payables to Group companies and associates	N 7-9-11	73,750,659.40	72,650,600.78
				V. Trade and other payables-		4,860,431.67	4,891,005.32
				1. Payable to suppliers	N 7	660.23	660.23
				2. Payable to suppliers - Group companies and associates	N 7-11	4,564,517.27	4,564,517.27
				3. Other accounts payable	N 7	295,254.17	325,827.82
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,375,357.94</b>	<b>6,301,109.99</b>			<b>4,375,357.94</b>	<b>6,301,109.99</b>

**INEX**  
AUDITORES, S.L.P.  
CIF: B-99508244  
ROAC: S2440

Zaragoza, Spain 17th May 2018  
The Board of Directors

Mr. Ganesh Prasad Shetty

Mr. Santosh Suresh Kamat

Mr. Vishal Khosla

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018 (Euros)**

	Notes	Period 2018-2017	Period 2017-2016
<b>CONTINUING OPERATIONS:</b>			
1. Revenue		54,166.18	73,916.74
2. Changes in inventories of finished goods and work in progress	<b>N 8</b>	(607,714.04)	0.00
4. Procurements-		(74,652.27)	(48,393.33)
5. Other operating income		0.00	96,481.16
6. Staff costs-		0.00	(588.34)
7. Other operating expenses		(340,619.56)	336,221.67
11. Impairment losses and gain/losses on disposal of non current assets	<b>N 8</b>	0.00	(109,511.82)
12. Other gains or losses		(657.69)	(9,822.74)
<b>A) LOSS FROM OPERATIONS</b>		<b>(969,477.38)</b>	<b>338,303.34</b>
13. Finance income-		350.56	2,005.94
14. Finance costs-		(1,308,089.26)	(1,448,964.82)
On debts to Group companies and associates	<b>N 11</b>	(984,148.40)	(1,096,015.89)
On debts to third parties	<b>N 7</b>	(323,940.86)	(352,948.93)
16. Impairment losses and gain/losses on disposal of financial instruments		0.00	590,285.00
<b>B) FINANCIAL LOSS</b>		<b>(1,307,738.70)</b>	<b>(866,673.88)</b>
<b>C) LOSS BEFORE TAX</b>		<b>(2,277,216.08)</b>	<b>(518,370.54)</b>
17. Income tax expense	<b>N 10</b>	0.00	0.00
<b>D) LOSS FOR THE PERIOD</b>		<b>(2,277,216.08)</b>	<b>(518,370.54)</b>

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Zaragoza, Spain 17<sup>th</sup> May 2018  
The Board of Directors

Mr. Ganesh Prasad Shetty

Mr. Santosh Suresh Kamat

Mr. Vishal Khosla

## **1. Company line of business**

TATA Hispano Motors Carrocera, S.A.U. (hereinafter, the Company) is an enterprise incorporated in Spain in compliance with the Corporate Enterprises Act. In accordance with its bye-laws, the corporate purpose of the company is the manufacture and sale of bus bodyworks for both the domestic and foreign markets. Its registered offices are located at Ctra. De Castellón, Km. 230.5, Camino del Canal s/n, La Cartuja Baja (Zaragoza).

On 16<sup>th</sup> March 2005, the corporations Investalia, S.L. and TATA Motors, Ltd., entered into an agreement that offered the latter a purchase option for up to 79% of the shares of Hispano Carrocera, S.A., the terms of implementation of which were subject to the terms governing the agreement that expired in March 2010.

In October 2009, TATA Motors, Ltd. exercised its purchase option set forth in that agreement, thus becoming the sole shareholder of the Company. Since then, the Company has been integrated into the TATA Group, whose parent company is the Indian corporation called TATA Motors, Ltd., with registered offices at Bombay House 24, Homi Mody Street, Mumbai-400 001 and that is the corporation that prepares the Group's consolidated financial statements.

On 3<sup>rd</sup> February, 2010, the Company changed its name to 'TATA Hispano Motors Carrocera, S.A.U.' as it is currently known.

As explained in Note 11, in the financial year 2015, the Company disposed of its shareholding in TATA Hispano Maghreb, S.A., thus ceasing to act as head of a group of subsidiaries as from 31<sup>st</sup> March 2015. In consequence, the Company is no longer compelled to separately prepare consolidated annual accounts. In this regard, the annual accounts herein refer exclusively to the specific accounts of TATA Hispano Motors Carrocera, S.A.U.

The financial year for the Company closes on 31<sup>st</sup> March, which is the close of the corresponding financial year ending 31<sup>st</sup> March, 2018 (hereinafter, 'financial year 2018'), which refers to the relevant twelve-month period between 1<sup>st</sup> April 2017 and 31<sup>st</sup> March, 2018.

## **2. Basis of presentation of the annual accounts**

### **2.1 Regulatory framework of financial disclosure applicable to the Company**

These abridged annual accounts have been prepared by the Company's Board of Directors in accordance with the regulatory framework of financial disclosure applicable to the Company, which is set forth in:

- a) The Commercial Code and other corporate legislation.
- b) The General Chart of Accounts approved by Spanish Royal Decree 1514/2007 and its sector-specific Adaptations.

Zaragoza, Spain 17<sup>th</sup> May 2018  
The Board of Directors

Mr. Ganesh Ganad Shetty

Mr. Santosh Suresh Kamat

Mr. Vishal Khosla

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- c) Norms of an obligatory nature as approved by the Institute of Accounting and Auditing of Accounts in development of the General Chart of Accounts and its complementary norms.
- d) All other Spanish accounting regulations that may be applicable.

## **2.2 Faithful image**

The accompanying abridged annual accounts have been obtained from the Company's accounting records and are presented in accordance with the regulatory framework of financial disclosure that is applicable to it and, in particular, the accounting principles and criteria contained therein, such that they reflect a true and fair view of the net worth, financial position and year-end results of the Company for the financial year ending 31<sup>st</sup> March, 2018. These abridged annual accounts, which have been prepared by the Company's Board of Directors, will be submitted for approval by the Sole Shareholder, and it is estimated that they will be approved without any further amendments. Likewise, the financial statements for the year ending 31<sup>st</sup> March, 2017 were approved by the Sole Shareholder on 23<sup>rd</sup> January 2018.

## **2.3 Non-mandatory accounting principles applied**

No non-mandatory accounting principles have been applied. In addition, the Board of Directors has drawn up these abridged annual accounts taking into account all the accounting principles and standards of mandatory application that have a significant effect on these annual accounts. No accounting principle of a mandatory nature has been failed to be applied.

## **2.4 Critical aspects of the assessment and estimation of uncertainty**

When preparing the abridged annual accounts attached hereto, estimates made by the Company's Board of Directors have been used to value some of the assets, liabilities, income, expenses and commitments recorded therein. Basically, such estimates refer to:

- Estimation of the fair value of non-current assets held for sale (see Note 4).
- The valuation of inventories (see Note 4)
- The calculation of certain provisions (see Note 4)

Although these estimates have been made on the basis of the best information available at the end of the financial year ending 31<sup>st</sup> March 2018, it is possible that events may occur in the future that call for adjustments (either upwards or downwards) in coming years, which in any case would be made prospectively, if at all.

## **2.5 Company prospects: going concern principle**

On 23<sup>rd</sup> September, 2013, the members of the Board of Directors approved the cessation of production as from September of that same year. Said production

Zaragoza, Spain 17<sup>th</sup> May 2018  
The Board of Directors

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cessation did not comprise winding up the Company, since it maintains part of its business activity, namely that of selling spare parts and providing warranty services. Likewise, as a consequence of the cessation of bus assembly work, a Regulated Employment Termination scheme was approved in 2014 for practically all the Company's employees. During the 2018 and 2017 financial years, the Company has maintained its spare parts supply and warranty provision business.

The attached abbreviated Balance Sheet as at 31<sup>st</sup> March 2018 shows negative equity for an amount of 95,300 k Euros, so that even after considering the existing participation loans detailed in Notes 9 and 11, the Company is eligible for dissolution, as provided for in Article 363 of the Corporate Enterprises Act. Likewise, at the end of the 2018 financial year, the Company shows negative working capital to the amount of 75,372 k Euros, mainly due to the short-term maturity of an amount of 74 k Euros, corresponding to debts with group companies (note 11). These circumstances indicate the existence of a degree of material uncertainty such that significant doubts may arise as to the Company's ability to continue as a going concern.

In this sense, the Company has the financial support of its Sole Shareholder, TATA Motors, Ltd., to ensure its ability to continue operations and with its commitments in regard to the amounts shown in the abbreviated balance sheet attached hereto.

Likewise, the Sole Shareholder will take the necessary measures to restore the equity balance and resolve the cause of dissolution by granting new participation loans for the amounts necessary to rebalance the Company's equity position.

Based on the above, the Board of Directors has drawn up these Abbreviated Financial Statements applying the going concern principle.

## **2.6 Comparison of information**

The information contained in the Abbreviated Notes to the Financial Statements referring to the year ending 31<sup>st</sup> March, 2018 is presented alongside the same data for the previous financial year – ending 31<sup>st</sup> March 2017 - for the purpose of comparison. The financial statements for both years were prepared using the abbreviated model, in application of the provisions of Articles 257 and 258 of the Spanish Corporate Enterprises Act.

## **2.7 Grouping of items**

Certain items on the abbreviated Balance Sheet and the abbreviated Income Statement are presented in groups to facilitate their comprehension, although, to the extent that it is significant, certain detailed information has been given in the corresponding section of the accompanying Abbreviated Notes.

Zaragoza, Spain 17<sup>th</sup> May 2018  
The Board of Directors

Mr. Ganesh Praend Shetty

Mr. Santosh Suresh Kamat

Mr. Vishal Khosla

## **2.8 Changes in accounting criteria**

During the year ending 31<sup>st</sup> March 2018, no significant changes in accounting criteria have taken place with respect to the criteria applied in the year ending 31<sup>st</sup> March, 2017.

## **2.9 Correction of errors**

In the preparation of the accompanying abridged annual accounts, no significant error was detected that would give rise to a restatement of the amounts included in the annual accounts for the financial year ending 31<sup>st</sup> March, 2017.

## **3. Application of the result**

The Board of Director's proposal as to how the losses for the year ending 31<sup>st</sup> March 2018 should be applied and which will be submitted to the approval of the Sole Shareholder comprises writing those losses down to "Previous years' losses" to be made good in future financial years.

## **4. Recording and valuation rules**

The main recording and valuation rules used by the Company to prepare its abbreviated financial statements for the year ending 31<sup>st</sup> March 2018 in accordance with those established by the Spanish General Chart of Accounts were as follows:

### **4.1 Intangible fixed assets**

Intangible assets are initially recognised at their acquisition price or production cost. Subsequently, they are valued at cost minus the relevant accumulated depreciation and, as the case may be, any impairment losses that they have undergone. These assets are depreciated on the basis of their service life.

#### **1. Research and development expenses:**

The Company follows the criterion of recording the research costs it incurs during the year on the P&L account. However, they are capitalised when the following conditions are met:

- They are specifically broken down into individual projects, the costs of which can be clearly established.
- There is a good reason to have confidence in the technical success and economic and commercial profitability of the project.

With respect to development costs, these are capitalised when the conditions shown above for capitalising research expenses are met.

The assets thus generated are depreciated linearly throughout their useful service life (over a maximum period of 5 years) counting from the date on which the project is concluded.

Zaragoza, Spain 17<sup>th</sup> May 2018  
The Board of Directors

Mr. Ganesh Prasad Shetty

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Should any doubts exist in regard to the technical success or economic profitability of the project, then the cost amounts recorded on the asset are charged directly to the abbreviated P&L account for the year in hand.

During the 2014 financial year, the Company divested a part of its R&D assets that it kept at that year-end and impaired the rest of its assets, as its expectations of the recoverable amount were lower than the net book value, as is detailed in Note 5, for which no balance under this heading is shown at year-end 2018 and 2017.

## **2. Industrial Property:**

The amounts paid for the expenses incurred as a result of registering the Divo brand name developed by the company under which it operates in some of its commercial transactions are booked to this account.

In the 2014 financial year, the Company impaired the entire balance booked to this account as it considered that the value shown on the books was not recoverable.

## **3. Software:**

The Company books to this account the costs it incurs in the acquisition and development of computer programmes, including the costs of developing websites. IT software maintenance costs are booked to the abbreviated P&L account for the year in which they are incurred. IT software is depreciated by applying the linear method over a period of 5 years.

In the 2014 financial year, the Company impaired the total balance booked to this account, as it considered the net value held on the books not to be recoverable.

## **Impairment of intangible and tangible assets**

At the close of each financial year, the Company carries out the so-called "impairment test" on intangible assets with an indefinite lifespan or whenever there are indications of impairment for other assets in order to ascertain the possible existence of value losses that indicate that those assets have a recoverable value lower than their net book value.

The amount recoverable is taken to be the highest of either its fair value minus selling costs or its in-use value. To estimate the in-use value, the current value of the future cash flows of the asset in question (or of the cash generating unit that it belongs to, where applicable) is worked out using a weighting discount that reflects both the value of money over time and the specific risk associated with the asset. When it is estimated that the recoverable value of an asset is less than its net book value, the difference is recorded as a charge under "Impairments and Losses" on the abbreviated Profit and loss statement. Recognised losses as a result of an asset impairment are reversed by a credit on the afore-mentioned account when estimates of their recoverable amount improve, thus increasing the value of the asset up to the limit of the book value that the asset would have had should such restating not have been carried out, except in the case of goodwill, the impairment of which is irreversible.

Zaragoza, Spain 17<sup>th</sup> May 2018  
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Mr. Ganesh Prasad Shetty

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 **INEX**

AUDITORES, S.L.P.  
CIF: B-99508244  
ROAC: S2440

#### **4.2 Tangible fixed assets**

Tangible fixed assets are initially valued at their purchase price or production cost, and are subsequently reduced by the corresponding aggregate depreciation and impairment losses, if any, in accordance with the criteria explained in Note 4.1.

Maintenance costs for the various items that make up the tangible fixed assets are charged to the abbreviated profit and loss statement for the year in which they are incurred. On the other hand, amounts invested in improvements that contribute to increasing the capacity or efficiency or to lengthening the service life of those assets are booked as a higher item cost.

The costs of any work the Company does on its own fixed assets are booked as the sum cost resulting from adding external costs to internal costs, taken to be the consumption of materials, direct labour involved and general manufacturing expenses calculated according to absorption rates similar to those applied for valuing stocks.

As a result of the cessation of production described in Note 2.5, the Company classified the tangible fixed assets, once their recoverable value had been assessed, under the heading "Non-current assets held for sale" on the abbreviated Balance Sheet, as described in Note 8.

#### **4.3 Financial instruments**

##### **1. Financial assets**

###### *Classification*

Financial assets held by the Company are classified in the following categories:

1. Loans and receivables: financial assets as a result of the sale of goods or the provision of services through the Company's trade operations, or those that although they are not trade-related, are neither equity instruments nor derivatives and the amount collectable on them is fixed or can be determined and they are not traded on an active market.
2. Investments in the equity of group companies, associates and jointly controlled entities: group companies are taken to be those related to the Company through a controlling relationship, plus related companies over which the Company exercises significant influence. Additionally, the multi-group category is taken to include companies over which, by virtue of an agreement, it exercises joint control with one or more partners.

Receivable loans and trade receivables are initially booked at the fair value of the amount handed over plus all directly attributable transaction costs. Subsequently, these assets are valued at their amortised cost.

Investments in group, associate and jointly-controlled companies and entities are valued at cost minus, where appropriate, any amount lost as accumulated impairment. These corrections are calculated as the difference between their net book value and the recoverable amount, understood as the greater amount between their fair value minus selling costs and the present value of the future

Zaragoza, Spain 17<sup>th</sup> May 2018  
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cash flows derived from the investment. Unless better criterion to value the recoverable amount is available, the net equity of the investee entity is taken into account, adjusted for any implicit capital gains existing as at the valuation date (including goodwill, if any).

Since 1<sup>st</sup> January 2010, in the event of investments in the assets of group companies that proffer control over the Dependent Company, the fees paid to legal advisors or other professionals involved with the acquisition of the investment are booked directly to the abbreviated Profit and loss statement.

At least at every year-end, the Company runs an impairment test on its financial assets that are not booked at fair value. It is considered that there exists objective cause for impairment when the recoverable value of the financial asset is lower than its net book value. When that occurs, this impairment is booked to the abbreviated Profit and loss statement.

In particular, as far as adjusting the value of trade and other receivables is concerned, these items are classed, when applicable, as bad debt and the corresponding impairment booked on the basis of individual assessment of the relevant debit balances in order to determine the amounts that can be considered doubtful when the debtor's insolvency is obvious or, among other measures, when deadlines have been overlooked and the appropriate collection procedures have still not led to a successful recovery of the amount owed.

## **2. Financial liabilities**

Financial liabilities are those debits and payments to be made by the Company which owe their origin to the purchase of goods and services as part of the Company's trade operations or also those that, even though not commercial in nature, cannot be considered as derivative financial instruments.

Debits and payables are initially valued at the fair value of the amount received, adjusted to offset all costs directly attributable to the transaction. Subsequently, these liabilities are valued according to their depreciated cost. In particular, the difference between the amount received from public bodies as a loan with a lower interest rate than the standard market rate and its current value at the time the loan was made is booked as a subsidy.

The Company writes off financial liabilities when the obligations that generated them have disappeared.

## **4.4 Inventories**

Inventories are valued at their purchase price, production cost or net realizable value, whichever is lowest. Trade discounts, rebates, and other similar items and interest charged to payable debits are deducted from the calculated purchase price. If they require a period of time longer than one year to be sold, the relevant financial expenses are included in the book value.

When the net realizable value is lower than its purchase price or production cost, the value will be adjusted accordingly to recognise these inventories as an expense in the Profit and Loss statement.

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The purchase price includes the amount on the invoice after deducting any sale discount and adding all expenses incurred up until the goods are on sale, such as transportation, customs duties, insurance and other costs directly attributable to the acquisition of the stocks.

The Company undertakes an assessment of the net realizable value of its stocks at year-end and books the relevant loss when they are overvalued.

When the circumstances that previously gave rise to that lower valuation have ceased to exist or when there is clear evidence that the net realizable value has increased as a result of a change in economic circumstances, the amount booked is reversed.

#### **4.5 Foreign currency transactions**

The operating currency used by the Company is the Euro. Consequently, transactions in currencies other than Euros are considered to be denominated in foreign currency and are booked at the exchange rates prevailing on the dates transactions take place.

At the close of the financial year, monetary assets and liabilities denominated in foreign currency are converted by applying the exchange rate applicable as at the date of the abbreviated Balance Sheet. Any profits or losses thus generated are booked directly to the abbreviated P&L account for the year in which they occur.

#### **4.6 Tax on profits**

The income tax expense or credit covers both the part related to expenses or income from current tax and the part corresponding to deferred tax expenses or income.

Current tax is the amount that the Company pays as a result of assessing tax on operating profits for any one financial year. Tax deductions and other tax benefits in the taxable base, excluding withholdings and pre-paid instalments, plus any compensable tax losses from previous years that are effectively applied in the current year all lower the final amount of current tax payable.

Deferred tax expense or income refers to the recognition and cancellation of deferred tax assets and liabilities. These include any timing differences, which are identified as those amounts that are expected to be payable or recoverable stemming from the difference between the carrying amounts of assets and liabilities and their tax value, as well as any negative tax bases to be offset and tax credits for fiscal deductions that have not been taxed. These amounts are booked by applying to the relevant timing difference or credit the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all taxable timing differences, except those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect either the end tax result or the book result and is not a combination of businesses.

On the other hand, deferred tax assets are only recognised to the extent that it is considered likely that the Company will have future taxable profits against which to offset them.

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Assets and liabilities for deferred taxes that are based on operations and directly charged or credited to equity accounts are also booked with a counter-entry in net equity.

At the end of each accounting period, all deferred tax assets on the books are revalued and the appropriate corrections made to them to adjust for the extent of doubt existing in regard to their future collection. In addition, deferred tax assets not booked on the balance sheet are valued at each closing date and are recognised to the extent that it is likely they will be recovered with future tax credits.

#### **4.7 Income and expenses**

Income and expenses are booked following the criterion of accrual, i.e., when the actual flow of the goods and services they represent occurs, regardless of when the monetary or financial flow deriving from them occurs. Such income is valued at the fair value of the amount received, minus discounts and taxes.

Revenues from sales are recognised when the significant risks and rewards of ownership of the property sold have been transferred to the buyer and current management of that property or effective control over it no longer exist.

Interest received from financial assets is recognised using the effective interest rate and dividends method when the shareholder's right to receive them is stated. In any case, interest and dividends on financial assets accrued after the acquisition date are recognised as income on the abbreviated profit and loss statement.

#### **4.8 Provisions and contingencies**

When preparing the annual accounts, the Board of Directors differentiates between:

1. Provisions: credit balances that cover current obligations derived from past events, whose cancellation is likely to cause an outflow of resources but which cannot be determined in terms of their amount and/or exact time of cancellation.
2. Contingent liabilities: possible obligations arising as a result of past events, whose future materialisation is conditioned by the occurrence, or not, of one or more future events beyond the Company's own control.

The abridged annual accounts include all provisions in regard to which it is estimated that the likelihood of having to meet the obligation is greater than the likelihood of not having to meet them. Except for those that are considered to be remote, contingent liabilities are not recognised in the annual accounts but are reported in the Notes to the abbreviated annual report. Specifically, the abridged annual accounts include a provision which is to meet the costs of post-sale long- and short- term warranties that the Company has committed to with its customers.

Provisions are valued at the present value of the best possible estimate of the amount required to cancel or transfer the obligation on the basis of available information about the event and its consequences, and any adjustments as a result of updating such provisions are booked as a financial expense as it accrues.

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Compensation to be received from third parties as and when an obligation is settled, provided that there is no doubt that said reimbursement will be received, is booked as an asset, except when a legal connection exists through which part of the risk has been externalised and as a result, the Company is not obliged to respond; in this situation, such compensation is taken into account when estimating the amount of the relevant provision to be booked, if any.

#### **4.9 Equity items of an environmental nature**

Environmental assets are understood to refer to assets that have long-term usage in the Company's business activities and whose main purpose is to minimise the environmental impact and to protect and improve the environment, including reducing or eliminating future pollution.

The Company's business, given its stated nature, produces no significant environmental impacts other than those mentioned in Note 13.8.

#### **4.10 Transactions with related parties**

The Company performs all its operations with related parties at arm's length values. In addition, transfer prices are adequately managed and supported, so the Board of Directors considers no significant risks exist in this regard that might give rise to significant liabilities in the future.

#### **4.11 Non-current assets and disposable groups of items held for sale**

The Company classifies a non-current asset or a disposable group as held for sale when it has taken the decision to sell it and it is estimated that the sale will be carried out within the next twelve months.

These assets or disposable groups are valued at their book value or their fair value minus the costs necessary for the sale, whichever is lower.

Assets classified as non-current held for sale are not depreciated but rather, at the date of each balance sheet, their book value is adjusted accordingly so that it does not exceed the fair value minus costs to sell.

Revenues and expenses generated by non-current assets and disposable groups of items held for sale that do not meet the requirements to qualify as discontinued operations, are recognised on the P&L under the relevant heading according to the nature of each one.

#### **4.12 Discontinued operations**

No discontinued operations have occurred during this financial year.

### **5. Intangible assets, tangible assets and property investments**

The Company has not made any changes in this section of the abbreviated Balance Sheet for 2018 and 2017 financial years and all intangible assets are fully impaired. The detail thereof as at 31<sup>st</sup> March, 2016 and 2015 is as follows, in Euros:

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DESCRIPTION	Euros
<b>Research and Development:</b>	
Cost	10,512,698.00
Depreciation	-9,242,182.00
Impairment	-1,270,516.00
<b>Patents:</b>	
Cost	13,278.00
Impairment	-13,278.00
<b>Software:</b>	
Cost	1,807,000.00
Depreciation	-1,270,213.00
Impairment	-536,787.00
<b>Total:</b>	
Cost	12,332,976.00
Depreciation	-10,512,395.00
Impairment	-1,820,581.00
<b>Net Total</b>	

As at year-end closing on 31<sup>st</sup> March 2018 and 2017, the Company had no firm commitments for the purchase of fixed assets.

## 6. Financial assets

### 6.1 Short-term financial investments

The balance of accounts under the heading "Short-term financial investments" at the close of the years ending 31<sup>st</sup> March 2017 and 2018 is as follows (in Euros):

Classes Categories	Short-term financial instruments	
	Loans, derivatives & sundries	
	31/03/18	31/03/17
<b>Loans and receivables -</b>		
Financial investments	<b>710,847.00</b>	<b>710,847.00</b>
Bank deposits	710,847.00	710,847.00
<b>Equity instruments -</b>		
Investment in equity instruments	72,012.00	72,012.00
<b>Total</b>	<b>782,859.00</b>	<b>782,859.00</b>

The heading "Bank deposits" includes various deposits with short-term maturity amounting to 510,133.00 Euros as at 31<sup>st</sup> March, 2018 - the same amount as in the previous year, part of which are pledged as collateral for certain trade operations (see Note 13.2). In addition, this heading also includes the booking of a loan with a company in the amount of 200,714.00 Euros as a guarantee of compliance with certain trading terms, with the intention that, as soon as the warranty period ends, that amount will be returned to the

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Company. The Company has itemised it along with bank deposits under the assumption that both amounts are of the same nature.

The heading "Trade and service receivables" as at 31<sup>st</sup> March 2018 and 2017 on the abbreviated Balance Sheet attached is shown net of impairments.

The average interest rate for the various deposits does not differ from the standard interest rate payable for such operations on the open market.

## **6.2 Corrections for impairment due to credit risk**

The movements due to impairment adjustments made to short-term financial instruments for the financial years 2018 and 2017 are as follows:

### **Year 2018:**

Description	31/03/2017	Impairments recognised during the year	Reversed impairment	31/03/2018
Receivables – Trade customers	1.904.401.00	-	-	1.904.401.00
Receivables – Group customers	628.703.00	-	13.215.53	615.487.47

### **Year 2017:**

Description	31/03/2016	Impairments recognised during the year	Reversed impairment	31/03/2017
Receivables – Trade customers	1.904.401.00	-	-	1.904.401.00
Receivables – Group customers	1.260.969.00	-	-632.266.00	628.703.00

The amount booked as impairment of receivable items is included under the "Trade Losses, Impairment and Changes to Provisions" heading in the accompanying abbreviated Profit and loss statement.

During the financial year 2018, items awaiting payment were collected from a Group company for an amount of 13,215.53 Euros and 632,266 Euros during the previous financial year that were already provisioned at the end of financial years 2017 and 2016 respectively, so that the income of that amount was booked in the abbreviated P&L account attached hereto.

## **7. Financial liabilities**

### **a. Classification by due dates**

Amount of debts falling due in the five years following the end of the current financial year and other debts up to the final due date.

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	Year 18-19	Year 19-20	Year 20-21	Year 21-22	Year 22-23	Following 5 years	Total
<b>Payable to credit entities</b>							
Competitiveness Plan 2009 loan	595,237.16	595,237.16	595,237.16	595,237.16	595,237.16	1,190,474.32	<b>4,166,660.12</b>
Competitiveness Plan 2010 loan	316,039.84	316,039.84	316,039.84	316,039.84	316,039.84	948,131.52	<b>2,528,330.72</b>
<b>Payable to group and related entities:</b>							
Participation loans	-	15,000,000.00	-	-	-	-	15,000,000.00
Loans received	63,300,000.00						63,300,000.00
Interest payable	10,334,749.18	-	-	-	-	-	<b>10,334,749.18</b>
Other Group payables	115,910.22	-	-	-	-	-	<b>115,910.22</b>
Other liabilities	21,048.21	-	-	-	-	-	<b>21,048.21</b>
<b>Trade and sundry accounts payable:</b>							
-Suppliers	660.23	-	-	-	-	-	<b>660.23</b>
-Group suppliers	4,564,517.27	-	-	-	-	-	<b>4,564,517.27</b>
-Other creditors	294,157.80	-	-	-	-	-	<b>294,157.80</b>
<b>Total</b>	<b>79,542,319.91</b>	<b>15,911,277.00</b>	<b>911,277.00</b>	<b>911,277.00</b>	<b>911,277.00</b>	<b>2,138,605.84</b>	<b>100,326,033.75</b>

The average interest rate for the various types of non-trade debts does not differ from the market standard set for such transactions.

Long-term payables with Group companies and related parties

In prior financial years, the Company was awarded various participation loans amounting to 7,000 K Euros (in March 2005), 8,000 K Euros (in March 2009), 9,400 K Euros (in May and December 2009 and in March 2010), and 12,900 K Euros (in May 2010 and March 2011). Likewise, in May, June and November 2011, the Company received three new participation loans from its Sole Shareholder for amounts of 5,000 K Euros, 5,200 K Euros and 3,000 K Euros, respectively. During 2012, it received further loans for a total amount of 12,800 K Euros. All the participation loans accrue a fixed interest rate, as well as variable interest depending on how the Company's business evolves.

During 2013, the Company signed a novation agreement with its Sole Shareholder on the aforementioned participation loans amounting to 63,300 K Euros, which set a maturity date for all of them for the year 2018. Additionally, in March 2014, the Company received a new loan for an amount of 15,000 K Euros, for which the contract was formally signed in 2015 and established its termination date within the 2019 financial year.

In accordance with current legislation, participation loans constitute a liability for the Company but are to be considered as equity for the purpose of reducing capital and liquidating companies as provided for in Article 363 of the Corporate Enterprises Act.

Long term debts

As of 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2017, the amount included under the caption "Long-term debt" includes an amount of 4,615,075.36 Euros and

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5,203,759.82 Euros respectively, corresponding mainly to the current value of loans at a zero interest rate, whose main features are described below:

In April 2009 and March 2010, the Company received notification from the General Directorate of Industry of the award of subsidies for the execution of actions and projects within the framework of the Competitiveness Plan in the automotive sector. The aid, granted in April 2009 and equivalent to 65% of the total fundable budget, consisted of a non-refundable subsidy for an amount of 984,696 Euros and a loan at zero interest rate for a nominal amount of 6,506,219 Euros, a five-year interest-only repayment period and maturity in May 2024. The aid awarded in March 2010, equivalent to 61% of the total fundable budget, consisted of a loan at zero interest rate for a nominal amount of 4,060,124 Euros, a five-year interest-only repayment period and maturity in June 2025. The current value of the loans as at 31<sup>st</sup> March 2018 amounts to 3,479,275.84 Euros for the 2009 competitiveness loan and 2,047,076.52 Euros for the 2010 competitiveness loan. Of this amount, a total of 911,277 Euros are booked under the caption "Short-term debt - Other financial liabilities" on the accompanying abbreviated Balance Sheet and corresponds to an amount of 595,237 Euros for the 2009 competitiveness loan and 316,040 Euros for the 2010 competitiveness loan.

The subsidies received were used to finance the Company's breakthrough actions and necessary investments aimed mainly at developing the most competitive segments of the automotive market in the future, such as hybrid and electric vehicles that incorporate the most advanced technology to respond to the important challenges of energy efficiency and reduction of CO<sup>2</sup> emissions.

The repayment schedule for both loans, in nominal values expressed in Euros, is shown below:

Repayment instalments	Other financial liabilities	
	2009 Competitiveness Plan loan	2010 Competitiveness Plan loan
2016	595,237	316,040
2017	595,237	316,040
2018	595,237	316,040
2019	595,237	316,040
2020	595,237	316,040
2021	595,237	316,040
2022	595,237	316,040
2023	595,237	316,040
2024	595,237	316,040
2025	-	316,038
<b>Total</b>	<b>5,357,133</b>	<b>3,160,398</b>

- b. There are no debts backed by a real guarantee.
- c. No defaults have occurred in the payment of loans.
- d. The interest debt corresponds to the outstanding interest on the participation loans explained in Notes 9 and 11.
- e. At financial year-end 2018 and 2017, the Company does not have any lines of discount or credit facilities.

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### **8. Non-current assets held for sale**

As a result of the cessation of production described in Note 2.5, in 2014 the Company classed its tangible fixed assets and part of the inventories under the heading "Non-current assets held for sale" on the abbreviated Balance Sheet, once the conditions described in Note 4 had been fulfilled.

Given that the requirements established in the General Chart of Accounts are met, the following assets detailed below are classified as "Non-current assets held for sale":

Description	31/03/2018	31/03/2017
Tangible fixed assets	996,246.94	996,246.94
Inventories	833,582.96	1,441,297.00
<b>Total</b>	<b>1,829,829.90</b>	<b>2,437,543.94</b>

During the financial year 2018, no assets classified under this heading have been disposed of. During 2017, the Company disposed of part of these assets for which a net loss of 109,512 Euros booked under the caption "Impairment and result of fixed asset disposals - Results of disposals and other items" on the abbreviated Profit and loss statement attached hereto.

As at 31<sup>st</sup> March 2018, a value impairment for a total amount of 607,714.04 was booked to the income statement of the financial year. No other indications of loss of value on these assets have been identified and the Board of Directors estimates that their recoverable value is greater than their book value.

The Company's policy is to take out insurance policies to cover the possible risks to which the various items in its tangible fixed assets and inventories may be subjected to. At the close of the financial years ending 31<sup>st</sup> March 2018 and 2017, there is no deficit in the cover relating to those risks.

### **9. Net shareholders' equity**

At the close of the financial years ending 31<sup>st</sup> March 2018 and 2017, the Company's share capital amounts to 538,092 Euros, split into 134,523 shares with a nominal value of 4 Euros each, all of the same class, fully subscribed and paid up, and TATA Motors, Ltd is the sole shareholder of the Company.

The Company's shares are not listed on the Stock Exchange.

### **Legal Reserve**

In accordance with the Spanish Corporate Enterprises Act, a public limited company must allocate a figure equal to 10% of the annual profits to the legal reserve until the reserve reaches at least 20% of the share capital. The part of the legal reserve that exceeds 10% of the already widened share capital may be used to increase the stock capital. Except for the afore-mentioned purpose and as long as it does not exceed 20% of the share capital, this reserve may only be used to offset losses and provided there are no other reserves available for such purpose.

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On 28<sup>th</sup> August 2006, it was used to offset losses from previous years in the amount of 799,388 Euros, so that as at 31<sup>st</sup> March 2018 and 2017, there is no remaining legal reserve to be used.

### Equity matters

In accordance with Article 363 of the Spanish Corporate Enterprises Act (CEA), the Company will be liable for dissolution when the losses have reduced its net worth to an amount equalling less than half of the capital stock, unless the stock is increased or reduced sufficiently and whenever it is not appropriate to request the declaration of insolvency.

As at 31<sup>st</sup> March 2018, the Company has received various participation loans from its Sole Shareholder for an amount of 15,000,000 Euros (see Note 11). In accordance with current legislation, participation loans constitute a liability for the Company but may be considered to be equity for the purpose of reducing capital and liquidating companies, as provided for in Article 363 of the CEA. The 63,300,000 euros loan is due at year-end and is currently being renewed by Tata Motors LTD.

Thus, the computable net equity for the purposes of the afore-mentioned articles of the CEA is as follows:

	Euros
Net equity as at 31/03/2018	(95,003,340.58)
Participation loans	15,000,000.00
<b>Net equity as per Art. 363 CEA</b>	<b>(80,003,340.58)</b>

The Sole Shareholder will take the necessary measures to restore the equity balance and resolve the cause of dissolution by granting new participation loans in the amount necessary to rebalance the company's equity position.

## 10. Tax matters

### Tax on profits

The breakdown of Corporate Tax expense is as follows (in Euros):

	31/03/2018	31/03/2017
<b>Current tax</b>	-	-
<b>Deferred tax:</b>		
For continued trading	-	-
<b>Total tax expense</b>	-	-

The reconciliation between the book result and the Corporate Tax base is as shown below:

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	Euros	
	2018	2017
<b>Pre-tax income for the year per books</b>	(2,277,216)	(518,371)
Permanent differences -		
<i>Non-deductible expenses</i>	658	106,139
<i>Sale of shareholding</i>		
Temporary differences -		
<i>Non-deductible financial expenses</i>		
<i>Reversed impairment on balances with related parties</i>	0	(632,266)
<i>Application of provisions</i>	0	(375,000)
<i>Restriction on financial expense deductions</i>	307,739	(143,326)
<i>Effects of the difference between book and tax valuation</i>	607,714	
<b>Taxable income</b>	<b>(1,361,105)</b>	<b>(1,562,824)</b>

**Information on temporary differences booked on the Balance Sheet as at year-end**

The positive adjustment made to the taxable income reflected under the concept "Restriction on financial expense deductions" refers to the restricted deductibility of those expenses according to the provisions of Royal Decree -Law 12/2012 of 30 March and which remains in full force in Law 27/2014 of 27 November 2014.

**Deferred tax assets booked and not booked**

As at 31<sup>st</sup> March 2018 and 2017, the Company has not booked any deferred tax assets on the abbreviated Balance Sheet attached given that it considers that any future offset does not meet with the required degree of likelihood set forth in accounting rules.

At the close of the financial year ending 31<sup>st</sup> March 2018, the detail of the tax losses generated and non-capitalised deductions awaiting application is as follows:

**As at 31<sup>st</sup> March 2018**

	Euros
<b>Taxable losses</b>	
From the financial year 2005/2006	2,758,494
From the financial year 2006/2007	6,905,304
From the financial year 2007/2008	9,801,118
From the financial year 2008/2009	10,430,129
From the financial year 2009/2010	9,980,023
From the financial year 2010/2011	10,586,354
From the financial year 2011/2012	13,354,962
From the financial year 2012/2013	13,607,374
From the financial year 2014/2015	11,381,323
From the financial year 2015/2016	1,467,146
From the financial year 2016/2017	1,562,824
From the financial year 2017/2018	1,361,105
<b>Deductible financial expenses</b>	5,210,787
<b>Deductible amortisation</b>	917,717
<b>Outstanding deductions falling due between 17/18 and 2026/27</b>	2,526,133
<b>Total</b>	<b>101,850,793</b>

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**Financial years still open to tax authority checks and audits**

As is provided for in current legislation, taxes cannot be considered definitive until tax returns have been inspected by the tax authorities or the limitation period of four years has expired. As at 31<sup>st</sup> March 2018, the Company has the last four years open to inspection by authorities in respect of Corporate Tax, as well as other taxes applicable to it. The Company's Board of Directors considers that the settlements of the afore-mentioned taxes were properly undertaken, so even in the event that discrepancies arise in the interpretation of current regulations in regard to the tax treatment applied to its operations, any resulting liabilities, if they do materialise, would not significantly affect the abridged Annual Accounts attached hereto.

In 2016, the Company was subjected to a restricted check in regard to its 2014 Value Added Tax return and on 4<sup>th</sup> April 2016, it was notified that the process had concluded with a provisional settlement, which has since become final in the absence of an appeal filed by the Company for reconsideration or administrative economic claim within the periods laid down in current tax legislation. This check resulted in the payment of an amount of 68,344 Euros additional tax charge plus the corresponding interest for default, which amounted to 4,264 Euros, as well as the opening of a sanctioning process, which entailed the imposition of the standard penalties for such infractions, i.e. 50% of the amount that was judged not to have been paid on time as well as the relevant reductions, which the Company has quantified at 17,940 Euros. Consequently, an expense was booked to an amount of 72,608 Euros under "Other Operating Expenses-Taxes" on the abbreviated Profit and loss statement for 2016 for the additional tax charge and interest for late payment, plus an expense in the amount of 17,940 Euros under "Other results" on the abbreviated P&L for 2016 in respect of the estimated fine. An amount of 90,548 Euros was booked as a Payable under the heading "Other debts with Public Administrations" on the abbreviated Balance Sheet as at 31<sup>st</sup> March 2016, which was subsequently paid in 2017.

**11. Operations and balances with related parties**

**11.1 Operations with related parties**

The table below provides details of the operations carried out with related parties during the financial years ending 31<sup>st</sup> March 2018 and 2017 (in Euros):

Year 2018

	TATA Motors, Ltd.
Financial expenses	984,148.40

Transactions with the Sole Shareholder, TATA Motors, Ltd., refer basically to the interest accrued on the participation loans as per the terms thereof, as well

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as other operating income in 2017 in respect of the repayment of guarantees provided.

Year 2017

	TATA Motors, Ltd.
Financial expenses	999,700.78
Other operating income	96,481.16

**Balances with related parties**

The amount of the balances with related companies on the abbreviated Balance Sheet as at 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2017 is as follows:

Year 2018

	TATA Motors Ltd. Sucursal	TATA Motors, Ltd	Total
<b>Short term investments:</b>			
Short term loans	-	1,350,000.00	<b>1,350,000.00</b>
Current accounts	159,973.88	-	<b>159,973.88</b>
<b>Long term payables:</b>			
Participation loans received	-	15,000,000.00	<b>15,000,000.00</b>
<b>Short term payables:</b>			
Unpaid accrued interest	-	10,334,749.18	<b>10,334,749.18</b>
Trade debts	-	4,564,517.27	<b>4,564,517.27</b>
Loan received	-	63,300,000.00	<b>63,300,000.00</b>
Current accounts	-	275,884.10	<b>275,884.10</b>

Year 2017

	TATA Motors Ltd. Sucursal	TATA Motors, Ltd	Total
<b>Short term investments:</b>			
Short term loans	-	2,650,000.00	<b>2,650,000.00</b>
Current accounts	92,675.20	-	<b>92,675.20</b>
<b>Long term payables:</b>			
Participation loans received	-	15,000,000.00	<b>15,000,000.00</b>
<b>Short term payables:</b>			
Unpaid accrued interest	-	9,350,600.78	<b>9,350,600.78</b>
Trade debts	-	4,564,517.27	<b>4,564,517.27</b>
Participation loans received	-	63,300,000.00	<b>63,300,000.00</b>

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Up until the 2014 financial year, the Company held debit and credit balances with TATA Hispano Maghreb, S.A., the origin of which lay fundamentally in commercial transactions. As a consequence of the sale of its stake in that company, in 2018 and 2017, no commercial transactions were carried out with TATA Hispano Maghreb, S.A. Likewise, in 2015, all the balances that the Company held with TATA Hispano Maghreb, S.A. upon divestment of its stake were impaired in view of their doubtful recoverability and indeed those amounts had already fallen due by that date. Specifically, a loss was recognised in the amount of 713,231 Euros corresponding to accrued interest pending collection and of 1,162,985 Euros corresponding to accounts receivable. These amounts were booked on the 2015 annual Profit and Loss statement. During 2018, collection has been made of 13,215.53 Euros (€1,222,551 in 2017) of outstanding amounts, for which reason the previous impairments have been reversed and booked as income of 13,215.53 Euros (€ 632,266 in the previous year) under the heading "Losses, impairment and adjustment of provisions for trade operations" and € 590,285 in the previous fiscal year (2017) under "Impairment and profits from disposals of financial instruments".

The debit balance with TATA Motors, Ltd. booked under "Short-term loans" refers to the loan arising from the sale of the Company's interest in TATA Hispano Maghreb S.A. to the Sole Shareholder, for which the Company has collected 1,300 k Euros in 2018 (350 k Euros in the previous year). The payable balances correspond on the one hand to the participation loan and its accrued and unpaid interest and, on the other, to the current balances on the monthly lease payments for the land and buildings where the Company carried on its business, fully subscribed up to the year 2014.

The heading "Participation loans received" includes the participation loans granted by its Sole Shareholder (see Note 9).

Additional Information:

Board of Directors' and Senior Management Remuneration

During the years 2018 and 2017, the members of the Company's Board of Directors and Senior Management have not received any remuneration of any type. Similarly, the Company has not allowed credit balances for salaries, allowances or other forms of remuneration, nor has any advance or loan been granted.

Senior Management duties have been carried out during 2018 and 2017 by the members of the Board of Directors.

Information in regard to situations of conflict of interests involving members of the Board of Directors

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The members of the Board of Directors and the persons related to them, as defined in Article 231 of the Consolidated Text of the Corporate Enterprises Act (CTCEA), have not been found to be involved in situations of conflict of interest, as provided for in Article 229 of the aforementioned Act, nor has any notice of the type described in Section 3 of the afore-mentioned article been delivered to the Board of Directors or the rest the Management, which is why these abridged annual accounts do not include any further detail in this regard.

## 12. Provisions and contingencies

The following tables provide details of the provisions booked on the abbreviated Balance Sheet as at the close of the relevant financial years on 31<sup>st</sup> March 2018 and 2017, as well as the main movements booked during the year (in Euros):

### Year 2018

<b>Long-term provisions</b>	Balance as at 31/03/2017	Additions	Consumed or applied	Balance as at 31/03/2018
Warranties	15,682.00	-	-	15,682.00
<b>Total long term</b>	<b>15,682.00</b>	<b>-</b>	<b>-</b>	<b>15,682.00</b>

<b>Short term provisions</b>	Balance as at 31/03/2017	Additions	Consumed or applied	Balance as at 31/03/2018
Warranties	189,762.89	-	-91,036.81	98,726.08
Other claims	144,099.07	-	-38,299.67	105,799.40
<b>Total short term</b>	<b>333,861.96</b>	<b>-</b>	<b>-129,336.48</b>	<b>204,525.48</b>

### Year 2017

<b>Long-term provisions</b>	Balance as at 31/03/2016	Additions	Consumed or applied	Balance as at 31/03/2017
Warranties	15,682.00	-	-	15,682.00
<b>Total long term</b>	<b>15,682.00</b>	<b>-</b>	<b>-</b>	<b>15,682.00</b>

<b>Short term provisions</b>	Balance as at 31/03/2016	Additions	Consumed or applied	Balance as at 31/03/2017
Warranties	391,060.34	-	-201,297.45	189,762.89
Other claims	219,099.07	-	-75,000.00	144,099.07
<b>Total short term</b>	<b>610,159.41</b>	<b>-</b>	<b>276,297.45</b>	<b>333,861.96</b>

The provisions for warranties cover the possible costs that the Company may incur in compliance with the legal regulations regarding guarantees or other agreements reached with its customers for sales made in previous years. During the financial year 2018, an amount of 91,036.81 Euros was applied for this reason (€ 201,297.45 in the previous year).

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Under the heading "Other claims", a provision is booked that was initially for € 219,099.07 corresponding to a claim made by a third party in regard to a defective component. At the end of the year, this provision is shown on the Balance Sheet as an amount of € 105,799.40 in 2018 (€ 144,099.07 in the previous year). On 3<sup>rd</sup> March 2016, the Company, together with the rest of the defendants, reached an agreement with the plaintiff, by virtue of which the Company assumed the payment of € 75,000, as well as part of the plaintiff's costs, which, on 1<sup>st</sup> September 2017 were set at € 71,478.35 for all defendants together. The portion corresponding to the Company amounted to € 44,357.52, of which a total of € 38,299.67 was already provisioned. The remaining balance corresponds to possible expenses for interest or other costs that may arise in regard to these proceedings.

### **13. Other information**

13.1 During the years ending 31<sup>st</sup> March 2018 and 2017, there have been no paid employees at the Company.

The Board of Directors is made up of three members.

#### **13.2 Off-balance agreements.**

As at 31<sup>st</sup> March 2018, the Company has taken out guarantee bonds amounting to 260,718 Euros with certain banks in favour of third parties as a result of its trading activities, which are in turn guaranteed by pledged securities, as described in nota 6.1 as well as a guarantee granted to a company amounting to €200,714 in compliance with certain trading terms, which state that when the warranty expires, that amount shall be returned to the Company.

As at the date these abridged accounts were drawn up, the Company has not entered into any other agreements that are not included on the Balance Sheet and which have not been reported in other Notes to this Auditor's Report.

13.3 Results obtained outside the Company's normal line of business included under the heading "Other results" correspond to extraordinary expenses amounting to 657,69 Euros during the current financial year and to 9,822.74 Euros during the previous financial year. The expenses mainly include fines.

13.4 Subsidies, donations and legacies. There are none.

13.5 No financial commitments, guarantees or contingencies exist that are not shown on the Balance Sheet.

13.6 At the date of formulation of these accounts, the loan of 63,300,000 euros due before the end of the year is in the process of being renewed by Tata Motors LTD.

No other transactions or events over and above those set out herein have had any significant impact on the conclusions presented in these abridged annual accounts.

13.7 The breakdown of fees for auditing the accounts and other services provided by the auditors is presented below.

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Concept	2018 (€)	2017 (€)
Fees for auditing accounts	13,000.00	22,500.00

#### 13.8 Environmental matters

The Company does not have assets of its own that might generate a negative environmental impact.

The Company has not incurred expenditures for the purpose of protecting and improving the environment during the years ending 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2017. Given the Company's stated line of business, it does not have any liabilities, expenses, assets nor provisions or contingencies of an environmental nature that may be significant in relation to its equity, financial situation and results. For this reason, no specific breakdowns are included in this abbreviated report.

#### 14. Information about deferred payments to suppliers. Third additional provision "Duty of disclosure" in Law 15/2010 of 5<sup>th</sup> July 2010

The information required for disclosure pursuant to Additional Provision Three of Law 15/2010 of 5<sup>th</sup> July 2010 (modified through the Second Final Provision of Law 31/2014 of 3<sup>rd</sup> December) and prepared in accordance with the Resolution of the Spanish Institute of Accounting and Account Auditing (ICAC) published on 29<sup>th</sup> January 2016, regarding the information to be included in abbreviated reports of annual accounts in respect of the average length of time for payments to suppliers in trade operations is shown in detail below.

	2018	2017
Average length of time for payments to suppliers	333	356

In accordance with the ICAC Resolution for calculating the average length of time for payments to suppliers, we have been taken into account all trade operations in respect of the delivery of goods or provision of services undertaken since the date Law 31/2014 of 3<sup>rd</sup> December came into force.

For the sole purpose of disclosing the information required by this Resolution, suppliers are considered herein to be trade payables for debts with suppliers of goods or providers of services, included under the headings "Suppliers" and "Other payables" within the Current Liabilities shown on the abbreviated Balance Sheet.

"Average length of time for payments to suppliers" is understood to refer to the period of time that elapses between the delivery of the goods or the provision of services by the supplier and the actual payment of that transaction.

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**TATA HISPANO MOTORS CARROCERA, S.A.U.**  
**TAX ID N°. A50089119**

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I, Ms. Matilde Gracia Ibáñez, in my capacity as Deputy Secretary of the Board of Directors of Tata Hispano Motors Carrocera, S.A. (Sole Shareholder Company), do hereby certify that the Abridged Annual Accounts for the year ending 31<sup>st</sup> March 2018 have been unanimously prepared by the present members of the Board of Tata Hispano Motors Carrocera, S.A. (Sole Shareholder Company) with the required degree of validity and quorum at its meeting held on 17<sup>th</sup> May 2018 with the purpose of submitting them to be checked by the auditors and subsequently approved by the Sole Shareholder. These documents, which are drafted on 25 sheets duly bearing my signature as proof of identification, have been handed to the auditors for the issuance of the corresponding Audit Report.

**Ms. Matilde Gracia Ibáñez**  
**Deputy Secretary of the Board**

  
**AUDITORES, S.L.P.**  
CIF: B-99508244  
ROAC: S2440