

***TVS MOTOR COMPANY (EUROPE) B.V.***

***ANNUAL REPORT 2009 - 2010***

# TVS MOTOR COMPANY (EUROPE) B.V.

## Address:

Claude Debussylaan 24  
1082 MD Amsterdam

Chamber of Commerce : Amsterdam

File Number : 34.229.984

## 1. Management report

The management of TVS Motor Company (Europe) B.V. (the "Company") herewith submits its Annual Report for the financial year 1 April 2009 up to and including 31 March 2010.

### General

The Company is a private company with limited liability (a wholly-owned subsidiary of TVS Motor Company Ltd, Chennai, India), incorporated under the laws of the Netherlands on 21 July 2005, having its corporate seat at Amsterdam, with offices at Claude Debussylaan 24, Amsterdam.

### Summary of activities

During the year under review the Company continued its activities as a holding company and finance company.

In March 2010, the shareholders of participation PT. TVS Motor Company Indonesia decided to increase its authorized capital stock to Rp 633,100,000,000 / USD 65,000,000, whereby all shares have a par value of Rp 97,400 / USD 10.

As the Company did not participate in this issuance, the investment in PT. TVS Motor Company Indonesia diluted from 46% to 31.85% as at March 31, 2010.

## Future outlook

No material changes in activities are contemplated for the financial year 2010 / 2011.

Amsterdam, 25 May 2010

Mr. P.H. Bosse

Title: Director

Mr. H. Lakshmanan

Title: Director

Mr. P.J. Stegeman

Title: Director

Mr. N.V.D. Kaviratne

Title: Director

ANT Management (Netherlands) B.V.

Title: Director

Mr. V.N. Venkatanathan

Title: Director

## BALANCE SHEET AS AT 31 MARCH 2010 (before appropriation of result)

	Notes	31 March 2010		31 March 2009	
		USD	USD	USD	USD
<b>ASSETS</b>					
<b>Fixed Assets:</b>	5.1				
Financial fixed assets		18,906,548	15,828,420		
			18,906,548	15,828,420	
<b>Current assets</b>	5.2				
Receivable and prepayments		313,908	314,944		
Cash at bank		2,389	29,330		
			316,297	344,274	
<b>Total assets</b>		19,222,845	16,172,694		
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>					
<b>Shareholder's equity</b>	5.3				
Paid up share capital		23,022,267	22,730,197		
Revaluation reserve		184,190	(209,972)		
Other reserves		(22,296,333)	(15,502,147)		
Undistributed result		(2,641,280)	(6,502,116)		
			3,551,404	515,962	
<b>Long-term liabilities</b>	5.4				
Credit facility shareholder		15,342,581	15,307,069		
			15,342,581	15,307,069	
<b>Short-term liabilities</b>	5.5				
Interest payable shareholder		301,228	307,959		
Other payable and accrued expenses		27,632	41,704		
			328,860	349,663	
<b>Total shareholder's equity and liabilities</b>		19,222,845	16,172,694		

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 APRIL 2009 UPTO AND INCLUDING 31 MARCH 2010

	Notes	2009/2010		2008/2009	
		USD	USD	USD	USD
General and administrative expenses	6.1	51,571	51,191	(51,571)	(51,191)
Interest Income and similar income	6.2	1,217,545	1,216,916		
Interest expense and similar expenses	6.3	(1,208,660)	(1,215,303)		
			8,885		1,613
Result subsidiary	6.4	2,683,966	(6,452,538)		
<b>Result on ordinary activities before taxation</b>		2,641,280	(6,502,116)		
Corporate income tax		-	-		
<b>Result after taxation</b>		2,641,280	(6,502,116)		

# TVS MOTOR COMPANY (EUROPE) B.V.

## 4. General notes

### 4.1 Summary of significant accounting policies

#### General

The Company is a private company with limited liability (a wholly-owned subsidiary of TVS Motor Company Ltd, Chennai, India), incorporated under the laws of the Netherlands on 21 July 2005, having its corporate seat at Amsterdam, with offices at Claude Debussylaan 24, Amsterdam.

#### Summary of activities

During the year under review the Company continued its activities as a holding and finance company.

### 4.2 General

The financial statements have been prepared in conformity with generally accepted accounting policy in the Netherlands.

According to group policy, the annual report and administration have been prepared in United States Dollars instead of Euro's.

#### Comparison with previous year

The principles of valuation and determination of the result remained unchanged in comparison with previous year.

#### Valuation

All assets and liabilities are stated at face value, unless stated otherwise.

#### Financial fixed assets

Companies over which the Company has a significant influence (considered to be above 20-50% of the voting shares) are valued at net asset value.

Foreign exchange results on net equity of subsidiaries is added to or deducted from the foreign exchange reserve.

#### Income and expenses

Income and expenses are attributed to the period to which they relate.

#### Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are converted into United States Dollars (USD) at the balance sheet date closing rate. Transactions made during the year under review are accounted for at the rate prevailing at the transaction date. The exchange differences are reflected in the financial result for the period. The following exchange rates prevailing at balance sheet date are used:

1 EUR = 1.3479 USD    2008/2009: 1 EUR = 1.3308 USD  
1,000 IDR = 0.1100 USD    2008/2009: 1,000 IDR = 0.0866 USD

### 4.3 Taxation

The taxation on result comprises both taxes payable in the short-term and deferred tax liabilities. No taxes are deducted from profits if and insofar as said profits can be offset against losses from previous years. Taxes are deducted from losses if and insofar it is certain that these can be used to offset profits in previous years and that a tax rebate will be received in this respect. The taxes are calculated over the results, taking all tax credit facilities into account.

## 5. Notes to the balance sheet as at 31 March 2010

### 5.1 Fixed assets

#### 5.1.1 Financial fixed assets

During the year under review, the Company continued to hold its investment in PT. TVS Motor Company Indonesia, which was established within the framework of the Foreign Capital Investment Law No.1 year 1967 as amended by Law No.11 year 1970 and based on a notarial deed No.21 dated August 8, 2005. The deed of establishment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia on September 5, 2005.

During the year under review the shareholders of PT. TVS Motor Company Indonesia decided to increase its authorized capital stock from Rp 555,180,000,000 / USD 57,000,000 to Rp 633,100,000,000 / USD 65,000,000, whereby all shares have a pare value of Rp 97,400 / USD 10.

As the Company did not participate in this issuance, the investment in PT. TVS Motor Company Indonesia diluted from 46% to 31.85%.

As per balance sheet date a total amount of 6,500,000 shares have been issued in the amount of Rp 97,400 / USD 10 each.

The financial statements of the subsidiary show a net asset value as per 31 March 2010 of Rp 111,619,073,737 (31 March 2009: 20,845,570,665 ). The interest held by the Company corresponds to a net asset value of USD 3,906,548 (31 March 2009: USD 828,420).

	Valuation method	%	31 March 2010	31 March 2009
			USD	USD
PT. TVS Motor Company Indonesia	Net asset value	31.85	3,906,548	828,420
Loan PT. TVS Motor Company Indonesia			15,000,000	15,000,000
			<b>18,906,548</b>	<b>15,828,420</b>

Movement during the year is specified as follows

#### PT. TVS Motor Company

Opening balance	828,420	9,302,283
Result for the period	(3,262,112)	(10,632,473)
Adjustment result previous years due to decrease of participating interest	5,946,078	4,179,935
Foreign exchange result on net equity	394,162	(2,021,325)
Balance as per 31 March	<b>3,906,548</b>	<b>828,420</b>

#### Loan PT TVS Motor Company

This item represents a Credit Facility with a maximum of USD 15,000,000 for the financing of the two-wheeler production facility in Indonesia. The interest is payable semi-annually on 30 June and 31 December of each year and is calculated at 8% on a 360 day year bases. During the year under review, the full facility has been drawn.

This agreement is extended as at 10 April 2010 for further term of three years.

Interest percentage will be 8.25%.

	31 March 2010	31 March 2009
	USD	USD
<b>5.2 Current assets</b>		
<b>5.2.1 Receivables and prepayments</b>		
Prepaid management fees	10,555	11,749
Interest receivable PT. TVS Motor Company Indonesia	299,999	300,001
VAT receivable	3,354	3,194
	<b>313,908</b>	<b>314,944</b>
<b>5.2.2 Cash at bank</b>		
HSBC Bank, EUR current account	244	11,969
HSBC Bank, USD current account	2,145	17,361
	<b>2,389</b>	<b>29,330</b>

The cash balances, are at free disposal of the Company.

### 5.3 Shareholder's equity

The authorised share capital of the Company amounts to EUR 20,000,000, divided into 200,000 ordinary shares with a nominal value of EUR 100 each.

The issued and paid-up capital amounts to USD 23,022,267 (after revaluation) as per 31 March 2010 and the issued and paid up capital amounts to EUR 17,080,100.

Movement during the period can be summarised as follows:

	31 March 2010	31 March 2009
	USD	USD
<b>Paid up share capital</b>		
Opening balance	22,730,197	27,007,054
Revaluation of share capital at balance sheet date	292,070	(4,276,857)
Balance as at 31 March	<b>23,022,267</b>	<b>22,730,197</b>
<b>Revaluation reserve</b>		
Opening balance	(209,972)	1,811,353
Revaluation of subsidiary	394,162	(2,021,325)
Balance as at 31 March	<b>184,190</b>	<b>(209,972)</b>
<b>Other reserves</b>		
Opening balance	(15,502,147)	(9,235,191)
Revaluation of share capital at balance sheet date	(292,070)	4,276,857
Appropriation of result	(6,502,116)	(10,543,813)
Balance as at 31 March	<b>(22,296,333)</b>	<b>(15,502,147)</b>
<b>Undistributed result</b>		
Opening balance	(6,502,116)	(10,543,813)
Appropriation of result	6,502,116	10,543,813
Result for the period	2,641,280	(6,502,116)
Balance as at 31 March	<b>2,641,280</b>	<b>(6,502,116)</b>
Total shareholder's equity	<b>3,551,404</b>	<b>515,962</b>

## TVS MOTOR COMPANY (EUROPE) B.V.

### 5. Notes to the balance sheet as at 31 March 2009

#### 5.4 Long-term liabilities

##### 5.4.1 Credit facility shareholder

As per 30 March 2007 the Company entered into a credit facility agreement with its shareholder for a total amount of USD 15,000,000 for a period of 3 years. The facility bears an interest of 7.75%. The interest is payable semi-annually on 30 June and 31 December of each year.

	31 March 2010	31 March 2009
	USD	USD
Balance as per 1 April	15,307,069	15,211,824
Correction previous year	–	60,120
Capitalized interest	629,679	629,292
Funding/(repayment) during the year	(594,167)	(594,167)
Balance as per 31 March	<u>15,342,581</u>	<u>15,307,069</u>

#### 5.5 Short-term liabilities

##### 5.5.1 Interest payable shareholder

Interest payable on credit facility	301,228	307,959
	<u>301,228</u>	<u>307,959</u>

##### 5.5.2 Other payable and accrued expenses

Management fees	–	15,665
Administrative and secretarial services	10,783	10,734
Tax advisory fees	5,392	4,658
Audit fees	11,457	10,647
	<u>27,632</u>	<u>41,704</u>

### 6. Notes to the profit and loss account for the period 1 April 2009 up to and including 31 March 2010

	2009/2010	2008/2009
	USD	USD
<b>6.1 General and administrative expenses</b>		
Domiciliation and management fees	13,734	12,774
Administrative and accounting fees	20,738	23,272
Legal fees	158	127
Audit fees	14,062	9,480
Tax advisory fees	2,879	5,538
	<u>51,571</u>	<u>51,191</u>
<b>6.2 Interest income and similar income</b>		
Interest PT. TVS Motor Company Indonesia	1,216,664	1,216,667
Interest bank	–	–
Bank charges	–	249
Foreign exchange result	881	–
	<u>1,217,545</u>	<u>1,216,916</u>
<b>6.3 Interest expense and similar expenses</b>		
Interest expense TVS Motor Company Ltd.	1,207,427	1,211,649
Interest Bank	–	435
Bank charges	1,233	1,112
Foreign exchange results	–	2,107
	<u>1,208,660</u>	<u>1,215,303</u>
<b>6.4 Result subsidiary</b>		
Result PT TVS Motor Company Indonesia	(3,262,112)	(10,632,473)
Adjustment result previous years due to decrease of participating interest	5,946,078	4,179,935
	<u>2,683,966</u>	<u>(6,452,538)</u>

### Directors and employees

The Company has Six Managing Directors (2008/2009: six) and no employees (2008/2009: nil) during the period under review, none of which received a remuneration from the Company.

Amsterdam, 25 May 2010

Mr. P.H. Bosse  
Title: Director  
Mr. P.J. Stegeman  
Title: Director  
ANT Management (Netherlands) B.V.  
Title: Director  
Mr. H. Lakshmanan  
Title: Director  
Mr. N.V.D. Kaviratne  
Title: Director  
Mr. V.N. Venkatanathan  
Title: Director

### 7. Supplementary information

#### Distribution of profits, according to article 22 of the Articles of Association.

The profits shall be at the disposal of the annual general meeting of shareholders.

The Company may only make distributions to the shareholders and other entitled persons to the extent that the shareholders' equity exceeds the sum of the paid- and called-up part of the capital. No profit shall be distributed on shares held by the Company itself.

Distributions of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.

#### Appropriation of the result

The result after tax for the financial year ended 31 March 2010 is included in the item Undistributed result in Shareholder's equity (note 5.3).

#### Post-balance sheet date events

To date, no major post-balance sheet events have occurred, affecting the financial statements, herewith presented.

## TVS MOTOR COMPANY (EUROPE) B.V.

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To TVS Motor Company (Europe) B.V.

### AUDITOR'S REPORT

#### Report on the financial statements

We have audited the accompanying financial statements of TVS Motor Company (Europe) B.V., Amsterdam, which comprise the balance sheet as at March 31, 2010, the profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of TVS Motor Company (Europe) B.V., Amsterdam, as at March 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, May 25, 2010

Londen & Van Holland  
Registeraccountants en Belastingadviseurs

C.J.H. Bijvoet RA

**RE-STATED ACCOUNTS OF  
TVS MOTOR COMPANY (EUROPE) B.V.**

**TVS MOTOR COMPANY (EUROPE) B.V.**

**BALANCE SHEET AS AT 31 MARCH 2010**

	Schedule number	US \$ mn As at 31-03-2010	Rupees in crores As at 31-03-2010
<b>I SOURCES OF FUNDS</b>			
1			
Shareholders' funds			
(a) Capital	I	20.70	91.63
(b) Reserves and surplus	II	(0.36)	20.34
			(2.60)
			89.03
2			
Loan funds			
(a) Secured loans		-	-
(b) Unsecured loans	III	-	-
3			
Deferred tax liability (net of deferred tax asset)		-	-
Total		20.34	89.03
<b>II APPLICATION OF FUNDS</b>			
1			
Fixed assets			
(a) Gross block		-	-
(b) Less: Depreciation		-	-
(c) Net block		-	-
(d) Capital work-in-progress		-	-
2			
Investments	IV	20.70	91.66
3			
Current assets, loans and advances			
(a) Inventories		-	-
(b) Sundry debtors		-	-
(c) Cash and bank balances	V	-	0.01
(d) Other current assets		-	-
(e) Loans and advances	VI	15.31	69.04
Total (A)		15.31	69.05
Current liabilities and provisions			
(a) Current liabilities	VII	15.67	71.68
(b) Provisions		-	-
Total (B)		15.67	71.68
Net current assets (A - B)		(0.36)	(2.63)
4			
Miscellaneous expenditure to the extent not written off or adjusted		-	-
Total		20.34	89.03
5			
Notes on accounts		-	-

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

	Schedule number	US \$ mn Year ended 31-03-2010	Rupees in crores Year ended 31-03-2010
Gross sales		-	-
Less: Excise duty		-	-
Net sales		-	-
Other income		-	-
Total revenue	(A)	-	-
Raw materials and components consumed		-	-
Salaries and wages, stores consumed and other expenses	VIII	0.06	0.26
Miscellaneous expenditure		-	-
Sub-total	(B)	0.06	0.26
Profit before Interest, depreciation and tax	(A-B)	(0.06)	(0.26)
Interest and finance charges (net)	IX	(0.01)	(0.05)
Depreciation		-	-
Profit before tax		(0.05)	(0.21)
Provision for taxation		-	-
Provision for fringe benefit tax		-	-
Provision for deferred tax		-	-
Profit for year (after tax)		(0.05)	(0.21)
Balance profit brought forward		(0.31)	(1.39)
Proportionate loss from subsidiary		-	-
Profit for the year (after tax)		(0.05)	(0.21)
Total		(0.36)	(1.60)

# TVS MOTOR COMPANY (EUROPE) B.V.

Schedules	US \$ mn		Rupees in crores		Schedules (Contd.)	US \$ mn		Rupees in crores	
	As at 31-03-2009	As at 31-03-2009	As at 31-03-2009	As at 31-03-2009		As at/Year ended 31-03-2009	As at/Year ended 31-03-2009	As at/Year ended 31-03-2009	As at/Year ended 31-03-2009
<b>I CAPITAL</b>					<b>VII CURRENT LIABILITIES</b>				
Authorised 2,00,000 Ordinary shares of EUR 100 each		24.34		107.77	Sundry creditors		15.67		71.68
		<u>24.34</u>		<u>107.77</u>			<u>15.67</u>		<u>71.68</u>
Issued, subscribed and paid-up 1,70,801 Ordinary shares of EUR 100 each fully paid up		20.70		91.63	<b>VIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>				
		<u>20.70</u>		<u>91.63</u>	* (a) Salaries, wages and allowances		-		-
<b>II RESERVES AND SURPLUS</b>					* (b) Workmen and staff welfare expenses		-		-
(a) Foreign currency reserve		-		(1.00)	* (c) Contribution to provident and other funds		-		-
(b) Revaluation reserve		-		-	* (d) Stores and tools consumed		-		-
(c) Surplus Balance in Profit and Loss Account		<u>(0.36)</u>		<u>(1.60)</u>	* (e) Power and fuel		-		-
		<u>(0.36)</u>		<u>(2.60)</u>	* (f) Rent		-		-
<b>III UNSECURED LOAN</b>					* (g) Rates and taxes		-		-
Credit facility from shareholder		-		-	* (h) Repairs and maintenance:				
		<u>-</u>		<u>-</u>	(i) buildings		-		-
<b>IV INVESTMENTS</b>					(ii) machinery		-		-
(a) INVESTMENT IN PT TVS MOTOR COMPANY, INDONESIA		20.70		91.66	(iii) other assets		-		-
		<u>20.70</u>		<u>91.66</u>	(i) Insurance		-		-
<b>V CASH AND BANK BALANCES</b>					(j) Directors' sitting fees		-		-
(a) Cash and cheques on hand		-		-	(k) Commission to independent directors		-		-
(b) With scheduled banks					(l) Audit fees		0.01		0.07
(i) in current accounts		-		0.01	* (m) Travel and conveyance		-		-
(ii) in cash credit accounts		-		-	* (n) Packing and freight charges		-		-
(iii) in term deposit accounts		-		-	* (o) Advertisement and publicity		-		-
		<u>-</u>		<u>0.01</u>	* (p) Other marketing expenses		-		-
<b>VI LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>					* (q) Other expenses		0.05		0.19
(a) Advances recoverable in cash or in kind or for value to be received		0.31		1.42	(r) Commission to selling agents		-		-
(b) Inter corporate deposits		15.00		67.62	(s) Loss on sale / scrapping of fixed assets		-		-
(c) Other deposits		-		-	* net of recoveries		<u>0.06</u>		<u>0.26</u>
(d) Advance payment of tax less provision		-		-	<b>IX INTEREST AND FINANCE CHARGES</b>				
		<u>15.31</u>		<u>69.04</u>	(a) On fixed loans		-		-
					(b) Others		1.21		5.76
					Total (A)		<u>1.21</u>		<u>5.76</u>
					Less: Interest income				
					(a) Interest income on non-trade investments (gross)		-		-
					(b) Interest on advances and deposits (gross)		1.22		5.81
					Total (B)		<u>1.22</u>		<u>5.81</u>
					(A - B)		<u>(0.01)</u>		<u>(0.05)</u>