

**TA' A STEEL SPECIALITY SERVICE CENTER XI' AN CO., LTD.
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014
[English Translation for Reference Only]

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PwC

普华永道

[English Translation for Reference Only]

Auditor's Report

PwC ZT [XA]Shen Zi (2015) No. 012
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To Tata Steel Speciality Service Center Xi'an Co., Ltd., :

We have audited the accompanying financial statements of Tata Steel Speciality Service Center Xi'an Co., Ltd. (hereinafter "the Company"), which comprise the balance sheet as at 31 December 2014, and the income statement, the statement of changes in owners' equity and the cash flow statement for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

普华永道中天会计师事务所(特殊普通合伙)西安分所

PricewaterhouseCoopers Zhong Tian LLP, Xi'an Branch

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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 accompanying financial statements of Tata Steel Speciality Service Center Xi'an Co., Ltd. present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

PricewaterhouseCoopers Zhong Tian LLP

Xi'an Branch

Joe Ye

Xi'an, the People's Republic of China
31 March 2015

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2014	31 December 2013 (Restated)
Current assets			
Cash at bank and on hand	8(1)	5,042,968.10	1,765,454.34
Accounts receivable	8(2)	4,817,514.03	4,408,807.84
Advances to suppliers	8(3)	4,758.21	12,553.45
Other receivables	8(2)	89,510.80	89,510.80
Inventories	8(4)	18,684,956.74	14,117,585.62
Other current assets	8(5)	24,959.02	24,959.02
Total current assets		28,664,666.90	20,418,871.07
Non-current assets			
Fixed assets	8(6)	229,720.72	112,642.63
Long-term prepaid expenses	8(7)	164,596.57	426,503.64
Deferred tax assets	8(11)	75,010.47	-
Total non-current assets		469,327.76	539,146.27
TOTAL ASSETS		29,133,994.66	20,958,017.34
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Accounts payable	8(9)	24,331,288.77	16,444,794.51
Other payables	8(10)	156,698.78	29,875.09
Total current liabilities		24,487,987.55	16,474,669.60
Total liabilities			
Owners' equity		24,487,987.55	16,474,669.60
Paid-in capital		5,000,000.00	5,000,000.00
Accumulated losses		(266,741.50)	(484,226.58)
Other comprehensive income	8(18)	(87,251.39)	(32,425.68)
Total owners' equity		4,646,007.11	4,483,347.74
TOTAL LIABILITIES AND OWNERS' EQUITY		29,133,994.66	20,958,017.34

The accompanying notes form an integral part of these financial statements.

Legal representative: Jiang Zebin	Principal in charge of accounting: Zhang Ye	Head of accounting department: Zhang Ye
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TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	2014	2013 (Restated)
Revenue			
Less: Cost of sales	8(12)	25,223,790.88	13,503,801.64
General and administrative expenses	8(12)	22,640,207.04	12,109,823.67
Finance expenses / (income)-net	8(13)	2,031,221.12	1,784,153.94
Asset impairment losses	8(15)	392,529.97	(44,312.16)
		16,358.14	-
Operating profit / (loss)		<u>143,474.61</u>	<u>(345,863.81)</u>
Less: Non-operating expenses	8(16)	1,000.00	5,386.28
Total profit/(loss)		<u>142,474.61</u>	<u>(351,250.09)</u>
Less: Income tax expenses	8(17)	(75,010.47)	-
Net profit / (loss)		<u>217,485.08</u>	<u>(351,250.09)</u>
Other comprehensive income after tax - net			
Exchange differences arising from translating foreign operations	8(18)	(54,825.71)	(32,219.27)
Total comprehensive income / (loss)		<u>162,659.37</u>	<u>(383,469.36)</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Jiang Zebin
Principal in charge of accounting: Zhang Ye
Head of accounting department: Zhang Ye

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	2014	2013 (Restated)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		24,815,084.69	10,239,838.27
Cash received relating to other operating activities		1,340.46	5,202.42
Sub-total of cash inflows		<u>24,816,425.15</u>	<u>10,245,040.69</u>
Cash paid for goods and services		(19,350,826.92)	(10,852,853.96)
Cash paid to and on behalf of employees		(973,080.09)	(205,335.68)
Payments of taxes and surcharges		(7,555.53)	(26,180.08)
Payments relating to other operating activities	8(19)(c)	(993,126.21)	(1,347,247.29)
Sub-total of cash outflows		<u>(21,324,588.75)</u>	<u>(12,431,617.01)</u>
Net cash flows from operating activities	8(19)(a)	<u>3,491,836.40</u>	<u>(2,186,576.32)</u>
2. Cash flows from investing activities			
Cash paid to acquire fixed assets		(159,496.93)	(18,493.13)
Net cash flows from investing activities		<u>(159,496.93)</u>	<u>(18,493.13)</u>
3. Cash flows from financing activities			
Effect of foreign exchange rate changes on cash		<u>(54,825.71)</u>	<u>-</u>
4. Net increase in cash	8(19)(b)	<u>3,277,513.76</u>	<u>(2,205,069.45)</u>
Add: Cash at beginning of year		1,765,454.34	3,970,523.79
5. Cash at end of year		<u>5,042,968.10</u>	<u>1,765,454.34</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
Jiang Zebin

Principal in charge of accounting:
Zhang Ye

Head of accounting department:
Zhang Ye

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Paid-in capital	Other comprehensive income	Accumulated losses	Total owners' equity
Balance at 1 January 2013		5,000,000.00	(206.41)	(132,976.49)	4,866,817.10
Movements for the year ended 31 December 2013					
Total comprehensive income		-	-	(351,250.09)	(351,250.09)
Net loss		-	-	(351,250.09)	(351,250.09)
Other comprehensive income	8(18)	-	(32,219.27)	-	(32,219.27)
Total comprehensive income for the year		-	(32,219.27)	(351,250.09)	(383,469.36)
Balance at 31 December 2013 (restated)		5,000,000.00	(32,425.68)	(484,226.58)	4,483,347.74
Balance at 1 January 2014		5,000,000.00	(32,425.68)	(484,226.58)	4,483,347.74
Movements for the year ended 31 December 2014					
Total comprehensive income		-	-	217,485.08	217,485.08
Net profit		-	-	217,485.08	217,485.08
Other comprehensive income	8(18)	-	(54,825.71)	-	(54,825.71)
Total comprehensive income		-	(54,825.71)	217,485.08	162,659.37
Balance at 31 December 2014		5,000,000.00	(87,251.39)	(266,741.50)	4,646,007.11

The accompanying notes form an integral part of these financial statements.

Legal representative:
Jiang Zebin

Principal in charge of accounting:
Zhang Ye

Head of accounting department:
Zhang Ye

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 General information

Tata Steel Speciality Service Center Xi'an Co., Ltd. (hereinafter "the Company") is a wholly foreign owned enterprise incorporated in Xi'an, Shaanxi, the People's Republic of China on 6 November 2012. The Company has an approved operating period of 10 years with registered capital of RMB 5,000,000.

The Company's parent company is Tata Aerospace Service Centre Suzhou Co., Ltd. (hereafter "Tata Aerospace Suzhou"), and the ultimate controlling party is Tata Steel UK Limited.

The approved scope of business of the Company includes wholesale, import and export, commission agent (excluding auctions) and related auxiliary services of speciality metal materials, cutting, processing and related operations of speciality metal materials and sale of self-produced products. (Operations for which administrative permission is required by laws and regulations are out of the scope of business above). For the year ended 31 December 2014, the actual principal activities of the Company are import and sale of speciality steel.

These financial statements were authorised for issue by the Company's responsible persons on 31 March 2015.

2 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

3 Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the year ended 31 December 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 31 December 2014 and of their financial performance, cash flows and other information for the year then ended.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency of the Company is the US dollar ("USD").

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)

(3) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into USD using the spot exchange rates on the balance sheet date. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The company prepares financial statements using RMB as reporting currency, when the Company translates the foreign currency financial statements, the asset and liability items in the balance sheets for are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)

(6) Inventories

Inventories include finished goods, and are measured at the lower of cost and net realisable value.

Cost of inventories is determined using the weighted average method. Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

The Company adopts the perpetual inventory system.

(7) Fixed assets

Fixed assets comprise machinery and equipment, computers and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Company and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised and all the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Machinery and equipment	10 years	0%	10%
Computers and electronic equipment	3 years	0%	33.33%
Office equipment	5 years	0%	20%

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)

(7) Fixed assets (Cont'd)

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset classified as an asset held for sale is presented as other current asset at the lower of the carrying amount and the fair value less costs to sell. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment loss.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(8) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(9) Employee benefits

Employee benefits include short-term employee benefits and post-employment benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)

(9) Employee benefits (Cont'd)

(b) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Company's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

The Company's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(10) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Company and the same taxation authority; and,
- that tax payer within the Company has a legally enforceable right to offset current tax assets against current tax liabilities.

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)

(11) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of discounts, rebates and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Company's activities as described below:

(a) Sale of goods

The Company purchases speciality steel from overseas related parties and sell them to customers. Revenue is recognised when the Company delivers speciality steel to the location specified in the sales contract and the customers confirm the acceptance of speciality steel. Upon delivery of the products, the customers have the right to sell speciality steel and take the risks of any obsolescence and loss of the products.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(12) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Significant accounting policies and accounting estimates (Cont'd)
(13) Critical accounting estimates and judgements

The Company continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(i) Income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Company in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Inventories

The provision for decline in the value of inventories is made based on estimation on net realisable value of inventories. If the result of the impairment test indicates that the net realisable value of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment assessment is subject to judgment and estimates of the Company's management. Difference between expectation and initial estimation impact the carrying amount of current inventories and decline in value of inventories.

5 Changes in significant accounting policies

In 2014, the Ministry of Finance of the PRC issued CAS 39 "Fair Value Measurement", CAS 40 "Joint arrangement", CAS 41 "Disclosure of Interests in Other Entities", and CAS 2 "Long-Term Equity Investments"(revised), CAS 9 "Employee Benefits" (revised), CAS 30 "Presentation of Financial Statements" (revised), CAS 33 "Consolidated Financial Statements" (revised) and CAS 37 "Presentation of Financial Instrument" (revised) which should be applied from 1 July 2014 other than CAS 37 "Presentation of Financial Instrument" (revised) being required to be implemented for financial statements of annual 2014 and ever since.

The Company has adopted the above standards to prepare the financial statements for the year ended 31 December 2014. Adoption of above standards has no impact on the Company's financial statements for the year ended 31 December 2014.

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Prior year adjustments

For the year ended 31 December 2014, the Company's management identified accounting errors for prior years and made retrospective adjustments, which impacts financial statements for the year ended 31 December 2013 as follows:

	Effect on net assets as at 1 January 2013	Effect on net loss for the year ended 31 December 2013	Effect on net assets as at 31 December 2013
Total	-	24,959.02	24,959.02

(a) Prepaid enterprise income tax in 2013

The management found that enterprise income tax in 2013 was wrongly recorded as current income tax, and thus the Company made retrospective adjustment. As a result, other current assets at 31 December 2013 was increased by RMB 24,959.02 and income tax expenses for the year ended 31 December 2013 was decreased by RMB 24,959.02.

(b) Deposits

The management found deposits of forklifts, warehouses and buckets of RMB 89,510.80 as at 31 December 2013 were wrongly debited to accounts payable, and thus the management made retrospective adjustment. As a result, other receivables and accounts payable were increased by RMB 89,510.80 as at 31 December 2013.

(c) Reclassification of prepaid expenses and accrued expenses

The management reclassified prepaid expenses of RMB 12,553.45 and accrued expenses of RMB 20,943.67 to advances to suppliers and other payables respectively as at 31 December 2013.

7 Taxation

The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%	Taxable income

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Notes to financial statements

(1) Cash at bank and on hand

	31 December 2014	31 December 2013
Cash at bank	<u>5,042,968.10</u>	<u>1,765,454.34</u>

(2) Accounts receivable and other receivables

	31 December 2014	31 December 2013
Accounts receivable		
Amount due from third parties	<u>4,817,514.03</u>	<u>4,408,807.84</u>

As at 31 December 2014 and 31 December 2013, the ageing of accounts receivable was within one year, and thus there was no provision for bad debts provided.

(b) Other receivables

	31 December 2014	31 December 2013 (Restated)
Amount due from third parties	<u>89,510.80</u>	<u>89,510.80</u>

As at 31 December 2014 and 31 December 2013, other receivables were all deposits, no provision for bad debts was provided.

(3) Advances to suppliers

As at 31 December 2014 and 31 December 2013, the ageing of advances to suppliers was within one year.

(4) Inventories

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Finished goods	14,117,585.62	26,553,738.88	(21,970,009.62)	18,701,314.88
Less: Provision for finished goods	<u>-</u>	<u>(16,358.14)</u>	<u>-</u>	<u>(16,358.14)</u>
	<u>14,117,585.62</u>			<u>18,684,956.74</u>

TATA STEEL SPECIALITY SERVICE CENTER XI'AN CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Notes to financial statements (Cont'd)

(5) Other current assets

	31 December 2014	31 December 2013 (Restated)
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Income tax prepaid	24,959.02	24,959.02
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(6) Fixed assets

	Machinery and equipment	Computers and electronic equipment	Office equipment	Total
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Cost

31 December 2013	-	28,000.00	113,358.83	141,358.83
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Increase in the current year	142,553.81	15,650.00	5,799.00	164,002.81
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Differences on translation of foreign currency financial statements	(2,103.51)	(644.10)	(1,758.28)	(4,505.89)
31 December 2014	140,450.30	43,005.90	117,399.55	300,855.75

Accumulated depreciation

31 December 2013	-	(8,032.67)	(20,683.53)	(28,716.20)
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Increase in the current year	(7,115.73)	(10,649.25)	(25,203.47)	(42,968.45)
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Differences on translation of foreign currency financial statements	54.56	143.24	351.82	549.62
31 December 2014	(7,061.17)	(18,538.68)	(45,535.18)	(71,135.03)

Net book value

31 December 2014	133,389.13	24,467.22	71,864.37	229,720.72
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31 December 2013	-	19,967.33	92,675.30	112,642.63
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In 2014, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 15,101.60 and RMB 27,866.85 (2013: RMB 4,402.08 and RMB 24,314.12) respectively.

(7) Long-term prepaid expenses

	31 December 2014	31 December 2013
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Improvements to fixed assets held under operating leases	164,596.57	426,503.64
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**NOTES TO FINANCIAL STATEMENTS
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8 Notes to financial statements (Cont'd)

(8) Employee benefits payable

(a) Short-term employee benefits

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Wages and salaries, bonus, allowances and subsidies	-	759,428.56	(759,428.56)	-
Social security contributions	-	45,877.90	(45,877.90)	-
Including: Medical insurance	-	40,400.16	(40,400.16)	-
Work injury insurance	-	2,626.24	(2,626.24)	-
Maternity insurance	-	2,851.50	(2,851.50)	-
Housing funds	-	37,120.00	(37,120.00)	-
Other short-term employee benefits	-	5,256.67	(5,256.67)	-
	-	<u>847,683.13</u>	<u>(847,683.13)</u>	-

(b) Defined contribution plans payable

	2014 Amount payable	Ending balance	2013 Amount payable	Ending balance
Basic pensions	113,991.20	-	102,932.80	-
Unemployment insurance	<u>11,406.76</u>	-	<u>9,940.72</u>	-
	<u>125,397.96</u>	-	<u>112,873.52</u>	-

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8 Notes to financial statements (Cont'd)

(9) Accounts payable

	31 December 2014	31 December 2013 (Restated)
Amount due to third parties	219,801.48	500,820.48
Payables to related parties (Note 9(4)(a))	<u>24,111,487.29</u>	<u>15,943,974.03</u>
	24,331,288.77	16,444,794.51

(10) Other payables

	31 December 2014	31 December 2013 (Restated)
Amount due to third parties	<u>156,698.78</u>	<u>29,875.09</u>

(11) Deferred tax assets and liabilities

Deferred assets and liabilities not taking into consideration the offsetting of balances are set out as follows:

(a) Deferred tax assets

	31 December 2014	31 December 2013
Deferred tax assets	4,081.77	16,327.10

Provision for asset impairments
Deductible losses

	70,928.70	283,714.80	-	-
	<u>75,010.47</u>	<u>300,041.90</u>	-	-

Including:
Expected to reverse within one year

	<u>75,010.47</u>	-
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(b) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2014	31 December 2013
Deductible losses	<u>-</u>	<u>481,419.19</u>

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8	Notes to financial statements(Cont'd)		
(11)	Deferred tax assets and deferred tax liabilities (Cont'd)		
(c)	Deductible losses that are not recognised as deferred tax assets will be expired as follows:	31 December 2014	31 December 2013
		2017	2018
		-	-
		242,893.81	238,525.38
		-	481,419.19
(d)	As at 31 December 2014, the Company had no taxable temporary differences, so no deferred tax liabilities were recognised.		
(12)	Revenue and cost of sales		
		2014	2013
	Main operations	Revenues	Revenues
	- Sale of speciality steels	25,223,790.88	22,640,207.04
		13,503,801.64	12,109,823.67
(13)	Finance expenses / (income) - net	2014	2013
	Exchange losses/(gains)	378,202.69	(46,647.90)
	Less: Interest income	(1,324.41)	(1,964.54)
	Others	15,651.69	4,300.28
		392,529.97	(44,312.16)

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8 Notes to financial statements (Cont'd)

(14) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses and financial expenses / (income) - net in the Income statements are listed as follows by nature:

	2014	2013
Changes in finished goods	21,970,009.62	11,807,428.83
Employee benefits	973,080.09	789,025.90
Depreciation and amortization expenses	290,909.74	279,623.71
Rental	287,851.91	280,063.69
Finance expenses / (income)	392,529.97	(44,312.16)
Others	1,149,576.80	737,835.48
	<u>25,063,958.13</u>	<u>13,849,665.45</u>

(15) Asset impairment losses

	2014	2013
Inventories provision	<u>16,358.14</u>	-

(16) Non-operating income and expenses

	2014	2013
Non-operating expenses - donation	-	4,739.99
Non-operating expenses - penalties	<u>1,000.00</u>	<u>646.29</u>
	<u>1,000.00</u>	<u>5,386.28</u>

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8 Notes to financial statements (Cont'd)

(17) Income tax expenses

	2014	2013 (Restated)
Income taxes for current year	-	-
Deferred income tax	<u>(75,010.47)</u>	<u>(75,010.47)</u>
	(75,010.47)	-

The reconciliation from income tax calculated based on the applicable tax rates and total profit/(loss) presented in the income statement to the income tax expenses is as follows:

	2014	2013
Total profit/(loss)	<u>142,474.61</u>	<u>(351,250.09)</u>
Income tax expenses calculated at applicable tax rates	35,618.66	(87,812.52)
Costs, expenses and losses not deductible for tax purposes	9,725.67	28,181.18
Utilisation of previously unrecognised tax losses	(45,344.32)	-
Tax losses for which no deferred income tax asset was recognised	-	59,631.34
Recognition of deferred tax assets not recognised previously	<u>(75,010.47)</u>	<u>-</u>
Income tax expenses	<u>(75,010.47)</u>	<u>-</u>

(18) Other comprehensive income

	2014	2013
Amount before tax	-	-
Income taxes	-	-
Net after tax	-	-
Differences on translation of foreign currency financial statements	<u>87,251.39</u>	<u>87,251.39</u>
Amount before tax	-	-
Income taxes	-	-
Net after tax	-	-
Differences on translation of foreign currency financial statements	<u>32,425.68</u>	<u>32,425.68</u>

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8 Notes to financial statements (Cont'd)

(19) Notes to cash flow statement

(a) Reconciliation from net profit / (loss) to cash flows from operating activities

	2014	2013
Net profit / (loss)	217,485.08	(Restated) (351,250.09)
Add: Provisions for asset impairment	16,358.14	-
Depreciation of fixed assets	42,418.83	28,716.20
Amortisation of long-term prepaid expenses	261,907.07	122,181.62
Increase in deferred tax assets	(75,010.47)	-
Increase in inventories	(4,583,729.26)	(3,264,927.91)
Increase in operating receivables	(400,910.94)	(3,241,793.84)
Increase in operating payables	8,013,317.95	4,520,497.70
Net cash flows from operating activities	<u>3,491,836.40</u>	<u>(2,186,576.32)</u>

(b) Net increase / (decrease) in cash

	2014	2013
Cash at the end of the year	5,042,968.10	1,765,454.34
Less: Cash at the beginning of the year	<u>1,765,454.34</u>	<u>3,970,523.79</u>
Net increase / (decrease) in cash	<u>3,277,513.76</u>	<u>(2,205,069.45)</u>

(c) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	2014	2013
Rental expenses	287,851.91	(Restated) 280,063.69
General office expenses	405,153.37	274,636.52
Travel expenses	252,072.97	186,735.52
Others	48,047.96	605,811.56
	<u>993,126.21</u>	<u>1,347,247.29</u>

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**NOTES TO FINANCIAL STATEMENTS
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9 Related parties and related party transactions

(1) Parent company

(a) General information of the parent company

	Place of registration	Nature of business
Tata Aerospace Suzhou	China	Wholly foreign-owned
The Company's ultimate controlling party is Tata Steel UK Limited.		

(b) Registered capital and changes in registered capital of the parent company

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Tata Aerospace Suzhou	USD 550,000	-	-	USD550,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2014 Shareholding (%)	31 December 2014 Voting rights (%)	31 December 2013 Shareholding (%)	31 December 2013 Voting rights (%)
Tata Aerospace Suzhou	100.00%	100.00%	100.00%	100.00%

(2) Nature of related parties that do not control/ are not controlled by the Company

Name of entity	Relationship with the Company
Tata Steel UK Limited Aerospace Service Centre Bolton ("Tata Steel UK Aerospace")	Controlled by the same ultimate controlling party

(3) Related party transactions

(a) Pricing policies

Prices of goods sold to related parties and services received from related parties are negotiated by both parties. The prices of products sold to related parties and raw materials purchased from related parties are based on the market price. Lease expenses are negotiated by both parties involved in the lease and by making reference to the market price.

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9	Related parties and related party transactions (Cont'd)		2014	2013
(3)	Related party transactions (Cont'd)			
(b)	Purchase of goods		2014	2013
	Tata Steel UK Aerospace	1,979,121.14		1,899,725.57
	Tata Steel UK	24,692,162.71		23,291,853.25
		<u>26,671,283.85</u>		<u>25,191,578.82</u>
(4)	Payables to related parties			
(a)	Accounts payable			
			31 December 2014	31 December 2013
	Tata Steel UK Aerospace	669,538.04		814,926.43
	Tata Steel UK	23,441,949.25		14,998,941.10
	Tata Aerospace	-		130,106.50
		<u>24,111,487.29</u>		<u>15,943,974.03</u>

10 Commitments

(1) Capital commitments

At the balance sheet date, the Company had no capital commitments which had been contracted for but not yet necessary to be recognised on the balance sheet.

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2014	31 December 2013
Within 1 year	395,706.30	413,017.20
1 to 2 years	11,500.00	269,206.30
	<u>407,206.30</u>	<u>682,223.50</u>

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11 Financial risk

The Company's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in USD. The Company is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to GBP and RMB. The Company's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2014 and 2013, the Company did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarised below:

	31 December 2014		
	GBP	RMB	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	1,857,333.42	97,979.75	1,955,313.17
Other receivables	-	89,510.80	89,510.80
Financial liabilities denominated in foreign currency -	1,857,333.42	187,490.55	2,044,823.97
Payables	533,747.07	152,200.40	685,947.46
Other payables	-	3,574.92	3,574.92
	533,747.07	155,775.32	689,522.38

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- 11 Financial instrument and risk (Cont'd)
- (1) **Market risk (Cont'd)**
- (a) Foreign exchange risk (Cont'd)

	31 December 2013		
	GBP	RMB	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	1,508,713.27	145,599.70	1,654,312.97
Other receivables	-	89,510.80	89,510.80
Financial liabilities denominated in foreign currency -	1,508,713.27	235,110.50	1,743,823.77
Payables	4,219,425.46	152,200.51	4,371,625.97
Other payables	-	8,931.42	8,931.42
	4,219,425.46	161,131.93	4,380,557.39

As at 31 December 2014, for various financial assets and liabilities denominated in GBP, if the currency had weakened / strengthened by 10% against the USD while all other variables had been held constant, the Company's net profit for the year would have been increased or decreased by approximately RMB 132,358.64 (31 December 2013: net loss decreased or increased by approximately RMB 271,071.22).

(2) **Credit risk**

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables etc.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

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11 Financial instrument and risk (Cont'd)

(3) Liquidity risk

Cash flow forecasting is performed by the Company. The Company monitors rolling forecasts of the short-term and long-term liquidity requirements to ensure it has sufficient cash, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Company at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2014			Total
	Within 1 year	1 to 5 years	Over 5 years	
Payables	24,331,288.77	-	-	24,331,288.77
Other payables	156,698.78	-	-	156,698.78
	<u>24,487,987.55</u>	<u>-</u>	<u>-</u>	<u>24,487,987.55</u>
	31 December 2013			
	Within 1 year	2 to 5 years	Over 5 years	Total
Payables	16,444,794.51	-	-	16,444,794.51
Other payables	29,875.09	-	-	29,875.09
	<u>16,474,669.60</u>	<u>-</u>	<u>-</u>	<u>16,474,669.60</u>

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12 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables and payables. The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

13 Capital management

The Company's capital management policies aim to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Company's total capital is calculated as 'shareholder's equity' as shown in the balance sheet. The Company is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2014 and 31 December 2013, the Company's gearing ratio is present as below.

	31 December 2014	31 December 2013
Gearing ratio	<u>84.05%</u>	<u>78.61%</u>