

# **JAGUAR LAND ROVER KOREA CO., LTD.**

Financial Statements As of and For the Years Ended  
December 31, 2014 and 2013

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

## **Independent Auditors' Report**

English Translation of a Report Originally Issued in Korean on March 23, 2015

To the Shareholder and the Board of Directors of  
JaguarLandrover Korea Co., Ltd.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of JaguarLandrover Korea Co., Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the statements of income, changes in shareholder's equity and cash flows for the years then ended, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea ("KAS - NPEs") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with KAS - NPEs.

**Others**

We conducted our audit of financial statements of the Company as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

March 23, 2015

Notice to Readers

This report is effective as of March 23, 2015, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

**JAGUARLANDROVER KOREA CO., LTD.**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013**

The accompanying financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, JaguarLandrover Korea Co., Ltd.

**Jung Hyun Baek**  
**Chief Executive Officer**  
**JAGUARLANDROVER KOREA CO., LTD.**

25F, West Tower, Mirae Asset Center 1, 26, Eulji-ro 5-gil, Jung-Gu, Seoul, Korea  
82-2-2071-7000

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014 AND 2013**

| A<br>S<br>S<br>E<br>T<br>S   | 2014                     | 2013                     | 2014                       | 2013                    |
|--|--------------------------|--------------------------|----------------------------|-------------------------|
|  | (In Korean won)          |                          | (In Indian Rupee) (Note 2) |                         |
| <b>CURRENT ASSETS:</b>   |                          |                          |                            |                         |
| Cash and cash equivalents (Notes 11 and 19)  | ₩ 70,292,316,339         | ₩ 43,247,267,637         | Rs 4,083,983,579           | Rs 2,508,341,523        |
| Accounts receivable - trade, net of allowance<br>for doubtful accounts of ₩74,814,965 as of December 31, 2014<br>and ₩72,837,051 as of December 31, 2013 (Note 19) | 7,364,868,082            | 7,210,868,081            | 427,898,836                | 418,230,349             |
| Accounts receivable - other (Notes 11, 13 and 19)  | 1,105,008,327            | 2,573,363,953            | 64,200,984                 | 149,255,109             |
| Accrued income (Note 19)   | 226,558,878              | 71,037,638               | 13,163,071                 | 4,120,183               |
| Advance payments   | 693,768,709              | 145,406,864              | 40,307,962                 | 8,433,598               |
| Prepaid expenses   | 246,483,860              | 246,602,985              | 14,320,711                 | 14,302,973              |
| Prepaid special consumption tax  | 619,897,610              | 365,905,750              | 36,016,051                 | 21,222,534              |
| Deferred income tax assets (Note 9)  | 2,870,990,527            | 1,698,135,215            | 166,804,550                | 98,491,842              |
| Inventories, net (Notes 3 and 12)  | 127,476,948,978          | 67,167,106,668           | 7,406,410,736              | 3,895,692,187           |
| <b>Total Current Assets</b>  | <b>210,896,841,310</b>   | <b>122,725,694,791</b>   | <b>12,253,106,480</b>      | <b>7,118,090,298</b>    |
| <b>NON-CURRENT ASSETS:</b>   |                          |                          |                            |                         |
| Property and equipment, net (Note 4)   | 897,363,680              | 607,978,682              | 52,136,830                 | 35,262,764              |
| Leasehold deposits (Note 19)   | 725,857,700              | 728,433,500              | 42,172,332                 | 42,249,143              |
| Other deposits (Note 19)   | 370,530,000              | 131,410,000              | 21,527,793                 | 7,621,779               |
| Deferred income tax assets (Note 9)  | 4,180,204,126            | 2,697,646,303            | 242,869,860                | 156,463,486             |
| <b>Total Non-current Assets</b>  | <b>6,173,955,506</b>     | <b>4,165,468,485</b>     | <b>358,706,815</b>         | <b>241,597,172</b>      |
| <b>TOTAL ASSETS</b>  | <b>₩ 217,070,796,816</b> | <b>₩ 126,891,163,276</b> | <b>Rs 12,611,813,295</b>   | <b>Rs 7,359,687,470</b> |

(Continued)

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS OF DECEMBER 31, 2014 AND 2013**

| <u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>       | <u>2014</u>              | <u>2013</u>              | <u>2014</u>                | <u>2013</u>             |
|---|--------------------------|--------------------------|----------------------------|-------------------------|
|   | (In Korean won)          |                          | (In Indian Rupee) (Note 2) |                         |
| <b>CURRENT LIABILITIES:</b>                       |                          |                          |                            |                         |
| Accounts payable - trade (Notes 11, 13 and 19)    | ₩ 160,154,543,480        | ₩ 84,133,304,021         | Rs 9,304,978,976           | Rs 4,879,731,633        |
| Accounts payable - other (Notes 11, 13 and 19)    | 9,179,523,246            | 5,782,360,724            | 533,330,301                | 335,376,922             |
| Accrued expenses (Note 19)                        | 11,012,889,806           | 6,953,770,481            | 639,848,898                | 403,318,688             |
| Advance receipts                                  | 74,680,455               | 376,745,457              | 4,338,934                  | 21,851,237              |
| Withholdings                                      | 58,228,740               | 92,321,300               | 3,383,090                  | 5,354,635               |
| Value-added tax (VAT) payable                     | 1,589,593,491            | 1,495,257,785            | 92,355,382                 | 86,724,952              |
| Current income tax liabilities                    | 2,891,431,605            | 3,526,712,671            | 167,992,176                | 204,549,335             |
| <b>Total Current Liabilities</b>                  | <u>184,960,890,823</u>   | <u>102,360,472,439</u>   | <u>10,746,227,757</u>      | <u>5,936,907,402</u>    |
| <b>NON-CURRENT LIABILITIES:</b>                   |                          |                          |                            |                         |
| Accrued severance indemnities, net                | 1,363,160,967            | 953,024,094              | 79,199,652                 | 55,275,397              |
| Warranty provision (Note 5)                       | 17,774,082,974           | 11,440,322,920           | 1,032,674,221              | 663,538,729             |
| <b>Total Non-Current Liabilities</b>              | <u>19,137,243,941</u>    | <u>12,393,347,014</u>    | <u>1,111,873,873</u>       | <u>718,814,126</u>      |
| <b>TOTAL LIABILITIES</b>                          | <u>204,098,134,764</u>   | <u>114,753,819,453</u>   | <u>11,858,101,630</u>      | <u>6,655,721,528</u>    |
| <b>SHAREHOLDER'S EQUITY:</b>                      |                          |                          |                            |                         |
| Capital stock (Notes 1 and 6)                     | 50,000,000               | 50,000,000               | 2,905,000                  | 2,900,000               |
| Additional paid-in capital (Note 6)               | 5,933,957,086            | 5,933,957,086            | 344,762,906                | 344,169,511             |
| Retained earnings (Note 7)                        | 6,988,704,966            | 6,153,386,737            | 406,043,759                | 356,896,431             |
| <b>TOTAL SHAREHOLDER'S EQUITY</b>                 | <u>12,972,662,052</u>    | <u>12,137,343,823</u>    | <u>753,711,665</u>         | <u>703,965,942</u>      |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b> | <u>₩ 217,070,796,816</u> | <u>₩ 126,891,163,276</u> | <u>Rs 12,611,813,295</u>   | <u>Rs 7,359,687,470</u> |

(Concluded)

See accompanying notes to financial statements.

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|   | 2014                     | 2013                     | 2014                       | 2013                    |
|---|--------------------------|--------------------------|----------------------------|-------------------------|
|   | (In Korean won)          |                          | (In Indian Rupee) (Note 2) |                         |
| <b>SALES :</b>  |                          |                          |                            |                         |
| Sales of merchandise  | ₩ 443,119,549,975        | ₩ 315,202,502,909        | Rs 25,745,245,854          | Rs 18,281,745,169       |
| Sales of parts  | <u>30,872,882,950</u>    | <u>21,529,059,090</u>    | <u>1,793,714,499</u>       | <u>1,248,685,427</u>    |
| Subtotal  | <u>473,992,432,925</u>   | <u>336,731,561,999</u>   | <u>27,538,960,353</u>      | <u>19,530,430,596</u>   |
| <b>COST OF SALES (Notes 3 and 13):</b>                          |                          |                          |                            |                         |
| Cost of sales of merchandise                                    | (364,168,789,216)        | (260,058,451,822)        | (21,158,206,653)           | (15,083,390,206)        |
| Cost of sales of parts  | <u>(27,921,590,121)</u>  | <u>(14,379,046,604)</u>  | <u>(1,622,244,386)</u>     | <u>(833,984,703)</u>    |
| Subtotal  | <u>(392,090,379,337)</u> | <u>(274,437,498,426)</u> | <u>(22,780,451,039)</u>    | <u>(15,917,374,909)</u> |
| <b>GROSS PROFIT</b>   | 81,902,053,588           | 62,294,063,573           | 4,758,509,314              | 3,613,055,687           |
| <b>SELLING AND ADMINISTRATIVE EXPENSES</b><br>(Notes 17 and 18) | <u>(40,441,554,169)</u>  | <u>(32,390,982,074)</u>  | <u>(2,349,654,297)</u>     | <u>(1,878,676,960)</u>  |
| <b>OPERATING INCOME</b>   | 41,460,499,419           | 29,903,081,499           | 2,408,855,017              | 1,734,378,727           |
| <b>OTHER INCOME (EXPENSES):</b>                                 |                          |                          |                            |                         |
| Interest income   | 758,582,264              | 152,633,542              | 44,073,630                 | 8,852,745               |
| Loss on transfer price adjustment (Note 14)                     | (28,574,502,020)         | (20,184,041,553)         | (1,660,178,567)            | (1,170,674,410)         |
| Loss on foreign currency transactions - net                     | (2,386,924,179)          | (1,061,785,914)          | (138,680,295)              | (61,583,583)            |
| Loss on foreign currency translation - net                      | (2,175,823,925)          | (116,465,808)            | (126,415,370)              | (6,755,017)             |
| Others, net   | <u>(138,056,073)</u>     | <u>(95,785,039)</u>      | <u>(8,021,059)</u>         | <u>(5,555,532)</u>      |
| Subtotal  | <u>(32,516,723,933)</u>  | <u>(21,305,444,772)</u>  | <u>(1,889,221,661)</u>     | <u>(1,235,715,797)</u>  |
| <b>INCOME BEFORE INCOME TAX</b>                                 | 8,943,775,486            | 8,597,636,727            | 519,633,356                | 498,662,930             |
| <b>INCOME TAX EXPENSE (Note 9)</b>                              | <u>(1,980,070,519)</u>   | <u>(6,511,161,365)</u>   | <u>(115,042,097)</u>       | <u>(377,647,359)</u>    |
| <b>NET INCOME</b>   | <u>₩ 6,963,704,967</u>   | <u>₩ 2,086,475,362</u>   | <u>Rs 404,591,259</u>      | <u>Rs 121,015,571</u>   |
| <b>EARNINGS PER SHARE (Note 8)</b>                              | <u>₩ 696,370</u>         | <u>₩ 208,648</u>         | <u>Rs 40,459</u>           | <u>Rs 12,102</u>        |

See accompanying notes to financial statements.

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|                            | (In Korean won)     |                        |                        | Total<br>shareholder's<br>equity |
|----------------------------|---------------------|------------------------|------------------------|----------------------------------|
|                            | Capital stock       | Capital surplus        | Retained earnings      |                                  |
| Balance, January 1, 2013   | ₩ 50,000,000        | ₩ 5,933,957,086        | ₩ 4,066,911,375        | ₩ 10,050,868,461                 |
| Net income                 | -                   | -                      | 2,086,475,362          | 2,086,475,362                    |
| Balance, December 31, 2013 | <u>₩ 50,000,000</u> | <u>₩ 5,933,957,086</u> | <u>₩ 6,153,386,737</u> | <u>₩ 12,137,343,823</u>          |
| Balance, January 1, 2014   | ₩ 50,000,000        | ₩ 5,933,957,086        | ₩ 6,153,386,737        | ₩ 12,137,343,823                 |
| Net income                 | -                   | -                      | 6,963,704,967          | 6,963,704,967                    |
| Interim dividend           | -                   | -                      | (6,128,386,738)        | (6,128,386,738)                  |
| Balance, December 31, 2014 | <u>₩ 50,000,000</u> | <u>₩ 5,933,957,086</u> | <u>₩ 6,988,704,966</u> | <u>₩ 12,972,662,052</u>          |

|                            | (In Indian Rupee) (Note 2) |                       |                       | Total<br>shareholder's<br>equity |
|----------------------------|----------------------------|-----------------------|-----------------------|----------------------------------|
|                            | Capital stock              | Capital surplus       | Retained earnings     |                                  |
| Balance, January 1, 2013   | Rs 2,900,000               | Rs 344,169,511        | Rs 235,880,860        | Rs 582,950,371                   |
| Net income                 | -                          | -                     | 121,015,571           | 121,015,571                      |
| Balance, December 31, 2013 | <u>Rs 2,900,000</u>        | <u>Rs 344,169,511</u> | <u>Rs 356,896,431</u> | <u>Rs 703,965,942</u>            |
| Balance, January 1, 2014   | Rs 2,905,000               | Rs 344,762,906        | Rs 357,511,769        | Rs 705,179,675                   |
| Net income                 | -                          | -                     | 404,591,259           | 404,591,259                      |
| Interim dividend           | -                          | -                     | (356,059,269)         | (356,059,269)                    |
| Balance, December 31, 2014 | <u>Rs 2,905,000</u>        | <u>Rs 344,762,906</u> | <u>Rs 406,043,759</u> | <u>Rs 753,711,665</u>            |

See accompanying notes to financial statements.

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|  | 2014             | 2013            | 2014                       | 2013           |
|--|------------------|-----------------|----------------------------|----------------|
|  | (In Korean won)  |                 | (In Indian Rupee) (Note 2) |                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |                  |                 |                            |                |
| Net income   | ₩ 6,963,704,967  | ₩ 2,086,475,362 | Rs 404,591,259             | Rs 121,015,571 |
| Expenses not involving cash outflows:                        |                  |                 |                            |                |
| Bad debt expense   | 1,977,914        | 18,609,476      | 114,917                    | 1,079,350      |
| Depreciation   | 175,070,688      | 176,929,175     | 10,171,607                 | 10,261,892     |
| Provision for severance indemnities                          | 418,349,289      | 251,315,973     | 24,306,094                 | 14,576,326     |
| Warranty provision   | 13,604,285,305   | 8,602,534,267   | 790,408,976                | 498,946,987    |
| Loss on foreign currency translation, net                    | 2,175,823,925    | 116,465,808     | 126,415,370                | 6,755,017      |
| Subtotal   | 16,375,507,121   | 9,165,854,699   | 951,416,964                | 531,619,572    |
| Income not involving cash receipt:                           | -                | -               | -                          | -              |
| Changes in assets and liabilities resulting from operations: |                  |                 |                            |                |
| Accounts receivable - trade                                  | (155,977,915)    | (1,852,837,547) | (9,062,317)                | (107,464,578)  |
| Accounts receivable - other                                  | 1,461,764,505    | (1,814,612,763) | 84,928,518                 | (105,247,540)  |
| Accrued income   | (155,521,240)    | (50,309,492)    | (9,035,784)                | (2,917,951)    |
| Advance payments   | (548,361,845)    | 23,054,774      | (31,859,823)               | 1,337,177      |
| Prepaid expenses   | 119,125          | 51,168,154      | 6,921                      | 2,967,753      |
| Prepaid special consumption tax                              | (253,991,860)    | 890,856,040     | (14,756,927)               | 51,669,650     |
| Value-added tax (VAT) receivable                             | -                | 45,606,460      | -                          | 2,645,175      |
| Deferred income tax assets, net                              | (2,655,413,135)  | (1,710,858,653) | (154,279,503)              | (99,229,802)   |
| Current income tax assets                                    | -                | 426,715,887     | -                          | 24,749,521     |
| Inventories  | (60,309,842,310) | (4,224,665,332) | (3,504,001,838)            | (245,030,589)  |
| Accounts payable - trade                                     | 73,861,167,451   | 22,775,395,191  | 4,291,333,829              | 1,320,972,921  |
| Accounts payable - other                                     | 3,388,001,726    | 1,565,070,476   | 196,842,900                | 90,774,088     |
| Accrued expenses   | 4,059,119,325    | 3,361,898,972   | 235,834,833                | 194,990,140    |
| Advance receipts   | (302,065,002)    | 349,333,776     | (17,549,977)               | 20,261,359     |
| Withholdings   | (34,092,560)     | 36,606,400      | (1,980,778)                | 2,123,171      |
| Value-added tax (VAT) payable                                | 94,335,706       | 1,495,257,785   | 5,480,905                  | 86,724,952     |
| Current income tax liabilities                               | (635,281,066)    | 3,526,712,671   | (36,909,830)               | 204,549,335    |
| Payments of severance indemnities                            | (8,212,416)      | (5,694,504)     | (477,141)                  | (330,281)      |
| Warranty provision   | (7,270,525,251)  | (4,738,745,347) | (422,417,517)              | (274,847,230)  |
| Subtotal   | 10,535,223,238   | 20,149,952,948  | 612,096,471                | 1,168,697,271  |
| Net cash provided by operating activities                    | 33,874,435,326   | 31,402,283,009  | 1,968,104,694              | 1,821,332,414  |

(Continued)

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|   | 2014             | 2013             | 2014                       | 2013             |
|---|------------------|------------------|----------------------------|------------------|
|   | (In Korean won)  |                  | (In Indian Rupee) (Note 2) |                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                      |                  |                  |                            |                  |
| Cash inflows from investing activities:                           |                  |                  |                            |                  |
| Collection of short-term loans                                    | ₩ -              | ₩ 57,499,999     | Rs -                       | Rs 3,335,000     |
| Decrease in leasehold deposits                                    | 2,575,800        | -                | 149,654                    | -                |
| Subtotal  | 2,575,800        | 57,499,999       | 149,654                    | 3,335,000        |
| Cash outflows for investing activities:                           |                  |                  |                            |                  |
| Acquisition of construction in progress                           | (464,455,686)    | -                | (26,984,875)               | -                |
| Increase in leasehold deposits                                    | -                | (57,054,000)     | -                          | (3,309,132)      |
| Increase in other deposits  | (239,120,000)    | (180,000)        | (13,892,872)               | (10,440)         |
| Subtotal  | (703,575,686)    | (57,234,000)     | (40,877,747)               | (3,319,572)      |
| Net cash provided by (used in) investing activities               | (700,999,886)    | 265,999          | (40,728,093)               | 15,428           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                      |                  |                  |                            |                  |
| Cash inflows from financing activities:                           |                  |                  |                            |                  |
|   | -                | -                | -                          | -                |
| Cash outflows from financing activities:                          |                  |                  |                            |                  |
| Payment of dividend   | (6,128,386,738)  | -                | (356,059,270)              | -                |
| Net cash used in financing activities                             | (6,128,386,738)  | -                | (356,059,270)              | -                |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                  | 27,045,048,702   | 31,402,549,008   | 1,571,317,331              | 1,821,347,842    |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>     | 43,247,267,637   | 11,844,718,629   | 2,512,666,248              | 686,993,681      |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 10)</b> | ₩ 70,292,316,339 | ₩ 43,247,267,637 | Rs 4,083,983,579           | Rs 2,508,341,523 |

(Concluded)

See accompanying notes to financial statements.

**JAGUARLANDROVER KOREA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**1. GENERAL:**

JaguarLandrover Korea Co., Ltd. (the “Company”), was incorporated on October 1, 2008, through the spin-off from Premier Automotive Group Korea Co., Ltd. (“PAG Korea”), under the Foreign Capital Inducement Law of the Republic of Korea in order to engage in the import and distribution of Jaguar and Landrover brand vehicles and parts of vehicle in Korea. As of December 31, 2014, the Company’s total issued common stock amounted to ₩50,000 thousand (Rs2,905 thousand) and the Company is wholly owned by Jaguar Land Rover Limited, a UK corporation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying financial statements are scheduled to be approved at the Company’s shareholder’s meeting on March 31, 2014.

The significant accounting policies followed by the Company in preparation of the financial statements are as follows.

a. Basis of Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Accounting Standards for Non-Public Entities in the Republic of Korea (KAS-NPEs). The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, results of operations, changes in shareholder’s equity or cash flows, is not presented in the accompanying financial statements.

b. Conversion into Indian Rupees

The financial information is expressed in the local currency of the relevant company (South Korean Won) only in the Audited Accounts based on which the attached financial statements have been reformatted. Solely for the convenience of the reader and to meet the requirements of Section 212 of the Indian Companies Act, 1956, the amounts appearing in Indian Rupees have been translated at a fixed exchange rate KRW 1 = Rs 0.0581 and Rs 0.058 for the years ended 31 December 2014 and 2013, respectively. These transactions should not be constructed as a representative that any or all of the amounts could be converted to Indian Rupees at this or any other rate.

c. Cash Equivalents

Cash equivalents are highly liquid investments and short-term financial instruments with maturities of three months or less from the acquisition date, which are readily convertible without significant transaction cost and do not have significant risk of changes in interest rates.

d. Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables based on management's analysis of the collectibility of individual outstanding receivables.

e. Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the weighted-average method, except for parts for which cost is determined using the moving-average method and inventory in transit for which cost is determined using the specific identification method. The Company maintains perpetual inventory system, which is adjusted to physical inventory counts performed at year-end.

When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations. In that case, the situation that caused the loss on valuation of inventories is dissolved; new market value is more than the carrying amount; and the carrying amount is increased to the new market value, until it does not exceed the original acquisition cost.

f. Property and Equipment

Property and equipment are stated at cost (acquisition cost or manufacturing cost, plus expenditure directly related to preparing the asset ready for use in time for a place, net of sales discount given) and assets acquired from investment in-kind, by donation or free of charge are stated at fair value. When an asset is exchanged for a similar-kind asset, the asset received is stated at the carrying value of the asset given. When an asset is exchanged for a different-kind asset, the asset received is stated at the fair value of the asset given. When there is uncertainty as to the fair value of the asset given, the asset received is recorded at its fair value.

If the costs incurred after acquisition or completion increase the future economic benefit of an asset, such costs are capitalized. If the costs can be objectively measured and incurred to replace an existing asset, the existing asset is removed from the financial statements. Costs incurred to repair and maintain assets are expensed as incurred.

Property and equipment are depreciated using the straight-line method from the time when the assets are ready for use (ready for their intended use by the management in time and place) over their economic useful lives summarized below. Depreciation expense is recognized as manufacturing cost if it relates to manufactured goods or as selling and administrative expense for all other cases, as incurred.

|                     | <u>Useful lives (years)</u> |
|---------------------|-----------------------------|
| Leasehold equipment | 5                           |
| Office equipment    | 5                           |

g. Impairment of Assets

At the end of each reporting period, the Company reviews the carrying values of assets, except for financial assets, inventories, assets generated from construction contracts, deferred tax assets, biological assets and non-current assets of discontinued operations to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value of the asset is reduced to its recoverable amount, and an impairment loss is immediately recorded in profit or loss. If a tangible asset (an individual asset or cash-generating unit) has impairment indication and cash flow from disposition of asset is less than its carrying amount, the carrying value of the asset is reduced to the net proceed on disposition, and an impairment loss is immediately recorded in profit or loss.

Also, in regard of impairment loss indicators, assets not in use and assets held for future use are estimated for recoverable amounts.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of goodwill is estimated to be less than its carrying amount, an impairment loss is allocated to reduce the carrying value of the goodwill, and then allocated to reduce the carrying value of individual assets (or cash-generating unit(s)). The allocated amounts to individual assets cannot be lower than the larger of estimated recovered amount, value in use amount or zero.

h. Translation of Assets and Liabilities Denominated in Foreign Currency

Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the internal exchange rates (₩1,088.37 and ₩1,061.72 to USD 1.00 and ₩1,061.72 and ₩1,754.39 to GBP 1.00) at December 31, 2014 and 2013, respectively. Gains or losses arising from foreign currency transactions and the translation of foreign currency assets and liabilities are charged or credited to current operations. The rate announced by Seoul Money Brokerage Services, Ltd. was ₩1,099.20 and ₩1,055.30 to USD 1.00 and ₩1,710.47 and ₩1,740.66 to GBP 1.00 at December 31, 2014 and 2013, respectively.

i. Accrued Severance Indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance indemnity payments upon termination of their employment, based on their current rate of salary and length of service. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to terminate at the date of reporting period-end.

Actual payment for severance indemnities amounted to ₩8,212 thousand (Rs477 thousand) and ₩5,695 thousand (Rs330 thousand) for the years ended December 31, 2014 and 2013, respectively.

j. Warranty Provision

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is highly likely that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranty costs, which are estimated to be incurred, are provided at the time of sale of the merchandise.

#### k. Accounting for Lease

A lease is classified as a finance lease or an operating lease depending on the extent of transfer of the risk and rewards incidental to ownership to the Company. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

- The lease transfers ownership of the property to the lessee by the end of the lease term;
- The lease contains an option to purchase the leased property at a bargain price;
- The lease term is for the major part of the assets even if title is not transferred;
- At the inception of the lease present value of the leased assets; or
- The leased assets are of such a specialized nature that only the lease can use them without major modification.

All other leases are accounted for as operating leases.

For operating leases, rental expense is recognized on the straight-line basis over the lease term in the statements of income and contingent rent is recorded as incurred.

#### l. Revenue Recognition

Revenue is recognized at the collected price or the collectible price, less sales discount or sales returns, when goods or products sold are delivered.

#### m. Income Tax Expense

The Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability for the financial reporting purposes and the amounts used for income tax purposes. A deferred tax liability is generally recognized for all taxable temporary differences with some exceptions and a deferred tax asset is recognized to the extent when it is probable that taxable income will be available against which the deductible temporary difference can be utilized in the future. Deferred income tax asset (liability) is classified as a current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred income tax asset (liability), which does not relate to a specific asset (liability) account in the statement of financial position, such as a deferred income tax asset recognized for tax loss carryforwards, is classified as a current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expenses are included in income tax expense in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholder's equity in current or prior periods, or business combinations is directly adjusted to equity account or goodwill (or a gain from a bargain purchase in business combination).

### 3. INVENTORIES:

Details of inventories as of December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee):

|                      | 2014 |             | 2013 |            | 2014 |           | 2013 |           |
|----------------------|------|-------------|------|------------|------|-----------|------|-----------|
| Merchandise          | ₩    | 52,308,542  | ₩    | 18,698,523 | Rs   | 3,039,126 | Rs   | 1,084,515 |
| Parts                |      | 13,223,779  |      | 8,143,439  |      | 768,302   |      | 472,319   |
| Inventory in transit |      | 65,703,347  |      | 40,716,781 |      | 3,817,364 |      | 2,361,573 |
| Valuation reserve    |      | (3,758,719) |      | (391,636)  |      | (218,381) |      | (22,715)  |
| Total                | ₩    | 127,476,949 | ₩    | 67,167,107 | Rs   | 7,406,411 | Rs   | 3,895,692 |

The loss on valuation of inventory, which was included in the cost of sales, amounted to ₩3,645,944 thousand (Rs 211,829 thousand) and ₩101,948 thousand (Rs 5,913 thousand) for the years ended December 31, 2014 and 2013, respectively.

### 4. PROPERTY AND EQUIPMENT:

As of December 31, 2014 and 2013, property and equipment consist of the following (In thousands of Korean won and in thousands of Indian rupee):

|                               | 2014 |           | 2013 |           | 2014 |          | 2013 |          |
|-------------------------------|------|-----------|------|-----------|------|----------|------|----------|
| Leasehold equipment           | ₩    | 523,262   | ₩    | 523,262   | Rs   | 30,402   | Rs   | 30,349   |
| Office equipment              |      | 733,950   |      | 733,950   |      | 42,642   |      | 42,570   |
| Construction in progress      |      | 464,456   |      | -         |      | 26,985   |      | -        |
| Total                         |      | 1,721,668 |      | 1,257,212 |      | 100,029  |      | 72,919   |
| Less accumulated depreciation |      | (824,304) |      | (649,233) |      | (47,892) |      | (37,656) |
| Net                           | ₩    | 897,364   | ₩    | 607,979   | Rs   | 52,137   | Rs   | 35,263   |

Changes in property and equipment for the years ended December 31, 2014 and 2013, are as follows (In thousands of Korean won and in thousands of Indian rupee):

2014

|                          | January 1,<br>2014 |                | Increase | Decrease       | Depreciation | December 31,<br>2014 |          |                |
|--------------------------|--------------------|----------------|----------|----------------|--------------|----------------------|----------|----------------|
| Leasehold equipment      | ₩                  | 349,832        | ₩        | -              | ₩            | 96,652               | ₩        | 253,180        |
| Office equipment         |                    | 258,147        |          | -              |              | (78,419)             |          | 179,728        |
| Construction in progress |                    | -              |          | 464,456        |              | -                    |          | 464,456        |
| <b>Total</b>             | <b>₩</b>           | <b>607,979</b> | <b>₩</b> | <b>464,456</b> | <b>₩</b>     | <b>(175,071)</b>     | <b>₩</b> | <b>897,364</b> |

|                          | January 1, 2014 |               | Increase  | Decrease      | Depreciation | December 31,<br>2014 |           |               |
|--------------------------|-----------------|---------------|-----------|---------------|--------------|----------------------|-----------|---------------|
| Leasehold equipment      | Rs              | 20,325        | Rs        | -             | Rs           | 5,615                | Rs        | 14,710        |
| Office equipment         |                 | 14,998        |           | -             |              | (4,556)              |           | 10,442        |
| Construction in progress |                 | -             |           | 26,985        |              | -                    |           | 26,985        |
| <b>Total</b>             | <b>Rs</b>       | <b>35,323</b> | <b>Rs</b> | <b>26,985</b> | <b>Rs</b>    | <b>(10,171)</b>      | <b>Rs</b> | <b>52,137</b> |

2013

|                     | January 1,<br>2013 |                | Increase | Decrease | Depreciation | December 31,<br>2013 |          |                |
|---------------------|--------------------|----------------|----------|----------|--------------|----------------------|----------|----------------|
| Leasehold equipment | ₩                  | 446,484        | ₩        | -        | ₩            | 96,652               | ₩        | 349,832        |
| Office equipment    |                    | 338,424        |          | -        |              | (80,277)             |          | 258,147        |
| <b>Total</b>        | <b>₩</b>           | <b>784,908</b> | <b>₩</b> | <b>-</b> | <b>₩</b>     | <b>(176,929)</b>     | <b>₩</b> | <b>607,979</b> |

|                     | January 1,<br>2013 |               | Increase  | Decrease | Depreciation | December 31,<br>2013 |           |               |
|---------------------|--------------------|---------------|-----------|----------|--------------|----------------------|-----------|---------------|
| Leasehold equipment | Rs                 | 25,897        | Rs        | -        | Rs           | 5,607                | Rs        | 20,290        |
| Office equipment    |                    | 19,628        |           | -        |              | (4,655)              |           | 14,973        |
| <b>Total</b>        | <b>Rs</b>          | <b>45,525</b> | <b>Rs</b> | <b>-</b> | <b>Rs</b>    | <b>(10,262)</b>      | <b>Rs</b> | <b>35,263</b> |

**5. WARRANTY PROVISION:**

Changes in warranty provision for the years ended December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee):

|                   | <u>2014</u>        | <u>2013</u>        | <u>2014</u>        | <u>2013</u>       |
|-------------------|--------------------|--------------------|--------------------|-------------------|
| Beginning balance | ₩ 11,440,323       | ₩ 7,576,534        | Rs 664,683         | Rs 439,439        |
| Provision         | 13,604,285         | 8,602,534          | 790,409            | 498,947           |
| Usage             | <u>(7,270,525)</u> | <u>(4,738,745)</u> | <u>(422,418)</u>   | <u>(274,847)</u>  |
| Ending balance    | <u>₩17,774,083</u> | <u>₩11,440,323</u> | <u>Rs1,032,674</u> | <u>Rs 663,539</u> |

**6. CAPITAL STOCK:**

Details of capital stock as of December 31, 2014 and 2013 are as follows (In Korean won):

|                                | <u>2014</u>          | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| Authorized shares              | 40,000 shares        | 40,000 shares        | 40,000 shares        | 40,000 shares        |
| Issued and outstanding shares: |                      |                      |                      |                      |
| Common stock                   | <u>10,000 shares</u> | <u>10,000 shares</u> | <u>10,000 shares</u> | <u>10,000 shares</u> |
| Par value                      | <u>₩ 5,000</u>       | <u>₩ 5,000</u>       | <u>Rs 291</u>        | <u>Rs 290</u>        |
| Capital stock                  | <u>₩ 50,000,000</u>  | <u>₩ 50,000,000</u>  | <u>Rs 2,905,000</u>  | <u>Rs 2,900,000</u>  |

There were no changes in capital stock for the years ended December 31, 2014 and 2013.

As of December 31, 2014 and 2013, additional paid-in capital of ₩5,933,957 thousand (Rs344,763 thousand and Rs344,170 thousand, respectively) represents book value of net assets that exceeded capital stock at spin-off date.

**7. RETAINED EARNINGS:**

The appropriation of retained earnings for the years ended December 31, 2014 and 2013 is as follows (In thousands of Korean won and in thousands of Indian rupee):

|   | Korean won  |             | Indian rupee |            |
|---|-------------|-------------|--------------|------------|
|   | 2014        | 2013        | 2014         | 2013       |
| RETAINED EARNINGS BEFORE APPROPRIATIONS:                                  |             |             |              |            |
| Unappropriated retained earnings carried over from prior year             | ₩ 6,153,387 | ₩ 4,066,911 | Rs 357,512   | Rs 235,880 |
| Net income  | 6,963,705   | 2,086,476   | 404,591      | 121,016    |
| Interim dividend  | (6,128,387) | -           | (356,059)    | -          |
| End of year   | 6,988,705   | 6,153,387   | 406,044      | 356,896    |
| APPROPRIATION   |             |             |              |            |
| Legal reserve   | (25,000)    | -           | (1,453)      | -          |
| Dividend  | (6,478,742) | -           | (376,415)    | -          |
| Subtotal  | (6,503,742) | -           | (377,868)    | -          |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR | ₩ 484,963   | ₩ 6,153,387 | Rs 28,176    | Rs 356,896 |

**8. EARNINGS PER SHARE:**

Basic net income per share for the years ended December 31, 2014 and 2013 is calculated as follows (In Korean won and in Indian rupee):

|                                    | 2014            |                 | 2013             |                  |
|------------------------------------|-----------------|-----------------|------------------|------------------|
| Net income                         | ₩ 6,963,704,967 | ₩ 2,086,475,362 | (Rs 404,591,259) | (Rs 121,015,571) |
| Number of common share outstanding | 10,000          | 10,000          |                  |                  |
| Earnings per share                 | ₩ 696,370       | ₩ 208,648       | (Rs 40,459)      | (Rs 12,102)      |

**9. INCOME TAX:**

(1) Details of income tax expense

Income tax expense for the years ended December 31, 2014 and 2013 is as follows (In thousands of Korean won and in thousands of Indian rupee):

|   | <u>2014</u>        | <u>2013</u>        | <u>2014</u>       | <u>2013</u>       |
|---|--------------------|--------------------|-------------------|-------------------|
| Current income tax                      | ₩ 4,635,484        | ₩ 3,667,168        | Rs 269,321        | Rs 212,696        |
| Changes in deferred tax assets (Note)   | (2,655,413)        | (1,710,859)        | (154,279)         | (99,230)          |
| Additional income tax for prior periods | <u>-</u>           | <u>4,554,852</u>   | <u>-</u>          | <u>264,181</u>    |
| Income tax expense                      | <u>₩ 1,980,071</u> | <u>₩ 6,511,161</u> | <u>Rs 115,042</u> | <u>Rs 377,647</u> |

(Note) Changes in deferred tax assets related to temporary differences for the years ended December 31, 2014 and 2013, are as follows (in thousands of Korean won and in thousands of Indian rupee):

|                                | <u>2014</u>         | <u>2013</u>         | <u>2014</u>         | <u>2013</u>        |
|--------------------------------|---------------------|---------------------|---------------------|--------------------|
| Beginning of year              | ₩ 4,395,782         | ₩ 2,684,923         | Rs 255,395          | Rs 155,725         |
| End of year                    | <u>(7,051,195)</u>  | <u>(4,395,782)</u>  | <u>(409,674)</u>    | <u>(254,955)</u>   |
| Changes in deferred tax assets | <u>(₩2,655,413)</u> | <u>(₩1,710,859)</u> | <u>(Rs 154,279)</u> | <u>(Rs 99,230)</u> |

(2) Reconciling items between income before tax and income tax expense

Reconciling items between income before tax and income tax expense for the years ended December 31, 2014 and 2013, are as follows (In thousands of Korean won and in thousands of Indian rupee):

|                                      | <u>2014</u>        | <u>2013</u>        | <u>2014</u>       | <u>2013</u>       |
|--------------------------------------|--------------------|--------------------|-------------------|-------------------|
| Income before income tax expense     | ₩ 8,943,775        | ₩ 8,597,637        | Rs 519,633        | Rs 498,663        |
| Statutory tax rate                   | 22.0%              | 22.0%              | 22.0%             | 22.0%             |
| Income tax expense at statutory rate | 1,945,631          | 1,869,480          | 113,041           | 108,430           |
| Adjustments (Note)                   | 34,440             | 4,641,681          | 2,001             | 269,217           |
| Income tax expense                   | <u>₩ 1,980,071</u> | <u>₩ 6,511,161</u> | <u>Rs 115,042</u> | <u>Rs 377,647</u> |
| Effective tax rate                   | <u>22.14%</u>      | <u>75.73%</u>      | <u>22.14%</u>     | <u>75.73%</u>     |

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended December 31, 2014 and 2013, are as follows (In thousands of Korean won and in thousands of Indian rupee):

|   | <u>2014</u>     | <u>2013</u>        | <u>2014</u>     | <u>2013</u>       |
|---|-----------------|--------------------|-----------------|-------------------|
| Non-deductible expenses                 | ₩ 11,052        | ₩ 102,721          | Rs 642          | Rs 5,958          |
| Additional income tax for prior periods | -               | 4,554,852          | -               | 264,181           |
| Others                                  | 23,388          | (15,892)           | 1,359           | (922)             |
| Total                                   | <u>₩ 34,440</u> | <u>₩ 4,641,681</u> | <u>Rs 2,001</u> | <u>Rs 269,217</u> |

(3) Accumulated temporary differences and deferred tax assets as of December 31, 2014 and 2013, are as follows (In thousands of Korea won and in thousands of Indian rupee):

|  | <u>2014</u>        | <u>2013</u>        | <u>2014</u>       | <u>2013</u>       |
|--|--------------------|--------------------|-------------------|-------------------|
| Beginning of year, net                                 | ₩ 19,980,826       | ₩ 12,204,194       | Rs 1,160,886      | Rs 707,843        |
| Increase (Decrease)<br>in the current year<br>(Note 2) | <u>12,070,059</u>  | <u>7,776,632</u>   | <u>701,270</u>    | <u>451,045</u>    |
| End of year, net                                       | 32,050,885         | 19,980,826         | 1,862,156         | 1,158,888         |
| Statutory tax rate (Note 1)                            | 22.0%              | 22.0%              | 22.0%             | 22.0%             |
| Deferred tax assets                                    | <u>₩ 7,051,195</u> | <u>₩ 4,395,782</u> | <u>Rs 409,674</u> | <u>Rs 254,955</u> |
| Current assets   | ₩ 2,870,991        | ₩ 1,698,136        | Rs 166,804        | Rs 98,492         |
| Non-current assets                                     | <u>4,180,204</u>   | <u>2,697,646</u>   | <u>242,870</u>    | <u>156,463</u>    |
| Deferred tax assets                                    | <u>₩ 7,051,195</u> | <u>₩ 4,395,782</u> | <u>Rs 409,674</u> | <u>Rs 254,955</u> |

(Note 1) The marginal tax rate, which is expected to be applied in the period in which the related temporary differences are expected to reverse, was used for the measurement of deferred tax assets and deferred tax liabilities.

(Note 2) The adjusted amount of deferred tax assets as of January 1, 2013 for final tax adjustment is reflected to increase (decrease) in the current year.

#### **10. STATEMENTS OF CASH FLOWS:**

The Company's statements of cash flows are prepared using the indirect method. No significant transactions involving the inflow or outflow of cash for the years ended December 31, 2014 and 2013, are noted. The cash and cash equivalents in the statements of cash flows are the same as the cash and cash equivalents in the statements of financial position.

## 11. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

The details of monetary assets and liabilities denominated in foreign currencies as of December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee and foreign currencies):

|                             | 2014               |                       |                         | 2013               |                       |                         |
|-----------------------------|--------------------|-----------------------|-------------------------|--------------------|-----------------------|-------------------------|
|                             | Foreign currencies | Korean won equivalent | Indian rupee equivalent | Foreign currencies | Korean won equivalent | Indian rupee equivalent |
| <u>Assets:</u>              |                    |                       |                         |                    |                       |                         |
| Cash and cash equivalents   | GBP 2,027,903      | ₩ 3,437,124           | Rs 199,697              | GBP 28,322         | ₩ 49,687              | Rs 2,882                |
| Accounts receivable - other | US\$ 35,588        | 38,733                | 2,250                   | US\$ 671           | 713                   | 42                      |
| Accounts receivable - other | GBP 243,451        | 412,628               | 23,974                  | GBP 1,153,764      | 2,024,147             | 117,401                 |
|                             | GBP 2,271,354      | ₩ 3,849,752           | Rs 223,671              | GBP 1,182,085      | ₩ 2,073,834           | Rs 120,283              |
| Total                       | US\$ 35,588        | 38,733                | 2,250                   | US\$ 671           | 713                   | 42                      |
| <u>Liabilities:</u>         |                    |                       |                         |                    |                       |                         |
| Accounts payable - trade    | US\$ 134,950,252   | ₩ 146,876,195         | Rs 8,533,507            | US\$ 68,335,658    | ₩ 72,553,287          | Rs 4,208,091            |
| Accounts payable - trade    | GBP 2,241,193      | 3,798,633             | 220,701                 | GBP 1,478,106      | 2,593,169             | 150,404                 |
| Accounts payable - trade    | EUR 26,528         | 35,091                | 2,039                   | EUR 76,864         | 112,366               | 6,517                   |
| Accounts payable - other    | US\$ 269,513       | 293,331               | 17,043                  | US\$ 141,685       | 150,429               | 8,725                   |
| Accounts payable - other    | GBP -              | -                     | 68                      | GBP 669            | 1,173                 | 68                      |
| Accounts payable - other    | AUD -              | -                     | 893                     | AUD 16,262         | 15,397                | 893                     |
|                             | GBP 2,241,193      | ₩ 3,798,633           | Rs 220,701              | GBP 1,478,775      | ₩ 2,594,342           | Rs 150,472              |
|                             | US\$ 135,219,765   | 147,169,526           | 8,550,550               | US\$ 68,477,343    | 72,703,716            | 4,216,816               |
|                             | EUR 26,528         | 35,091                | 2,039                   | EUR 76,864         | 112,366               | 6,517                   |
| Total                       | AUD -              | -                     | -                       | AUD 16,262         | 15,397                | 893                     |

## 12. INSURANCE:

Insured coverage carried by the Company as of December 31, 2014 is as follows (In thousands of Korean won and in thousands of Indian rupee):

| Insured                      | Insured coverage | Insured period       | Insurance company               |
|------------------------------|------------------|----------------------|---------------------------------|
|                              | 3,378,039        |                      |                                 |
| Commercial general liability | (Rs 196,264)     | 2014.6.1 ~ 2015.5.31 | Mitsui Sumitomo Insurance       |
|                              | 8,569,124        |                      |                                 |
| Insurance on goods           | (Rs 497,866)     | 2014.6.1 ~ 2015.5.31 | AIG Insurance                   |
|                              | 180,000          |                      |                                 |
| Product Guarantee            | (Rs 10,458)      | 2014.1.29~ 2020.1.28 | Hyundai Marine & Fire Insurance |
|                              | 65,344           |                      |                                 |
| Property package insurance   | (Rs 3,796)       | 2014.6.1 ~ 2015.5.31 | Hyundai Marine & Fire Insurance |

The Company carries comprehensive insurance for its vehicles with Samsung Fire and Marine insurance Co., Ltd.

### **13. TRANSACTIONS WITH RELATED PARTIES:**

Significant transactions and account balances with related parties as of and for the years ended December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee):

| Description                        | Related parties        | 2014         | 2013         | 2014         | 2013         |
|------------------------------------|------------------------|--------------|--------------|--------------|--------------|
| <u>Transactions:</u>               |                        |              |              |              |              |
| Purchases and other                | Jaguar Land Rover Ltd. | ₩427,955,821 | ₩309,238,502 | Rs24,864,233 | Rs17,935,833 |
| <u>Accounts balances:</u>          |                        |              |              |              |              |
| Accounts receivable - other (Note) | Jaguar Land Rover Ltd. | 1,003,006    | 2,024,879    | 58,275       | 117,443      |
| Accounts payable - trade and other | Jaguar Land Rover Ltd. | 159,706,047  | 83,147,763   | 9,278,921    | 4,822,570    |

(Note) The amounts represent accounts receivable related to warranty cost.

### **14. LOSS ON TRANSFER PRICE ADJUSTMENT:**

The Company purchased most of inventories from related parties, Jaguar Land Rover Ltd. Transfer price adjustment received (paid) from related parties are accounted for as other income (expenses).

### **15. COMMITMENTS AND CONTINGENCIES:**

#### (1) Dealer sales and service agreement

As of December 31, 2014, the Company has entered into dealer sales and service agreements with 10 companies, including Chunil Automobile, KCC Automobile and others.

#### (2) Guarantee provided

As of December 31, 2014, the Company is provided with payment guarantee up to ₩69,000 thousand (Rs4,009 thousand) by Seoul Guarantee Insurance.

#### (3) Litigations

As of December 31, 2014, the Company is involved in two legal cases as a defendant with total claim amounting to ₩40,000 thousand (Rs2,324 thousand). The ultimate outcome of the litigation cannot be determined yet.

**16. OPERATING LEASE:**

The Company has entered into operating lease agreements with Hana Capital Inc. Operating lease expense amounted to ₩164,332 thousand (Rs9,548 thousand) for the year ended December 31, 2014. The payment schedule of the Company's operating lease as of December 31, 2014, is as follows (In thousands of Korean won and in thousands of Indian rupee):

| <u>Years ending December 31,</u> | <u>Local currency lease</u> |        | <u>Indian rupee</u> |       |
|----------------------------------|-----------------------------|--------|---------------------|-------|
| 2015                             | ₩                           | 33,270 | Rs                  | 1,933 |
| 2016                             | ₩                           | -      | Rs                  | -     |
| Total                            | ₩                           | 33,270 | Rs                  | 1,933 |

**17. VALUE-ADDED INFORMATION:**

Details of valued-added information included in selling and administrative expense for the years ended December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee):

| <u>Description</u>                  | <u>2014</u> |             | <u>2013</u> |            |
|-------------------------------------|-------------|-------------|-------------|------------|
| Salary                              | ₩ 3,266,438 | ₩ 3,006,178 | Rs 189,780  | Rs 174,358 |
| Provision for severance indemnities | 418,349     | 251,316     | 24,306      | 14,576     |
| Employee welfare                    | 880,833     | 757,984     | 51,176      | 43,963     |
| Rent                                | 1,435,617   | 991,634     | 83,409      | 57,515     |
| Depreciation                        | 175,071     | 176,929     | 10,172      | 10,262     |
| Taxes and dues                      | 133,369     | 461,615     | 7,749       | 26,774     |

**18. SELLING AND ADMINISTRATIVE EXPENSES:**

Selling and administrative expenses for the years ended December 31, 2014 and 2013 are as follows (In thousands of Korean won and in thousands of Indian rupee):

|                                     | 2014                | 2013                | 2014                | 2013                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Salary                              | ₩ 3,266,438         | ₩ 3,006,178         | Rs 189,780          | Rs 174,358          |
| Provision for severance indemnities | 418,349             | 251,316             | 24,306              | 14,576              |
| Employee welfare                    | 880,833             | 757,984             | 51,176              | 43,963              |
| Education                           | 72,666              | 61,178              | 4,222               | 3,548               |
| Contribution to warranty provision  | 13,604,285          | 8,602,534           | 790,409             | 498,947             |
| Vehicle maintenance                 | 736,656             | 741,464             | 42,800              | 43,005              |
| Fee                                 | 2,380,209           | 2,154,292           | 138,290             | 124,949             |
| Transportation                      | 317,602             | 33,026              | 18,453              | 1,916               |
| Supplies                            | 93,582              | 405,106             | 5,437               | 23,496              |
| Repairs and maintenance             | 319,163             | 250,288             | 18,543              | 14,517              |
| Depreciation                        | 175,071             | 176,929             | 10,172              | 10,262              |
| Communication                       | 173,258             | 132,577             | 10,066              | 7,689               |
| Rent                                | 1,435,617           | 991,634             | 83,409              | 57,515              |
| Travel                              | 535,817             | 715,228             | 31,131              | 41,483              |
| Insurance                           | 97,535              | 60,048              | 5,667               | 3,483               |
| Entertainment                       | 161,337             | 156,043             | 9,374               | 9,050               |
| Taxes and dues                      | 133,369             | 461,615             | 7,749               | 26,774              |
| Membership fee                      | 87,412              | 85,160              | 5,079               | 4,939               |
| Advertising                         | 8,389,835           | 5,985,277           | 487,449             | 347,146             |
| Promotion                           | 7,154,388           | 7,344,496           | 415,670             | 425,982             |
| Bad debt                            | 1,978               | 18,609              | 115                 | 1,079               |
| Others                              | 6,154               | -                   | 357                 | -                   |
| <b>Total</b>                        | <b>₩ 40,441,554</b> | <b>₩ 32,390,982</b> | <b>Rs 2,349,654</b> | <b>Rs 1,878,677</b> |



2013

|                        | <u>Under 3 months</u> | <u>3 months–1 year</u> | <u>Total</u>        |
|------------------------|-----------------------|------------------------|---------------------|
| Accounts payable-trade | ₩ -                   | ₩ 84,133,304           | ₩ 84,133,304        |
| Accounts payable-other | 5,782,361             | -                      | 5,782,361           |
| Accrued expenses       | <u>6,953,770</u>      | <u>-</u>               | <u>6,953,770</u>    |
|                        | <u>₩ 12,736,131</u>   | <u>₩ 84,133,304</u>    | <u>₩ 96,869,435</u> |

|                        | <u>Under 3 months</u> | <u>3 months–1 year</u> | <u>Total</u>        |
|------------------------|-----------------------|------------------------|---------------------|
| Accounts payable-trade | Rs -                  | Rs 4,879,732           | Rs 4,879,732        |
| Accounts payable-other | 335,377               | -                      | 335,377             |
| Accrued expenses       | <u>403,319</u>        | <u>-</u>               | <u>403,319</u>      |
|                        | <u>Rs 738,696</u>     | <u>Rs 4,879,732</u>    | <u>Rs 5,618,428</u> |

The Company establishes short-term and long-term fund management plans. The Company then analyzes and reviews actual cash outflow and its budget to match the maturity profiles of financial assets and liabilities. Management of the Company believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

## **Internal Accounting Control System (IACS) Review Report**

English Translation of a Report Originally Issued in Korean on March 23, 2015

To the Chief Executive Officer of  
JaguarLandrover Korea Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of JaguarLandrover Korea Co., Ltd. (the "Company") as of December 31, 2014. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2014, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2014, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures. The Company's design and operation of IACS and Management's Report on the assessment of IACS were performed in accordance with Chapter 5 "Application for Small and Medium-sized Enterprises" of the IACS framework, which allows for small and medium-sized publicly-held companies and large-sized privately-held companies, to less strictly comply with the IACS framework than a large-sized publicly-held company. As the Company is a large-sized privately-held company, we have performed the review in accordance with Chapter 14 "Review Standards for Small and Medium-sized Enterprises" of the IACS Review Standards, established by the Korean Institute of Certified Public Accountants.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2014, and we did not review its IACS subsequent to December 31, 2014. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

March 11, 2015

## Report on the Assessment of Internal Accounting Control System ("IACS")

To the Board of Directors and Auditor of  
Jaguar Landrover Korea Co., Ltd.

I, as the Internal Accounting Control Officer ("IACO") of Jaguar Landrover Korea Co., Ltd. ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended December 31, 2014

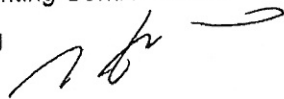
The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the IACO, applied Chapter 5 "Application for Small and Medium-sized Enterprises" of the IACS framework for the assessment of design and operations of IACS.

Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively As of December 31, 2014, in all material respects, in accordance with the IACS Framework.

February 23, 2015

Internal Accounting Control Officer

JiWoong Kang



Chief Executive Officer

JungHyun Baek

