

Jaguar Land Rover Korea Co., Ltd.

Financial Statements

March 31, 2018

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholder
Jaguar Land Rover Korea Co., Ltd.:

We have audited the accompanying financial statements of Jaguar Land Rover Korea Co., Ltd.(the "Company"), which comprise the statements of financial position as of March 31, 2018, the statements of income, changes in equity and cash flows for the year then ended, and notes, comprising 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, 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 opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. 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 our 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, we consider 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 March 31, 2018, and results of its operations and changes in equity and cash flows for the year then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Other Matters

The statement of financial position of the Company as of March 31, 2017, and the related statements of income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors in accordance with Standards on Auditing, whose report thereon dated May 31, 2017, expressed an unqualified opinion.

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.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 31, 2018

This report is effective as of June 22, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Jaguar Land Rover Korea Co., Ltd.
Statements of Financial Position

As of March 31, 2018 and 2017

(In won)

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
CURRENT ASSETS:		
Cash and cash equivalents (Notes 10)	₩ 38,862,565,998	₩ 32,464,292,098
Accounts receivable - trade, net of allowance for doubtful accounts of ₩ 157,559,152 as of March 31, 2018 and ₩ 115,772,117 as of March 31, 2017	6,465,893,138	6,061,376,789
Accounts receivable - other (Notes 11, 13)	23,716,867,221	9,908,544,759
Accrued income	258,941,070	75,520,583
Prepaid expenses	1,608,273,566	606,382,487
Prepaid special consumption tax	6,051,577,132	3,205,143,070
Deferred income tax assets (Note 9)	23,234,405,599	11,716,644,638
Inventories, net (Notes 3 and 12)	<u>218,535,937,720</u>	<u>227,371,287,287</u>
Total Current Assets	<u>318,576,902,292</u>	<u>291,409,191,711</u>
NON-CURRENT ASSETS:		
Property and equipment, net	1,618,175,565	2,367,771,951
Intangible asset	3,590,796,263	1,444,369,188
Leasehold deposits	1,749,960,600	1,717,836,400
Other deposits	250,990,000	250,990,000
Deferred income tax assets (Note 9)	<u>17,481,129,679</u>	<u>19,067,368,258</u>
Total Non-current Assets	<u>24,691,052,107</u>	<u>24,848,335,797</u>
TOTAL ASSETS	<u>₩ 343,267,954,399</u>	<u>₩ 316,257,527,508</u>

(Continued)

See accompanying notes to the financial statements

Jaguar Land Rover Korea Co., Ltd.
Statements of Financial Position, Continued

As of March 31, 2018 and 2017

(In won)

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
CURRENT LIABILITIES:		
Accounts payable - trade (Notes 11, 13 and 18)	₩ 124,493,226,636	₩ 139,786,613,861
Accounts payable - other (Notes 11 and 18)	20,970,321,013	17,281,409,296
Accrued expenses (Note 18)	71,013,219,919	47,224,718,282
Advance receipts	124,356,605	138,687,205
Value-added tax (VAT) payable	3,080,257,295	1,351,551,512
Current income tax liabilities	6,931,953,642	11,321,635,601
Deferred revenue (Note 4)	23,737,319,931	27,682,973,988
	<u>250,350,655,041</u>	<u>244,787,589,745</u>
Total Current Liabilities		
NON-CURRENT LIABILITIES:		
Accrued severance indemnities, net	2,433,337,420	1,997,367,478
Warranty provision (Note 5)	6,675,848,806	10,817,333,922
Deferred revenue (Note 4)	63,161,182,953	38,293,102,539
	<u>72,270,369,179</u>	<u>51,107,803,939</u>
Total Non-Current Liabilities		
TOTAL LIABILITIES	<u>322,621,024,220</u>	<u>295,895,393,684</u>
Capital stock (Notes 1 and 6)	50,000,000	50,000,000
Additional paid-in capital (Note 6)	5,933,957,086	5,933,957,086
Retained earnings (Note 7)	14,662,973,093	14,378,176,738
	<u>20,646,930,179</u>	<u>20,362,133,824</u>
TOTAL SHAREHOLDER'S EQUITY		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>₩ 343,267,954,399</u>	<u>₩ 316,257,527,508</u>

See accompanying notes to the financial statements.

Jaguar Land Rover Korea Co., Ltd.
Statements of Income

For the years ended March 31, 2018 and 2017

(In won)

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
SALES :		
Sales of merchandise	₩ 935,652,167,939	₩ 855,624,385,308
Sales of parts	80,527,840,287	62,732,305,665
Rendering of services	<u>1,549,700,000</u>	<u>1,462,100,000</u>
Subtotal	<u>1,017,729,708,226</u>	<u>919,818,790,973</u>
COST OF SALES (Notes 3 and 13):		
Cost of sales of merchandise	(863,324,273,228)	(790,662,831,569)
Cost of sales of parts	<u>(74,404,373,313)</u>	<u>(54,545,219,928)</u>
Subtotal	<u>(937,728,646,541)</u>	<u>(845,208,051,497)</u>
GROSS PROFIT	80,001,061,685	74,610,739,476
SELLING AND ADMINISTRATIVE EXPENSES (Notes 17)	<u>(73,420,890,928)</u>	<u>(70,863,938,468)</u>
OPERATING INCOME	6,580,170,757	3,746,801,008
OTHER INCOME (EXPENSES):		
Interest income	851,686,949	393,364,127
Gain on transfer price adjustment (Note 14)	10,626,080,905	12,289,404,000
Loss on foreign currency transactions, net	4,889,151	(1,364,822,936)
Gain on foreign currency translation, net	(16,877,877)	9,892,969
Donation	(167,378,164)	(167,620,000)
Others, net	<u>822,385,316</u>	<u>881,732,858</u>
Subtotal	<u>12,120,786,280</u>	<u>12,041,951,018</u>
INCOME BEFORE INCOME TAX EXPENSE	18,700,957,037	15,788,752,026
INCOME TAX EXPENSE (Note 9)	<u>(4,072,906,552)</u>	<u>(1,758,133,921)</u>
NET INCOME	<u>₩ 14,628,050,485</u>	<u>₩ 14,030,618,105</u>
EARNINGS PER SHARE (Note 8)	<u>₩ 1,462,805</u>	<u>₩ 1,403,062</u>

See accompanying notes to the financial statements.

Jaguar Land Rover Korea Co., Ltd.
 Statements of Change in Equity

For the years ended March 31, 2018 and 2017

(In won)

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, April 1, 2016	₩ 50,000,000	₩ 5,933,957,086	₩ 12,479,652,016	₩ 18,463,609,102
Dividend	₩ -	-	(12,132,093,383)	(12,132,093,383)
Net income	-	-	14,030,618,105	14,030,618,105
Balance, March 31, 2017	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 14,378,176,738</u>	<u>₩ 20,362,133,824</u>
Balance, April 1, 2017	₩ 50,000,000	₩ 5,933,957,086	₩ 14,378,176,738	₩ 20,362,133,824
Dividend	-	-	(14,343,254,130)	(14,343,254,130)
Net income	-	-	14,628,050,485	14,628,050,485
Balance, March 31, 2018	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 14,662,973,093</u>	<u>₩ 20,646,930,179</u>

See accompanying notes to the financial statements.

Jaguar Land Rover Korea Co., Ltd.
Statements of Cash Flows

For the years ended March 31, 2018 and 2017

(In won)

	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 14,628,050,485	₩ 14,030,618,105
Adjustment for:		
Provision for severance indemnities	919,571,876	483,474,470
Warranty provision	8,988,789,000	8,498,274,000
Depreciation	594,596,386	605,466,310
Amortization	1,163,858,925	359,922,625
Bad debt expense	41,787,035	27,715,986
Loss(Gain) on foreign currency translation, net	16,877,877	(9,892,969)
Subtotal	<u>11,725,481,099</u>	<u>9,964,960,422</u>
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	(288,744,232)	2,628,464,089
Accounts receivable - other	(13,808,322,462)	(699,409,401)
Accrued income	(183,420,487)	98,555,369
Advance payments	-	27,766,419
Prepaid expenses	(1,001,891,079)	(439,859,595)
Prepaid special consumption tax	(2,846,434,062)	(2,425,759,820)
Deferred income tax assets	(9,931,522,382)	(14,737,961,842)
Inventories	8,835,349,567	(11,485,271,871)
Accounts payable - trade	(15,293,387,225)	(52,748,972,212)
Accounts payable - other	3,688,911,717	(5,984,584,389)
Accrued expenses	23,788,501,637	22,850,490,588
Advance receipts	(14,330,600)	26,020,965
Value-added tax (VAT) payable	1,728,705,783	(1,350,617,642)
Current income tax liabilities	(4,389,681,959)	7,452,862,875
Deferred revenue	20,922,426,357	37,137,720,430
Warranty provision	(13,130,274,116)	(16,971,671,081)
Payments of severance indemnities	(500,479,811)	(318,271,005)
Subtotal	<u>(2,424,593,354)</u>	<u>(36,940,498,123)</u>
Net cash provided by operating activities	<u>23,928,938,230</u>	<u>(12,944,919,596)</u>

(Continued)

See accompanying notes to the financial statements

Jaguar Land Rover Korea Co., Ltd.
Statements of Cash Flows, Continued

For the years ended March 31, 2018 and 2017

(In won)

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in leasehold deposits	₩ -	₩ 200,000,000
Decrease in other deposits	-	131,020,000
	<u>-</u>	<u>331,020,000</u>
Subtotal	-	331,020,000
Cash outflows for investing activities:		
Acquisition of construction in progress	-	(155,000,000)
Acquisition of software	(3,155,286,000)	(1,124,716,000)
Increase in leasehold deposits	(32,124,200)	(130,000,000)
Increase in other deposits	-	(200,280,000)
	<u>-</u>	<u>(200,280,000)</u>
Subtotal	<u>(3,187,410,200)</u>	<u>(1,609,996,000)</u>
Net cash used in investing activities	<u>(3,187,410,200)</u>	<u>(1,278,976,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:	-	-
Cash outflows for financing activities:		
Payment of dividend	(14,343,254,130)	(12,132,093,383)
	<u>(14,343,254,130)</u>	<u>(12,132,093,383)</u>
Net cash used in financing activities	<u>(14,343,254,130)</u>	<u>(12,132,093,383)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	6,398,273,900	(26,355,988,979)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>32,464,292,098</u>	<u>58,820,281,077</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 10)	<u>₩ 38,862,565,998</u>	<u>₩ 32,464,292,098</u>

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

See accompanying notes to the financial statements.

1. GENERAL:

Jaguar Land Rover 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 Land Rover brand vehicles and parts in Korea. As of March 31, 2018, the Company's total issued common stock amounted to ₩ 50,000 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 to be approved at the Company's shareholder's meeting on June 27, 2018.

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

a. 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.

b. 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 collectability of individual outstanding receivables.

c. 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.

For the years ended March 31, 2018 and 2017

d. 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

e. 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.

For the years ended March 31, 2018 and 2017

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.

f. Translation of Assets and Liabilities Denominated in Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into won at the internal exchange rates, which were ₩1,495.92 and ₩1,392.24 to GBP 1.00 at March 31, 2018 and 2017, 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 base rates announced by Seoul Money Brokerage Services, Ltd. were ₩1,496.78 and ₩1,392.45 to GBP 1.00 at March 31, 2018 and 2017, respectively.

g. 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 ₩500,480 thousand and ₩318,271 thousand for the years ended March 31, 2018 and 2017, respectively.

h. 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.

For the years ended March 31, 2018 and 2017

i. 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. The Company recognizes the portion of sales price related to the service plan included in the price of goods as deferred income, which are recognized as revenue when the related services are provided in subsequent periods.

j. 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).

k. Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

For the years ended March 31, 2018 and 2017

3. INVENTORIES:

Details of inventories as of March 31, 2018 and 2017 are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Merchandise	₩ 98,012,290	₩ 131,585,362
Parts	30,797,869	23,990,865
Inventory in transit	92,083,956	73,061,516
Valuation reserve	(2,358,177)	(1,266,456)
Total	<u>₩ 218,535,938</u>	<u>₩ 227,371,287</u>

The loss on valuation of inventory, which was included in the cost of sales, amounted to ₩ 1,091,721 thousand for year ended March 31, 2018 and the loss on valuation of inventory, which was included in the cost of sales, amounted to ₩ 603,191 thousand for year ended March 31, 2017.

4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Beginning balance	₩ 65,976,077	₩ 28,838,356
Provision	56,453,831	48,126,912
Usage	(35,531,406)	(10,989,191)
Ending balance	<u>₩ 86,898,502</u>	<u>₩ 65,976,077</u>

The sales price of vehicle includes the consideration for the future maintenance service at the time of sale. Therefore, the company recognizes revenue on shipment for pure portion of vehicle sales, and the price of such services plans are deferred at the time of the sale and is recognized as revenue when the related services are provided subsequently.

For the years ended March 31, 2018 and 2017

5. WARRANTY PROVISION:

Changes in warranty provision for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Beginning balance	₩ 10,817,334	₩ 19,290,731
Provision	8,988,789	8,498,274
Usage	<u>(13,130,275)</u>	<u>(16,971,671)</u>
Ending balance	<u>₩ 6,675,848</u>	<u>₩ 10,817,334</u>

6. CAPITAL STOCK:

Details of capital stock as of March 31, 2018 and 2017 are as follows (In won):

	March 31, 2018	March 31, 2017
Authorized shares	40,000 shares	40,000 shares
Issued and outstanding shares:		
Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Par value	<u>₩ 5,000</u>	<u>₩ 5,000</u>
Capital stock	<u>₩ 50,000,000</u>	<u>₩ 50,000,000</u>

There were no changes in capital stock for the years ended March 31, 2018 and 2017.

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	₩ 9,923	₩ 322,559
Net income	14,628,050	14,030,618
Interim dividend	-	-
End of period	<u>14,637,973</u>	<u>14,353,177</u>
APPROPRIATION		
Dividend	<u>(14,637,933)</u>	<u>(14,343,254)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ 40</u>	<u>₩ 9,923</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2018 and 2017 are as follows (In won):

	March 31, 2018	March 31, 2017
Dividend		
Dividend per share (Dividend rate)	₩ 1,463,793 (29,276%)	₩ 1,434,325 (28,687%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 14,637,933,000</u>	<u>₩ 14,343,254,130</u>

For the years ended March 31, 2018 and 2017

8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2018 and 2017 are calculated as follows (In won):

	March 31, 2018	March 31, 2017
Net income		
	₩ 14,628,050,485	₩ 14,030,618,105
Number of common share outstanding	<u>10,000</u>	<u>10,000</u>
Earnings per share	<u>₩ 1,462,805</u>	<u>₩ 1,403,062</u>

The number of common shares outstanding was not changed for the years ended March 31, 2018 and 2017.

9. INCOME TAX:

(1) Details of income tax expense

Income tax expense for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Current income tax charge	₩ 14,004,429	₩ 16,496,096
Changes in deferred tax assets (Note)	<u>(9,931,522)</u>	<u>(14,737,962)</u>
Income tax expense	<u>₩ 4,072,907</u>	<u>₩ 1,758,134</u>

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2018 and 2017, are as follows (in thousands of won):

	March 31, 2018	March 31, 2017
Beginning of period	₩ 30,784,013	₩ 16,046,051
End of period	<u>40,715,535</u>	<u>30,784,013</u>
Changes in deferred tax assets	<u>(₩ 9,931,522)</u>	<u>(₩ 14,737,962)</u>

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

(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 March 31, 2018 and 2017, are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Income before income tax expense	₩ 18,700,957	₩ 15,788,752
Statutory tax rate	11%, 22%	11%, 22%
Income tax expense at statutory rate	4,092,211	3,451,525
Adjustments (Note)	(19,304)	(1,693,391)
Income tax expense	<u>₩ 4,072,907</u>	<u>₩ 1,758,134</u>
Effective tax rate	<u>21.78%</u>	<u>11.14%</u>

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2018 and 2017, are as follows (In thousands of won):

	March 31, 2018	March 31, 2017
Non-deductible expenses	₩ 40,770	₩ 3,546
Others	(60,074)	(1,696,937)
Total	<u>(₩ 19,304)</u>	<u>(₩ 1,693,391)</u>

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2018 and 2017, are as follows (In thousands of Korea won):

	March 31, 2018	March 31, 2017
<u><Accumulated temporary differences></u>		
Beginning of period, net	₩ 127,206,664	₩ 72,936,597
Increase in the current period	41,039,349	54,270,067
End of period, net	168,246,013	127,206,664
Statutory tax rate	24.2%	24.2%
Deferred tax assets	₩ 40,715,536	₩ 30,784,013
<u><Deferred tax assets></u>		
Current assets	₩ 23,234,406	₩ 11,716,645
Non-current assets	17,481,130	19,067,368
Deferred tax assets	₩ 40,715,536	₩ 30,784,013

(Note 1) The average 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.

10. STATEMENTS OF CASH FLOWS:

The Company's statements of cash flows are prepared using the indirect method. 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.

Significant non-cash transactions for the years ended March 31, 2018 and 2017, are as follows (In thousands of Korea won):

Description	March 31, 2018	March 31, 2017
Transferred to intangible assets from construction in progress	₩ 155,000	-

For the years ended March 31, 2018 and 2017

11. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

The details of monetary assets and liabilities denominated in foreign currencies as of March 31, 2018 and 2017 are as follows (In thousands of won and foreign currencies):

	March 31,2018		March 31,2017	
	Foreign currencies	won equivalent	Foreign Currencies	won equivalent
<u>Liabilities:</u>				
Accounts payable – trade	-	-	USD 212,248	₩ 237,141
Accounts payable – trade	GBP 24,347	₩ 36,421	GBP 81,928	114,063

12. INSURANCE:

Insured coverage carried by the Company as of March 31, 2017 is as follows (In thousands of won and foreign currency):

<u>Insured</u>	<u>Insured coverage</u>	<u>Insured period</u>	<u>Insurance company</u>
Officer liability insurance	2017.07.01~ 2018.07.01	USD 1,000,000	Samsung Fire & Marine Insurance
Commercial general liability	2017.06.01~ 2018.06.01	GBP 2,000,000	Mitsui Sumitomo Insurance
Insurance on goods	2017.05.31~ 2018.05.31	₩ 21,677,347	AIG Insurance
Product Guarantee	2014.01.29~ 2022.05.22	₩ 1,640,000	Hyundai Marine & Fire Insurance
Property package insurance	2017.06.01~ 2018.05.31	USD 247,544,575	Hyundai Marine & Fire Insurance

The Company carries comprehensive insurance for its vehicles with Samsung Fire & Marine Insurance and Hyundai Marine & Fire Insurance.

For the years ended March 31, 2018 and 2017

13. TRANSACTIONS WITH RELATED PARTIES:

(1) Related parties of the company are summarized as follows:

<u>Relationship</u>	<u>Company</u>
Parent entities with significant influence over the company	Jaguar Land Rover Ltd.
Other related companies	TATA Consultancy Services, Spark44 Limited Seoul

(2) Significant transactions and account balances with related parties as of and for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

<u>Description</u>	<u>Related parties</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
<u>Transactions:</u>			
Purchases and other	Jaguar Land Rover Ltd.	₩ 846,613,575	₩ 835,886,893
Purchases and other	TATA Consultancy Services	126,597	-
Purchases and other	Spark44 Limited Seoul	1,426,466	-
<u>Accounts balances:</u>			
Accounts receivable	Jaguar Land Rover Ltd.	18,888,314	5,877,958
- other (Note)			
Accounts payable - trade	Jaguar Land Rover Ltd.	112,512,463	137,216,488
Accounts payable - trade	TATA Consultancy Services	11,226	-
Accounts payable - trade	Spark44 Limited Seoul	249,392	-

(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).

For the years ended March 31, 2018 and 2017

15. COMMITMENTS AND CONTINGENCIES:

(1) Dealer sales and service agreement

As of March 31, 2018, 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 March 31, 2018, the Company is provided with payment guarantee up to ₩ 1,900 million by Seoul Guarantee Insurance.

(3) Litigations

As of March 31, 2018, the Company is involved in three legal cases as a defendant with total claim amounting to ₩ 375 million. The ultimate outcome of the litigation cannot be determined yet.

16. VALUE-ADDED INFORMATION:

Details of valued-added information included in selling and administrative expense for the years ended March 31, 2018 and 2017 are as follows (In thousands of won):

Description	March 31, 2018	March 31, 2017
Salary	₩ 5,214,049	₩ 4,979,299
Provision for severance indemnities	919,572	483,474
Employee welfare	2,078,952	1,952,125
Depreciation	594,596	605,466
Amortization	1,163,859	359,923
Rent	3,778,428	2,674,398
Taxes and dues	249,276	183,211

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

17. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2018 and 2017 are as follows
(In thousands of won):

	March 31, 2018	March 31, 2017
Salary	₩ 5,214,049	₩ 4,979,299
Provision for severance indemnities	919,572	483,474
Employee welfare	2,078,952	1,952,125
Education	265,983	180,632
Contribution to warranty provision	8,988,789	8,498,274
Vehicle maintenance	691,534	520,932
Fee	2,637,827	3,521,074
Transportation	1,278,346	841,489
Supplies	156,055	192,126
Repairs and maintenance	757,014	733,419
Depreciation	594,596	605,466
Amortization	1,163,859	359,923
Communication	991,334	1,330,977
Rent	3,778,428	2,674,398
Travel	681,555	784,292
Insurance	227,638	283,644
Entertainment	129,281	164,038
Taxes and dues	249,276	183,211
Membership fee	65,942	135,825
Advertising	28,601,622	30,148,425
Promotion	13,737,566	12,019,261
Bad debt (Reversal of bad debt)	41,787	27,716
Others	169,886	243,918
	<hr/>	<hr/>
Total	<u>₩ 73,420,891</u>	<u>₩ 70,863,938</u>

Jaguar Land Rover Korea Co., Ltd.
Notes to the Financial Statements

For the years ended March 31, 2018 and 2017

18. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2018 and 2017 are as follows (In thousands of won):

March 31, 2018

	<u>Under 3 months</u>	<u>3 months-1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 124,493,227	-	₩ 124,493,227
Accounts payable-other	20,970,321	-	20,970,321
Accrued expenses	<u>71,013,220</u>	-	<u>71,013,220</u>
	<u>₩ 216,476,768</u>	-	<u>₩ 216,476,768</u>

March 31, 2017

	<u>Under 3 months</u>	<u>3 months-1 year</u>	<u>Total</u>
Accounts payable-trade	₩ -	₩ 139,786,614	₩ 139,786,614
Accounts payable-other	17,281,409	-	17,281,409
Accrued expenses	<u>47,224,718</u>	-	<u>47,224,718</u>
	<u>₩ 64,506,127</u>	<u>₩ 139,786,614</u>	<u>₩ 204,292,741</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.

Independent Auditors' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the Chief Executive Officer of
Jaguar Land Rover Korea Co., Ltd.

May 31, 2018

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Jaguar Land Rover Korea Co., Ltd. (the "Company") as of March 31, 2018. 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 "No material weaknesses are identified as of March 31, 2018, in all material respects, in accordance with the IACS Standards established by the IACS Operations Committee."

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 March 31, 2018, and we did not review its IACS subsequent to March 31, 2018. 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.

Report on the Assessment of Internal Accounting Control System (“IACS”)

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

I, as the Internal Accounting Control Officer (“IACO”) of Jaguar Land Rover Korea Co., Ltd. (“the Company”), assessed the status of the design and operation of the Company’s IACS for the year ended March 31, 2018

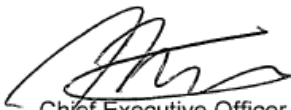
The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the 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 March 31, 2018, in all material respects, in accordance with the IACS Framework.

May 31, 2018



Internal Accounting Control Officer
JiWoong Kang



Chief Executive Officer
JungHyun Baek