

JAGUARLANDROVER KOREA CO., LTD.

**Financial Statements
As of and For the Years Ended
March 31, 2017 and 2016**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean.

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 March 31, 2017 and 2016, and the statements of income, statements of changes in shareholder's equity and statements of cash flows for the years ended March 31, 2017 and 2016, 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 March 31, 2017 and 2016, and its financial performance and its cash flows for the years ended March 31, 2017 and 2016 in accordance with KAS - NPEs.

Others

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 shareholder's 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.

Deloitte Anjin LLC

May 31, 2017

Notice to Readers

This report is effective as of May 31, 2017, 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
MARCH 31, 2017 AND 2016**

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.

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2017 AND 2016

A S S E T S	March 31, 2017	March 31, 2016
	(In Korean won)	
CURRENT ASSETS:		
Cash and cash equivalents (Notes 10)	₩ 32,464,292,098	₩ 58,820,281,077
Accounts receivable - trade, net of allowance for doubtful accounts of ₩115,772,117 as of March 31, 2017 and ₩88,056,131 as of March 31, 2016	6,061,376,789	8,717,556,864
Accounts receivable - other (Notes 11, 13)	9,908,544,759	9,209,135,358
Accrued income	75,520,583	174,075,952
Advance payments	-	27,766,419
Prepaid expenses	606,382,487	166,522,892
Prepaid special consumption tax	3,205,143,070	779,383,250
Deferred income tax assets (Note 9)	11,716,644,638	5,074,929,672
Inventories, net (Notes 3 and 12)	227,371,287,287	215,886,015,416
Total Current Assets	291,409,191,711	298,855,666,900
NON-CURRENT ASSETS:		
Property and equipment, net	2,367,771,951	2,818,238,261
Intangible asset	1,444,369,188	679,575,813
Leasehold deposits	1,717,836,400	1,787,836,400
Other deposits	250,990,000	181,730,000
Deferred income tax assets (Note 9)	19,067,368,258	10,971,121,382
Total Non-current Assets	24,848,335,797	16,438,501,856
TOTAL ASSETS	₩ 316,257,527,508	₩ 315,294,168,756

(Continued)

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF MARCH 31, 2017 AND 2016

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
	(In Korean won)	
CURRENT LIABILITIES:		
Accounts payable - trade (Notes 11, 13 and 18)	₩ 139,786,613,861	₩ 192,545,479,042
Accounts payable - other (Notes 11 and 18)	17,281,409,296	23,265,993,685
Accrued expenses (Note 18)	47,224,718,282	24,374,227,694
Advance receipts	138,687,205	112,666,240
Value-added tax (VAT) payable	1,351,551,512	2,702,169,154
Current income tax liabilities	11,321,635,601	3,868,772,726
Deferred revenue (Note 4)	27,682,973,988	11,619,947,701
	<u>244,787,589,745</u>	<u>258,489,256,242</u>
NON-CURRENT LIABILITIES:		
Accrued severance indemnities, net	1,997,367,478	1,832,164,013
Warranty provision (Note 5)	10,817,333,922	19,290,731,003
Deferred revenue (Note 4)	38,293,102,539	17,218,408,396
	<u>51,107,803,939</u>	<u>38,341,303,412</u>
TOTAL LIABILITIES	<u>295,895,393,684</u>	<u>296,830,559,654</u>
SHAREHOLDER'S EQUITY:		
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)	14,378,176,738	12,479,652,016
	<u>20,362,133,824</u>	<u>18,463,609,102</u>
TOTAL SHAREHOLDER'S EQUITY	<u>20,362,133,824</u>	<u>18,463,609,102</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>₩ 316,257,527,508</u>	<u>₩ 315,294,168,756</u>

(Concluded)

See accompanying notes

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	March 31, 2017	March 31, 2016
	(In Korean won)	
SALES :		
Sales of merchandise	₩ 855,624,385,308	₩ 702,825,364,273
Sales of parts	62,732,305,665	44,795,725,743
Rendering of services	1,462,100,000	-
Subtotal	919,818,790,973	747,621,090,016
COST OF SALES (Notes 3 and 13):		
Cost of sales of merchandise	(790,662,831,569)	(640,160,615,008)
Cost of sales of parts	(54,545,219,928)	(35,637,044,250)
Subtotal	(845,208,051,497)	(675,797,659,258)
GROSS PROFIT	74,610,739,476	71,823,430,758
SELLING AND ADMINISTRATIVE EXPENSES (Notes 17)	(70,863,938,468)	(64,133,049,415)
OPERATING INCOME	3,746,801,008	7,690,381,343
OTHER INCOME (EXPENSES):		
Interest income	393,364,127	599,272,658
Gain on transfer price adjustment (Note 14)	12,289,404,000	6,173,243,000
Loss on foreign currency transactions, net	(1,364,822,936)	(2,069,536,876)
Gain on foreign currency translation, net	9,892,969	322,537,765
Donation	(167,620,000)	(110,700,000)
Others, net	881,732,858	594,006,394
Subtotal	12,041,951,018	5,508,822,941
INCOME BEFORE INCOME TAX EXPENSE	15,788,752,026	13,199,204,284
INCOME TAX EXPENSE (Note 9)	(1,758,133,921)	(3,401,505,777)
NET INCOME	₩ 14,030,618,105	₩ 9,797,698,507
EARNINGS PER SHARE (Note 8)	₩ 1,403,062	₩ 979,770

See accompanying notes

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
	(In Korean won)			
Balance, April 1, 2015	₩ 50,000,000	₩ 5,933,957,086	₩ 2,681,953,509	₩ 8,665,910,595
Net income	-	-	9,797,698,507	9,797,698,507
Balance, March 31, 2016	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 12,479,652,016</u>	<u>₩ 18,463,609,102</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>

See accompanying notes

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	March 31, 2017	March 31, 2016
	(In Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 14,030,618,105	₩ 9,797,698,507
Expenses not involving cash outflows:		
Provision for severance indemnities	483,474,470	472,481,431
Warranty provision	8,498,274,000	11,663,438,000
Depreciation	605,466,310	300,298,388
Amortization	359,922,625	102,088,332
Bad debt expense	27,715,986	18,493,444
Loss on disposals of property, plant and equipment	-	224,573,930
Subtotal	9,974,853,391	12,781,373,525
Income not involving cash receipt:		
Gain on foreign currency translation, net	(9,892,969)	(322,537,765)
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	2,628,464,089	(1,849,344,438)
Accounts receivable - other	(699,409,401)	(6,067,828,921)
Accrued income	98,555,369	42,330,154
Advance payments	27,766,419	529,201,342
Prepaid expenses	(439,859,595)	11,561,621
Prepaid special consumption tax	(2,425,759,820)	1,050,556,230
Deferred income tax assets	(14,737,961,842)	(6,396,022,612)
Inventories	(11,485,271,871)	(113,158,861,295)
Accounts payable - trade	(52,748,972,212)	55,997,163,898
Accounts payable - other	(5,984,584,389)	11,801,568,355
Accrued expenses	22,850,490,588	7,336,825,283
Advance receipts	26,020,965	(252,557,231)
Value-added tax (VAT) payable	(1,350,617,642)	764,519,853
Current income tax liabilities	7,452,862,875	(1,235,252,383)
Deferred revenue	37,137,720,430	28,838,356,097
Warranty provision	(16,971,671,081)	(12,636,640,099)
Payments of severance indemnities	(318,271,005)	(9,548,751)
Subtotal	(36,940,498,123)	(35,233,972,897)
Net cash used in operating activities	(12,944,919,596)	(12,977,438,630)

(Continued)

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	March 31, 2017	March 31, 2016
	(In Korean won)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in leasehold deposits	₩ 200,000,000	₩ -
Deposal of office equipment	-	160,709,283
Decrease in other deposits	131,020,000	280,000
Subtotal	331,020,000	160,989,283
Cash outflows for investing activities:		
Acquisition of Leasehold equipment	-	(2,145,046,683)
Acquisition of office equipment	-	(730,737,336)
Acquisition of construction in progress	(155,000,000)	-
Acquisition of software	(1,124,716,000)	(255,511,145)
Increase in leasehold deposits	(130,000,000)	(1,162,058,700)
Increase in other deposits	(200,280,000)	-
Subtotal	(1,609,996,000)	(4,293,353,864)
Net cash used in investing activities	(1,278,976,000)	(4,132,364,581)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
	-	-
Cash outflows for financing activities:		
Payment of dividend	(12,132,093,383)	(6,478,741,907)
Net cash used in financing activities	(12,132,093,383)	(6,478,741,907)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(26,355,988,979)	(23,588,545,118)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	58,820,281,077	82,408,826,195
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 10)	₩ 32,464,292,098	₩ 58,820,281,077

(Concluded)

See accompanying notes

JAGUARLANDROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENT
AS OF AND FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

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 in Korea. As of March 31, 2017, 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 15, 2017.

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. 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.

c. 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.

d. 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.

e. 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

f. 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.

g. Translation of Assets and Liabilities Denominated in Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the internal exchange rates, which were ₩1,117.28 and ₩1,142.95 to USD 1.00 and ₩1,392.24 and ₩1,639.34 to GBP 1.00 at March 31, 2017 and 2016, 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 ₩1,116.10 and ₩1,153.50 to USD 1.00 and ₩1,392.45 and ₩1,658.44 to GBP 1.00 at March 31, 2017 and 2016, respectively.

h. 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 ₩318,271 thousand and ₩9,549 thousand for the years ended March 31, 2017 and 2016, respectively.

i. 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.

j. 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.

k. 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).

l. 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.

3. INVENTORIES:

Details of inventories as of March 31, 2017 and 2016 are as follows (In thousands of Korean won):

	March 31, 2017	March 31, 2016
Merchandise	₩ 131,585,362	₩ 96,488,991
Parts	23,990,865	17,049,779
Inventory in transit	73,061,516	103,010,510
Valuation reserve	(1,266,456)	(663,265)
Total	<u>₩ 227,371,287</u>	<u>₩ 215,886,015</u>

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 and the reversal on valuation of inventory, which was deducted in the cost of sales, amounted to ₩3,548,505 thousand for year ended March 31, 2016.

4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2017 and 2016 are as follows (In thousands of Korean won):

	March 31, 2017	March 31, 2016
Beginning balance	₩ 28,838,356	₩ -
Provision	48,126,912	28,858,334
Usage	(10,989,191)	(19,978)
Ending balance	<u>₩ 65,976,077</u>	<u>₩ 28,838,356</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.

5. WARRANTY PROVISION:

Changes in warranty provision for the years ended March 31, 2017 and 2016 are as follows (In thousands of Korean won):

	March 31, 2017	March 31, 2016
Beginning balance	₩ 19,290,731	₩ 20,263,933
Provision	8,498,274	11,663,438
Usage	<u>(16,971,671)</u>	<u>(12,636,640)</u>
Ending balance	<u>₩ 10,817,334</u>	<u>₩ 19,290,731</u>

6. CAPITAL STOCK:

Details of capital stock as of March 31, 2017 and 2016 are as follows (In Korean won):

	March 31, 2017	March 31, 2016
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, 2017 and 2016.

7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2017 and 2016 are as follows (In thousands of Korean won):

	March 31, 2017	March 31, 2016
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	₩ 322,559	₩ 2,656,953
Net income	14,030,618	9,797,699
Interim dividend	-	-
End of period	<u>14,353,177</u>	<u>12,454,652</u>
APPROPRIATION		
Dividend	<u>(14,343,254)</u>	<u>(12,132,093)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ 9,923</u>	<u>₩ 322,559</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2017 and 2016 are as follows (In Korean won):

	March 31, 2017	March 31, 2016
Dividend		
Dividend per share (Dividend rate)	₩ 1,434,325 (28,687%)	₩ 1,213,209 (24,264%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 14,343,254,130</u>	<u>₩ 12,132,093,383</u>

8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2017 and 2016 are calculated as follows (In Korean won):

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Net income	₩ 14,030,618,105	₩ 9,797,698,507
Number of common share outstanding	<u>10,000</u>	<u>10,000</u>
Earnings per share	<u>₩ 1,403,062</u>	<u>₩ 979,770</u>

The number of common shares outstanding was not changed for the years ended March 31, 2017 and 2016.

9. INCOME TAX:

(1) Details of income tax expense

Income tax expense for the years ended March 31, 2017 and 2016 are as follows (In thousands of Korean won):

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Current income tax charge	₩ 16,496,096	₩ 9,797,528
Changes in deferred tax assets (Note)	<u>(14,737,962)</u>	<u>(6,396,022)</u>
Income tax expense	<u>₩ 1,758,134</u>	<u>₩ 3,401,506</u>

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2017 and 2016, are as follows (in thousands of Korean won):

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Beginning of period	₩ 16,046,051	₩ 9,650,029
End of period	<u>30,784,013</u>	<u>16,046,051</u>
Changes in deferred tax assets	<u>(₩ 14,737,962)</u>	<u>(₩ 6,396,022)</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 March 31, 2017 and 2016, are as follows (In thousands of Korean won):

	March 31, <u>2017</u>	March 31, <u>2016</u>
Income before income tax expense	₩ 15,788,752	₩ 13,199,204
Statutory tax rate	<u>11%, 22%</u>	<u>11%, 22%</u>
Income tax expense at statutory rate	3,451,525	2,881,825
Adjustments (Note)	<u>(1,693,391)</u>	<u>519,681</u>
Income tax expense	<u>₩ 1,758,134</u>	<u>₩ 3,401,506</u>
Effective tax rate	<u>11.14%</u>	<u>25.77%</u>

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2017 and 2016, are as follows (In thousands of Korean won):

	March 31, <u>2017</u>	March 31, <u>2016</u>
Non-deductible expenses	₩ 3,546	₩ 24,013
Others	<u>(1,696,937)</u>	<u>495,668</u>
Total	<u>(₩ 1,693,391)</u>	<u>₩ 519,681</u>

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2017 and 2016, are as follows (In thousands of Korea won):

	March 31, 2017	March 31, 2016
<u><Accumulated temporary differences></u>		
Beginning of period, net	₩ 72,936,597	₩ 43,863,767
Increase in the current period	54,270,067	29,072,830
End of period, net	127,206,664	72,936,597
Statutory tax rate (Note 1)	24.2%	22.0%
Deferred tax assets	₩ 30,784,013	₩ 16,046,051
<u><Deferred tax assets></u>		
Current assets	₩ 11,716,645	₩ 5,074,930
Non-current assets	19,067,368	10,971,121
Deferred tax assets	₩ 30,784,013	₩ 16,046,051

(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.

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, 2017 and 2016, are as follows (In thousands of Korea won):

Description	March 31, 2017	March 31, 2016
Transferred to intangible assets from construction in progress	₩ -	₩ 526,153

11. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

The details of monetary assets and liabilities denominated in foreign currencies as of March 31, 2017 and 2016 are as follows (In thousands of Korean won and foreign currencies):

	March 31,2017		March 31,2016	
	Foreign currencies	Korean won equivalent	Foreign Currencies	Korean won equivalent
<u>Assets:</u>				
Accounts receivable - other	GBP -	-	GBP 3,085,551	5,058,281
Total	GBP -	-	GBP 3,085,551	5,058,281
<u>Liabilities:</u>				
Accounts payable – trade	USD 212,248	₩ 237,141	USD -	₩ -
Accounts payable – trade	GBP 81,928	114,063	GBP 92,828	152,177
	USD 212,248	₩ 237,141	USD -	₩ -
Total	GBP 81,928	114,063	GBP 92,828	₩ 152,177

12. INSURANCE:

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

Insured	Insured coverage	Insured period	Insurance company
Commercial general liability	GBP 2,000,000	2016.6.1 ~ 2017.6.1	Mitsui Sumitomo Insurance
Insurance on goods	GBP 15,000,000	2016.9.1 ~ 2017.6.1	AIG Insurance
Product Guarantee	1,440,000	2014.9.29~ 2022.2.19	Hyundai Marine & Fire Insurance
Property package insurance	203,904	2016.9.2 ~ 2017.5.31	Hyundai Marine & Fire Insurance

The Company carries comprehensive insurance for its vehicles with MERITZ Fire & Marine insurance Co., Ltd.

13. TRANSACTIONS WITH RELATED PARTIES:

Significant transactions and account balances with related parties as of and for the years ended March 31, 2017 and 2016 are as follows (In thousands of Korean won):

<u>Description</u>	<u>Related parties</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
<u>Transactions:</u>			
Purchases and other	Jaguar Land Rover Ltd.	₩ 835,886,893	₩ 745,525,107
<u>Accounts balances:</u>			
Accounts receivable - other (Note)	Jaguar Land Rover Ltd.	5,877,958	5,546,828
Accounts payable - trade	Jaguar Land Rover Ltd.	137,216,488	192,636,815

(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 March 31, 2017, the Company has entered into dealer sales and service agreements with 9 companies, including Chunil Automobile, KCC Automobile and others.

(2) Guarantee provided

As of March 31, 2017, the Company is provided with payment guarantee up to ₩15,000 thousand by Seoul Guarantee Insurance.

(3) Litigations

As of March 31, 2017, the Company is involved in three legal cases as a defendant with total claim amounting to ₩137,661 thousand. 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, 2017 and 2016 are as follows (In thousands of Korean won):

Description	March 31, 2017	March 31, 2016
Salary	₩ 4,979,299	₩ 3,391,134
Provision for severance indemnities	483,474	472,481
Employee welfare	1,952,125	1,653,928
Depreciation	605,466	300,298
Amortization	359,923	102,088
Rent	2,674,398	1,843,024
Taxes and dues	183,211	226,756

17. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2017 and 2016 are as follows
(In thousands of Korean won):

	March 31, <u>2017</u>	March 31, <u>2016</u>
Salary	₩ 4,979,299	₩ 3,391,134
Provision for severance indemnities	483,474	472,481
Employee welfare	1,952,125	1,653,928
Education	180,632	81,837
Contribution to warranty provision	8,498,274	11,663,438
Vehicle maintenance	520,932	797,765
Fee	3,521,074	2,762,969
Transportation	841,489	454,018
Supplies	192,126	263,269
Repairs and maintenance	733,419	587,188
Depreciation	605,466	300,298
Amortization	359,923	102,088
Communication	1,330,977	491,402
Rent	2,674,398	1,843,024
Travel	784,292	686,661
Insurance	283,644	220,061
Entertainment	164,038	134,233
Taxes and dues	183,211	226,756
Membership fee	135,825	109,235
Advertising	30,148,425	26,165,575
Promotion	12,019,261	11,685,735
Bad debt (Reversal of bad debt)	27,716	18,493
Others	243,918	21,461
	<u>₩ 70,863,938</u>	<u>₩ 64,133,049</u>
Total	<u>₩ 70,863,938</u>	<u>₩ 64,133,049</u>

18. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2017 and 2016 are as follows (In thousands of Korean won):

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>-</u>	<u>47,224,718</u>
	<u>₩ 64,506,127</u>	<u>₩ 139,786,614</u>	<u>₩ 204,292,741</u>

March 31, 2016

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ -	₩ 192,545,479	₩ 192,545,479
Accounts payable-other	23,265,994	-	23,265,994
Accrued expenses	<u>24,374,228</u>	<u>-</u>	<u>24,374,228</u>
	<u>₩ 47,660,838</u>	<u>₩ 192,545,479</u>	<u>₩ 240,206,317</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 REVIEW REPORT

English Translation of a Report Originally Issued in Korean.

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 March 31, 2017. 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 March 31, 2017, the Company’s IACS has been appropriately designed and is operating effectively as of March 31, 2017, 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 March 31, 2017, and we did not review its IACS subsequent to March 31, 2017. 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.

Deloitte Anjin LLC

May 31, 2017

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, 2017

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, 2017, in all material respects, in accordance with the IACS Framework.

May 31, 2017

Internal Accounting Control Officer
JiWoong Kang



Chief Executive Officer
JungHyun Baek

