

**JAGUARLANDROVER KOREA CO., LTD.**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
MARCH 31, 2019 AND 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 Shareholders  
Jaguar Land Rover Korea Co., Ltd.:

### ***Opinion***

We have audited the financial statements of Jaguar Land Rover Korea Co.,Ltd. (the "Company"), which comprise the statements of financial position as of March 31, 2019 and 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Korean Generally Accepted Accounting Standards.(K-GAAP)

### ***Basis for Opinion***

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with K-GAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 13, 2019

**This report is effective as of May 13, 2019 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**

**JAGUARLANDROVER KOREA CO., LTD.**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
MARCH 31, 2019 AND 2018**

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, 2019 AND 2018**

<u>A S S E T S</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
	(In Korean won)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 10)	₩ 6,533,074,685	₩ 38,862,565,998
Accounts receivable - trade, net of allowance for doubtful accounts of ₩213,120,687 as of March 31, 2019 and ₩157,559,152 as of March 31, 2018	11,568,884,694	6,465,893,138
Accounts receivable - other (Notes 13)	19,627,684,084	23,716,867,221
Accrued income	33,898,101	258,941,070
Prepaid expenses	1,217,952,463	1,608,273,566
Prepaid special consumption tax	19,517,562,046	6,051,577,132
Value-added tax (VAT) receivable	3,859,260,497	-
Deferred income tax assets (Note 9)	21,706,322,643	23,234,405,599
Inventories, net (Notes 3 and 12)	<u>388,234,443,190</u>	<u>218,535,937,720</u>
 Total Current Assets	 <u>472,085,961,716</u>	 <u>318,576,902,292</u>
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	1,123,314,589	1,618,175,565
Intangible asset	3,790,786,378	3,590,796,263
Leasehold deposits	1,783,209,200	1,749,960,600
Other deposits	280,530,000	250,990,000
Deferred income tax assets (Note 9)	<u>23,581,282,215</u>	<u>17,481,129,679</u>
 Total Non-current Assets	 <u>30,559,122,382</u>	 <u>24,691,052,107</u>
 <b>TOTAL ASSETS</b>	 <u>₩ 502,645,084,098</u>	 <u>₩ 343,267,954,399</u>

(Continued)

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS OF MARCH 31, 2019 AND 2018**

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	March 31, 2019	March 31, 2018
	(In Korean won)	
<b>CURRENT LIABILITIES:</b>		
Accounts payable - trade (Notes 11, 13 and 18)	₩ 224,516,028,437	₩ 124,493,226,636
Accounts payable - other (Notes 11 and 18)	57,386,051,715	20,970,321,013
Accrued expenses (Note 18)	60,287,461,744	71,013,219,919
Advance receipts	266,471,579	124,356,605
Value-added tax (VAT) payable	-	3,080,257,295
Current income tax liabilities	1,872,339,912	6,931,953,642
Deferred revenue (Note 4)	26,822,129,069	23,737,319,931
Dividend payable (Note 7, 13, 18)	14,637,933,000	-
	<u>385,788,415,456</u>	<u>250,350,655,041</u>
<b>NON-CURRENT LIABILITIES:</b>		
Accrued severance indemnities, net	2,917,767,309	2,433,337,420
Warranty provision (Note 5)	4,332,874,548	6,675,848,806
Deferred revenue (Note 4)	90,240,055,636	63,161,182,953
	<u>97,490,697,493</u>	<u>72,270,369,179</u>
<b>TOTAL LIABILITIES</b>	<u>483,279,112,949</u>	<u>322,621,024,220</u>
<b>SHAREHOLDER'S EQUITY:</b>		
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)	13,382,014,063	14,662,973,093
	<u>19,365,971,149</u>	<u>20,646,930,179</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<u>19,365,971,149</u>	<u>20,646,930,179</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>₩ 502,645,084,098</u>	<u>₩ 343,267,954,399</u>

(Concluded)

See accompanying notes

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	March 31, 2019	March 31, 2018
	(In Korean won)	
<b>SALES :</b>		
Sales of merchandise	₩ 922,247,547,345	₩ 935,652,167,939
Sales of parts	94,968,007,685	80,527,840,287
Rendering of services	1,437,200,000	1,549,700,000
Subtotal	1,018,652,755,030	1,017,729,708,226
<b>COST OF SALES (Notes 3 and 13):</b>		
Cost of sales of merchandise	(887,142,147,157)	(863,324,273,228)
Cost of sales of parts	(90,862,403,872)	(74,404,373,313)
Subtotal	(978,004,551,029)	(937,728,646,541)
<b>GROSS PROFIT</b>	40,648,204,001	80,001,061,685
<b>SELLING AND ADMINISTRATIVE EXPENSES</b> (Notes 17)	(75,029,847,979)	(73,420,890,928)
<b>OPERATING INCOME</b>	(34,381,643,978)	6,580,170,757
<b>OTHER INCOME (EXPENSES):</b>		
Interest income	390,465,499	851,686,949
Gain on transfer price adjustment (Note 14)	51,168,337,870	10,626,080,905
Gain or Loss on foreign currency transactions, net	(1,585,119)	4,889,151
Gain or Loss on foreign currency translation, net	148,243	(16,877,877)
Donation	(272,900,499)	(167,378,164)
Others, net	271,700,141	822,385,316
Subtotal	51,556,166,135	12,120,786,280
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	17,174,522,157	18,700,957,037
<b>INCOME TAX EXPENSE (Note 9)</b>	(3,817,548,187)	(4,072,906,552)
<b>NET INCOME</b>	₩ 13,356,973,970	₩ 14,628,050,485
<b>EARNINGS PER SHARE (Note 8)</b>	₩ 1,335,697	₩ 1,462,805

See accompanying notes

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
	(In Korean won)			
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>
Balance, April 1, 2018	₩ 50,000,000	₩ 5,933,957,086	₩ 14,662,973,093	₩ 20,646,930,179
Dividend payable	-	-	(14,637,933,000)	(14,637,933,000)
Net income	-	-	13,356,973,970	13,356,973,970
Balance, March 31, 2019	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 13,382,014,063</u>	<u>₩ 19,365,971,149</u>

See accompanying notes

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	March 31, 2019	March 31, 2018
	(In Korean won)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	₩ 13,356,973,970	₩ 14,628,050,485
Expenses not involving cash outflows:		
Provision for severance indemnities	624,970,344	919,571,876
Warranty provision	9,702,547,000	8,988,789,000
Depreciation	602,060,976	594,596,386
Amortization	2,215,135,990	1,163,858,925
Bad debt expense	55,561,535	41,787,035
Loss on foreign currency translation, net	564,721	16,917,094
Subtotal	13,200,840,566	11,725,520,316
Income not involving cash receipt:		
Gain on foreign currency translation, net	(712,964)	(39,217)
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	(5,102,991,556)	(288,744,232)
Accounts receivable - other	4,089,183,137	(13,808,322,462)
Accrued income	225,042,969	(183,420,487)
Prepaid expenses	390,321,103	(1,001,891,079)
Prepaid special consumption tax	(13,465,984,914)	(2,846,434,062)
Value added tax (VAT) receivable	(3,859,260,497)	-
Deferred income tax assets	(4,572,069,580)	(9,931,522,382)
Inventories	(169,698,505,470)	8,835,349,567
Accounts payable - trade	100,023,309,813	(15,293,387,225)
Accounts payable - other	36,415,370,933	3,688,911,717
Accrued expenses	(10,725,758,175)	23,788,501,637
Advance receipts	142,114,974	(14,330,600)
Value-added tax (VAT) payable	(3,080,257,295)	1,728,705,783
Current income tax liabilities	(5,059,613,730)	(4,389,681,959)
Deferred revenue	30,163,681,821	20,922,426,357
Warranty provision	(12,045,521,258)	(13,130,274,116)
Payments of severance indemnities	(140,540,455)	(500,479,811)
Subtotal	(56,301,478,180)	(2,424,593,354)
Net cash used in operating activities	(29,744,376,608)	23,928,938,230

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**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	March 31, 2019	March 31, 2018
	(In Korean won)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash inflows from investing activities:	-	-
Cash outflows for investing activities:		
Acquisition of office equipment	107,200,000	-
Acquisition of software	2,415,126,105	3,155,286,000
Increase in leasehold deposits	33,248,600	32,124,200
Increase in other deposits	29,540,000	-
Subtotal	(2,585,114,705)	(3,187,410,200)
Net cash used in investing activities	(2,585,114,705)	(3,187,410,200)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash inflows from financing activities:	-	-
Cash outflows for financing activities:		
Payment of dividend	-	(14,343,254,130)
Net cash used in financing activities	-	(14,343,254,130)
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(32,329,491,313)	6,398,273,900
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	38,862,565,998	32,464,292,098
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 10)</b>	₩ 6,533,074,685	₩ 38,862,565,998

(Concluded)

See accompanying notes

**JAGUARLANDROVER KOREA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENT**  
**AS OF AND FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**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, 2019, 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 were authorized for issue by the Board of Directors on April 24, 2019, which will be submitted for approval to the shareholders’ meeting to be held on June 28, 2019.

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 identified cost 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 ₩1,134.63 to USD 1.00 , ₩1,477.52 and ₩1,495.92 to GBP 1.00 , at March 31, 2019 and 2018, 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 ₩1,130.72 to USD 1.00 , ₩1,485.45 and ₩1,496.78 to GBP 1.00 at March 31, 2019 and 2018, respectively.

h. Accrued Severance Indemnities

In accordance with the Company's policy, all employees in 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 ₩140,540 thousand and ₩500,480 thousand for the years ended March 31, 2019 and 2018, 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 and other programs 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, 2019 and 2018 are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
Merchandise	₩ 306,514,031	₩ 98,012,290
Parts	44,261,072	30,797,869
Inventory in transit	40,259,507	92,083,956
Valuation reserve	(2,800,166)	(2,358,177)
Total	<u>₩ 388,234,444</u>	<u>₩ 218,535,938</u>

The loss on valuation of inventory, which was included in the cost of sales, amounted to ₩411,989 thousand for year ended March 31, 2019 and the reversal on valuation of inventory, which was deducted in the cost of sales, amounted to ₩1,091,721 thousand for year ended March 31, 2018.

### 4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2019 and 2018 are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
Beginning balance	₩ 86,898,502	₩ 65,976,077
Provision	56,894,487	56,453,831
Usage	(26,730,804)	(35,531,406)
Ending balance	<u>₩ 117,062,185</u>	<u>₩ 86,898,502</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, 2019 and 2018 are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
Beginning balance	₩ 6,675,848	₩ 10,817,334
Provision	9,702,547	8,988,789
Usage	<u>(12,045,520)</u>	<u>(13,130,275)</u>
Ending balance	<u>₩ 4,332,875</u>	<u>₩ 6,675,848</u>

## 6. CAPITAL STOCK:

Details of capital stock as of March 31, 2019 and 2018 are as follows (In Korean won):

	March 31, 2019	March 31, 2018
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, 2019 and 2018.

## 7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2019 and 2018 are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	40	9,923
Net income	13,356,974	14,628,050
Interim dividend	-	-
End of period	<u>13,357,014</u>	<u>14,637,973</u>
APPROPRIATION		
Dividend	<u>(13,356,301)</u>	<u>(14,637,933)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ 713,063</u>	<u>₩ 40,093</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2019 and 2018 are as follows (In Korean won):

	March 31, 2019	March 31, 2018
Dividend		
Dividend per share (Dividend rate)	₩ 1,335,630 (26,713%)	₩ 1,463,793 (29,276%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 13,356,301,000</u>	<u>₩ 14,637,933,000</u>

## 8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2019 and 2018 are calculated as follows (In Korean won):

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Net income	₩ 13,356,973,970	₩ 14,628,050,485
Number of common share outstanding	<u>10,000</u>	<u>10,000</u>
Earnings per share	<u>₩ 1,335,697</u>	<u>₩ 1,462,805</u>

The number of common shares outstanding was not changed for the years ended March 31, 2019 and 2018.

## 9. INCOME TAX:

### (1) Details of income tax expense

Income tax expense for the years ended March 31, 2019 and 2018 are as follows (In thousands of Korean won):

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Current income tax charge	₩ 8,389,618	₩ 14,004,429
Changes in deferred tax assets (Note)	<u>(4,572,070)</u>	<u>(9,931,522)</u>
Income tax expense	<u>₩ 3,817,548</u>	<u>₩ 4,072,907</u>

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2019 and 2018, are as follows (in thousands of Korean won):

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Beginning of period	₩ 40,715,535	₩ 30,784,013
End of period	<u>45,287,605</u>	<u>40,715,535</u>
Changes in deferred tax assets	<u>(₩ 4,572,070)</u>	<u>(₩ 9,931,522)</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, 2019 and 2018, are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
Income before income tax expense	₩ 17,174,522	₩ 18,700,957
Statutory tax rate	<u>11%, 22%</u>	<u>11%, 22%</u>
Income tax expense at statutory rate	3,756,395	4,092,211
Adjustments (Note)	<u>61,153</u>	<u>(19,304)</u>
Income tax expense	<u>₩ 3,817,548</u>	<u>₩ 4,072,907</u>
Effective tax rate	<u>22.23%</u>	<u>21.78%</u>

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2019 and 2018, are as follows (In thousands of Korean won):

	March 31, 2019	March 31, 2018
Non-deductible expenses	₩ 50,964	₩ 40,770
Others	<u>(10,189)</u>	<u>(60,074)</u>
Total	<u>₩ 61,153</u>	<u>₩ (19,304)</u>

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2019 and 2018, are as follows (In thousands of Korea won):

	March 31, 2019	March 31, 2018
<u>&lt;Accumulated temporary differences&gt;</u>		
Beginning of period, net	₩ 168,246,013	₩ 127,206,664
Increase in the current period	18,892,851	41,039,349
End of period, net	187,138,864	168,246,013
Statutory tax rate (Note 1)	24.2%	24.2%
Deferred tax assets	₩ 45,287,605	₩ 40,715,535
<u>&lt;Deferred tax assets&gt;</u>		
Current assets	₩ 21,706,323	₩ 23,234,406
Non-current assets	23,581,282	17,481,130
Deferred tax assets	₩ 45,287,605	₩ 40,715,535

(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, 2019 and 2018, are as follows (In thousands of Korea won):

Description	March 31, 2019	March 31, 2018
Transferred to intangible assets from construction in progress	₩ -	₩ 155,000
Dividends payable	₩ 14,637,933	₩ -

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

The details of monetary assets and liabilities denominated in foreign currencies as of March 31, 2019 and 2018 are as follows (In thousands of Korean won and foreign currencies):

	March 31,2019		March 31,2018	
	Foreign currencies	Korean won equivalent	Foreign Currencies	Korean won equivalent
<u>Assets:</u>				
Accounts receivable - other	GBP -	-	GBP -	-
<u>Liabilities:</u>				
Accounts payable – trade	USD 4,902	₩ 7,251	USD	₩
Accounts payable – trade	GBP 30,106	34,159	GBP 24,347	36,421

## 12. INSURANCE:

Insured coverage carried by the Company as of March 31, 2019 is as follows:

Insured	Insured coverage	Insured period	Insurance company
Directors and officers Insurance	USD 1,000,000	2018.7.1 ~ 2019.7.1	Allianz Global Corporate & Specialty SE Korea Branch
Commercial Liability Insurance	GBP 2,000,000	2018.5.31 ~ 2019.5.31	Mitsui Sumitomo Insurance
Product Guarantee	KRW 2,980,000,000	2014.1.29 ~ 2022.5.22	Hyundai Marine & Fire Insurance
Car repair (EW) Insurance	KRW 12,848,517,000	2017.3.31 ~ 2025.2.15	Hyundai Marine & Fire Insurance
Property package insurance	KRW 301,136,595,000	2018.6.1~ 2019.5.31	Hanwha General Insurance
Medical Insurance	KRW 42,287,180,000	2018.10.14 ~2019.10.14	KB insurance Co., Ltd.

The Company carries comprehensive insurance for its vehicles with KB insurance Co., Ltd.

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

The parent company is Jaguar Land Rover UK Ltd as of March 31, 2018 and 2019.

Significant transactions and account balances with related parties as of and for the years ended March 31, 2019 and 2018 are as follows (In thousands of Korean won):

Description	Related parties	March 31, 2019	March 31, 2018
<u>Transactions:</u>			
Purchases and other	Jaguar Land Rover Ltd.	₩ 930,839,172	₩ 846,613,575
Purchases and other	Jaguar Land Rover MENA	33,800	-
Purchases and other	TATA Consultancy Services	89,804	126,597
Purchases and other	Spark44 Limited Seoul.	2,465,113	1,426,466
<u>Accounts balances:</u>			
Accounts receivable - other (Note)	Jaguar Land Rover Ltd.	₩ 11,667,628	₩ 18,888,314
Accounts payable - trade	Jaguar Land Rover Ltd.	208,529,636	112,657,165
Accounts payable - trade	Jaguar Land Rover MENA	33,800	-
Accounts payable - trade	TATA Consultancy Services	-	11,226
Accounts payable - trade	Spark44 Limited Seoul	196,443	249,392
Dividends payable	Jaguar Land Rover Ltd.	14,637,933	-

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

### **14. PROFIT (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) Retailer and Repairer Agreement

As of March 31, 2019, 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, 2019, the Company is provided with payment guarantee up to ₩51,000,000 by Seoul Guarantee Insurance.

(3) Litigations

As of March 31, 2019, the Company is involved in two legal litigation cases as a defendant with total claim amounting to ₩379,000,000. 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, 2019 and 2018 are as follows (In thousands of Korean won):

Description	March 31, 2019	March 31, 2018
Salary	₩ 5,744,322	₩ 5,214,049
Provision for severance indemnities	624,970	919,572
Employee welfare	1,625,262	2,078,952
Depreciation	602,061	594,596
Amortization	2,215,136	1,163,859
Rent	4,247,470	3,778,428
Taxes and dues	136,024	249,276

## 17. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2019 and 2018 are as follows  
(In thousands of Korean won):

	March 31, 2019	March 31, 2018
Salary	₩ 5,744,322	₩ 5,214,049
Provision for severance indemnities	624,970	919,571
Employee welfare	1,625,262	2,078,952
Education	113,204	265,983
Contribution to warranty provision	9,702,547	8,988,789
Vehicle maintenance	580,646	691,534
Fee	3,448,426	2,637,827
Transportation	1,621,784	1,278,346
Supplies	105,446	156,055
Repairs and maintenance	663,608	757,013
Depreciation	602,061	594,596
Amortization	2,215,136	1,163,859
Communication	1,134,737	991,334
Rent	4,247,470	3,778,428
Travel	499,850	681,555
Insurance	76,087	227,638
Entertainment	104,226	129,281
Taxes and dues	136,024	249,276
Membership fee	89,987	65,942
Advertising	29,591,337	28,601,622
Promotion	11,888,644	13,737,566
Bad debt (Reversal of bad debt)	55,562	41,787
Others	158,512	169,886
Total	<u>₩ 75,029,848</u>	<u>₩ 73,420,891</u>

## 18. FINANCIAL INSTRUMENTS:

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

### March 31, 2019

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 224,516,028	₩ -	₩ 224,516,028
Accounts payable-other	57,386,052	-	57,386,052
Accrued expenses	60,287,462	-	60,287,462
Dividends payable	<u>14,637,933</u>	<u>-</u>	<u>14,637,933</u>
	<u>₩ 342,189,542</u>	<u>₩ -</u>	<u>₩ 342,189,542</u>

### 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>71,013,219</u>	<u>-</u>	<u>71,013,220</u>
	<u>₩ 216,476,768</u>	<u>₩ -</u>	<u>₩ 216,476,768</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 President of  
Jaguar Land Rover Korea Co., Ltd.:

We have reviewed the accompanying Report on the Operational Status of Internal Accounting Control System ("IACS") of Jaguar Land Rover Korea Co., Ltd. (the "Company") as of March 31, 2019. The Company's management is responsible for designing and maintaining an effective IACS and for its assessment of the effectiveness of the IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of the IACS, the Company's management stated: "Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of March 31, 2019, in all material respects, in accordance with the IACS Framework."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether the Report on the Operational Status of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of the Company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion. However, as the Company is a privately-held large enterprise, the design, operations and assessment of its IACS are limited compared with those of publicly-held large enterprises, under Chapter 5, "Application for Small and Medium-sized Enterprises" of IACS Standards. As such, we performed our review in accordance with Chapter 14, "Review Standards for Small and Medium-sized Enterprises".

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards. Because of its inherent limitations, however, the IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness 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 the Report on the Operational Status of Internal Accounting Control System as of December 31, 2018 is not prepared, in all material respects, in accordance with Chapter 5, "Application for Small and Medium-sized Enterprises of the IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2018. We did not review the Company's IACS subsequent to December 31, 2018. This report has been prepared for Korean regulatory purposes, pursuant to the Act on External Audit of Stock Companies, Etc., and may not be appropriate for other purposes or for other users.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 13, 2019

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2019 and the review of internal accounting control system pursuant to Article 8-7 of the Act on External Audit of Stock Companies, Etc. of the Republic of Korea.

## 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 Chief Executive Officer ("CEO") and 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, 2019


The Company's management including IACO is responsible for designing and operating IACS.

I, as the CEO and 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 CEO and 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, 2019, in all material respects, in accordance with the IACS Framework.

May 13, 2019

Internal Accounting Control Officer

JiWoong Kang 

Chief Executive Officer

JungHyun Baek 