

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report  
For the Year Ended March 31, 2020 and 2019**



安侯建業聯合會計師事務所

KPMG

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## Independent Auditor's Report

To the Board of Directors of  
Jaguar Land Rover Taiwan Company Limited:

### Opinion

We have audited the financial statements of Jaguar Land Rover Taiwan Company Limited (the "Company"), which comprise the balance sheets as of March 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China.

### Basic for opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China, 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.

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.

### **Auditor's 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 auditor's 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. 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.

The engagement partner on the audit resulting in this independent auditors report is Chung-Che Chen.



KPMG  
Taipei, Taiwan (Republic of China)  
May 8, 2020

#### Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Balance Sheets**

**March 31, 2020 and 2019**

**(Amounts Expressed in New Taiwan Dollars)**

| Assets   | March 31, 2020          |            | March 31, 2019       |            | Liabilities and Equity                             | March 31, 2020          |            | March 31, 2019       |            |
|--|-------------------------|------------|----------------------|------------|--|-------------------------|------------|----------------------|------------|
|  | Amount                  | %          | Amount               | %          |  | Amount                  | %          | Amount               | %          |
| <b>Current assets:</b>                             |                         |            |                      |            | <b>Current liabilities:</b>                        |                         |            |                      |            |
| Cash and cash equivalents (note 5(a))              | \$ 419,810,675          | 23         | 118,375,441          | 6          | Accounts payable (note 5(d))                       | \$ 11,276,094           | 1          | 15,985,834           | 1          |
| Accounts receivable(note 5(b))                     | 20,885,822              | 1          | 20,905,722           | 1          | Accounts payable-related parties (note 5(d) and 6) | 1,054,270,068           | 58         | 1,274,768,860        | 64         |
| Other receivables-related parties(note 5(b) and 6) | 73,996,711              | 4          | 62,640,362           | 3          | Other payable (note 5(d))                          | 262,098,194             | 14         | 446,452,504          | 22         |
| Inventories (note 5(c))                            | 1,211,845,321           | 66         | 1,781,268,308        | 89         | Other payable-related parties (note 5(d) and 6)    | 185,844,313             | 10         | 219,715,979          | 11         |
| Prepayments (note 6)                               | 29,216,682              | 2          | 18,319,359           | 1          | Current tax liabilities (note 5(g))                | 10,520,525              | 1          | -                    | -          |
| <b>Total current assets</b>                        | <u>1,755,755,211</u>    | <u>96</u>  | <u>2,001,509,192</u> | <u>100</u> | Current deferred revenue (note 5(i))               | 33,311,864              | 2          | 12,798,295           | -          |
| <b>Non-current assets:</b>                         |                         |            |                      |            | Current provisions(note 5(e))                      | 27,472,882              | 1          | 24,880,905           | 1          |
| Deferred tax assets (note 5(g))                    | 62,147,996              | 4          | -                    | -          | Other current liabilities                          | 2,199,356               | -          | 1,449,605            | -          |
| Non-current financial assets                       | 2,015,404               | -          | 4,674,261            | -          | <b>Total current liabilities</b>                   | <u>1,586,993,296</u>    | <u>87</u>  | <u>1,996,051,982</u> | <u>99</u>  |
| <b>Total non-current assets</b>                    | <u>64,163,400</u>       | <u>4</u>   | <u>4,674,261</u>     | <u>-</u>   | <b>Non-current liabilities:</b>                    |                         |            |                      |            |
|  |                         |            |                      |            | Non-current deferred revenue(note 5(i))            | 161,554,571             | 9          | 80,174,258           | 4          |
|  |                         |            |                      |            | Non-current provisions(note 5(e))                  | 36,732,032              | 2          | 30,626,501           | 2          |
|  |                         |            |                      |            | <b>Total non-current liabilities</b>               | <u>198,286,603</u>      | <u>11</u>  | <u>110,800,759</u>   | <u>6</u>   |
|  |                         |            |                      |            | <b>Total liabilities</b>                           | <u>1,785,279,899</u>    | <u>98</u>  | <u>2,106,852,741</u> | <u>105</u> |
|  |                         |            |                      |            | <b>Equity (note 5(h)):</b>                         |                         |            |                      |            |
|  |                         |            |                      |            | Ordinary shares                                    | 38,500,000              | 2          | 38,500,000           | 2          |
|  |                         |            |                      |            | Accumulated deficit                                | (3,861,288)             | -          | (139,169,288)        | (7)        |
|  |                         |            |                      |            | <b>Total equity</b>                                | <u>34,638,712</u>       | <u>2</u>   | <u>(100,669,288)</u> | <u>(5)</u> |
| <b>Total assets</b>                                | <u>\$ 1,819,918,611</u> | <u>100</u> | <u>2,006,183,453</u> | <u>100</u> | <b>Total liabilities and equity</b>                | <u>\$ 1,819,918,611</u> | <u>100</u> | <u>2,006,183,453</u> | <u>100</u> |

See accompanying notes to financial statements.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Statements of Comprehensive Income**

**For the year ended March 31, 2020 and 2019**

**(Amounts Expressed in New Taiwan Dollars)**

|  | <u>2020</u>                  |                 | <u>2019</u>                 |                   |
|--|------------------------------|-----------------|-----------------------------|-------------------|
|  | <u>Amount</u>                | <u>%</u>        | <u>Amount</u>               | <u>%</u>          |
| Operating Revenue (note 5(i))                  | \$ 4,231,479,565             | 100             | 2,952,879,901               | 100               |
| Operating Cost (note 5(c))                     | <u>(3,737,843,474)</u>       | <u>(88)</u>     | <u>(2,709,192,175)</u>      | <u>(92)</u>       |
| <b>Gross profit from operations</b>            | 493,636,091                  | 12              | 243,687,726                 | 8                 |
| Operating expenses (note 5(f) and 6)           | <u>(370,790,393)</u>         | <u>(9)</u>      | <u>(386,798,736)</u>        | <u>(13)</u>       |
| <b>Net operating loss</b>                      | <u>122,845,698</u>           | <u>3</u>        | <u>(143,111,010)</u>        | <u>(5)</u>        |
| <b>Non-operating income and expenses:</b>      |                              |                 |                             |                   |
| Other income                                   | 15,521,050                   | -               | 13,898,338                  | 1                 |
| Interest income                                | 21,661                       | -               | 14,883                      | -                 |
| Interest expense                               | <u>(2,571,552)</u>           | <u>-</u>        | <u>(2,612,894)</u>          | <u>-</u>          |
| <b>Total non-operating income and expenses</b> | <u>12,971,159</u>            | <u>-</u>        | <u>11,300,327</u>           | <u>1</u>          |
| Loss before income tax                         | 135,816,857                  | 3               | (131,810,683)               | (4)               |
| Less : Income tax expense (note 5(g))          | <u>(508,857)</u>             | <u>-</u>        | <u>-</u>                    | <u>-</u>          |
| <b>Profit (loss)</b>                           | <u>135,308,000</u>           | <u>3</u>        | <u>(131,810,683)</u>        | <u>(4)</u>        |
| <b>Other comprehensive income (loss), net</b>  | <u>-</u>                     | <u>-</u>        | <u>-</u>                    | <u>-</u>          |
| <b>Total comprehensive income (loss), net</b>  | <u><u>\$ 135,308,000</u></u> | <u><u>3</u></u> | <u><u>(131,810,683)</u></u> | <u><u>(4)</u></u> |

See accompanying notes to financial statements.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Statements of Changes in Equity**

**For the year ended March 31, 2020 and 2019**

**(Amounts Expressed in New Taiwan Dollars)**

|                                   | <b>Ordinary<br/>Shares</b> | <b>Accumulated<br/>deficit</b> | <b>Total equity</b> |
|-----------------------------------|----------------------------|--------------------------------|---------------------|
| <b>Balance at March, 2018</b>     | \$ 38,500,000              | (7,358,605)                    | 31,141,395          |
| Net (loss)                        | -                          | (131,810,683)                  | (131,810,683)       |
| Other comprehensive income (loss) | -                          | -                              | -                   |
| Total comprehensive income (loss) | -                          | (131,810,683)                  | (131,810,683)       |
| <b>Balance on March 31, 2019</b>  | 38,500,000                 | (139,169,288)                  | (100,669,288)       |
| Profit                            | -                          | 135,308,000                    | 135,308,000         |
| Other comprehensive income (loss) | -                          | -                              | -                   |
| Total comprehensive income (loss) | -                          | 135,308,000                    | 135,308,000         |
| <b>Balance on March 31, 2020</b>  | <b>\$ 38,500,000</b>       | <b>(3,861,288)</b>             | <b>34,638,712</b>   |

See accompanying notes to financial statements.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Statements of Cash Flows**

**For the year ended March 31, 2020 and 2019**

**(Amounts Expressed in New Taiwan Dollars)**

|   | <b>2020</b>           | <b>2019</b>          |
|---|-----------------------|----------------------|
| <b>Cash flows from (used in) operating activities:</b>    |                       |                      |
| Profit (loss) before income tax                           | \$ 135,816,857        | (131,810,683)        |
| <b>Adjustments:</b>                                       |                       |                      |
| <b>Adjustments to reconcile profit (loss):</b>            |                       |                      |
| Interest income   | (21,661)              | (14,883)             |
| Interest expense  | 2,571,552             | 2,612,894            |
| Amortization on deferred revenue                          | (12,798,297)          | -                    |
| Provisions  | 70,323,737            | 27,252,436           |
|   | <u>195,892,188</u>    | <u>(101,960,236)</u> |
| <b>Changes in operating assets and liabilities:</b>       |                       |                      |
| Accounts receivable                                       | 19,900                | (20,905,722)         |
| Prepayments   | 11,352,677            | (18,289,485)         |
| Inventories   | 569,422,987           | (503,343,071)        |
| Other receivables   | (11,356,349)          | (564,017)            |
| Accounts payable (including related parties)              | (225,208,532)         | 12,829,457           |
| Other payables (including related parties)                | (142,533,442)         | 456,161,316          |
| Recognized on deferred revenue                            | 114,692,179           | 92,972,553           |
| Utilisation of provisions                                 | (61,626,229)          | (33,821,375)         |
| Other current liabilities                                 | 749,751               | 1,359,551            |
| Cash inflow (outflow) generated from operations           | 451,405,130           | (115,561,029)        |
| Interest received   | 21,661                | 14,883               |
| Interest paid   | (514,086)             | -                    |
| Income taxes paid   | (52,136,328)          | -                    |
| <b>Net cash flows from (used in) operating activities</b> | <u>398,776,377</u>    | <u>(115,546,146)</u> |
| <b>Cash flows from (used in) investing activities:</b>    |                       |                      |
| Increase in non-current financial assets                  | 2,658,857             | (4,466,013)          |
| <b>Net cash flows from (used in) investing activities</b> | <u>2,658,857</u>      | <u>(4,466,013)</u>   |
| <b>Cash flows from (used in) financing activities:</b>    |                       |                      |
| Other payable-related parties                             | (100,000,000)         | 202,090,315          |
| <b>Net cash flows from (used in) financing activities</b> | <u>(100,000,000)</u>  | <u>202,090,315</u>   |
| <b>Net increase in cash and cash equivalents</b>          | 301,435,234           | 82,078,156           |
| <b>Cash and cash equivalents at beginning of period</b>   | <u>118,375,441</u>    | <u>36,297,285</u>    |
| <b>Cash and cash equivalents at end of period</b>         | <u>\$ 419,810,675</u> | <u>118,375,441</u>   |

See accompanying notes to financial statements.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements****For the year ended March 31, 2020 and 2019 and 2018****(1) Company history**

Jaguar Land Rover Taiwan Company Limited (the "Company"), was incorporated with the approval of the Ministry of Economic Affairs in December 2017, under the laws of the Republic of China (ROC), with its registered address at 2F, No. 168, Section 3, Nanjing East Road, Zhongshan District, Taipei City. The Company's main business is the sale of passenger cars, sports utility vehicles, parts and accessories and the provision of after sales business.

**(2) Approval date and procedures of the financial statements**

These financial statements were authorized for issue by the board of directors on May 8, 2020.

**(3) Summary of significant accounting policies**

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

**(a) Statement of compliance**

These financial statements have been prepared in accordance with the Business Entity Accounting Act and the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China. (hereinafter referred to as "EAS").

**(b) Basis of preparation**

- (i) The financial statements have been prepared on a historical cost basis.
- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency.

**(c) Foreign currencies****(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date; Foreign currency exchange differences are recognized in profit or loss.

Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rate at the date when the fair value was measured. When a gain or loss on a non-monetary item is recognized in other comprehensive income, the related exchange gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, the related exchange gain or loss is recognized in profit or loss. Non-monetary items in a foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements****(d) Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent, unless, the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Company classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to re-finance, or to reschedule payments on a long-term basis is completed after the reporting date, and before the financial statements are authorized for issue.

**(e) Cash and cash equivalents**

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

**(f) Financial instruments**

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

**(i) Financial assets**

Financial assets are classified into the following categories: loans and receivables.

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements**

## 1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

## 2) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract (such as a default or delinquency in interest or principal payments);
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for a security because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as the observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss in respect of a financial asset is reflected in an allowance account against the carrying amount. When it is determined a financial asset is uncollectible, it is written off from the allowance account. The amounts that were previously written off and subsequently withdrawn are credited to the allowance account. Changes in the amount of the allowance account are recognized in profit or loss. An impairment loss in respect of a financial asset measured at cost is reflected directly against the carrying amount.

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**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements**

## 3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount, and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity, is recognized in profit or losses and is included in non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized, and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## (ii) Financial liabilities and equity instruments

## 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and on equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

## 2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs on initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and is included in non-operating income and expenses.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements**

## 3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in non-operating income or expenses.

## (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the specific cost identification and weighted-average method and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

## (h) Lease

Lessee

Leases other than finance leases are classified as operating leases. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term.

Contingency rents are recognized as expense in the periods in which they are incurred.

## (i) Revenue

## (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, the company retains neither continuing management involvement with the goods nor effective control over the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company, and the cost incurred or to be incurred in respect of the transaction can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenue is derived from vehicle sale and recognized at the timing of delivery of goods, and the transfers of risks and rewards.

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**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED****Notes to the Financial Statements****(j) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(k) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

The Company's provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(l) Employee benefits-Defined contribution plans**

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are provided by employees.

**(m) Income taxes**

Income taxes include both current taxes and deferred taxes. Except for items related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

## JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

### Notes to the Financial Statements

Current taxes include (i) tax payables and tax deduction receivables on taxable profits (losses) for the year calculated using the statutory tax rate on the reporting date, (ii) tax payables that are calculated based on the part of the prior-year's earnings that have been decided during the shareholders' meeting in the current year which have not been distributed to the shareholders using the statutory tax rate, as well as (iii) the tax adjustments related to prior years.

Deferred taxes will be recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and their tax base, and will not be recognized for:

- (i) temporary differences on the initial recognized of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses;
- (ii) temporary differences related the investments in subsidiaries, associates and joint arrangement to the extent that the Company is able to control the timing of the reverse of the temporary differences and its probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets will be recognized to the extent that it is probable that future taxable profit will be available against which they can be used. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which is the tax rate that had been enacted by the end of the reporting period.

The Company shall offset any current tax assets and current tax liabilities or deferred tax assets and deferred tax liabilities if, and only if, the Company:

- (i) has a legally enforceable right to offset the recognized amounts; and
- (ii) intends either to settle the liability on a net basis or to realize the asset and settle the liability simultaneously.

#### **(4) Significant accounting assumptions and judgments and major sources of estimation uncertainty**

The preparation of the financial statements in conformity with EAS requires management to make estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment within the next financial year is as note 5(e) provisions.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

**(5) Explanation of significant accounts**

(a) Cash and cash equivalents

|  | <u>March 31, 2020</u> | <u>March 31, 2019</u> |
|--|-----------------------|-----------------------|
| Demand deposits  | \$ 419,810,675        | 118,375,441           |
| Cash and cash equivalents in the statement of cash flows | <u>\$ 419,810,675</u> | <u>118,375,441</u>    |

(b) Accounts receivable and Other receivables

|                                | <u>March 31, 2020</u> | <u>March 31, 2019</u> |
|--------------------------------|-----------------------|-----------------------|
| Accounts receivables           | \$ 20,885,822         | 20,905,722            |
| Other receivables              | 73,996,711            | 62,640,362            |
| Less: Allowance for impairment | <u>-</u>              | <u>-</u>              |
|                                | <u>\$ 94,882,533</u>  | <u>83,546,084</u>     |

The movement of allowance for doubtful receivables for the year ended March 31, 2020, and 2019, was as follows:

|                          | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------|-------------|
| Allowance for impairment | \$ -        | -           |

(c) Inventories

|                              | <u>March 31, 2020</u>   | <u>March 31, 2019</u> |
|------------------------------|-------------------------|-----------------------|
| Goods in transit-vehicles    | \$ 305,207,435          | 78,234,893            |
| Goods in transit-spare parts | 8,959,742               | 7,636,203             |
| Vehicles                     | 804,149,547             | 1,619,349,107         |
| Spare parts                  | <u>93,528,597</u>       | <u>76,048,105</u>     |
|                              | <u>\$ 1,211,845,321</u> | <u>1,781,268,308</u>  |

Costs of goods sold as below:

|  | <u>2020</u>             | <u>2019</u>          |
|--|-------------------------|----------------------|
| Costs of inventories sold                          | \$ 3,741,353,047        | 2,705,682,602        |
| (Reversal of impairment) Inventory impairment loss | <u>(3,509,573)</u>      | <u>3,509,573</u>     |
|  | <u>\$ 3,737,843,474</u> | <u>2,709,192,175</u> |

As of March 31, 2020 and 2019, the inventories of the Company had not been pledged as collateral for borrowings.

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**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

(d) Payables

|   | <u>March 31, 2020</u>          | <u>March 31, 2019</u>       |
|---|--------------------------------|-----------------------------|
| Accounts payable-payment, tax and inspection cost     | \$ 11,276,094                  | 15,985,834                  |
| Accounts payable-related parties-payment              | <u>1,054,270,068</u>           | <u>1,274,768,860</u>        |
|   | <u><b>\$ 1,065,546,162</b></u> | <u><b>1,290,754,694</b></u> |
| Other payables-accrued variable dealer expense        | \$ 90,584,105                  | 93,521,278                  |
| Other payables-advertising promotion fee and subsidy  | 98,114,849                     | 250,954,685                 |
| Other payables-marketing cost                         | 25,967,635                     | 71,935,045                  |
| Other payables-other                                  | 47,431,605                     | 30,041,496                  |
| Other payables-related parties-loans and cash advance | 104,147,781                    | 202,090,315                 |
| Other payables-related parties-training fee, etc.     | <u>81,696,532</u>              | <u>17,625,664</u>           |
|   | <u><b>\$ 447,942,507</b></u>   | <u><b>666,168,483</b></u>   |

(e) Provisions

1. Warranties

|                                 | <u>2020</u>                 | <u>2019</u>              |
|---------------------------------|-----------------------------|--------------------------|
| At beginning of the year        | \$ 55,507,406               | -                        |
| Provisions made during the year | 70,323,737                  | 88,201,261               |
| Provisions used during the year | <u>(61,626,229)</u>         | <u>(32,693,855)</u>      |
| At end of the year              | <u><b>\$ 64,204,914</b></u> | <u><b>55,507,406</b></u> |
| Current                         | \$ 27,472,882               | 24,880,905               |
| Non-current                     | <u>36,732,032</u>           | <u>30,626,501</u>        |
|                                 | <u><b>\$ 64,204,914</b></u> | <u><b>55,507,406</b></u> |

The provision for warranties relates mainly to passenger car sold during the years ended March 31, 2020 and 2019. The provision is based on estimates made from historical warranty data.

(f) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to \$1,681,326 and \$1,420,030 for the years ended March 31, 2020 and 2019.

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**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**  
**Notes to the Financial Statements**

## (g) Income taxes

## (i) Income tax expense

The components of income tax for the years ended March 31, 2020 and 2019 were as follows:

|   | <u>2020</u>         | <u>2019</u> |
|---|---------------------|-------------|
| Current tax expense:                              |                     |             |
| Current period                                    | \$ 27,899,301       | -           |
| Adjustment for prior periods                      | <u>34,757,552</u>   | <u>-</u>    |
|   | 62,656,853          | -           |
| Deferred tax expense:                             |                     |             |
| Origination and reversal of temporary differences | <u>(62,147,996)</u> | <u>-</u>    |
| Income tax expense                                | <u>\$ 508,857</u>   | <u>-</u>    |

## (ii) Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

|   | <u>2020</u>           | <u>2019</u>          |
|---|-----------------------|----------------------|
| Profit (loss) excluding income tax                                  | \$ <u>135,816,857</u> | <u>(131,810,683)</u> |
| Income tax using the Company's domestic tax rate                    | \$ 27,163,371         | (26,362,137)         |
| Non-deductible expenses   | 107,485               | -                    |
| Change in temporary differences                                     | (61,519,551)          | -                    |
| Current-year losses for which no deferred tax assets was recognized | -                     | 26,362,137           |
| Adjustment for prior periods  | <u>34,757,552</u>     | <u>-</u>             |
| Tax expense (income)  | <u>\$ 508,857</u>     | <u>-</u>             |

## (iii) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2020 were as follows:

|  | <u>Warranties</u>    | <u>Deferred Revenue</u> | <u>Others</u>     | <u>Total</u>      |
|--|----------------------|-------------------------|-------------------|-------------------|
| Deferred Tax Assets:                     |                      |                         |                   |                   |
| Balance at April 1, 2019                 | \$ -                 | -                       | -                 | -                 |
| Recognized in profit or loss             | 12,940,178           | 38,973,287              | 10,234,531        | 62,147,996        |
| Recognized in other comprehensive income | <u>-</u>             | <u>-</u>                | <u>-</u>          | <u>-</u>          |
| Balance at March 31, 2020                | <u>\$ 12,940,178</u> | <u>38,973,287</u>       | <u>10,234,531</u> | <u>62,147,996</u> |

## (iv) Assessment of Tax

The Company's tax returns for the year up to 2018 have been assessed by the tax authorities.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

(h) Share capital and other equity

(i) Share capital

As of March 31, 2020 and 2019, the authorized capital of the Company consisted of 38,500,000 and with par value of \$100 per share, and its outstanding capital consisted of 385,000 shares. All issued shares were paid upon issuance.

(ii) Retained earnings

According to the Company's Articles, if the Company makes a profit in a fiscal year, the profit shall first be utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit as legal reserve, and then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan to be submitted during the stockholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

None.

(i) Revenue

The details of revenue for the year ended March 31, 2020 and 2019, were as follows:

|               | <u>2020</u>             | <u>2019</u>          |
|---------------|-------------------------|----------------------|
| Sale of goods | <u>\$ 4,231,479,565</u> | <u>2,952,879,901</u> |

The sales of vehicles include an agreement for subsequent service or maintenance, the fair value of that service is deferred and recognized as income over the relevant service period in proportion with the expected cost pattern of the agreement. As of March 31, 2020, and 2019, the balances of deferred revenue are \$194,866,435 and \$92,972,553, respectively.

(j) Remuneration for employees

In accordance with the Company's Articles, the earnings shall first be offset against any accumulated deficit, then, 0.1% will be distributed as employee remuneration.

The Company need not accrue any employee remuneration due to an accumulated deficit for the period for the years ended March 31, 2020 and 2019.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

(k) Classification of financial assets and financial liabilities

(i) Financial assets

|                              | <u>March 31, 2020</u> | <u>March 31, 2019</u> |
|------------------------------|-----------------------|-----------------------|
| Loans and receivables:       |                       |                       |
| Cash and cash equivalents    | \$ 419,810,675        | 118,375,441           |
| Accounts receivable          | 20,885,822            | 20,905,722            |
| Other receivables            | 73,996,711            | 62,640,362            |
| Non-current financial assets | <u>2,015,404</u>      | <u>4,674,261</u>      |
| Total                        | <u>\$ 516,708,612</u> | <u>206,595,786</u>    |

(ii) Financial liabilities

|                                  | <u>March 31, 2020</u>   | <u>March 31, 2019</u> |
|----------------------------------|-------------------------|-----------------------|
| Accounts payable                 | \$ 11,276,094           | 15,985,834            |
| Accounts payable-related parties | 1,054,270,068           | 1,274,768,860         |
| Other payable                    | 262,098,194             | 446,452,504           |
| Other payable-related parties    | <u>185,844,313</u>      | <u>219,715,979</u>    |
| Total                            | <u>\$ 1,513,488,669</u> | <u>1,956,923,177</u>  |

(l) Fair value of financial instruments

The fair value of financial assets and liabilities is determined by using the discounted cash flow analysis.

**(6) Related-party transactions**

(a) Parent company and ultimate controlling company

Jaguar Land Rover Limited is the parent company of the Company and owns 100 percent of all shares outstanding of the Company. Tata Motors Limited is the ultimate controlling party of the Company.

(b) Name and nature of relationship with related parties

A detailed list of the Company's related parties is as follows:

| <u>Related Parties</u>              | <u>Nature of Relationship</u>         |
|-------------------------------------|---------------------------------------|
| Jaguar Land Rover Limited           | Parent company                        |
| Jaguar Land Rover Singapore Pte Ltd | The same ultimate controlling company |
| Spark 44 Taiwan Limited-Taiwan      | The same ultimate controlling company |

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

(c) Significant transactions with related parties

(i) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

|                | <b>2020</b>                    | <b>2019</b>                 |
|----------------|--------------------------------|-----------------------------|
| Parent company | \$ <u><u>2,024,224,250</u></u> | <u><u>2,914,638,200</u></u> |

The terms and pricing of purchase transactions with related parties were incomparable, due to the parent company being the only vendor. The payment terms are 120 days after the end of the month.

(ii) Receivables and payable with related parties

The amounts of receivables and payables by the Company with its related party were as follows:

| <u>Accounts</u>  | <u>Related parties</u> | <u>March 31, 2020</u>          | <u>March 31, 2019</u>       |
|------------------|------------------------|--------------------------------|-----------------------------|
| Account payable  | Parent company         | \$ <u><u>1,054,270,068</u></u> | <u><u>1,274,768,860</u></u> |
| Prepayment       | Parent company         | \$ <u><u>22,250,000</u></u>    | <u><u>-</u></u>             |
| Other receivable | Parent company         | \$ 73,996,711                  | 62,076,345                  |
| Other receivable | Other related parties  | <u><u>-</u></u>                | <u><u>564,017</u></u>       |
|                  |                        | \$ <u><u>73,996,711</u></u>    | <u><u>62,640,362</u></u>    |
| Other payable    | Parent company         | \$ 81,400,748                  | 17,625,664                  |
| Other payable    | Other related parties  | <u><u>295,784</u></u>          | <u><u>-</u></u>             |
|                  |                        | \$ <u><u>81,696,532</u></u>    | <u><u>17,625,664</u></u>    |

(iii) Loans from Related Parties

The loans from related parties (including the interest) were as follows:

|                | <b>March 31,<br/>2020</b>    | <b>March 31,<br/>2019</b> |
|----------------|------------------------------|---------------------------|
| Parent company | \$ <u><u>104,147,781</u></u> | <u><u>202,090,315</u></u> |

The interest charged by the parent company to the Company is based on the average interest rate charged by financial institutions on the Company's borrowings. The loans from related parties are unsecured.

(Continued)

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**Notes to the Financial Statements**

(iv) Others

For the year ended March 31, 2020 and 2019, the Company recognized its payroll, training cost, and promotion expenses of \$30,588,738 and \$48,642,015, respectively, due to the services offered by its parent company and other related parties for the purpose of developing its business.

(d) Key Management Personnel Transaction

|                              |                      |                  |
|------------------------------|----------------------|------------------|
|                              | <b>2020</b>          | <b>2019</b>      |
| Short-term employee benefits | \$ <u>14,020,204</u> | <u>8,151,168</u> |

**(7) Other**

(a) A summary of current-period employee benefits, depreciation and amortization is as follows:

| By function                | 2020          |                    |            | 2019          |                    |            |
|----------------------------|---------------|--------------------|------------|---------------|--------------------|------------|
|                            | Cost of sales | Operating expenses | Total      | Cost of sales | Operating expenses | Total      |
| By item                    |               |                    |            |               |                    |            |
| Employee benefits          |               |                    |            |               |                    |            |
| Salaries                   | -             | 39,980,129         | 39,980,129 | -             | 34,494,021         | 34,494,021 |
| Labor and health insurance | -             | 2,538,013          | 2,538,013  | -             | 3,092,409          | 3,092,409  |
| Pension                    | -             | 1,681,326          | 1,681,326  | -             | 1,420,030          | 1,420,030  |
| Others                     | -             | 135,825            | 135,825    | -             | 1,953,171          | 1,953,171  |
| Depreciation               | -             | -                  | -          | -             | -                  | -          |
| Amortization               | -             | -                  | -          | -             | -                  | -          |

(b) Capital management

As of March 31, 2019 the negative total equity amount is because of the capital resource for the Company mainly relying on borrowings from the parent company, resulting in a great amount of liability. The capital structure is improved on March 31, 2020.