

**JAGUARLANDROVER KOREA CO., LTD.**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
MARCH 31, 2020 AND 2019  
(With Independent Auditors' Report Thereon)**

# Contents

	<b>Pages</b>
<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position .....	4-5
Statements of Income .....	6
Statements of Changes in Equity .....	7
Statements of Cash Flows .....	8-9
Notes to Financial Statements.....	10-26
Independent Auditors' Review Report on Internal Accounting Control System.....	27-28
Report on the Assessment of Internal Accounting Control System .....	29

## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholder  
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, 2020 and 2019, the statements of 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-public Entities in the Republic of Korea ("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.

### ***Other matter***

The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

### ***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 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  
June 5, 2020

This report is effective as of June 5, 2020 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, 2020 AND 2019**

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, 2020 AND 2019**

<u>A S S E T S</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	(In Korean won)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 10)	₩ 18,058,918,669	₩ 6,533,074,685
Accounts receivable - trade, net of allowance for doubtful accounts of ₩1,320,725,022 as of March 31, 2020 and ₩213,120,687 as of March 31, 2019	18,940,729,257	11,355,764,007
Accounts receivable - other (Notes 13)	118,352,533,017	19,627,684,084
Accrued income	65,257,592	33,898,101
Advance payments	68,000,000	-
Prepaid expenses	527,451,711	1,217,952,463
Prepaid special consumption tax	7,535,050,663	19,517,562,046
Value-added tax (VAT) receivable	-	3,859,260,497
Deferred income tax assets (Note 9)	16,741,173,276	21,706,322,643
Inventories, net (Notes 3 and 12)	189,183,038,711	388,234,443,190
 Total Current Assets	 369,472,152,896	 472,085,961,716
 <b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	511,682,643	1,123,314,589
Intangible assets	1,898,137,553	3,790,786,378
Leasehold deposits	1,817,621,500	1,783,209,200
Other deposits	280,530,000	280,530,000
Deferred income tax assets (Note 9)	23,706,819,236	23,581,282,215
 Total Non-current Assets	 28,214,790,932	 30,559,122,382
 <b>TOTAL ASSETS</b>	 ₩ 397,686,943,828	 ₩ 502,645,084,098

(Continued)



**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	March 31, 2020	March 31, 2019
	(In Korean won)	
<b>SALES :</b>		
Sales of merchandise	₩ 567,520,096,455	₩ 922,247,547,345
Sales of parts	106,663,215,169	94,968,007,685
Rendering of services	910,200,000	1,437,200,000
Subtotal	675,093,511,624	1,018,652,755,030
<b>COST OF SALES (Notes 3 and 13):</b>		
Cost of sales of merchandise	(471,440,281,455)	(887,142,147,157)
Cost of sales of parts	(85,980,599,015)	(90,862,403,872)
Subtotal	(557,420,880,470)	(978,004,551,029)
<b>GROSS PROFIT</b>	117,672,631,154	40,648,204,001
<b>SELLING AND ADMINISTRATIVE EXPENSES</b> (Notes 17)	(54,973,486,740)	(75,029,847,979)
<b>OPERATING INCOME</b>	62,699,144,414	(34,381,643,978)
<b>OTHER INCOME (EXPENSES):</b>		
Interest income	287,919,230	390,465,499
Gain on transfer price adjustment (Note 14)	-	51,168,337,870
Gain or Loss on foreign currency transactions, net	(4,099,578)	(1,585,119)
Gain or Loss on foreign currency translation, net	-	148,243
Donation	(363,321,039)	(272,900,499)
Others, net	1,101,584,063	271,700,141
Subtotal	1,022,082,676	51,556,166,135
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	63,721,227,090	17,174,522,157
<b>INCOME TAX EXPENSE (Note 9)</b>	(15,049,636,169)	(3,817,548,187)
<b>NET INCOME</b>	₩ 48,671,590,921	₩ 13,356,973,970
<b>EARNINGS PER SHARE (Note 8)</b>	₩ 4,867,159	₩ 1,335,697

See accompanying notes to the financial statements.

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	Capital stock	Capital surplus	Retained earnings	Total shareholder's equity
	(In Korean won)			
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>
Balance, April 1, 2019	₩ 50,000,000	₩ 5,933,957,086	₩ 13,382,014,063	₩ 19,365,971,149
Dividend payable	-	-	(13,356,301,000)	(13,356,301,000)
Net income	-	-	48,671,590,921	48,671,590,921
Balance, March 31, 2020	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 48,697,303,984</u>	<u>₩ 54,681,261,070</u>

See accompanying notes to the financial statements.

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	March 31, 2020	March 31, 2019
	(In Korean won)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	₩ 48,671,590,921	₩ 13,356,973,970
Expenses not involving cash outflows:		
Provision for severance indemnities	385,465,132	624,970,344
Warranty provision	7,123,810,911	9,702,547,000
Depreciation	611,631,946	602,060,976
Amortization	2,314,170,825	2,215,135,990
Bad debt expense	1,107,604,335	55,561,535
Loss on foreign currency translation, net	-	564,721
Subtotal	11,542,683,149	13,200,840,566
Income not involving cash receipt:		
Gain on foreign currency translation, net	-	(712,964)
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	(8,692,569,585)	(5,102,991,556)
Accounts receivable - other	(98,724,848,933)	4,089,183,137
Accrued income	(31,359,491)	225,042,969
Advance payments	(68,000,000)	-
Prepaid expenses	690,500,752	390,321,103
Prepaid special consumption tax	11,982,511,383	(13,465,984,914)
Value added tax (VAT) receivable	3,859,260,497	(3,859,260,497)
Deferred income tax assets	4,839,612,346	(4,572,069,580)
Inventories	199,051,404,479	(169,698,505,470)
Accounts payable - trade	(148,454,208,476)	100,023,309,813
Accounts payable - other	(28,045,520,322)	36,415,370,933
Accrued expenses	9,966,188,175	(10,725,758,175)
Advance receipts	(233,319,692)	142,114,974
Value-added tax (VAT) payable	542,809,362	(3,080,257,295)
Current income tax liabilities	4,324,017,174	(5,059,613,730)
Deferred revenue	9,652,750,650	30,163,681,821
Warranty provision	(8,315,826,569)	(12,045,521,258)
Payments of severance indemnities	(575,897,536)	(140,540,455)
Subtotal	(48,232,495,786)	(56,301,478,180)
Net cash provided by (used in) operating activities	11,981,778,284	(29,744,376,608)

(Continued)

**JAGUAR LANDROVER KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	March 31, 2020	March 31, 2019
	(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	421,522,000	2,415,126,105
Increase in leasehold deposits	34,412,300	33,248,600
Increase in other deposits	-	29,540,000
Subtotal	(455,934,300)	(2,585,114,705)
Net cash used in investing activities	(455,934,300)	(2,585,114,705)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash inflows from financing activities:	-	-
Cash outflows for financing activities:	-	-
Net cash used in financing activities	-	-
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,525,843,984	(32,329,491,313)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	6,533,074,685	38,862,565,998
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 10)</b>	₩ 18,058,918,669	₩ 6,533,074,685

(Concluded)

See accompanying notes to the financial statements.

**JAGUARLANDROVER KOREA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

**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, 2020, 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 16, 2020, which will be submitted for approval to the shareholder’ meeting to be held on June 30, 2020.

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

a. Statement of compliance

The financial statements have been prepared in accordance with Accounting Standards for Non-public Entities in the Republic of Korea (“K-GAAP”), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise noted.

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

### c. Use of estimates and judgments

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 - Deferred revenue
- Note 5 - Provision for warranties
- Note 9 - Income taxes
- Note 15 - Commitments and Contingencies

### d. 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.

### e. 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.

### f. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

### g. 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 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.

### h. 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

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

### **i. Intangible assets**

Intangible assets measured at acquisition cost less accumulated amortization.

Intangible assets are amortized using the straight-line method from the time when the assets are ready for use over their economic useful lives(3 or 5 years) with zero residual value.

Amortization expense is recognized as selling and administrative expense or cost of sales for all other cases, as incurred.

### **j. Impairment of Assets**

At the end of the 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.

### **k. 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 to GBP 1.00 , at March 31, 2019. 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 ₩1,137.80 to USD 1.00 , ₩1,485.45 at March 31, 2019. There was no foreign currency assets and liabilities as of March 31, 2020.

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

### 1. 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 ₩575,897 thousand and ₩140,540 thousand for the years ended March 31, 2020 and 2019, respectively.

### m. 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.

### n. 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.

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

### **o. 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 asset and liability in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expenses are included in income tax expense in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholder's equity in current or prior periods, or business combinations is directly adjusted to equity account or goodwill (or a gain from a bargain purchase in business combination).

### 3. INVENTORIES:

Details of inventories as of March 31, 2020 and 2019 are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Merchandise	₩ 121,523,176	₩ 306,514,031
Parts	40,739,340	44,261,072
Inventory in transit	32,205,629	40,259,507
Valuation reserve	(5,285,106)	(2,800,166)
Total	<u>₩ 189,183,039</u>	<u>₩ 388,234,444</u>

The loss on valuation of inventory, which was included in the cost of sales, amounted to ₩2,484,940 thousand for year ended March 31, 2020 and the reversal on valuation of inventory, which was included in the cost of sales, amounted to ₩411,989 thousand for year ended March 31, 2019.

### 4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2020 and 2019 are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Beginning balance	₩ 117,062,185	₩ 86,898,502
Provision	38,722,217	56,894,487
Usage	(29,069,466)	(26,730,804)
Ending balance	<u>₩ 126,714,936</u>	<u>₩ 117,062,185</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, 2020 and 2019 are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Beginning balance	₩ 4,332,875	₩ 6,675,848
Provision	7,123,811	9,702,547
Usage	<u>(8,315,827)</u>	<u>(12,045,520)</u>
Ending balance	<u>₩ 3,140,859</u>	<u>₩ 4,332,875</u>

## 6. CAPITAL STOCK:

Details of capital stock as of March 31, 2020 and 2019 are as follows (In Korean won):

	March 31, 2020	March 31, 2019
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 per share	<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, 2020 and 2019.

## 7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2020 and 2019 are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	₩ 713	40
Net income	48,671,590	13,356,974
Interim dividend	-	-
End of period	<u>48,672,303</u>	<u>13,357,014</u>
APPROPRIATION		
Dividend	<u>(48,672,303)</u>	<u>(13,356,301)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ 1</u>	<u>₩ 713</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2020 and 2019 are as follows (In Korean won):

	March 31, 2020	March 31, 2019
Dividend		
Dividend per share (Dividend rate)	₩ 4,867,230 (97,345%)	₩ 1,335,630 (26,713%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 48,672,303,000</u>	<u>₩ 13,356,301,000</u>

## 8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2020 and 2019 are calculated as follows (In Korean won):

	March 31, 2020	March 31, 2019
Net income	₩ 48,671,590,921	₩ 13,356,973,970
Number of common share outstanding	10,000	10,000
Earnings per share	₩ 4,867,159	₩ 1,335,697

The number of common shares outstanding was not changed for the years ended March 31, 2020 and 2019.

## 9. INCOME TAX:

### (1) Details of income tax expense

Income tax expense for the years ended March 31, 2020 and 2019 are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Current income tax charge	₩ 10,003,701	₩ 8,389,618
Changes in deferred tax assets (Note)	4,839,612	(4,572,070)
Additional payment of income taxes applicable to prior year	206,323	-
Income tax expense	₩ 15,049,636	₩ 3,817,548

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2020 and 2019, are as follows (in thousands of Korean won):

	March 31, 2020	March 31, 2019
Beginning balance	₩ 45,287,605	₩ 40,715,535
Ending balance	40,447,993	45,287,605
Changes in deferred tax assets	₩ 4,839,612	₩ (4,572,070)

## 9. INCOME TAX: Continued

### (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, 2020 and 2019, are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Income before income tax expense	₩ 63,721,227	₩ 17,174,522
Statutory tax rate	<u>11%, 24.2%</u>	<u>11%, 24.2%</u>
Income tax expense at statutory rate	14,958,537	3,756,395
Adjustments (Note)	<u>91,099</u>	<u>61,153</u>
Income tax expense	<u>₩ 15,049,636</u>	<u>₩ 3,817,548</u>
Effective tax rate	<u>23.62%</u>	<u>22.23%</u>

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2020 and 2019, are as follows (In thousands of Korean won):

	March 31, 2020	March 31, 2019
Non-deductible expenses	₩ 184,762	₩ 50,964
Additional payment of income taxes applicable to prior year	206,323	-
Others	<u>(299,986)</u>	<u>10,189</u>
Total	<u>₩ 91,099</u>	<u>₩ 61,153</u>

## 9. INCOME TAX: Continued

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2020 and 2019, are as follows (In thousands of Korea won):

	March 31, 2020	March 31, 2019
<u>&lt;Accumulated temporary differences&gt;</u>		
Beginning balance, net	₩ 187,138,864	₩ 168,246,013
Increase in the current period	(19,998,398)	18,892,851
Ending balance, net	167,140,465	187,138,864
Income tax rate (Note)	24.2%	24.2%
Deferred tax assets	₩ 40,447,993	₩ 45,287,605
<u>&lt;Deferred tax assets&gt;</u>		
Current assets	₩ 16,741,174	₩ 21,706,323
Non-current assets	23,706,819	23,581,282
Deferred tax assets	₩ 40,447,993	₩ 45,287,605

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

## 10. STATEMENTS OF CASH FLOWS:

The Company's statements of cash flows are prepared using the indirect method. The cash and cash equivalents in the statements of cash flows are the same as the cash and cash equivalents in the statements of financial position.

Significant non-cash transactions for the years ended March 31, 2020 and 2019, are as follows (In thousands of Korea won):

Description	March 31, 2020	March 31, 2019
Dividends payable	₩ 13,356,301	₩ 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, 2020 and 2019 are as follows (In thousands of Korean won and foreign currencies):

	March 31,2020		March 31,2019	
	Foreign currencies	Korean won equivalent	Foreign Currencies	Korean won equivalent
<u>Liabilities:</u>				
Accounts payable – trade	USD	- ₩	USD	4,902 ₩
Accounts payable – trade	GBP	-	GBP	30,106
				34,159

## 12. INSURANCE:

Insured coverage carried by the Company as of March 31, 2020 is as follows (In thousands of Korean won and foreign currencies):

Insured	Insured coverage	Insured period	Insurance company
Directors and officers Insurance	KRW 1,155,134,000	2019.7.01 ~ 2020.6.30	Allianz Global Corporate & Specialty SE Korea Branch
Commercial Liability Insurance	GBP 2,000,000	2019.5.31 ~ 2020.5.31	Mitsui Sumitomo Insurance
Product Guarantee	KRW 1,040,000,000	2015.1.29 ~ 2022.5.22	Hyundai Marine & Fire Insurance
Personal information protection insurance	KRW 500,000,000	2020.1.1 ~ 2021.1.1	Hyundai Marine & Fire Insurance
Car repair (EW) Insurance	KRW 25,868,836,000	2017.3.31 ~ 2026.5.30	Hyundai Marine & Fire Insurance
Property package insurance	KRW 543,315,043,000	2019.6.1~ 2020.5.31	Hanwha General Insurance Co., Ltd.
Employee welfare Insurance	KRW 7,200,000,000	2019.10.14 ~2020.10.14	Samsung Fire & Marine Insurance Co., Ltd.

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

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

Significant transactions and account balances with related parties as of and for the years ended March 31, 2020 and 2019 are as follows (In thousands of Korean won):

Description	Related parties	March 31, 2020	March 31, 2019
<u>Transactions:</u>			
Vehicle purchase	Jaguar Land Rover Ltd.	₩ (232,566,374)	₩ (928,223,222)
Parts purchase		(68,723,425)	(86,724,471)
Gain on transfer price adjustment		-	51,168,338
Warranty		61,553,941	34,385,155
Others		1,262,038	(1,444,971)
Purchases and other	Jaguar Land Rover MENA	-	(33,800)
Purchases and other	TATA Consultancy Services	-	(89,804)
Purchases and other	Spark44 Limited Seoul.	(1,721,190)	(2,465,113)
<u>Accounts balances:</u>			
Accounts receivable - other (Note)	Jaguar Land Rover Ltd.	₩ 115,449,315	₩ 11,667,628
Accounts payable - trade	Jaguar Land Rover Ltd.	74,456,411	208,529,636
Accounts payable - trade	Jaguar Land Rover MENA	-	33,800
Accounts payable - trade	Spark44 Limited Seoul	133,022	196,443
Dividends payable	Jaguar Land Rover Ltd.	27,994,234	14,637,933

(Note) The amounts represent purchase and other include gain on transfer price adjustment.

### **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 cost of sales for the year ended March 31, 2020 and other income (expenses) for the year ended March 31, 2019.

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 cost of sales for the years ended March 31, 2020. Gain on transfer price for inventory purchase in current year is ₩103,280 Million and Gain on transfer price as a result of Advance pricing agreement (APA) for inventory purchase in previous years is ₩44,130 Million. Total amount is included in cost of sales.

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

### (1) Retailer and Repairer Agreement

As of March 31, 2020, the Company has entered into dealer sales and service agreements with 10 companies, including Chunil Automobile, KCC Automobile and others.

### (2) Litigations

As of March 31, 2020, the Company is involved in two legal litigation cases as a defendant with total claim amounting to ₩304 millions of Korean won. The ultimate outcome of the litigation cannot be determined yet.

### (3) As of March 31, 2020, the Company maintains general loan commitment of ₩15 billions of Korean won with Citibank Korea Inc.

## **16. VALUE-ADDED INFORMATION:**

Details of valued-added information included in cost of sales and selling and administrative expense for the years ended March 31, 2020 and 2019 are as follows (In thousands of Korean won):

Description	March 31, 2020	March 31, 2019
Salary	₩ 5,567,560	₩ 5,744,322
Provision for severance indemnities	385,465	624,970
Employee welfare	1,273,852	1,625,262
Depreciation	611,632	602,061
Amortization	2,314,171	2,215,136
Rent	4,060,362	4,247,470
Taxes and dues	1,181,358	136,024

## 17. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2020 and 2019 are as follows  
(In thousands of Korean won):

	March 31, 2020	March 31, 2019
Salary	₩ 5,567,560	₩ 5,744,322
Provision for severance indemnities	385,465	624,970
Employee welfare	1,273,852	1,625,262
Education	39,074	113,204
Contribution to warranty provision	7,123,811	9,702,547
Vehicle maintenance	517,061	580,646
Fee	2,670,364	3,448,426
Transportation	1,789,965	1,621,784
Supplies	63,042	105,446
Repairs and maintenance	699,055	663,608
Depreciation	611,632	602,061
Amortization	187,333	2,215,136
Communication	949,417	1,134,737
Rent	4,060,362	4,247,470
Travel	339,033	499,850
Insurance	79,146	76,087
Entertainment	103,556	104,226
Taxes and dues	1,181,358	136,024
Membership fee	73,385	89,987
Advertising	17,615,115	29,591,337
Promotion	8,494,668	11,888,644
Bad debt	1,107,604	55,562
Others	41,629	158,512
Total	<u>₩ 54,973,487</u>	<u>₩ 75,029,848</u>

## 18. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2020 and 2019 are as follows (In thousands of Korean won):

### March 31, 2020

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 76,061,820	₩ -	₩ 76,061,820
Accounts payable-other	29,340,531	-	29,340,531
Accrued expenses	70,253,650	-	70,253,650
Dividends payable	<u>27,994,234</u>	<u>-</u>	<u>27,994,234</u>
	<u>₩ 203,650,235</u>	<u>₩ -</u>	<u>₩ 203,650,235</u>

### 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>₩ 356,827,475</u>	<u>₩ -</u>	<u>₩ 356,827,475</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.

## 19. SUBSEQUENT EVENTS:

COVID-19 pandemic, the world-wide outbreak, has resulted in the implementation of significant governmental measures, including lockdowns, quarantines, entry restrictions and travel bans intended to control the spread of the virus. The ultimate impact of the COVID-19 pandemic on the Company's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but is anticipated to have an adverse impact on our business, financial condition and results of operations

## 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 Assessment of Internal Accounting Control System (“IACS”) of Jaguar Land Rover Korea Co., Ltd. (the “Company”) as of March 31, 2020. 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, 2020, 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 Assessment 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 Accounting Standards for Non-public Entities. 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 Assessment of Internal Accounting Control System as of March 31, 2020 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 March 31, 2020. We did not review the Company's IACS subsequent to March 31, 2020. 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.



Seoul, Korea  
June 5, 2020

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2020 and the review of Internal accounting control system pursuant to Article 7-8 of the Act on External Audits of Corporations in 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, 2020

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, 2020, in all material respects, in accordance with the IACS Framework.

April 27, 2020

Internal Accounting Control Officer

JiWoong Kang



Chief Executive Officer

JungHyun Baek

