

**JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report  
For the Year Ended March 31, 2019 and for the period from  
December 18, 2017(date of establishment) to March 31, 2018**



安侯建業聯合會計師事務所  
KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666  
Fax 傳真 + 886 (2) 8101 6667  
Internet 網址 kpmg.com/tw

## 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, 2019 and 2018, 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, 2019 and 2018, 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 of 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 7, 2019

### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its 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, 2019 and 2018

(Amounts Expressed in New Taiwan Dollars)

Assets	March 31, 2019		March 31, 2018	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents (note 5(a))	\$ 118,375,441	6	36,297,285	11
Accounts receivable(note 5(b))	20,905,722	1	-	-
Other receivables-related parties(note 5(b) and 6)	62,640,362	3	-	-
Inventories (note 5(c))	1,781,268,308	89	301,740,964	89
Prepayments	18,319,359	1	29,874	-
<b>Total current assets</b>	<b>2,001,509,192</b>	<b>100</b>	<b>338,068,123</b>	<b>100</b>
<b>Non-current assets:</b>				
Non-current financial assets	4,674,261	-	208,248	-
<b>Total assets</b>	<b>\$ 2,006,183,453</b>	<b>100</b>	<b>338,276,371</b>	<b>100</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Accounts payable (note 5(d))	\$ 15,985,834	1	3,156,377	1
Accounts payable-related parties (note 5(d) and 6)	1,274,768,860	64	298,584,587	88
Other payable (note 5(d))	446,452,504	22	2,232,316	1
Other payable-related parties (note 5(d) and 6)	219,715,979	11	3,071,642	1
Current deferred revenue(note 5(i))	12,798,295	-	-	-
Current provisions(note 5(e))	24,880,905	1	-	-
Other current liabilities(note 5(e))	1,449,605	-	90,054	-
<b>Total current liabilities</b>	<b>1,996,051,982</b>	<b>99</b>	<b>307,134,976</b>	<b>91</b>
Non-current deferred revenue(note 5(i))	80,174,258	4	-	-
Non-current provisions(note 5(e))	30,626,501	2	-	-
<b>Total non-current liabilities</b>	<b>110,800,759</b>	<b>6</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,106,852,741</b>	<b>105</b>	<b>307,134,976</b>	<b>91</b>
<b>Equity (note 5(h)):</b>				
Ordinary shares	38,500,000	2	38,500,000	11
Accumulated deficit	(139,169,288)	(7)	(7,358,605)	(2)
<b>Total equity</b>	<b>(100,669,288)</b>	<b>(5)</b>	<b>31,141,395</b>	<b>9</b>
<b>Total liabilities and equity</b>	<b>\$ 2,006,183,453</b>	<b>100</b>	<b>338,276,371</b>	<b>100</b>

See accompanying notes to financial statements.

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Statements of Comprehensive Income

For the year ended March 31, 2019 and for the period from December 18, 2017  
(date of establishment) to March 31, 2018

(Amounts Expressed in New Taiwan Dollars)

	April 1, 2018 ~March 31, 2019		December 18, 2017 ~March 31, 2018	
	Amount	%	Amount	%
Operating Revenue (note 5(i))	\$ 2,952,879,901	100	-	-
Operating Cost (note 5(c))	(2,709,192,175)	(92)	-	-
<b>Gross profit from operations</b>	243,687,726	8	-	-
Operating expenses (note 5(f) and 6)	(386,798,736)	(13)	(7,358,974)	-
<b>Net operating loss</b>	(143,111,010)	(5)	(7,358,974)	-
<b>Non-operating income and expenses:</b>				
Other income	13,898,338	1	-	-
Interest income	14,883	-	595	-
Interest expense	(2,612,894)	-	(226)	-
<b>Total non-operating income and expenses</b>	11,300,327	1	369	-
Loss before income tax	(131,810,683)	(4)	(7,358,605)	-
Less : Income tax expense (note 5(g))	-	-	-	-
<b>Net loss</b>	(131,810,683)	(4)	(7,358,605)	-
<b>Other comprehensive income (loss), net</b>	-	-	-	-
<b>Total comprehensive income (loss), net</b>	<u>\$ (131,810,683)</u>	<u>(4)</u>	<u>(7,358,605)</u>	<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, 2019 and for the period from December 18, 2017  
(date of establishment) to March 31, 2018

(Amounts Expressed in New Taiwan Dollars)

	Ordinary Shares	Unappropriated retained earnings	Total equity
<b>Balance at December 18, 2017(date of establishment)</b>	\$ 38,500,000	-	38,500,000
Net (loss)	-	(7,358,605)	(7,358,605)
Other comprehensive income (loss)	-	-	-
Total comprehensive income (loss)	-	(7,358,605)	(7,358,605)
<b>Balance on March 31, 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>	<u>\$ 38,500,000</u>	<u>(139,169,288)</u>	<u>(100,669,288)</u>

See accompanying notes to financial statements.

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Statements of Cash Flows

For the year ended March 31, 2019 and for the period from December 18, 2017  
(date of establishment) to March 31, 2018

(Amounts Expressed in New Taiwan Dollars)

	April 1, 2018 ~ March 31, 2019	December 18, 2017 ~ March 31, 2018
<b>Cash flows from (used in) operating activities:</b>		
Loss before income tax	\$ (131,810,683)	(7,358,605)
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Interest income	(14,883)	(595)
Interest expense	2,612,894	226
Recognized on deferred revenue	92,972,553	-
Provisions	27,252,436	-
	<u>(8,987,683)</u>	<u>(7,358,974)</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(20,905,722)	-
Prepayments	(18,289,485)	(29,874)
Inventories	(503,343,071)	-
Other receivables	(564,017)	-
Account payable	12,829,457	-
Other payables (including related parties)	456,161,316	5,303,958
Utilisation of provisions	(33,821,375)	-
Other current liabilities	1,359,551	90,054
Cash outflow generated from operations	(115,561,029)	(1,994,836)
Interest received	14,883	595
Interest paid	-	(226)
<b>Net cash flows used in operating activities</b>	<u>(115,546,146)</u>	<u>(1,994,467)</u>
<b>Cash flows from (used in) investing activities:</b>		
Increase in non-current financial assets	(4,466,013)	(208,248)
<b>Net cash flows used in investing activities</b>	<u>(4,466,013)</u>	<u>(208,248)</u>
<b>Cash flows from (used in) financing activities:</b>		
Other payable-related parties	202,090,315	-
Issuance of common stock	-	38,500,000
<b>Net cash flows from financing activities</b>	<u>202,090,315</u>	<u>38,500,000</u>
<b>Net increase in cash and cash equivalents</b>	82,078,156	36,297,285
<b>Cash and cash equivalents at beginning of period</b>	36,297,285	-
<b>Cash and cash equivalents at end of period</b>	<u>\$ 118,375,441</u>	<u>36,297,285</u>

See accompanying notes to financial statements.

# **JAGUAR LAND ROVER TAIWAN COMPANY LIMITED**

## **Notes to the Financial Statements**

**For the year ended March 31, 2019 and for the period from December 18, 2017 (date of establishment) to March 31, 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 and the provision of after sales business.

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

These financial statements were authorized for issuance by the board of directors on May 7, 2019.

### **(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, which is the Company’s functional currency.

#### **(c) Foreign currencies**

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency exchange differences are recognized in profit or loss.

Non-monetary items in a foreign currency that are measured at fair value are retranslated using the exchange rate at the date when 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. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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## 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 period; 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 period.

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 period; or
- (iv) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

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

#### (e) Cash and cash equivalents

Cash comprises 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.

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## 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 default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

#### 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 presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or losses are included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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 at the time of 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 included in non-operating income and expenses.

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## 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 removed and the consideration paid (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 existing 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

Operating leases are not recognized in the Company's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is 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 entity 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 entity, 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

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less costs to sell and its value-in-use. When evaluating value-in-use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

#### (k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 finance cost.

The Company's provision for warranties is recognized when the underlying products or services are sold. The provision is 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 defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### (m) Income taxes

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

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year, calculated using the statutory tax rate on the reporting date, the tax payables that are calculated based on the part of prior-year earnings that the shareholders' meeting in the current year decides not to distribute to shareholders using the statutory tax rate, as well as the tax adjustments related to prior years.

Except for the following situation, a deferred tax asset shall be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. At the end of each reporting period, an entity reassesses the unrecognized deferred tax asset and decreases the tax benefits related to those benefits that are not likely to be realized:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.
- (ii) An entity shall recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches, associates, and interests in joint arrangements, to the extent, and only to the extent, it is probable that:
  - 1) the temporary difference will reverse in the foreseeable future; and
  - 2) taxable profit will be available against which the temporary difference can be utilized.

Except for the following situations, the Company shall recognize a deferred tax liability for all taxable temporary differences:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.
- (ii) A deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches, associates, and interests in joint arrangements for which the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.
- (iii) Initial recognition of goodwill.

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 are normally tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company shall offset current tax assets and current 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 on a net basis or to realize the asset and settle the liability simultaneously.

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# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Notes to the Financial Statements

### (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. It 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) other current liabilities.

### (5) Explanation of significant accounts

#### (a) Cash and cash equivalents

	March 31, 2019	March 31, 2018
Demand deposits	\$ 118,375,441	36,297,285
Cash and cash equivalents in the statement of cash flows	<u>\$ 118,375,441</u>	<u>36,297,285</u>

#### (b) Accounts receivable and Other receivables

	March 31, 2019	March 31, 2018
Accounts receivables	\$ 20,905,722	-
Other receivables	62,640,362	-
Less: Allowance for doubtful receivables	-	-
	<u>\$ 83,546,084</u>	<u>29,874</u>

The movement of allowance for doubtful receivables for the year ended March 31, 2019, and for the period from December 18, 2017 (date of establishment) to March 31, 2018, was as follows:

	April 1, 2018 ~March 31, 2019	December 18, 2017 ~March 31, 2018
Allowance for doubtful receivables	<u>\$ -</u>	<u>-</u>

#### (c) Inventory

	March 31, 2019	March 31, 2018
Goods in transit-vehicles	\$ 78,234,893	295,036,826
Goods in transit-spare parts	7,636,203	3,547,761
Vehicles	1,622,858,680	-
Spare parts	78,234,893	3,156,377
	<u>\$ 1,786,964,669</u>	<u>301,740,964</u>

(Continued)

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Notes to the Financial Statements

Costs of goods sold as below:

	April 1, 2018 ~March 31, 2019	December 18, 2017 ~March 31, 2018
Costs of inventories sold	\$ 2,705,682,602	-
Inventory impairment loss	3,509,573	-
	<u>\$ 2,709,192,175</u>	<u>-</u>

As of March 31, 2019 and 2018, the inventories of the Company had not been pledged as collateral for borrowings.

(d) Payables

	March 31, 2019	March 31, 2018
Accounts payable-payment, tax and inspection cost	\$ 15,985,834	3,156,377
Accounts payable-related parties-payment	1,274,768,860	298,584,587
	<u>\$ 1,290,754,694</u>	<u>301,740,964</u>
Other payables-accrued variable dealer expense	\$ 93,521,278	-
Other payables-advertising promotion fee and subsidy	250,954,685	-
Other payables-marketing cost	71,935,045	-
Other payables-other	30,041,496	2,232,316
Other payables-related parties-loans and cash advance	202,090,315	3,071,642
Other payables-related parties-training fee, etc.	17,625,664	-
	<u>\$ 666,168,483</u>	<u>5,303,958</u>

(e) Provisions

	Warranties
Balance at April 1, 2018	\$ -
Provisions made during the year	88,201,261
Provisions used during the year	(32,693,855)
Balance at March 31, 2019	<u>\$ 55,507,406</u>
Current	\$ 24,880,905
Non-current	30,626,501
	<u>\$ 55,507,406</u>

The provision for warranties relates mainly to passenger car sold during the years ended March 31, 2019 and 2018. The provision is based on estimates made from historical warranty data.

(Continued)

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

(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 \$1,420,030 and \$175,306 for the years ended March 31, 2019 and for the period from December 18, 2017 (date of establishment) to March 31, 2018, respectively.

(g) Income taxes

(i) Income tax expense

The components of income tax for the years ended March 31, 2019 and for the period from December 18, 2017 (date of establishment) to March 31, 2018 were as follows:

	April 1, 2018 ~ March 31, 2019	December 18, 2017 ~ March 31, 2018
Current tax expense:		
Current period	\$ -	-
Income tax expense	\$ -	-

(ii) Assessment of Tax

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

(h) Share capital and other equity

(i) Share capital

As of March 31, 2019 and 2018, the authorized capital of the Company consisted of 38,500,000 shares, 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.

(Continued)

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Notes to the Financial Statements

### 1) Legal reserve

According to the amendment of the ROC Company Act in November 2016, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. 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.

### 2) Earnings distribution

None.

### (i) Revenue

The details of revenue for the year ended March 31, 2019, and for the period from December 18, 2017(date of establishment) to March 31, 2018, were as follows:

	April 1, 2018 ~March 31, 2019	December 18, 2017 ~March 31, 2018
Sale of goods	\$ <u>2,952,879,901</u>	<u>-</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, 2019, and 2018, the balances of deferred revenue are \$92,972,553 and \$0, 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 incurred loss before tax for the period for the years ended March 31, 2019 and for the period from December 18, 2017(date of establishment) to March 31, 2018.

### (k) Classification of financial assets and financial liabilities

#### (i) Financial assets

	March 31, 2019	March 31, 2018
Loans and receivables:		
Cash and cash equivalents	\$ 118,375,441	36,297,285
Accounts receivable	20,905,722	-
Other receivables	62,640,362	208,248
Non-current financial assets	<u>4,674,261</u>	<u>-</u>
Total	<u>\$ 206,595,786</u>	<u>36,505,533</u>

(Continued)



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

(ii) Financial liabilities

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Accounts payable	\$ 15,985,834	3,156,377
Accounts payable-related parties	1,274,768,860	298,584,587
Other payable	446,452,504	2,232,316
Other payable-related parties	<u>219,715,979</u>	<u>3,071,642</u>
Total	<u>\$ 1,956,923,177</u>	<u>307,044,922</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

(c) Significant transactions with related parties

(i) Purchases

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

	<u>April 1, 2018 ~ March 31, 2019</u>	<u>December 18, 2017 March 31, 2018</u>
Parent company	<u>\$ 2,914,638,200</u>	<u>298,584,587</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.

(Continued)

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Notes to the Financial Statements

### (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, 2019</u>	<u>March 31, 2018</u>
Account payable	Parent company	\$ 1,274,768,860	298,584,587
Other receivable	Parent company	62,076,345	-
Other receivable	Other related parties	564,017	-
Other payable	Parent company	17,625,664	2,586,367
Other payable	Other related parties	-	485,275
		<u>\$ 1,355,034,886</u>	<u>301,656,229</u>

### (iii) Loans from Related Parties

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

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Parent company	<u>\$ 202,090,315</u>	<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.

### (iv) Others

For the year ended March 31, 2019 and for the period from December 18, 2017 (the date of establishment) to March 31, 2018, the Company recognized its payroll, training cost, and promotion expenses of \$48,642,015 and \$2,586,367, 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

	<u>April 1, 2018 ~March 31, 2019</u>	<u>December 18, 2017 ~March 31, 2018</u>
Short-term employee benefits	<u>\$ 8,151,168</u>	<u>-</u>

(Continued)

# JAGUAR LAND ROVER TAIWAN COMPANY LIMITED

## Notes to the Financial Statements

### (7) Other

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

By function By item	April 1, 2018 ~ March 31, 2019			December 18, 2017 March 31, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	-	34,494,021	34,494,021	-	1,778,870	1,778,870
Labor and health insurance	-	3,092,409	3,092,409	-	114,384	114,384
Pension	-	1,420,030	1,420,030	-	175,306	175,306
Others	-	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. Nevertheless, the operating scale of the Company will grow in the future, and the Company gets the shareholder's commitment letter for ongoing offering the capital. Then, the capital structure is expected to be improved.

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