

JAGUAR LAND ROVER KOREA CO., LTD.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
MARCH 31, 2023 AND 2022
(With Independent Auditors' Report Thereon)**

Contents

	Pages
Independent Auditor’s Report	1-3
 Financial Statements	
Statements of Financial Position	5-6
Statements of Income	7
Statements of Changes in Shareholder’s Equity	8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-27
Independent Auditors’ Review Report on Internal Accounting Control System	28-29
Report on the Assessment of Internal Accounting Control System	30

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, 2023 and 2022, 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, 2023 and 2022, 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
May 23, 2023

This report is effective as of May 23, 2023 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.

JAGUAR LAND ROVER KOREA CO., LTD.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
MARCH 31, 2023 and 2022**

The accompanying financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, Jaguar Land rover Korea Co., Ltd.

Robin Michael Colgan
Chief Executive Officer
JAGUAR LAND ROVER KOREA CO., LTD.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2023 AND 2022

<u>A S S E T S</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	(In Korean won)	
CURRENT ASSETS:		
Cash and cash equivalents	₩ 58,100,837,370	₩ 60,071,195,507
Accounts receivable - trade, net of allowance for doubtful accounts of ₩224,083,260 as of March 31, 2023 and ₩258,963,279 as of March 31, 2022	18,325,788,269	17,290,181,592
Accounts receivable - other (Note 12)	63,192,414,426	17,120,531,395
Accrued income	94,308,783	59,995,623
Advance payments	100,000,000	100,000,000
Prepaid expenses	333,165,473	330,760,044
Prepaid special consumption tax	1,652,215,286	488,518,273
Value-added tax receivable	-	2,630,388,049
Deferred income tax assets (Note 9)	12,820,772,636	12,472,043,649
Short term Loans	-	3,771,000,000
Inventories, net (Notes 3,12)	<u>137,064,922,644</u>	<u>61,478,433,097</u>
 Total Current Assets	 <u>291,684,424,887</u>	 <u>175,813,047,229</u>
NON-CURRENT ASSETS:		
Property and equipment, net	196,536,558	32,377,808
Intangible assets	12,350,418	96,345,098
Leasehold deposits	1,410,650,000	1,410,650,000
Other deposits, net of allowance for doubtful accounts of ₩1,340,862,102 as of March 31, 2023 and ₩1,511,345,451 as of March 31, 2022 (Note 14)	3,882,390,000	4,032,530,000
Deferred income tax assets (Note 9)	<u>16,178,585,154</u>	<u>18,949,581,637</u>
 Total Non-current Assets	 <u>21,680,512,130</u>	 <u>24,521,484,543</u>
 TOTAL ASSETS	 <u>₩ 313,364,937,017</u>	 <u>₩ 200,334,531,772</u>

(Continued)

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF MARCH 31, 2023 and 2022

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	(In Korean won)	
CURRENT LIABILITIES:		
Accounts payable - trade (Notes 12,17)	₩ 118,115,809,666	₩ 10,488,331,960
Accounts payable - other (Notes 17)	27,930,816,915	17,720,576,983
Accrued expenses (Note 12,17)	41,865,599,380	73,276,685,676
Advance receipts	219,678,733	88,780,140
Value-added tax payable	806,875,255	-
Current income tax liabilities	3,422,196,149	-
Deferred revenue (Note 4)	28,827,545,963	32,745,671,011
Current warranty provision(Note 5)	<u>5,000,712,055</u>	<u>1,125,010,983</u>
 Total Current Liabilities	 <u>226,189,234,116</u>	 <u>135,445,056,753</u>
 NON-CURRENT LIABILITIES:		
Accrued severance indemnities, net	2,564,950,751	2,330,376,290
Warranty provision (Note 5)	2,258,518,574	590,605,635
Deferred revenue (Note 4)	<u>61,016,513,417</u>	<u>47,307,036,521</u>
 Total Non-Current Liabilities	 <u>65,839,982,742</u>	 <u>50,228,018,446</u>
 TOTAL LIABILITIES	 <u>292,029,216,858</u>	 <u>185,673,075,199</u>
 SHAREHOLDER'S EQUITY:		
Capital stock (Notes 1,6)	50,000,000	50,000,000
Additional paid-in capital (Note 6)	5,933,957,086	5,933,957,086
Retained earnings (Note 7)	<u>15,351,763,073</u>	<u>8,677,499,487</u>
 TOTAL SHAREHOLDER'S EQUITY	 <u>21,335,720,159</u>	 <u>14,661,456,573</u>
 TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	 <u>₩ 313,364,937,017</u>	 <u>₩ 200,334,531,772</u>

(Concluded)

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2023 and 2022

	March 31, 2023	March 31, 2022
	(In Korean won)	
SALES :		
Sales of merchandise	₩ 552,129,019,188	₩ 262,630,379,598
Sales of parts	108,487,676,983	102,733,554,722
Rendering of services	632,804,902	344,000,000
Subtotal	661,249,501,073	365,707,934,320
COST OF SALES (Notes 3,12,13):		
Cost of sales of merchandise	(517,204,433,288)	(230,992,224,418)
Cost of sales of parts	(84,121,479,365)	(96,102,173,735)
Subtotal	(601,325,912,653)	(327,094,398,153)
GROSS PROFIT	59,923,588,420	38,613,536,167
SELLING AND ADMINISTRATIVE EXPENSES (Note 16)	(41,740,571,315)	(28,563,954,201)
OPERATING INCOME	18,183,017,015	10,049,581,966
OTHER INCOME (EXPENSES):		
Interest income	411,696,870	212,111,838
Gain or Loss on foreign currency transactions, net	7,344,175	7,386,228
Donation	(85,699,087)	(109,434,997)
Others, net	2,690,948,818	1,795,641,417
Subtotal	3,024,290,776	1,905,704,486
INCOME BEFORE INCOME TAX EXPENSE	21,207,307,881	11,955,286,452
INCOME TAX EXPENSE (Note 9)	(5,880,544,815)	(3,302,786,972)
NET INCOME	₩ 15,326,763,066	₩ 8,652,499,480
EARNINGS PER SHARE (Note 8)	₩ 1,532,676	₩ 865,250

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2023 and 2022

	<u>Capital stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
	(In Korean won)			
Balance, April 1, 2021	₩ 50,000,000	₩ 5,933,957,086	₩ 6,139,470,007	₩ 12,123,427,093
Dividend payment	-	-	(6,114,470,000)	(6,114,470,000)
Net income	-	-	8,652,499,480	8,652,499,480
Balance, March 31, 2022	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 8,677,499,487</u>	<u>₩ 14,661,456,573</u>
Balance, April 1, 2022	₩ 50,000,000	₩ 5,933,957,086	₩ 8,677,499,487	₩ 14,661,456,573
Dividend payment	-	-	(8,652,499,480)	(8,652,499,480)
Net income	-	-	15,326,763,066	15,326,763,066
Balance, March 31, 2023	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 15,351,763,073</u>	<u>₩ 21,335,720,159</u>

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 and 2022

	March 31, 2023	March 31, 2022
	(In Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 15,326,763,066	₩ 8,652,499,480
Adjustments for:		
Provision for severance indemnities	545,357,133	590,719,159
Warranty provision	9,612,572,675	764,776,115
Depreciation	58,749,876	21,440,000
Amortization	83,994,680	407,286,957
Reversal of bad debt expense	(205,363,368)	(1,026,477,529)
Loss(Gain) on valuation of inventories	1,789,087,831	(2,099,979,135)
Loss on disposal of property and equipment	2,091,374	-
Subtotal	11,886,490,201	(1,342,234,433)
Changes in operating assets and liabilities:		
Accounts receivable - trade	(1,000,726,658)	4,954,932,746
Accounts receivable - other	(46,071,883,031)	49,128,518,520
Accrued income	(34,313,160)	(47,244,128)
Advance payments	-	(80,000,000)
Prepaid expenses	(2,405,429)	878,683,866
Prepaid special consumption tax	(1,163,697,013)	434,283,637
Value-added tax receivable	2,630,388,049	(2,630,388,049)
Deferred income tax assets	2,422,267,496	3,105,548,292
Inventories	(77,375,577,378)	3,150,345,372
Accounts payable - trade	107,627,477,706	3,854,880,632
Accounts payable - other	10,210,239,932	(5,802,067,042)
Accrued expenses	(31,411,086,296)	17,403,192,808
Advance receipts	130,898,593	88,397,996
Value-added tax payable	806,875,255	(675,669,033)
Current income tax liabilities	3,422,196,149	(798,082,954)
Deferred revenue	9,791,351,848	(24,964,768,658)
Warranty provision	(4,068,958,664)	(1,076,945,629)
Restructuring cost provision	-	(1,020,608,193)
Payments of severance indemnities	(310,782,672)	(785,301,125)
Subtotal	(24,397,735,273)	45,117,709,058
Net cash provided by operating activities	2,815,517,994	52,427,974,105

(Continued)

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2023 and 2022

	March 31, 2023	March 31, 2022
(In Korean won)		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in other deposits	320,623,349	509,657,438
Decrease in short-term loans	3,771,000,000	-
Subtotal	4,091,623,349	509,657,438
Cash outflows for investing activities:		
Acquisition of equipment	225,000,000	-
Acquisition of software	-	5,572,000
Increase in short-term loans	-	3,771,000,000
Increase in other deposits	-	1,891,002,889
Subtotal	(225,000,000)	(5,667,574,889)
Net cash provided by (used in) investing activities	3,866,623,349	(5,157,917,451)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash outflows for financing activities:		
Dividend payment	8,652,499,480	6,114,470,000
Net cash used in financing activities	(8,652,499,480)	(6,114,470,000)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,970,358,137)	41,155,586,654
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	60,071,195,507	18,915,608,853
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	₩ 58,100,837,370	₩ 60,071,195,507

(Concluded)

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2023 and 2022

1. GENERAL:

Jaguar Land Rover 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 Land rover brand vehicles and parts in Korea. As of March 31, 2023, 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 14, 2023, which will be submitted for approval to the shareholder’ meeting to be held on June 30, 2023.

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 - Warranty provision

Note 9 - Income tax

Note 14 - 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. 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 estimates an allowance for doubtful accounts based on management’s analysis of the collectability of individual accounts and past experience of collection.

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

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

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(3~5 years) with zero residual value.

j. Impairment of Assets

At the end of the reporting period, the Company reviews the carrying values of assets, except for financial assets, inventories, deferred tax 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 closing exchange rates. Gains or losses arising from foreign currency transactions and the translation of foreign currency assets and liabilities are charged or credited to current operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

l. 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 ₩310,783 thousand and ₩785,301 thousand for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
Merchandise	₩ 31,701,427	₩ 11,197,121
Parts	33,817,068	36,136,678
Inventory in transit	77,762,893	18,572,011
Valuation reserve	(6,216,465)	(4,427,377)
Total	₩ 137,064,923	₩ 61,478,433

The loss on valuation of inventories, which was included in the cost of sales, amounted to ₩1,789,088 thousand for year ended March 31, 2023 and the reversal on valuation of inventories, which was included in the cost of sales, amounted to ₩2,099,979 thousand for year ended March 31, 2022.

4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
Beginning balance	₩ 80,052,708	₩ 105,017,477
Provision	43,125,677	14,565,149
Usage	(33,334,325)	(39,529,918)
Ending balance	₩ 89,844,060	₩ 80,052,708

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:

(1) Changes in warranty provision for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

	March 31, 2023		March 31, 2022	
	Warranty provision	Warranty provision	Restructuring cost provision(*)	
Beginning balance	₩ 1,715,617	₩ 2,027,786	₩ 1,020,608	
Provision	9,612,573	764,777	(20,569)	
Usage	<u>(4,068,959)</u>	<u>(1,076,946)</u>	<u>(1,000,039)</u>	
Ending balance	<u>₩ 7,259,231</u>	<u>₩ 1,715,617</u>	<u>₩ -</u>	

(*) Voluntary resignation was officially announced on March 2021. The cost of restructuring to be paid when they resign was recognized as restructuring cost.

(2) There were no provisions occurred by Atmospheric Environment Conservation Act for the years ended March 31, 2023 and 2022.

6. CAPITAL STOCK:

Details of capital stock as of March 31, 2023 and 2022 are as follows (In Korean won):

	March 31, 2023	March 31, 2022
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, 2023 and 2022.

7. RETAINED EARNINGS:

- (1) The statements of appropriation of retained earnings for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period		
Net income	₩ 15,326,763	₩ 8,652,499
End of period	<u>15,326,763</u>	<u>8,652,499</u>
APPROPRIATION		
Dividend	<u>(15,326,763)</u>	<u>(8,652,499)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ -</u>	<u>₩ -</u>

- (2) Details of calculation of dividend payout ratio for the years ended March 31, 2023 and 2022 are as follows (In Korean won):

	March 31, 2023	March 31, 2022
Dividend		
Dividend per share (Dividend rate)	₩ 1,532,676 (30,654%)	₩ 865,250 (17,305%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 15,326,763,073</u>	<u>₩ 8,652,499,480</u>

8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2023 and 2022 are calculated as follows (In Korean won):

	March 31, 2023	March 31, 2022
Net income	₩ 15,326,763,066	₩ 8,652,499,480
Number of common share outstanding	10,000 shares	10,000 shares
Earnings per share	₩ 1,532,676	₩ 865,250

The number of common shares outstanding was not changed for the years ended March 31, 2023 and 2022.

9. INCOME TAX:

(1) Details of income tax expense

Income tax expense for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
Current income tax charge	₩ 3,479,070	₩ 20,793
Changes in deferred tax assets (*)	2,422,267	3,105,549
Additional payment of income taxes applicable to prior year	(20,793)	176,445
Income tax expense	₩ 5,880,545	₩ 3,302,787

(*) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2023 and 2022, are as follows (in thousands of Korean won):

	March 31, 2023	March 31, 2022
Beginning balance	₩ 31,421,625	₩ 34,527,174
Ending balance	28,999,358	31,421,625
Changes in deferred tax assets	₩ 2,422,267	₩ 3,105,549

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, 2023 and 2022, are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
Income before income tax expense	₩ 21,207,308	₩ 11,955,286
Statutory tax rate	9.9% ~ 23.1%	11% ~ 24.2%
Income tax expense at statutory rate	4,670,169	2,608,163
Adjustments (*)	1,201,376	694,624
Income tax expense	₩ 5,880,545	₩ 3,302,787
Effective tax rate	27.73%	27.63%

(*) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2023 and 2022, are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
Non-deductible expenses	₩ (78,297)	₩ 215,596
Additional payment of income taxes applicable to prior year	(20,793)	176,445
Tax rate change	1,380,922	-
Others	(71,456)	302,583
Total	₩ 1,210,376	₩ 694,624

9. INCOME TAX: Continued

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2023 and 2022, are as follows (In thousands of Korean won):

	March 31, 2023	March 31, 2022
<u><Accumulated temporary differences></u>		
Beginning balance, net	₩ 129,841,427	₩ 142,674,272
Increase in the current period	<u>(4,303,084)</u>	<u>(12,832,845)</u>
Ending balance, net	125,538,343	129,841,427
Income tax rate (*)	<u>23.1%</u>	<u>24.2%</u>
Deferred tax assets	<u>₩ 28,999,358</u>	<u>₩ 31,421,625</u>
<u><Deferred tax assets></u>		
Current assets	₩ 12,820,773	₩ 12,472,044
Non-current assets	<u>16,178,585</u>	<u>18,949,581</u>
Deferred tax assets	<u>₩ 28,999,358</u>	<u>₩ 31,421,625</u>

(*) 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.

There were no significant non-cash transactions for the years ended March 31, 2023 and 2022.

11. INSURANCE:

Insured coverage carried by the Company as of March 31, 2023 is as follows (In thousands of Korean won and foreign currencies):

<u>Insured</u>	<u>Insured coverage</u>	<u>Insured period</u>	<u>Insurance company</u>
Commercial Liability Insurance	GBP 2,000,000	2022.5.31 ~ 2023.5.31	Mitsui Sumitomo Insurance Company, Limited
Directors and officers Insurance	KRW 1,285,256	2022.7.1 ~ 2023.6.30	Allianz Global Corporate & Specialty SE Korea Branch
Personal information protection insurance	KRW 200,000	2023.1.1 ~ 2024.1.1	Hyundai Marine & Fire Insurance
Car repair Insurance	KRW 99,044,476	2017.5.21 ~ 2027.5.30	Hyundai Marine & Fire Insurance
Used car repair insurance	KRW 1,250,000	2020.8.29 ~ 2024.5.30	Hyundai Marine & Fire Insurance
Corporate Insurance	KRW 1,000	2022.7.1 ~ 2026.7.1	Samsung Fire & Marine Insurance
Car repair (EW) Insurance	KRW 900,000	2022.4.1 ~ 2028.4.1	Samsung Fire & Marine Insurance
Property package insurance	KRW 329,264,195	2022.5.31~ 2023.5.31	DB Insurance
Repair Insurance	KRW 350,000	2022.4.1~ 2028.4.1	DB Insurance
Corporate Insurance	KRW 1,000	2022.7.1 ~ 2023.7.6	DB Insurance
Employee welfare Insurance	KRW 246,156,840	2022.10.14~2023.10.14	Meritz Fire & Marine Insurance Co.,Ltd.

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

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

(1) As of the end of the 2023 and the prior 2022, the parent company is as follows.

Description	March 31, 2023	March 31, 2022
Name of parent entity	Jaguar Land Rover Ltd.	Jaguar Land Rover Ltd.

(2) Significant transactions and account balances with related parties as of and for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

Description	Related parties	March 31, 2023	March 31, 2022
<u>Transactions:</u>			
Vehicle purchase(*1)	Jaguar Land Rover Ltd.	₩ (561,618,786)	₩ (198,430,430)
Parts purchase(*1)	Jaguar Land Rover Ltd.	(69,116,982)	(88,061,810)
Warranty	Jaguar Land Rover Ltd.	56,742,319	54,692,534
Others	Jaguar Land Rover Ltd.	(38,816,784)	(1,025,384)
Purchases and other	Spark44 Limited Seoul.(*2)	-	(638,339)
<u>Accounts balances:</u>			
Accounts receivable - other (*3)	Jaguar Land Rover Ltd.	₩ 60,619,630	₩ 15,423,883
Accounts payable - trade	Jaguar Land Rover Ltd.	118,115,810	10,488,332
Transfer price payable	Jaguar Land Rover Ltd.	-	57,354,352

(*1) The purchase amount reflects the special consumption tax and transfer price adjustments gains and losses.

(*2) Excluded from the related parties during this year.

(*3) The amounts include transfer price receivable as of March 31, 2023.

13. 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. Loss on transfer price for inventory purchase in previous year is 18,049 million won and gain on transfer price for inventory purchase in current year is 51,148 million won.

14. COMMITMENTS AND CONTINGENCIES:

(1) Retailer and Repairer Agreement

As of March 31, 2023, the Company has entered into dealer sales and service agreements with 9 companies, including Chunil Automobile, KCC Automobile and others.

(2) Litigations

As of March 31, 2023, the Company is involved in three legal litigation cases as a defendant with total claim amounting to 76 million as of Korean won. The ultimate outcome of the litigation cannot be determined yet.

(3) As of March 31, 2023, the Company maintains general loan commitment of 637,673 thousands of Korean won with Citibank Korea Inc.

(4) The Company has entered into an agreement with KB Capital Co., Ltd. on payment guarantees for the credit offering of the dealers. As of March 31, 2023 the guarantee amount is 5,223,252 thousands of Korea won and allowance of doubtful amount is 1,340,862 thousands of Korea won.

15. VALUE-ADDED INFORMATION:

Details of valued-added information included in selling and administrative expense for the years ended March 31, 2023 and 2022 are as follows (In thousands of Korean won):

Description	March 31, 2023	March 31, 2022
Salary	₩ 4,776,542	₩ 4,889,206
Provision for severance indemnities	545,357	590,719
Employee welfare	1,567,552	1,531,301
Depreciation	58,750	21,440
Amortization	83,995	407,287
Rent	3,827,220	3,867,644
Taxes and dues	87,285	92,367

16. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2023 and 2022 are as follows
(In thousands of Korean won):

	March 31, 2023	March 31, 2022
Salary	₩ 4,776,542	₩ 4,889,206
Provision for severance indemnities	545,357	590,719
Employee welfare	1,567,552	1,531,301
Education	114,691	29,218
Contribution to warranty provision	9,612,573	3,479,961
Vehicle maintenance	432,961	417,002
Fee	3,218,019	2,499,071
Transportation	1,708,946	1,612,878
Supplies	103,626	54,446
Repairs and maintenance	455,377	521,914
Depreciation	58,750	21,440
Amortization	10,333	31,000
Communication	1,679,710	1,208,312
Rent	3,827,220	3,867,644
Travel	211,522	104,151
Insurance	79,503	72,034
Entertainment	29,213	11,178
Taxes and dues	87,285	92,367
Membership fee	90,062	68,605
Advertising	10,022,788	6,670,843
Promotion	3,251,532	1,794,395
Bad debt (reversal)	(205,363)	(1,026,478)
Others	62,372	22,747
Total	<u>₩41,740,571</u>	<u>₩ 28,563,954</u>

17. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2023 and 2022 are as follows (In thousands of Korean won):

	Under 3 months	
	March 31, 2023	March 31, 2022
Accounts payable-trade	₩ 118,115,810	₩ 10,488,332
Accounts payable-other	27,930,817	17,720,577
Accrued expenses(*)	40,827,285	73,005,851
	<u>₩ 186,873,912</u>	<u>₩ 101,214,760</u>

(*) Amounts related to payroll expense are excluded.

The Company establishes short-term and long-term fund management plans. The Company then analyzes and reviews actual cash outflow and its budget to match the maturity profiles of financial assets and liabilities. Management of the Company believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Independent Auditors' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of
Jaguar Land Rover Korea Co., Ltd.:

We have reviewed the accompanying Report on the Assessment of Internal Accounting Control System ("IACS") of Jaguar Land Rover Korea Co., Ltd. (the "Company") as of March 31, 2023. 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, 2023, 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, 2023 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, 2023. We did not review the Company's IACS subsequent to March 31, 2023. This report has been prepared for Korean regulatory purposes, pursuant to the Act on External Audit of Stock Companies, Etc., and may not be appropriate for other purposes or for other users.

KPMG Samjong Accounting Corp.

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2023 and the review of Internal accounting control system pursuant to Article 8 of the Act on External Audits for Joint-stock Companies, Etc of the Republic of Korea.

Report on the Assessment of Internal Accounting Control System (“IACS”)

To the Shareholder, 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, 2023

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, 2023, in all material respects, in accordance with the IACS Framework.

May 11, 2023

Internal Accounting Control Officer

Raquel Jang

