

JAGUAR LAND ROVER KOREA CO., LTD.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
MARCH 31, 2024 AND 2023
(With Independent Auditors' Report Thereon)**

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and 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, 2024 and 2023, the statements of income, changes in equity and cash flows for the years then ended, and notes, comprising 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, 2024 and 2023, and its operation, changes in equity 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 24, 2024

This report is effective as of May 24, 2024 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, 2024 and 2023

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, 2024 AND 2023

<u>A S S E T S</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
	(In Korean won)	
CURRENT ASSETS:		
Cash and cash equivalents	₩ 43,991,730,643	₩ 58,100,837,370
Accounts receivable - trade, net of allowance for doubtful accounts of ₩144,792,642 as of March 31, 2024 and ₩224,083,260 as of March 31, 2023	12,227,430,890	18,325,788,269
Accounts receivable - other	58,449,737,545	63,192,414,426
Accrued income	197,563,240	94,308,783
Advance payments	100,000,000	100,000,000
Prepaid expenses	261,170,097	333,165,473
Prepaid special consumption tax	359,989,166	1,652,215,286
Prepaid value added tax	2,340,789,057	-
Deferred income tax assets	10,515,730,080	12,820,772,636
Current income tax assets	1,286,028,510	-
Inventories, net (Notes 3)	170,037,288,339	137,064,922,644
Total Current Assets	<u>299,767,457,567</u>	<u>291,684,424,887</u>
NON-CURRENT ASSETS:		
Property and equipment, net	188,648,865	196,536,558
Intangible assets	7	12,350,418
Leasehold deposits	1,382,650,000	1,410,650,000
Other deposits, net of allowance for doubtful accounts of ₩1,340,862,102 as of March 31, 2024 and ₩1,340,862,102 as of March 31, 2023	3,882,390,000	3,882,390,000
Deferred income tax assets	14,994,798,271	16,178,585,154
Accounts receivable - other	<u>223,866,939</u>	<u>-</u>
Total Non-current Assets	<u>20,672,354,082</u>	<u>21,680,512,130</u>
TOTAL ASSETS	<u>₩ 320,439,811,649</u>	<u>₩ 313,364,937,017</u>

(Continued)

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF MARCH 31, 2024 and 2023

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
	(In Korean won)	
CURRENT LIABILITIES:		
Accounts payable - trade (Notes 12,17)	₩ 152,395,651,376	₩ 118,115,809,666
Accounts payable - other (Notes 12,17)	25,561,039,135	27,930,816,915
Accrued expenses (Note 17)	25,814,129,078	41,865,599,380
Advance receipts	158,407,983	219,678,733
Value-added tax (VAT) payable	-	806,875,255
Current income tax liabilities	-	3,422,196,149
Deferred revenue (Note 4)	29,719,277,091	28,827,545,963
Current warranty provision(Note 5)	2,701,925,252	5,000,712,055
	<u>236,350,429,915</u>	<u>226,189,234,116</u>
TOTAL Current Liabilities		
	<u>236,350,429,915</u>	<u>226,189,234,116</u>
NON-CURRENT LIABILITIES:		
Accrued severance indemnities, net	2,812,006,975	2,564,950,751
Warranty provision (Note 5)	1,856,485,345	2,258,518,574
Deferred revenue (Note 4)	60,244,054,308	61,016,513,417
	<u>64,912,546,628</u>	<u>65,839,982,742</u>
TOTAL Non-Current Liabilities		
	<u>64,912,546,628</u>	<u>65,839,982,742</u>
TOTAL LIABILITIES	<u>301,262,976,543</u>	<u>292,029,216,858</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)	13,192,878,020	15,351,763,073
	<u>19,176,835,106</u>	<u>21,335,720,159</u>
TOTAL SHAREHOLDER'S EQUITY		
	<u>19,176,835,106</u>	<u>21,335,720,159</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>₩ 320,439,811,649</u>	<u>₩ 313,364,937,017</u>

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2024 and 2023

	March 31, 2024	March 31, 2023
	(In Korean won)	
SALES :		
Sales of merchandise	₩ 436,061,343,630	₩ 552,129,019,188
Sales of parts	123,579,086,143	108,487,676,983
Rendering of services	<u>741,978,905</u>	<u>632,804,902</u>
Subtotal	<u>560,382,408,678</u>	<u>661,249,501,073</u>
COST OF SALES (Notes 3,12 and 13):		
Cost of sales of merchandise	(415,760,000,625)	(517,204,433,288)
Cost of sales of parts	<u>(85,830,502,567)</u>	<u>(84,121,479,365)</u>
Subtotal	<u>(501,590,503,192)</u>	<u>(601,325,912,653))</u>
GROSS PROFIT	58,791,905,486	59,923,588,420
SELLING AND ADMINISTRATIVE EXPENSES (Note 16)	<u>(43,383,358,908)</u>	<u>(41,740,571,315)</u>
OPERATING INCOME	15,408,546,578	18,183,017,105
OTHER INCOME (EXPENSES):		
Interest income	574,072,931	411,696,870
Gain or Loss on foreign currency transactions, net	1,969,661	7,344,175
Donation	(47,994,200)	(85,699,087)
Others, net	<u>1,059,675,829</u>	<u>2,690,948,818</u>
Subtotal	<u>1,587,724,221</u>	<u>3,024,290,776</u>
INCOME BEFORE INCOME TAX EXPENSE	16,996,270,799	21,207,307,881
INCOME TAX EXPENSE (Note 9)	<u>(3,828,392,779)</u>	<u>(5,880,544,815)</u>
NET INCOME	<u>₩ 13,167,878,020</u>	<u>₩ 15,326,763,066</u>
EARNINGS PER SHARE (Note 8)	<u>₩ 1,316,788</u>	<u>₩ 1,532,676</u>

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, 2024 and 2023

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
	(In Korean won)			
Balance, April 1, 2022	₩ 50,000,000	₩ 5,933,957,086	₩ 8,677,499,487	₩ 14,661,456,573
Dividend payable	-	-	(8,652,499,480)	(8,652,499,480)
Net income	-	-	15,326,763,066	15,326,763,066
Balance, March 31, 2023	₩ 50,000,000	₩ 5,933,957,086	₩ 15,351,763,073	₩ 21,335,720,159
Balance, April 1, 2023	₩ 50,000,000	₩ 5,933,957,086	₩ 15,351,763,073	₩ 21,335,720,159
Dividend payable	-	-	(15,326,763,073)	(15,326,763,073)
Net income	-	-	13,167,878,020	13,167,878,020
Balance, March 31, 2024	₩ 50,000,000	₩ 5,933,957,086	₩ 13,192,878,020	₩ 19,176,835,106

See accompanying notes to the financial statements.

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 and 2023

	March 31, 2024	March 31, 2023
	(In Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 13,167,878,020	₩ 15,326,763,066
Expenses (income) not involving cash outflows:		
Provision for severance indemnities	580,709,298	545,357,133
Warranty provision	2,537,892,429	9,612,572,675
Depreciation	57,201,793	58,749,876
Amortization	12,350,411	83,994,680
Reversal of bad debt expense	(79,290,618)	(205,363,368)
Loss(Gain)on inventory revaluation	(1,221,509,726)	1,789,087,831
Loss on disposals of property and equipment, net	-	2,091,374
Subtotal	<u>1,887,353,587</u>	<u>11,886,490,201</u>
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	6,177,647,997	(1,000,726,658)
Accounts receivable - other	4,518,809,942	(46,071,883,031)
Accrued income	(103,254,457)	(34,313,160)
Prepaid expenses	71,995,376	(2,405,429)
Prepaid special consumption tax	1,292,226,120	(1,163,697,013)
Value added tax (VAT) receivable	(2,340,789,056)	2,630,388,049
Deferred income tax assets	3,488,829,438	2,422,267,496
Current tax assets	(1,286,028,510)	-
Inventories	(31,750,855,969)	(77,375,577,378)
Accounts payable - trade	34,279,841,710	107,627,477,706
Accounts payable - other	(2,369,777,780)	10,210,239,932
Accrued expenses	(16,051,470,302)	(31,411,086,296)
Advance receipts	(61,270,750)	130,898,593
Value-added tax (VAT) payable	(806,875,255)	806,875,255
Current income tax liabilities	(3,422,196,149)	3,422,196,149
Deferred revenue	119,272,019	9,791,351,848
Warranty provision	(5,238,712,461)	(4,074,958,664)
Payments of severance indemnities	<u>(333,653,074)</u>	<u>(310,782,672)</u>
Subtotal	<u>(13,816,261,161)</u>	<u>(24,397,735,273)</u>
Net cash provided by operating activities	<u>1,238,970,446</u>	<u>2,815,517,994</u>

See accompanying notes to the financial statements.

(Continued)

JAGUAR LAND ROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2024 and 2023

	March 31, 2023	March 31, 2021
	(In Korean won)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in rent deposits	28,000,000	-
Decrease in other deposits	-	320,623,349
Decrease in short-term loans	-	3,771,000,000
	<u>28,000,000</u>	<u>4,091,623,349</u>
Subtotal		
	<u>28,000,000</u>	<u>4,091,623,349</u>
Cash outflows for investing activities:		
Acquisition of equipment	49,314,100	225,000,000
	<u>49,314,100</u>	<u>225,000,000</u>
Subtotal		
	<u>(49,314,100)</u>	<u>(225,000,000)</u>
Net cash provided by(used in) investing activities	<u>(21,314,100)</u>	<u>3,866,623,349</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:	-	-
	<u>-</u>	<u>-</u>
Cash outflows for financing activities:	(15,326,763,073)	(8,652,499,480)
Dividend payment	<u>(15,326,763,073)</u>	<u>(8,652,499,480)</u>
Net cash used in financing activities	<u>(15,326,763,073)</u>	<u>(8,652,499,480)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(14,109,106,727)	(1,970,358,137)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	58,100,738,370	60,071,195,507
	<u>58,100,738,370</u>	<u>60,071,195,507</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 10)	₩ 43,991,730,643	₩ 58,100,837,370
	<u>₩ 43,991,730,643</u>	<u>₩ 58,100,837,370</u>

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, 2024 and 2023

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, 2024, 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 will be submitted for approval to the shareholder’ meeting to be held on June 30, 2024.

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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

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 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 (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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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.

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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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

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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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. Gains or losses arising from foreign currency transactions and the translation of foreign currency assets and liabilities are charged or credited to current operations. There was no foreign currency assets and liabilities as of March 31, 2024.

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 ₩333,653thousand and ₩310,873thousand for the years ended March 31, 2024 and 2023, 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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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.

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).

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2024 and 2023

3. INVENTORIES:

Details of inventories as of March 31, 2024 and 2023 are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Merchandise	₩ 11,520,753	₩ 31,701,427
Parts	39,236,866	33,817,068
Inventory in transit	124,274,625	77,762,893
Valuation reserve	(4,994,956)	(6,216,465)
Total	₩ 170,037,288	₩ 137,064,923

The reversal on valuation of inventory, which was deducted from the cost of sales, amounted to ₩1,221,510 thousand for year ended March 31, 2024 and the loss on valuation of inventory, which was included in the cost of sales, amounted to ₩1,789,088 thousand for year ended March 31, 2023

4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Beginning balance	₩ 89,844,060	₩ 80,052,708
Provision	29,911,475	43,125,677
Usage	(29,792,203)	(33,334,325)
Ending balance	₩ 89,963,332	₩ 89,844,060

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.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
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5. WARRANTY PROVISION:

(1) Changes in warranty provision for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Beginning balance	₩ 7,259,231	₩ 1,715,617
Provision	2,537,892	9,612,573
Usage	<u>(5,238,712)</u>	<u>(4,068,959)</u>
Ending balance	<u>₩ 4,558,411</u>	<u>₩ 7,259,231</u>

(2) There were no provisions occurred by Atmospheric Environment Conservation Act for the years ended March 31, 2024 and 2023.

6. CAPITAL STOCK:

Details of capital stock as of March 31, 2024 and 2023 are as follows (In Korean won):

	March 31, 2024	March 31, 2023
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, 2024 and 2023.

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
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7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	₩ -	₩ -
Net income	13,167,878	15,326,763
Interim dividend	-	-
End of period	<u>13,167,878</u>	<u>15,326,763</u>
APPROPRIATION		
Dividend	<u>13,167,878</u>	<u>15,326,763</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ -</u>	<u>₩ -</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2024 and 2023 are as follows (In Korean won):

	March 31, 2024	March 31, 2023
Dividend		
Dividend per share (Dividend rate)	₩ 1,316,788 (26,336%)	₩ 1,532,676 (30,654%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 13,167,878,020</u>	<u>₩ 15,326,763,073</u>

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NOTES TO FINANCIAL STATEMENTS
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8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2024 and 2023 are calculated as follows
(In Korean won):

	March 31, 2024	March 31, 2023
Net income	₩ 13,167,878,020	₩ 15,326,763,066
Number of common share outstanding	10,000	10,000
Earnings per share	<u>₩ 1,316,788</u>	<u>₩ 1,532,676</u>

The number of common shares outstanding was not changed for the years ended March 31, 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS
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9. INCOME TAX:

(1) Details of income tax expense

Income tax expense for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Current income tax charge	₩ 339,563	₩ 3,479,070
Changes in deferred tax assets	3,488,830	2,422,267
Additional payment of income taxes applicable to prior year	-	(20,793)
Income tax expense	<u>₩ 3,828,393</u>	<u>₩ 5,880,545</u>

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2024 and 2023, are as follows (in thousands of Korean won):

	March 31, 2024	March 31, 2023
Beginning balance	₩ 28,999,358	₩ 31,421,625
Ending balance	<u>25,510,528</u>	<u>28,999,358</u>
Changes in deferred tax assets	<u>₩ 3,488,830</u>	<u>₩ 2,422,267</u>

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NOTES TO FINANCIAL STATEMENTS
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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, 2024 and 2023, are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Income before income tax expense	₩ 16,996,271	₩ 21,207,308
Statutory tax rate	9.9%~23.1%	9.9%~23.1%
Income tax expense at statutory rate	3,530,221	4,670,169
Adjustments (Note)	298,172	1,210,376
Income tax expense	₩ 3,828,393	₩ 5,880,545
Effective tax rate	22.52%	27.73%

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2024 and 2023, are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
Non-deductible expenses	₩ (34,077)	₩ (78,257)
Additional payment of income taxes applicable to prior year	-	(20,793)
Change tax rate	-	1,380,961
Others	332,249	(71,535)
Total	₩ 298,172	₩ 1,210,376

JAGUAR LAND ROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
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9. INCOME TAX: Continued

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2024 and 2023, are as follows (In thousands of Korean won):

	March 31, 2024	March 31, 2023
<Accumulated temporary differences>		
Beginning balance, net	₩ 125,538,343	₩ 129,841,427
Increase in the current period	<u>(15,103,155)</u>	<u>(4,303,084)</u>
Ending balance, net	110,435,188	125,538,343
Income tax rate (Note)	<u>23.1%</u>	<u>23.1%</u>
Deferred tax assets	<u>₩ 25,510,528</u>	<u>₩ 28,999,358</u>
<Deferred tax assets>		
Current assets	₩ 10,515,730	₩ 12,820,773
Non-current assets	<u>14,994,798</u>	<u>16,178,585</u>
Deferred tax assets	<u>₩ 25,510,528</u>	<u>₩ 28,999,358</u>

(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.

There were no significant non-cash transactions for the years ended March 31, 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS
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11. INSURANCE:

Insured coverage carried by the Company as of March 31, 2024 is as follows (In thousands of Korean won and foreign currencies):

Insured	Insured coverage	Insured period	Insurance company
Commercial Liability Insurance	GBP 2,000,000	2022.05.31 ~ 2024.05.31	Mitsui Sumitomo Insurance
Directors and officers Insurance	KRW 1,309,040	2023.07.01 ~ 2024.06.30	Allianz Global Corporate & Specialty SE Korea Branch
Property package insurance	KRW 382,264,313	2023.05.31~ 2024.05.31	Hyundai Marine & Fire Insurance
Car repair Insurance	KRW 91,681,942	2018.05.30 ~ 2027.05.30	Hyundai Marine & Fire Insurance
Used car repair insurance	KRW 240,000	2021.05.30 ~ 2024.05.30	Hyundai Marine & Fire Insurance
Corporate Insurance	KRW 2,000	2022.07.01 ~ 2026.07.06	Samsung Marine & Fire Insurance
Car repair (EW) Insurance	KRW 1,800,000	2022.04.01 ~ 2029.05.01	Samsung Marine & Fire Insurance
Repair Insurance	KRW 700,000	2022.04.01~ 2029.05.01	DB Insurance
Corporate Insurance	KRW 2,000	2022.07.01 ~ 2027.07.06	DB Insurance
Employee welfare Insurance	KRW 101,139,380	2023.10.14 ~2024.10.14	Meritz Fire & Marine Insurance Co.,Ltd.
Personal information protection insurance	KRW 500,000	2024.01.01 ~2025.01.01	Meritz Fire & Marine Insurance Co.,Ltd.

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

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12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

Significant transactions and account balances with related parties as of and for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

Description	Related parties	March 31, 2024	March 31, 2023
<u>Transactions:</u>			
Vehicle purchase (Note)	Jaguar Land Rover Ltd.	₩ (420,988,205)	₩ (561,618,786)
Parts purchase (Note)		(72,924,220)	(69,116,982)
Warranty		63,879,679	56,742,319
Others		380,445	(38,816,784)
<u>Accounts balances:</u>			
Accounts receivable - other (Note)	Jaguar Land Rover Ltd.	₩ 56,900,842	₩ 60,619,630
Accounts payable - trade	Jaguar Land Rover Ltd.	152,848,199	118,115,810

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

13. Gain (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. Gain on transfer price for inventory purchase in previous year was ₩51,148 million won and Gain on transfer price for inventory purchase in current years was ₩49,498 million won .

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NOTES TO FINANCIAL STATEMENTS
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14. COMMITMENTS AND CONTINGENCIES:

(1) Retailer and Repairer Agreement

As of March 31, 2024, 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, 2024, the Company is involved in two legal litigation cases as a defendant with total claim amounting to ₩21 millions of Korean won. The ultimate outcome of the litigation cannot be determined yet.

(3) As of March 31, 2024, the Company maintains general loan commitment of ₩637,673 thousands of Korean won with Citibank Korea Inc.

(4) As of March 31, 2024, the Company maintains agreement with KB Capital Co., Ltd for payment guarantee for credit extension to dealers. As of March 31, 2024, the guaranteed amount is ₩5,222,862 thousands of Korean won and doubtful accounts amount is ₩1,340,862 thousands of Korean won.

(5) As of March 31, 2024, the Company receives a payment guarantee of ₩5,000 thousands of Korean won from Seoul Guarantee Insurance.

15. VALUE-ADDED INFORMATION:

Details of valued-added information included in cost of sales and selling and administrative expense for the years ended March 31, 2024 and 2023 are as follows (In thousands of Korean won):

Description	March 31, 2024	March 31, 2023
Salary	₩ 5,863,198	₩ 4,776,542
Provision for severance indemnities	580,709	545,357
Employee welfare	1,673,857	1,567,552
Depreciation	57,202	58,750
Amortization	12,350	83,995
Rent	4,135,128	3,827,220
Taxes and dues	104,387	87,285

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NOTES TO FINANCIAL STATEMENTS
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16. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended March 31, 2024 and 2023 are as follows
(In thousands of Korean won):

	March 31, 2024	March 31, 2023
Salary	₩ 5,863,198	₩ 4,776,542
Provision for severance indemnities	580,709	545,357
Employee welfare	1,673,857	1,567,552
Education	62,658	114,691
Contribution to warranty provision	2,537,892	9,612,573
Vehicle maintenance	385,319	432,961
Fee	2,140,458	3,218,019
Transportation	1,649,745	1,708,946
Supplies	122,717	103,626
Repairs and maintenance	468,414	455,376
Depreciation	57,202	58,750
Amortization	-	10,333
Communication	1,061,545	1,679,710
Rent	4,135,128	3,827,220
Travel	263,969	211,522
Insurance	50,423	79,503
Entertainment	20,025	29,213
Taxes and dues	104,387	87,285
Membership fee	114,031	90,062
Advertising	17,233,992	10,022,788
Promotion	4,922,978	3,251,532
Bad debt	(79,291)	(205,363)
Others	14,003	62,373
Total	<u>₩43,383,359</u>	<u>₩41,740,571</u>

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NOTES TO FINANCIAL STATEMENTS
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17. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2024 and 2023 are as follows (In thousands of Korean won):

March 31, 2024

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 152,395,651	₩ -	₩ 152,395,651
Accounts payable-other	25,561,039	-	25,561,039
Accrued expenses	<u>24,281,986</u>	<u>-</u>	<u>24,281,986</u>
	<u>₩ 202,238,676</u>	<u>₩ -</u>	<u>₩ 202,238,676</u>

March 31, 2023

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 118,115,810	₩ -	₩ 118,115,810
Accounts payable-other	27,930,817	-	27,930,817
Accrued expenses	<u>40,827,285</u>	<u>-</u>	<u>40,827,285</u>
	<u>₩ 186,873,912</u>	<u>₩ -</u>	<u>₩ 186,873,912</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 asset.