

Jaguar Land Rover Limited Liability Company

Financial Statements for the year ended 31 December 2014 and Auditor's Report

(Translated from the original in Russian –
Unofficial translation;

All amounts translated from the Russian Rubles into
Indian Rupees – Convenience translation)

AUDITOR'S REPORT

To the participant of LLC Jaguar Land Rover:

We have audited the accompanying financial statements of LLC Jaguar Land Rover, which comprise:

- Balance sheet as at 31 December 2014;
- Statement of financial results for the year ended 31 December 2014;
- Appendixes to the Balance sheet and Statement of financial results:
 - Statement of changes in equity for the year ended 31 December 2014;
 - Statement of cash flows for the year ended 31 December 2014;
 - Explanatory notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Russian accounting and financial reporting standards, and for the system of internal controls necessary for preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on fair presentation of the financial statements based on our audit. We conducted our audit in accordance with federal rules (standards) of auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgment which is based on the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the system of internal control relevant to the preparation and fair presentation of the financial statements 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 system of internal control.

The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LLC “Jaguar Land Rover” as at 31 December 2014, the results of its financial performance and its cash flows for 2014 in accordance with the Russian accounting and financial reporting standards.

26 March 2015
Moscow, Russian Federation

The Russian original signed by:

Michael Raikhman, Partner
(certificate no. 01-001195 dated 14.01.2013)
ZAO Deloitte & Touche CIS

The following financial statements were prepared for use in the Russian Federation in accordance with accounting principles and financial reporting practices generally accepted in the Russian Federation and are not intended to present the financial position and results of operations of the audited entity in accordance with accounting principles and practices generally accepted in any other jurisdiction.

BALANCE SHEET
As at 31 December 2014

Entity **LLC Jaguar Land Rover**

Taxpayer identification number _____

Type of activity **Wholesale of vehicles**

Legal status / form of ownership **Limited Liability Company/Ownership by foreign legal entity**

Unit **Thousands of Indian Rupees**

Address **Mezhdunarodnoe St, 28B, bldg.2, 141411, Moscow, Russian Federation**

	CODES
Form OKUD	0710001
Date (day, month, year)	31/12/2014
OKPO	86658358
INN	5047095543
OKVED	50.10.1
OKOPF/OKFS	65/23
OKEI	384

Item description	Note	31 December 2014	31 December 2013	31 December 2012
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets		29,063	60,208	64,944
Property and equipment	3.1	444,492	760,001	785,654
Deferred tax assets	3.3	588,275	798,330	585,959
Other non-current assets		7,608	8,536	10,072
Total Section I		1,069,438	1,627,075	1,446,629
II. CURRENT ASSETS				
Inventories	3.4	2,361,321	8,040,547	6,807,972
Value-added tax receivable		54,788	112,961	2,945
Accounts receivable	3.5	1,537,015	2,722,291	2,046,626
Investments (other than cash equivalents)	3.2	8,303,942	-	-
Cash and cash equivalents	3.6	720,240	8,771,116	4,654,071
Other current assets		8,271	5,112	4,788
Total Section II		12,985,577	19,652,027	13,516,402
TOTAL ASSETS		14,055,015	21,279,102	14,963,031
EQUITY AND LIABILITIES				
III. EQUITY AND RESERVES				
Charter capital	3.7	80,108	80,108	80,108
Additional paid-in capital (excluding revaluation)		1,009,101	1,009,101	1,009,101
Retained earnings		7,452,320	9,850,849	5,794,762
Translation difference		(3,298,706)	2,247,776	1,868,098
Total Section III		5,242,823	13,187,834	8,752,069
IV. NON-CURRENT LIABILITIES				
Accrued liabilities	3.9	1,487,271	2,106,710	1,585,041
Total Section IV		1,487,271	2,106,710	1,585,041
V. CURRENT LIABILITIES				
Accounts payable	3.8	6,156,934	4,542,926	3,562,624
Accrued liabilities	3.9	1,167,987	1,441,632	1,063,297
Total Section V		7,324,921	5,984,558	4,625,921
TOTAL LIABILITIES		14,055,015	21,279,102	14,963,031

Frank Wittemann, CEO

Olga Bukreeva, Chief Accountant

26 March 2015

STATEMENT OF FINANCIAL RESULTS
For the year ended 31 December 2014

Item description	Note	CODES	
		2014	2013
Entity	LLC Jaguar Land Rover		
Taxpayer identification number			
Type of activity	Wholesale of vehicles		
Legal status / form of ownership	Limited Liability Company/Ownership by foreign legal entity		
Unit	Thousands of Indian Rupees		
		Form OKUD	0710002
		Date (day, month, year)	31/12/2014
		OKPO	86658358
		INN	5047095543
		OKVED	50.10.1
		OKOPF/ OKFS	65/23
		OKEI	384
Revenue	4.1	66,905,616	108,030,828
Cost of sales	4.2	(54,613,282)	(88,591,414)
Gross profit		12,292,334	19,439,414
Selling expenses	4.2	(7,084,554)	(10,561,889)
Profit from sales		5,207,780	8,877,525
Interest income		534,739	203,917
Other income	4.3	1,023,132	1,524,391
Other expenses	4.4	(995,004)	(1,375,151)
Profit before income tax		5,770,647	9,230,682
Current income tax expense		(1,368,054)	(2,117,019)
including permanent tax liabilities	3.3	88,221	83,587
Change in deferred tax assets	3.3	125,703	186,951
Previous years income tax adjustment		-	(974)
Net profit		4,528,296	7,299,640
ADDITIONAL INFORMATION			
Net assets		5,242,823	13,187,834

Frank Wittemann, CEO

Olga Bukreeva, Chief Accountant

26 March 2015

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

		Codes
Entity	<u>LLC Jaguar Land Rover</u>	Form OKUD 0710003
Taxpayer identification number		Date (day, month, year) 31/12/2014
Type of activity	<u>Wholesale of vehicles</u>	OKPO 86658358
Legal status / form of ownership	<u>Limited Liability Company/Ownership by foreign legal entity</u>	INN 5047095543
Unit	<u>Thousands of Indian Rupees</u>	OKVED 50.10.1
		OKOPF/OKFS 65/23
		OKEI 384

Item description	Charter capital	Additional paid-in capital (excluding revaluation)	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2012	80,108	1,009,101	954,065	8,698,262	10,741,536
Net profit	-	-	-	4,461,484	4,461,484
Payout to the participant	-	-	-	(7,364,984)	(7,364,984)
Translation difference	-	-	914,033	-	914,033
Balance as at 31 December 2012	80,108	1,009,101	1,868,098	5,794,762	8,752,069
Net profit	-	-	-	7,299,640	7,299,640
Payout to the participant	-	-	-	(3,243,553)	(3,243,553)
Translation difference	-	-	379,678	-	379,678
Balance as at 31 December 2013	80,108	1,009,101	2,247,776	9,850,849	13,187,834
Net profit	-	-	-	4,528,296	4,528,296
Payout to the participant	-	-	-	(6,926,825)	(6,926,825)
Translation difference	-	-	(5,546,482)	-	(5,546,482)
Balance as at 31 December 2014	80,108	1,009,101	(3,298,706)	7,452,320	5,242,823

Frank Wittemann, CEO

Olga Bukreeva, Chief Accountant

26 March 2015

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

Entity	<u>LLC Jaguar Land Rover</u>
Taxpayer identification number	
Type of activity	<u>Wholesale of vehicles</u>
Legal status / form of ownership	<u>Limited liability company/Property of foreign legal entities</u>
Unit	<u>Thousands of Indian Rupees</u>

	Codes
Form OKUD	0710004
Date (day, month, year)	31/12/2014
OKPO	86658358
INN	5047095543
OKVED	50.10.1
OKOPF/ OKFS	65/23
OKEI	384

Item description	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of goods, products, work and services	72,675,087	115,038,918
Other cash inflows	3,777,407	4,674,555
Payments upon agency agreement	(178,839)	(311,956)
Purchases of goods, work, services	(44,781,576)	(78,707,473)
Payments to employees	(213,963)	(309,983)
Income tax	(1,509,735)	(1,871,805)
Value added tax	(1,551,861)	(3,219,210)
Other taxes and duties	(40,396)	(72,093)
Customs duties (duties, fees, excises)	(12,952,324)	(21,849,719)
Bonuses and discounts	(5,312,569)	(7,244,782)
Other payments, contributions	(24,034)	(76,383)
Net cash from operating activities	9,887,197	6,050,069
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including investment property) and intangible assets	(14,082)	(12,241)
Proceeds from sales of fixed assets and other assets	460,846	918,233
Dividends, interest on investments	492,106	202,638
Loans given to other entities	(14,674,500)	-
Proceeds from repayment of loans receivable	6,413,300	-
Net cash used in investing activities	(7,322,330)	1,108,630
CASH FLOW FROM FINANCING ACTIVITIES		
Payout to the participant	(6,926,825)	(3,243,553)
Net cash used in financing activities	(6,926,825)	(3,243,553)
Net increase/(decrease) in cash and cash equivalents during the reporting period	(4,361,958)	3,915,146
Net cash and cash equivalents at the beginning of reporting period	8,771,116	4,654,071
Translation difference	(3,688,918)	201,899
Net cash and cash equivalents at the end of the reporting period	720,240	8,771,116

Frank Wittemann, CEO

Olga Bukreeva, Chief Accountant

26 March 2015

**NOTES to the FINANCIAL STATEMENTS of LLC Jaguar Land Rover
for the year ended 31 December 2014**

1. GENERAL

LLC Jaguar Land Rover (the "Company") was established by ZAO Ford Motor Company in May 2008. In May 2009, ZAO Ford Motor Company sold its 100% share to LLC Jaguar Cars Limited, a legal entity registered and acting under the laws of Great Britain/United Kingdom.

The Company has started its operating activities in April 2009.

The registered address: Mezhdunarodnoe St., 28B, bldg.2, Moscow, Russian Federation 141411.

Executive body – General Director – Frank Vittemann.

The sole participant is Jaguar Land Rover Holdings Limited, registered under the laws of the United Kingdom.

The ultimate parent undertaking and controlling company is Tata Motors Limited, India. Tata Motors Limited is a public company quoted on stock exchanges of Mumbai (India) and New-York (USA). The major beneficiary of Jaguar Land Rover Limited is Tata Sons Limited, India owing 25.67% of the shares.

1.1. Activities of LLC Jaguar Land Rover include:

- Import, purchase, marketing, sales of vehicles, components and spare parts;
- Providing information to dealers and the parent company on imports, purchases, marketing, sales, services of vehicles, components and spare parts;
- Acting as commercial agent on its behalf and on behalf of the Russian entities in relation to marketing, sales, services, repair, installation, assembly and production of vehicles, components and spare parts;
- Consulting, marketing and other kinds of services, related to import, purchase, marketing, sales of vehicles, components and spare parts;
- Any other activities that comply with the legislation of the Russian Federation.

The primary activity of the Company during the reporting period was vehicles wholesale (OKVED (general classification of economic activity) code 50.10.1).

The Company performs its activities in accordance with the legislation of the Russian Federation ("RF").

1.2. Number of employees

The Company's average number of staff in 2014 and 2013 was 71 and 65 employees, respectively.

1.3. List of operating segments

The main source of income is from the sale of vehicles. Among other operating segments the sale of spare parts' can be mentioned.

1.4. Main customers

Vehicles are sold to Russian companies and individuals through a network of authorized dealers.

During the reporting period, the largest share of the Company's sales was made to the following dealers:

- LLC AAA Nezavisimost Premier Auto – 10% (2013: 10%)
- LLC Musa Motors JLR – 8% (2013: 11%)

- LLC ROLF Estate St. Petersburg – 8% (2013: 7%).
- CJSC Avilon AG – 7% (2013: 3%)
- OJSC Trading Company Artex – 6% (2013: 7%)

Sales shares of other dealers do not exceed individually 5% of total amount of the Company's sales therefore losing of particular dealer will not lead to significant negative consequences.

1.5. Customers on the territory of the Customs Union

From 1 April 2013 on the territory of the Customs Union in the Republic of Belarus (RB) and the Republic of Kazakhstan (RK) the Company opened dealer centers. In RB it was OOO Atlant M on Aerodromnaya, in RK it was TOO Caspian Motors.

2. ORGANIZATION OF ACCOUNTING

The Company maintains its accounting records in accordance with the requirements of the Russian Federation legislation on accounting and regulations of the RF Ministry of Finance.

In 2014 accounting records were maintained in accordance with the Company's accounting policies as approved by the Order of the general director dated 31 December 2012.

Financial statements were prepared by the Company on the basis of the accounting and reporting regulations that are effective in the Russian Federation.

The Company uses SAP and 1C corporate information system to maintain its financial and tax accounting records.

2.1. Going concern assumption

In preparation of the financial statements, the Company's management assumed that the Company will continue as a going concern in the foreseeable future and has no plans to discontinue or significantly reduce its activities, and that therefore its obligations will be discharged appropriately.

2.2. Chart of accounts

The Company has developed and applies a chart of accounts based on the standard chart of accounts for financial and business activities of organizations as approved by Order of the RF Ministry of Finance No. 94n dated 31 October 2000, using certain subaccounts which enable preparation of financial statements that comply with Russian accounting and tax law and separate cost accounting requirements.

2.3. Inventory count

Inventory count is performed in accordance with Methodological Guidelines for the Count of Property and Financial Liabilities approved by Order of the RF Ministry of Finance No. 49 dated 13 June 1995.

The count of property, plant and equipment (PPE) is performed by units and separate classes of fixed assets at least once every three years. The last inventory count of PPE was performed as at 26 and 27 December 2013, separately for vehicles and for other fixed assets.

Inventory count of spare parts was conducted as at 7 November 2014; Inventory count of vehicles (inventories) was conducted as at 20 November 2014. Inventory count of all other assets and liabilities was conducted as at 25 December 2014.

2.4. Assets and liabilities denominated in foreign currency

When accounting for business transactions in foreign currencies, the Company uses Central Bank of Russia's ("CBR") official exchange rates of the Russian ruble ("RUB") against such currencies as at the dates of transactions. Assets and liabilities denominated in foreign

currencies are reported in amounts calculated on the basis of RUB official exchange rates established by the CBR as at 31 December 2014, 2013 and 2012.

Assets and liabilities denominated in foreign currencies are accounted for in line with the provisions of PBU 3/2006 "Accounting for assets and liabilities denominated in foreign currency". According to PBU 3/2006 liabilities denominated in foreign currencies are translated into rubles as at:

- The reporting date;
- The date of the transaction.

Foreign currency gains and losses are presented separately in the statement of financial results as other income and expenses.

Conversion into Indian Rupees

The financial information is expressed in the local currency of the relevant company (Russian Rubles) only in the Audited Accounts based on which the attached financial statements have been reformatted. Solely for the convenience of the reader and to meet the requirements of Section 212 of the Indian Companies Act, 1956, the amounts appearing in Indian Rupees have been translated at a fixed exchange rate **RUB 1 = Rs 1.087, Rs 1.876 and Rs 1.7975** for the years ended 31 December 2014, 2013 and 2012 respectively. These transactions should not be construed as a representative that any or all of the amounts could be converted to Indian Rupees at this or any other rate

2.5. Current and non-current assets and liabilities

Assets classified as current assets in the financial statements are expected to be used in the Company's production and other activities within 12 months after the reporting date. Liabilities classified as current liabilities in the financial statements are expected to be repaid within 12 months after the reporting date. In other cases, such assets and liabilities are treated as non-current.

2.6. Accounting for property, plant and equipment

The historical cost of property, plant and equipment acquired for consideration includes actual costs incurred by the Company for acquisition, construction or production, net of the value added tax and other recoverable taxes (unless otherwise prescribed by Russian legislation).

The historical cost of property, plant and equipment includes actual costs of transporting the assets and bringing them to an operable condition.

Property, plant and equipment is initially recorded at historical cost. The historical cost is determined based on the acquisition cost of fixed assets.

The useful life of fixed assets is determined in accordance with the Resolution of the Government of the RF No. 1 dated 1 January 2002 "On the Classification of Fixed Assets Included in Depreciation Groups".

Depreciation rates of fixed assets are as follows:

Property, plant and equipment group	Depreciation rate (% from initial cost per 1 year)	
	From (minimum)	To (maximum)
Vehicles	14	32
Other	14	48

No revaluation of property, plant and equipment is performed.

Assets with a value of less than RUB 40 thousand which satisfy the criteria of PBU 6/01 and qualify for property, plant and equipment are accounted for as inventory.

Depreciation of property, plant and equipment items is charged on a straight-line method based on the original cost of assets using depreciation rates determined on the basis of the asset useful life. The straight-line depreciation method is used throughout the asset's useful life.

Actual costs of current and capital repairs of fixed assets items are charged to expenses related to production and sale in the period in which they are incurred.

The value of an item of fixed assets which is disposed of or unable to bring economic benefits (income) to the Company in the future is derecognized.

Gains and losses from disposal and sale of property, plant and equipment are presented separately in the statement of financial results as other income and expenses.

Leased fixed assets are accounted for in the balance sheet of the Company using account #01.5 «Vehicles CSV».

Property, plant and equipment received under lease are not included in the balance sheet and expenses on lease are written off as period expenses.

2.7. Accounting for intangible assets

The initial value of intangible assets is determined based on its acquisition cost. Amortization of intangible assets is accrued according to the useful life determined by agreement.

Intangible assets are amortized on a straight-line basis.

Useful lives of intangible assets are determined by the Company itself at initial recognition and established by the order of the General Director of the Company.

Useful lives of intangible assets are reviewed on an annual basis to determine if they need to be amended.

Intangible assets are not revalued.

2.8. Accounting for investments

Investments for which market value can be determined under the established procedure are presented in the financial statements at the current market value as at the end of the reporting year through adjustment of their value as of the previous reporting date. The difference between the current market value of financial investments at the reporting date and the previous valuation is recognized in financial results.

The investments for which current market value cannot be determined are recognized at cost at the reporting date.

As at 31 December of each reporting year and where there are indicators of impairment the Company tests financial investments for impairment, and recognizes an impairment allowance if necessary in accordance with PBU 19/02 "Accounting for Financial Investments". An allowance is created if the test reveals a significant persistent decrease of the value of investments in accordance with PBU 19/02 "Accounting for Financial Investments".

2.9. Accounting for inventories

The actual cost of inventories acquired for consideration includes actual costs incurred by the Company for acquisition, net of VAT and other recoverable taxes (unless otherwise prescribed by the Russian legislation).

Purchasing and storing of materials is accounted for using account 10 "Materials", where materials are recognised at actual acquisition cost.

When materials are placed into operations or disposed of, the Company uses the average sliding cost method to value its inventory.

Calculation of average cost is made at the moment when the item is disposed of.

Goods for resale are accounted for in the following way:

- Vehicles are accounted for at acquisition cost plus customs duties and fees (if applicable);
- Vehicle spare parts are accounted for at acquisition cost. Customs duties and fees are accumulated in total amount in a separate account.

To reflect the operations of storing and purchasing of inventory and other similar resources the Company uses recording scheme with account 15 "Procurement and acquisition of inventories" and 16 "Deviation in the value of inventories".

Inventories that are obsolete, have fully or partially lost their original quality or which current market value has decreased or which will be destroyed with high probability or are potentially not suitable for sale are reported in the balance sheet at the end of the reporting period net of the allowance for inventory impairment. A allowance for inventory impairment is charged against the Company's financial results and is calculated separately for each inventory group as the difference between the current market value and actual cost of inventories, in case the latter is higher

2.10. Accounting for cash and cash equivalents

Highly liquid financial investments with a maturity of less than three months which may be easily converted into a known amount of cash and which are subject to an insignificant risk of value fluctuation are recognized as cash and cash equivalents in the balance sheet.

2.11. Income recognition

The Company's revenues include the sale of vehicles and vehicle spare parts, vehicle rentals, consulting services, sales of brochures and their delivery.

Any other income is treated as other income.

Revenue is recognized in the following way:

- From the sale of spare parts – at the moment of delivery to the first carrier;
- From the sale of vehicles – at the moment of transfer of the title under a contract (i.e. as soon as the Company receives payment for the vehicle, provided that the vehicle was cleared by the custom authorities and passport of vehicle (PTS) is transferred to buyer);
- From rendering of services – at the moment of fulfillment;
- Sales of brochures and services of their delivery are recorded according to the date of application.

Revenue from the sales of vehicles and spare parts is reduced by amount of the dealer bonuses.

Penalties paid by dealers in case of the late payment for vehicles are recorded as other income.

2.12. Accounting for expenses

Expenses on operating activities are treated as follows:

- The cost of vehicles sold is defined on an individual unit basis. Transportation expenses are included in the cost of vehicles sold in proportion of the units sold to the total quantity of vehicles purchased during the reporting period.
- The cost of spare parts sold is defined as the average cost. Transportation expenses are included in the cost of spare parts sold in proportion of the units sold to the total value of vehicles purchased during the reporting period. Customs duties, fees, excises (if applicable) are included in cost of the goods sold in proportion to the value of goods sold during the period.

General and selling expenses include:

- Advertising and marketing;
- Warranty repairs and warranty service;
- Transportation expenses;
- Payroll;
- Rent;
- Depreciation;
- Other.

Other expenses include:

- State duty;
- Property tax;
- Transport tax;
- Losses on write-off of irreparable spoilage;
- Penalties, interest, forfeits for breach of contractual terms;
- Not significant prior years losses identified in the current year;
- Accounts receivable with expired limitation period, other uncollectible debts;
- Foreign exchange losses;
- Other similar expenses.

2.13. Accounting for allowances and provisions

The Company creates the following allowances:

- Investments impairment allowance (see description in section 2.8 of Notes);
- Inventory obsolescence and impairment allowance (see description in section 2.9 of Notes);
- Bad debt allowance (it is the best estimate of the Company's management of that part of the debt, which may not be received).

The following types of provisions are recognized by the Company in its accounting records and in the:

- Provision for unused vacations;
- Provision for warranty claims;
- Other provisions which meet the criteria in clauses 4 and 5 of PBU 8/2010 "Provisions, Contingent Liabilities and Contingent Assets" ("PBU 8/2010").

Provision for unused vacation is recognized as follows:

Provision amount is calculated for each employee separately. Amount of the provision is increased by the amount of insurance contributions. As employees use vacation (compensation for unused vacation) the provision is reduced.

Percentage of **provision for warranty claims** is determined for each vehicle model based on historical data of warranty payments and adjusted for planned figures of the improvement of the quality of vehicle, changes of cost of work, inflation, changes in manufacturing technology and other similar indicators.

2.14. Accounting for prepaid expenses

Prepaid expenses are recognized in account 97 "Prepaid Expenses" on the basis of actual costs. Prepaid expenses are charged to PL on a monthly basis by debiting related expense accounts during the period specified in the respective documents (licenses, contracts, etc.). If it is impossible

to determine the period from the relevant documents, it is determined by a committee whose members are appointed by the Company's General Director.

Prepaid expenses are presented on the balance sheet as part of other current assets and other non-current assets depending on the expected useful life at the reporting date.

2.15. Income Tax

In accordance with the Order of the Ministry of Finance of the Russian Federation No. 114n dated 19 November 2003 on approval of Accounting standard "Accounting for settlements on income tax" PBU 18/02, starting from the interim (quarterly) financial statements for 2009, the Company shall recognize, for financial accounting purposes, the difference between income tax on profit (loss) recognized for accounting purposes and income tax recognized for tax purposes and declared in the income tax return.

Deferred tax assets and liabilities are carried in the balance sheet as non-current assets and long-term liabilities respectively. Deferred tax assets are recorded in the financial accounting records through a separate account 09, and deferred tax liabilities through a separate account 77. When preparing its financial statements, the Company reports the deferred tax assets and liabilities on a gross basis in the balance sheet.

Permanent tax liabilities, movements in deferred tax assets, movements in deferred tax liabilities and current income tax provisions are recognized in the Statement of Financial Results.

Current income tax of the Company is tax payable to the budget, determined based on the amount of theoretical income tax expense adjusted by the amount of movements in permanent tax liabilities during the current period, and changes in deferred tax assets and deferred tax liabilities.

3. BREAKDOWN OF CERTAIN BALANCE SHEET ITEMS

3.1. Property, plant and equipment

Movements of the historical cost of the groups of property, plant and equipment were as follows:

Item description	(INR thousand)				
	31 December 2013	Additions	Disposals	Translation difference	31 December 2014
Vehicles	828,442	522,867	(509,152)	(348,423)	493,734
Production and support tools	48,201	8,082	(163)	(20,272)	35,848
Total	876,643	530,949	(509,315)	(368,695)	529,582

Item description	(INR thousand)				
	31 December 2012	Additions	Disposals	Translation difference	31 December 2013
Vehicles	842,088	953,837	(1,004,015)	36,532	828,442
Production and support tools	43,371	3,776	(827)	1,881	48,201
Total	885,459	957,613	(1,004,842)	38,413	876,643

The historical cost of leased items of fixed assets as at 31 December 2014 amounted to INR 64,567 thousand (as at 31 December 2013 – INR – 126,688 thousand, as at 31 December 2012 – INR 65,257 thousand), accumulated depreciation as at 31 December 2014 amounted to INR 9,720 thousand (as at 31 December 2013 - INR 13,010 thousand, as at 31 December 2012 – INR 6,072 thousand).

The amount of accumulated depreciation by key groups of fixed assets as at 31 December 2014, 2013 and 2012 was as follows:

(INR thousand)

UNOFFICIAL TRANSLATION

Item description	31 December		
	2014	2013	2012
Accumulated depreciation			
Vehicles	68,113	97,038	88,801
Production and support tools	16,977	19,604	11,004
Total	85,090	116,642	99,805
Leased fixed assets	54,847	113,678	57,651

3.2. Short-term investments

As at 31 December 2014 short-term investments comprised the following:

Counterparty	Loan amount	Loan currency	Average interest rate for 2014	Maturity date
Jaguar Land Rover Limited (UK)	1,087,000	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	652,200	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	760,900	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	652,200	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	1,195,700	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	2,500,100	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	869,600	Rubles	9.464%	On demand
Jaguar Land Rover Limited (UK)	543,500	Rubles	9.464%	On demand
Interest receivable	42,742			
Total short-term investments	8,303,942			

The interest rate means MOSPrime (Moscow Prime Offered rate) for a period of one month increased by the higher of 5bps; or FMC European Industrial BBB- 3 month rate minus FMC European Financial BBB 3 month rate.

3.3. Income Tax

Current income tax expense is determined according to tax accounting records and for 2014 and 2013 and comprised the following:

	2014	(INR thousand) 2013
Profit before income tax	5,770,647	9,230,682
Theoretical income tax expense	1,154,130	1,846,136
Permanent tax liabilities:		
expenses not deductible for tax purposes	88,029	83,465
expenses in excess of allowable limits	192	122
Total PTL	88,221	83,587
Increase in deferred tax assets:		
change in inventory obsolescence allowance	(3,321)	24,699
change in provision for warranty	122,216	155,308
Other	6,808	7,289
Total DTA	125,703	187,296
Total current income tax expense	1,368,054	2,117,019

In 2013 deferred tax assets have been adjusted as a result they have decreased by INR 345 thousand in the current period

On 7 March 2013 the Company received Resolution № 13-12/59 as a result of the tax audit for 2009, 2010 and 2011, on the accrual and timely payment of value added tax, corporate profit tax, transport tax, social insurance contribution, personal income tax, insurance contributions.

UNOFFICIAL TRANSLATION

On the audit results there were accrued 5,826 thousand rupees: understated taxes amounted INR 5,490 thousand, fines amounted to 285 thousand rupees and penalties amounted 51 thousand rupees. All of the above mentioned amounts have been paid by the Company in time.

3.4. Inventories

As at 31 December 2014, 2013 and 2012 inventories comprised the following:

	(INR thousand)		
	2014	31 December 2013	2012
Inventories			
Vehicles	1,093,039	6,329,003	5,112,955
Spare parts	1,178,625	1,912,892	1,685,454
Spare parts in-transit	142,670	230,290	162,678
Vehicles in-transit	180,363	7,442	129,256
Transportation and procurement costs	17,772	22,535	33,700
Other	1,401	2,899	10,766
Inventory obsolescence allowance	(252,549)	(464,514)	(326,837)
Total	2,361,321	8,040,547	6,807,972

As at 31 December 2014, 2013 and 2012 the Company had no inventory pledged as collateral.

Inventory obsolescence allowance was as follows:

Balance as at 31 December 2012	326,837
Increase in allowance	123,499
Translation difference	14,178
Balance as at 31 December 2013	464,514
Increase of provision	100,896
Decrease of allowance in respect of inventories write-off	(117,498)
Translation difference	(195,363)
Balance as at 31 December 2014	252,549

3.5. Accounts receivable

As at 31 December 2014, 2013 and 2012 accounts receivable comprised the following:

	(INR thousand)		
	2014	31 December 2013	2012
Accounts receivable			
Trade receivables:			
Accounts with dealers for vehicles	41,345	65,268	145,654
Accounts with dealers for spare parts	676,377	1,118,820	746,600
Other sales	39,945	50,200	3,700
Ford Motor Company (warranty reimbursement)	-	-	96,340
Advances paid:	107,851	204,795	170,981
Settlements on taxes and duties	434,854	507,435	720,547
Settlements with customs	15,118	22,334	17,730
Settlements with the parent company for reimbursement of expenses for warranty repair, warranty service	194,640	725,631	91,529
Other	34,457	38,105	63,414
Bad debt allowance	(7,572)	(10,297)	(9,869)
Total	1,537,015	2,722,291	2,046,626

3.6. Cash and cash equivalents

As at 31 December 2014, 2013 and 2012 cash and cash equivalents comprised the following:

	(INR thousand)		
	31 December		
	2014	2013	2012
Cash and cash equivalents			
Current accounts with banks	25,103	682,930	1,273,721
Short-term deposits	695,137	8,088,186	3,380,350
Total	720,240	8,771,116	4,654,071

3.7. Charter capital and distribution of net profit

On 26 June 2013, the sole participant of the Company decided to pay out the net retained earnings for 2011 under Resolution №13 in the amount of INR 3,243,553 thousand.

On 29 October 2014, the sole participant of the Company decided to pay out the net retained earnings for 2012 and 2013 under Resolution №16 in the amount of INR 6,926,825 thousand

The charter capital of the Company as at 31 December 2014, 2013 and 2012 amounted to INR 80,108 thousand.

3.8. Accounts payable

As at 31 December 2014, 2013 and 2012 accounts payable comprised the following:

	(INR thousand)		
	31 December		
	2014	2013	2012
Accounts payable			
Trade payables:			
Accounts for vehicles	1,084,822	7,442	133,300
Accounts for spare parts	930,168	232,832	279,318
Accounts for other goods and services	577,195	1,219,137	1,069,470
Accounts with dealers for warranty reimbursement	125,083	263,668	204,629
Advances received:	295,840	244,540	145,631
Taxes payable	1,169,460	417,344	454,452
Accounts with dealers for credit aviso	1,974,366	2,157,822	1,272,921
Other	-	141	2,903
Total	6,156,934	4,542,926	3,562,624

3.9. Accrued liabilities

Movements of accrued liabilities for the years 2014, 2013 and 2012 were as follows:

	(INR thousand)		
	Warranty claims	Provision for unused vacations	Total
Balance as at 31 December 2012	2,625,026	23,312	2,648,338
Increase in provisions	2,217,552	27,710	2,245,262
Use of provisions	(1,440,931)	(19,218)	(1,460,149)
Translation difference	113,878	1,013	114,891
Balance as at 31 December 2013	3,515,525	32,817	3,548,342
Increase in provisions	1,860,604	22,202	1,882,806
Use of provisions	(1,267,904)	(15,639)	(1,283,543)
Translation difference	(1,478,545)	(13,802)	(1,492,347)
Balance as at 31 December 2014	2,629,680	25,578	2,655,258

4. BREAKDOWN OF CERTAIN ITEMS OF STATEMENT ON FINANCIAL RESULTS

4.1. Revenue

Revenue from operating activities for 2014 and 2013 comprised:

	2014	(INR thousand) 2013
Type of Revenue		
Sale of vehicles	65,066,276	105,313,821
Sale of spare parts	5,887,367	8,764,346
Sale of other goods and services	72,396	98,400
	<u>71,026,039</u>	<u>114,176,567</u>
Less dealer bonuses	(4,120,423)	(6,145,739)
Total	<u>66,905,616</u>	<u>108,030,828</u>

4.2. Operating expenses

Breakdown of operating expenses by cost elements for 2014 and 2013 was as follows:

	2014	(INR thousand) 2013
Cost of goods and services sold	54,613,282	88,591,414
Sale of vehicles	37,252,781	60,842,944
Custom duties and recycling tax	12,915,792	21,063,501
Sale of spare parts	4,434,139	6,670,381
Sale of other goods and services	10,570	14,588
Selling expenses	7,084,554	10,561,889
Advertising and marketing	2,947,415	4,727,222
Warranty repairs and warranty service	2,101,313	2,565,374
Transportation and procurement costs	773,890	1,292,266
Payroll	222,726	321,757
Rent	125,080	177,700
Depreciation of property and equipment	124,752	202,316
Maintenance of vehicles	73,909	160,432
Business trip expenses	50,893	87,703
Consulting	42,080	62,615
Insurance	36,041	53,158
Communication services	8,049	10,104
Other expenses	578,406	901,242
Total	<u>61,697,836</u>	<u>99,153,303</u>

4.3. Other income

Other income for 2014 and 2013 comprised:

	2014	(INR thousand) 2013
Other income		
Gain on sale of fixed assets	466,306	876,788
Penalties and fines	330,213	411,934
Gain from Finance program	152,243	140,497
Gain as a result of inventory count	24,666	34,888
Foreign exchange gains	378	1,104
Other	49,326	59,180
Total	<u>1,023,132</u>	<u>1,524,391</u>

As was disclosed in Note 3.1, the Company's property, plant and equipment are mainly presented by Company Service Vehicles. In accordance with the Internal Policy, the Company uses these vehicles for 12 months and disposes them afterwards.

4.4. Other expenses

Other expenses for 2014 and 2013 comprised:

	2014	(INR thousand) 2013
Other expenses		
Loss from sale of PPE	365,118	775,910
Loss from Finance program	144,074	133,209
Current period inventory obsolescence allowance	100,896	123,497
Brand reputation support	89,731	49,890
Bank charges	43,043	66,210
Loss from inventory count result	42,620	44,943
Loss from sale and disposal of other assets	39,367	45,842
Destruction of spare parts	25,423	-
Foreign exchange losses	2,212	2,759
Loss from foreign exchange transactions	191	301
Other	142,329	132,590
Total	995,004	1,375,151

5. RELATED PARTIES

In 2014, 2013 and 2012 the Company had transactions with the following related parties:

- Jaguar Cars Limited (United Kingdom), founder – right to use intellectual activity results displayed at the Hub of Jaguar on the territory of the Russian Federation;
- Land Rover Exports Limited (United Kingdom), a group company – import by the Company of Land Rover vehicles and spare parts for sale on the territory of the Russian Federation;
- Jaguar Cars Exports Limited (United Kingdom), a group company – import by the Company of Vehicles of Jaguar trade mark for sale on the territory of the Russian Federation;
- Jaguar Land Rover Exports Limited (United Kingdom), a group company – since 1 April 2012 import by the Company of Land Rover and Jaguar vehicles and Land Rover and Jaguar spare parts for sale on the territory of the Russian Federation;
- Land Rover (United Kingdom), a group company – receipt of short term loans from the Company, right to use intellectual activity results displayed at the Hub of Land Rover on the territory of the Russian Federation;
- Jaguar Land Rover Limited (United Kingdom), a group company – since 1 April 2013 import by the Company of Land Rover and Jaguar vehicles and Land Rover and Jaguar spare parts for sale on the territory of the Russian Federation; since 1 January 2014 import of Jaguar spare parts for sale on the territory of Russian Federation; since 30 January 2013 has right to use intellectual activity results displayed at the Hub of Jaguar and Land Rover on the territory of the Russian Federation; since 1 April 2014 granting right of usage of spare parts accounting software (IPOS) and its support, since 25 March 2014 obtaining short-term loans from the Company.

In 2014 related party transactions included:

	Purchase of goods and services 2014	Loans and interest receivable 31/12/2014	Interest Received 2014	Accounts receivable 31/12/2014	Accounts payable 31/12/2014
Jaguar Land Rover Limited	44,254,626	8,303,942	443,570	194,640	2,029,406
Total	44,254,626	8,303,942	443,570	194,640	2,029,406

In 2013 related party transactions included:

	Purchase of goods and services 2013	Interest received 2013	Accounts receivable 31/12/2013	Accounts payable 31/12/2013
Jaguar Land Rover Limited	58,354,149	-	725,594	213,712
Jaguar Land Rover Exports Limited	21,665,438	-	-	-
Total	80,019,587	-	725,594	213,712

In 2012 related party transactions included:

	Purchase of goods and services 2012	Interest received 2012	Accounts receivable 31/12/2012	Accounts payable 31/12/2012
Land Rover Exports Limited	15,676,924	-	20	-
Jaguar Cars Exports Limited	888,480	-	13	-
Land Rover	608	375,070	-	-
Jaguar Cars Limited	556	-	-	-
Jaguar Land Rover Exports Limited	39,630,875	-	91,496	386,818
Total	56,197,443	375,070	91,529	386,818

6. KEY MANAGEMENT PERSONNEL

The Company's General Director, Finance and Administrative Director, and Chief Accountant are considered to be key management personnel.

	2014	(INR thousand) 2013
Payments to key management personnel		
Payroll	13,805	27,114
Bonuses	7,537	7,140
Other benefits	635	1,521
Total	21,977	35,775

The Company had not signed agreements with non-state pension funds during 2013 and 2014. The Company did not enter into any joint venture agreements in 2013 and 2014.

7. EXCHANGE RATES

The official exchange rates are established by the Central Bank of the Russian Federation. The official exchange rates were effective at the reporting date were as follows:

Currency	31 December 2014	31 December 2013	31 December 2012
USD	61.153	61.400	54.610
EUR	74.289	84.364	72.331
	2014	2013	(INR thousand) 2012
Foreign exchange gains and losses, net, from translation of assets and liabilities denominated in foreign currency and payable in foreign currency	(1,834)	(1,668)	(1,618)

8. SEGMENT INFORMATION

The Company's segment reporting is presented on the basis of management's perspective and relates to the parts of the Company that are defined as operating segments.

Since the Company's risks and profits are determined mainly by the nature of its operations, data for operating segments is considered to be the primary segmental data, and data for geographic segments is considered to be secondary segmental data.

Information on operating segments for 2014 and 2013 is presented below:

	2014					(INR thousand)
	Vehicles Land Rover	Vehicles Jaguar	Vehicle spare parts Land Rover	Vehicle spare parts Jaguar	Other	Total
Revenue, net of VAT	57,728,204	3,653,550	4,958,963	492,503	72,396	66,905,616
Cost of sales	(46,947,562)	(2,921,974)	(4,381,437)	(351,739)	(10,570)	(54,613,282)
Gross profit	10,780,642	731,576	577,526	140,764	61,826	12,292,334

	2013					(INR thousand)
	Vehicles Land Rover	Vehicles Jaguar	Vehicle spare parts Land Rover	Vehicle spare parts Jaguar	Other	Total
Revenue, net of VAT	92,803,773	6,846,017	7,528,013	754,625	98,400	108,030,828
Cost of sales	(75,860,234)	(5,547,101)	(6,618,155)	(551,336)	(14,588)	(88,591,414)
Gross profit	16,943,539	1,298,916	909,858	203,289	83,812	19,439,414

On 1 April 2013 dealer centers in the Republic of Belarus and the Republic of Kazakhstan were opened. Information on these geographical segments was added in the segment note.

Information on geographic segments for 2014 and 2013 is presented below:

	2014					(INR thousand)
	Moscow and Moscow region	St. Petersburg and Leningrad-skaya Region	Other regions	Republic of Belarus	Republic of Kazakhstan	Total
Revenue, net of VAT	35,288,411	9,580,450	19,536,308	815,375	1,685,072	66,905,616
Cost of sales	(28,925,884)	(7,968,367)	(15,769,431)	(675,536)	(1,274,064)	(54,613,282)
Gross profit	6,362,527	1,612,083	3,766,877	139,839	411,008	12,292,334

	2013					(INR thousand)
	Moscow and Moscow region	St. Petersburg and Leningrad-skaya Region	Other regions	Republic of Belarus	Republic of Kazakhstan	Total
Revenue, net of VAT	58,926,458	16,140,339	30,455,941	920,720	1,587,370	108,030,828
Cost of sales	(48,647,419)	(13,261,647)	(24,760,384)	(742,485)	(1,179,479)	(88,591,414)
Gross profit	10,279,039	2,878,692	5,695,557	178,235	407,891	19,439,414

9. RISKS

9.1. Country risks

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future direction economic development in the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Due to the fact that the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to changes of the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly raised its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Ruble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Ruble and other negative economic consequences.

The impact of further political and economic events in Russia on future operations and financial position of the company is at this stage difficult to determine.

9.2. Legal risks

In 2014 and 2013 the Company was not involved in litigations that could significantly affect the financial results.

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Although the Company's management believes that the accompanying financial statements reflect fairly the Company's tax liabilities, there is a risk that the interpretation of the legislation by the tax and customs authorities, as applied to the transactions and activities of the Company, may not coincide with that of the management. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years prior to the year of tax review. Under certain circumstances reviews may cover longer periods.

The Company purchases goods from foreign suppliers in the ordinary course of business. The management believes that customs duties are calculated in compliance with the applicable legislation. However, there is a risk that relevant regulatory authorities may take a different view. The Company qualifies the risk of an outflow of economic benefits in connection with these events as unlikely.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Company's transfer pricing positions by the tax authorities cannot be reliably estimated.

10. EVENTS AFTER THE REPORTING PERIOD

On 24 March 2015, the sole participant of the Company decided to pay out the net retained earnings for 9 months of 2014 under Resolution #17 in the amount of INR 3,947,606 thousand.

Frank Wittemann, CEO

Olga Bukreeva, Chief Accountant

26 March 2015