

Jaguar Land Rover North America, LLC

Financial statements

Years ended 31 March 2017 and 2016

Jaguar Land Rover North America, LLC

INDEX TO FINANCIAL STATEMENTS

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Jaguar Land Rover North America, LLC

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Jaguar Land Rover North America, LLC
Mahwah, New Jersey

We have audited the accompanying financial statements of Jaguar Land Rover North America, LLC (the "Company"), which comprise the balance sheet as of March 31, 2017 and 2016, and the related statements of income, comprehensive income, cash flows, and changes in equity, for the years then ended, and the related 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 International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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 provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jaguar Land Rover North America, LLC as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has extensive transactions with Jaguar Land Rover Limited. Accordingly, the accompanying financial statements may not be indicative of the financial position or the results of its operations which would have been attained by the Company if it had not operated without such affiliations. Our opinion is not modified with respect to this matter.



New York, New York
May 26, 2017

Jaguar Land Rover North America, LLC

Jaguar Land Rover North America, LLC

Balance Sheets	As at 31 March		
In \$USD	Note	2017	2016
Non-current assets			
Property, plant and equipment	3	\$ 16,715,533	\$ 28,349,678
Other financial assets	4	2,655,709	3,073,836
Deferred income taxes	5	88,178,138	42,393,334
Total non-current assets		107,549,380	73,816,848
Current assets			
Inventories	6	979,491,874	555,596,351
Trade receivables		125,538,258	49,624,976
Finance receivables	8	375,621,406	489,145,028
Other current assets	9	2,061,250	4,056,684
Cash and cash equivalents	10	6,379,318	7,242,212
Current income tax assets	5	-	8,597,947
Assets held for sale	3	12,497,000	-
Total current assets		1,501,589,106	1,114,263,198
Total assets		1,609,138,486	1,188,080,046
Current liabilities			
Accounts payable		(679,768,359)	(564,105,212)
Marketing provisions	11	(525,446,461)	(375,828,195)
Financial liabilities		(390,160)	(318,968)
Other current liabilities	12	(91,034,339)	(81,169,852)
Provisions	14	(10,682,527)	(6,590,776)
Current income tax liabilities	5	(24,521,240)	-
Total current liabilities		(1,331,843,086)	(1,028,013,003)
Non-current liabilities			
Other non-current liabilities	13	(152,395,961)	(72,694,128)
Provisions	14	(19,947,743)	(7,551,461)
Other financial liabilities		(2,035,985)	(1,915,936)
Total non-current liabilities		(174,379,689)	(82,161,526)
Total liabilities		(1,506,222,775)	(1,110,174,529)
Equity attributable to shareholders			
Ordinary shares		(40,000,000)	(40,000,000)
Share premium		(117,300,000)	(117,300,000)
Retained earnings brought forward		78,153,254	100,120,572
Profit for the year		(25,092,028)	(21,967,318)
Pension reserve		1,323,062	1,241,229
Equity attributable to shareholders		(102,915,711)	(77,905,517)
Total liabilities and equity		\$ (1,609,138,486)	\$ (1,188,080,046)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Jaguar Land Rover North America, LLC

Income Statements

In \$USD

	Note	Year ended 31 March	
		2017	2016
Income			
Revenue		\$ 6,917,937,677	\$ 6,514,078,637
Other income	18	11,684,036	12,851,666
Total Income		6,929,621,713	6,526,930,303
Expenditure			
Direct costs	6	(6,293,564,200)	(5,931,153,895)
Employee costs	16	(44,611,107)	(44,513,206)
Other expenses	17	(547,474,808)	(512,539,969)
Total expenditure		(6,885,650,115)	(6,488,207,070)
Profit before depreciation, interest, amortization and tax		43,971,598	38,723,233
Depreciation and amortisation	3	(3,465,353)	(3,358,192)
Miscellaneous Income		37,918	142,682
Finance (expense)/income, net	19	(39,927)	486,097
Profit before tax		40,504,236	35,993,820
Income Tax Expense	5	(15,412,208)	(14,026,502)
Profit for the period		\$ 25,092,028	\$ 21,967,318

Jaguar Land Rover North America, LLC

Statements of Comprehensive Income

In \$USD

	Year ended 31 March	
	2017	2016
Profit for the period	\$ 25,092,028	\$ 21,967,318
Items that will not be reclassified subsequently to Income statement:		
Actuarial (loss)/gain, net of tax benefit/(expense) of \$95,047 and (\$63,953) for fiscal years ended 31 March 2017 and 2016, respectively	(81,833)	82,495
Other comprehensive income for the year	(81,833)	82,495
Total comprehensive income for the year	\$ 25,010,195	\$ 22,049,813

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Statements of Cash Flows In \$USD

	For the Fiscal Year Ended 31 March	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 25,092,028	\$ 21,967,318
Adjustments for noncash items included in net income:		
Depreciation	3,465,353	3,358,192
Inventory write-down	2,089,926	36,845
Allowances for trade and other receivables	-	(12,799)
Loss on sale of assets / assets written off	466,361	573,886
Minimum pension liability	(81,833)	(82,495)
Impairment to Asset held for sale	2,010,365	-
Income tax expense	15,412,208	14,026,502
Interest expense / (income)	14,877	(93,454)
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Cash flows from operating activities before changes in following assets and liabilities	48,469,285	39,773,995
Decrease in Other Financial Assets (Non-current)	418,127	8,350,589
(Increase)/decrease in Deferred tax assets	(45,784,803)	4,539,416
(Increase)/decrease in Inventories	(425,985,449)	55,330,914
Increase in Trade receivables	(75,913,283)	(8,168,563)
Decrease/(increase) in Finance receivables	112,110,832	(162,364,092)
Decrease/(increase) in Other Current Assets	1,995,434	(1,464,066)
Decrease/(increase) in Current income tax assets	8,597,947	(8,597,947)
Increase/(decrease) in Trade payables	115,663,146	(79,366,390)
Increase in Current income tax liabilities	38,528,325	3,869,038
Increase in Marketing Provisions	149,618,266	144,778,271
Increase in Financial Liabilities (Current)	71,192	153,918
Increase in Other Current Liabilities	11,287,453	13,567,185
Increase/(decrease) in Provisions (Current)	4,091,751	(974,269)
Increase in Other Non-Current Liabilities	79,701,832	22,819,212
Increase/(decrease) in Provisions (Non-current)	12,396,282	(5,106,747)
Increase in Other Financial Liabilities (Non-current)	120,048	818,030
Cash generated from operating activities	35,386,385	27,958,494
Income tax paid	(29,419,293)	(19,793,882)
Net cash (used by)/generated from operating activities	5,967,092	8,164,612
<hr/>		
Cash flows from investing activities:		
Interest received	1,397,913	916,674
Payments for property, plant and equipment	(6,804,934)	(7,495,274)
Net cash generated by/(used by) investing activities	(5,407,021)	(6,578,600)
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Cash flows from financing activities:		
Interest paid	(1,422,965)	(524,032)
Net cash used by financing activities	(1,422,965)	(524,032)
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Net change in cash and cash equivalents	\$ (862,894)	\$ 1,061,980
Cash and cash equivalents, beginning of the year	7,242,212	6,180,232
Cash and cash equivalents, end of the year	\$ 6,379,318	\$ 7,242,212

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Jaguar Land Rover North America, LLC
Statements of Changes in Equity
 In \$USD

	Ordinary Share Capital	Share Premium	Retained Profit	Pension Reserve	Total Equity
Balance at 31 March 2015	\$ (40,000,000)	\$ (117,300,000)	\$ 100,120,572	\$ 1,158,734	\$ (56,020,694)
Income for the year			(21,967,318)		(21,967,318)
Other comprehensive income for the year, net of tax expense of \$63,953				82,495	82,495
Balance at 31 March 2016	\$ (40,000,000)	\$ (117,300,000)	\$ 78,153,254	\$ 1,241,229	\$ (77,905,517)
Income for the year			(25,092,028)		(25,092,028)
Other comprehensive loss for the year, net of tax benefit of \$95,047				81,833	81,833
Balance at 31 March 2017	\$ (40,000,000)	\$ (117,300,000)	\$ 53,061,227	\$ 1,323,062	\$ (102,915,711)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

1. Background and operations

Jaguar Land Rover North America, LLC (the "Company" or "JLRNA") is an importer and distributor of luxury sedans, sport utility vehicles and parts in the United States market. The Company also offers various vehicle related service plans to end users of its vehicles. The Company's primary areas of business are the distribution, marketing, sales, and service of its products.

JLRNA headquarters is located in Mahwah, New Jersey, with four regional offices located around the United States as well as two dedicated training facilities. The Company is in process of relocating its corporate headquarters to another location in Mahwah, New Jersey. The relocation is expected to be complete over the next 12-18 months. As a result, the current corporate headquarters facility has been put up for sale and is classified at fair value within Assets held for sale on the Balance Sheet at 31 March 2017.

JLRNA is a wholly-owned subsidiary of Jaguar Land Rover Limited ("JLR Limited"), which is a UK company. The ultimate parent and controlling party is Tata Motors Limited ("TML"), registered and domiciled in India.

The vehicles are purchased from JLR Limited and imported into the United States. Parts are primarily sourced from JLR Limited with some domestic procurement.

The parts business is managed under two different relationships with third party logistics providers whereby the third parties manage the warehousing of physical inventory and distribution. JLRNA owns the inventory and manages the sale and collection function.

As a limited risk distributor, JLRNA operates under an advanced transfer pricing agreement with JLR Limited whereby pretax operating profit is set at 0.55% of revenue. If pretax operating profit is between 0.4% and 0.7% of revenue before any adjustments are recorded, then no adjustment is to be recorded between JLRNA and JLR Limited.

2. Significant accounting policies

a. *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as "IFRS") as issued by the International Accounting Standards Board (referred to as "IASB"). The results of the Company are included in the consolidated financial statements of its ultimate parent, TML and these are publicly available.

Basis of preparation

The financial statements have been prepared on historical cost basis. The Company's fiscal year end is 31 March of each year.

All figures are presented in US dollars unless otherwise stated.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

b. *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- i) Note 3 – Property, plant and equipment – the Company applies judgement in determining the estimate useful life of assets.
- ii) Note 5 – Recoverability/recognition of deferred tax assets –management applies judgement in establishing the timing of the recognition of deferred tax assets relating to historic losses.
- iii) Note 11 – Variable marketing incentives are estimated at the balance sheet date based on approved programs that are in place to incentivize retailers to meet sales volume requirements. These program needs can change from the initial expectation due to, among other variables, prevailing interest rates, competitive market conditions, macroeconomic factors, supply and demand, etc. Such changes will impact balances previously recorded.
- iv) Note 14 – Provisions – it is necessary for the Company to assess the provision for anticipated payments on locally offered vehicle services under such programs as roadside assistance and service loaner. The valuation of these provisions requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs, which are based on expectations of product failure rates. Additionally, the Company is responsible for some of the residual value risk arising on vehicles sold by dealers under leasing arrangements. The provision is based on the latest available market expectations of future residual value trends. The timing of the outflows will be at the end of the lease arrangements – being typically three years.
- v) Notes 12 & 13 - Other current liabilities and Other noncurrent liabilities - it is necessary for the Company to assess the anticipated payments on locally offered vehicle services under such programs as certified pre-owned (“CPO”), scheduled maintenance, and connected car. Revenue related to these programs is deferred and recognized over the life of the service plan in line with when the claims emerge. The timing of the recognition of this deferred revenue requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs, which are based on expectations of product failure rates for CPO, and retail customer take rates for scheduled maintenance and connected car.
- vi) Note 20 – Assets and obligations relating to employee benefits – it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return upon scheme assets. The Company engages a qualified actuary to assist with determining the assumptions to be made when evaluating these liabilities.

Jaguar Land Rover North America, LLC

c. Going concern / Events after the Balance Sheet date

As a wholly-owned subsidiary of JLR Limited, the Company's going concern is linked to the going concern of that entity.

The directors of the Company have considered the financial position of JLR Limited at 31 March 2017 and the projected cash flows and financial performance of JLR Limited for at least 12 months from the date of approval of these financial statements, and believe that the plan for sustained profitability remains on course.

The directors of the Company have taken actions to ensure that appropriate long term cash resources are in place at the date of signing the accounts to fund the Company's operations.

Therefore the directors of the Company consider, after making appropriate enquiries and taking into consideration the risks and uncertainties, the Company has adequate resources to continue in operation as a going concern for the foreseeable future and is able to meet its financial covenants linked to the borrowings in place. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

There were no events occurring after the balance sheet date that would have a material impact on the Company's results of operations, financial position or cash flows.

d. Revenue recognition

Revenue is measured at fair value of consideration received or receivable.

The Company recognizes revenues on the sale of products, net of discounts, sales incentives, customer bonuses and rebates granted, when products are segregated for dispatch to dealers, which is when risks and rewards of ownership pass to the customer. Sale of products is presented net of excise duty where applicable and other indirect taxes.

Revenues are recognized when collectability of the resulting receivable is reasonably assured.

For certain service plans, the Company defers revenue received for the future services to be provided. In the case of certified pre-owned warranties, cash is explicitly received at the point of vehicle certification; this cash is deferred and recognized over the life of the service plan in line with when the claims are expected to emerge. In the case of complementary scheduled maintenance programs and connected car, the cost of these services is embedded in the price of the vehicle. The Company defers a portion of the revenue attributable to these service plans and recognizes it when the service is provided.

e. Cost recognition

Costs and expenses are recognized when incurred and are classified according to their nature.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

f. *Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) *Locally offered vehicle services expenses*

The estimated liability for locally offered vehicle services under such programs as roadside assistance and service loaner are recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of claims and management estimates regarding possible future incidences based on actions on product failures. The timing of outflows will vary as and when claim will arise, being typically up to five years.

ii) *Residual risk*

In the normal course of business, the Company has a vehicle residual risk sharing arrangement with a financial institution that underwrites retail leases. The Company is not a party to these retail leases. Under the current arrangement, residual collateral deposits are made quarterly based on the final expected residual values of the underlying vehicle at lease termination. At certain points in the life of the retail leases, an interim review is performed and if there is excess collateral on deposit, the Company is entitled to receive a refund of previously deposited collateral. Due to the uncertainty in future residual values as they are impacted by many factors (e.g. economic environment, fuel prices, etc.) management is unable to predict the value, if any, of any future refunds.

g. *Foreign currency*

These financial statements are presented in United States Dollars (USD).

Transactions are typically not recorded in foreign currencies; in the rare instance of such a transaction, they would be recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are re-measured into USD at the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the Income Statements.

h. *Income taxes*

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Income Statements except, when it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss, or where it arises from the initial accounting for business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

Current income taxes are determined based on the taxable income of the Company and tax rules applicable for the USA.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

h. *Income Taxes (continued)*

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

i. *Inventories and Direct costs*

Inventories consist of finished vehicles and automotive parts and accessories and are valued at the lower of cost and net realizable value. As a limited risk distributor the Company operates under a transfer price agreement with JLR Limited whereby pretax profit is set at 0.55% of revenue. If pretax profit is between 0.4% and 0.7% of revenue before any adjustments are recorded, then no adjustment is to be recorded between JLRNA and JLR Limited. Profit adjustments, negative or positive, to meet the required profit targets, are reflected in the Income Statements as a component of Direct costs.

j. *Property, plant and equipment*

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation less accumulated impairment, if any.

Land is measured at cost and is not depreciated.

Cost includes purchase price, taxes and duties, labor cost and direct overheads for self constructed assets and other direct costs incurred up to the date the asset is ready for its intended use.

Depreciation is provided on a straight-line basis over estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

	Estimated useful life in years
Buildings and leasehold improvements	30
Office machines & equipment	12.5 - 14.5
Vehicles	9
Computer equipment	10
Software	3 - 8
Furniture & fixtures	12.5
Auto show displays	5

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital work-in-progress includes capital advances.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

k. *Leases*

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement. Currently, the Company only has operating leases. Payments made under operating leases are recognized in the Income Statements on a straight-line basis over the term of the lease.

l. *Impairment - Property, plant and equipment*

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment may be impaired. If any such impairment indication exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Income Statements.

During the fiscal year ended 31 March 2017, the Company finalized its plans to relocate its headquarters to a more suitable facility in close proximity to the current headquarters. As a result, the current headquarters facility was put up for sale. Land and buildings with a cost basis of \$21.8 million, accumulated depreciation of \$7.3 million and net book value of \$14.5 million were reclassified to Assets held for sale. Subsequently, a bona fide purchase offer was received from a third party and accepted by the Company at an amount below the carrying value of the property. Based on the letter of intent from the buyer, approximately \$2.0 million was recorded as an impairment on that property, to align the carrying value with the net proceeds to be received and the fair value of the property less costs to dispose. This amount was recorded within Other expenses on the Income Statements for the year ended 31 March 2017. As of 31 March 2017, none of the Company's other property, plant and equipment were considered impaired.

m. *Employee benefits*

Pension plans

The Company has several defined pension plans which cover certain employees. A participating employee's annual postretirement pension benefit is determined by the employees' credited service and in most plans, final average annual earnings with the Company. The Company's funding policy is to annually contribute the statutory required minimum amount as determined by an actuary. The Company also maintains plans providing other postretirement benefits covering substantially all salaried employees. The Company funds these benefits on a pay-as-you go basis; the following is a brief summary of the plans provided:

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

m. *Employee Benefits (continued)*

Plan Descriptions:

- a. *Retirement Plan for Salaried Employees of Jaguar Cars* — Qualified defined benefit plan for Jaguar Legacy employees. The Plan presently covers approximately 30 active employees, 44 inactive with deferred benefits, and 184 in pay status; service frozen in 1996 and pay frozen in October 2009. At 31 March 2017 and 2016, this plan was underfunded by \$1.0 million and \$0.5 million, respectively. As part of its continuing efforts to de-risk its retirement benefit obligations, during the fiscal year ended 31 March 2017, JLRNA announced a plan to terminate the Retirement Plan for Salaried Employees of Jaguar Cars. Form 500 has been submitted to the Pension Benefit Guaranty Corporation and all participants have been notified of the Company's intent to offer participants an option of a lump sum buyout or a continuing annuity through a third party insurer.
- b. *Land Rover Supplemental Death and Retirement Income Plan* — Non-qualified benefit plan providing monthly benefits for five former Land Rover employees.
- c. *Special Agreement* — A non-qualified agreement with a former Land Rover executive providing monthly benefits.
- d. *Jaguar Land Rover Excess Benefit Plan* - Non-qualified defined contribution plan providing restoration benefits for those restricted by Internal Revenue Service limits under the 401(K) Retirement Savings Plan; presently has four employees covered.
- e. *Jaguar Land Rover Excess Retiree Medical Plan* — Post-retirement health care plan providing a subsidy for health coverage based on years of service. This plan excluded: 1) employees hired after January 1, 2009 and 2) employees who transferred from Ford to JLRNA who were age 55 or older and had 10 years of service with Ford. Presently two retirees are receiving a subsidy.

Additionally, the Company sponsors and administers a 401(k) Savings Plan (the "Savings Plan") for the benefit of its employees. Recordkeeping services are provided by a third party plan administrator. The Savings Plan covers all eligible employees of the Company and enables eligible participants to contribute up to statutory limitations. An employee may elect to participate in the Savings Plan after having met certain minimum requirements. Participants are fully vested in the Savings Plan at all times with respect to their contributions, after 2 years of service with respect to the Company's contributions (Company Match) and after 3 years of service for the Company's contributions for Profit Sharing and Supplemental Contributions. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the Savings Plan.

Actuarial gains and losses

Actuarial gains and losses relating to retirement benefit plans are recognized directly in the Statements of Comprehensive Income in the period in which they arise. Actuarial gains and losses relating to long-term employee benefits are recognized in the Income Statements in the period in which they arise.

Measurement date

The measurement date of retirement plans is March 31.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

n. *Financial instruments*

i) *Classification, initial recognition and measurement:*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial instruments are recognized on the Balance Sheets when the Company becomes a party to the contractual provisions of the instrument.

Initially, a financial instrument is recognized at its fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying amount, if it is not classified as at fair value through profit or loss. Subsequently, financial instruments are measured according to the category in which they are classified.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale. Subsequently, these are measured at amortized cost using the effective interest method less any impairment losses.

These includes trade receivables, finance receivables, balances with banks, short-term deposits with banks, other financial assets and investments with fixed or determinable payments.

Other financial liabilities. These are measured at amortized cost using the effective interest method.

ii) *Determination of fair value:*

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. All financial instruments held have a quoted market price in an active market. Valuation techniques include discounted cash flow method and other valuation models and utilize available market data.

iii) *Derecognition of financial assets and financial liabilities:*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when these are extinguished, that is when the obligation is discharged, cancelled or has expired.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

iv) Impairment of financial assets:

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Loans and receivables: Objective evidence of impairment includes default in payments with respect to amounts receivable from customers. Impairment loss in respect of loans and receivables is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognized in the Income Statements. If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal is recognized in the Income Statements.

o. Deferred revenue

In the normal course of business, the Company offers a certified pre-owned warranty program (“CPO”) for its vehicles. Upon reported sale of a CPO vehicle by an authorized retailer, the Company defers all revenue received from the retailers for the sale of this service contract. The revenue is released to profits in line with the trend of expected claims payments over the life of the CPO coverage. The Company does not receive any other revenue related to the sale of the vehicle by the retailer. Additionally, the company offers a variety of scheduled maintenance plans, either complementary or customer paid, which vary by make/model and model year. For complementary scheduled maintenance offerings, the Company allocates a portion of the wholesale revenue of the vehicle and defers this revenue over the life of the service offerings. This deferred revenue is recognized over the life of the service plan in line with expected claims emergence. For customer prepaid scheduled maintenance, the proceeds from the sale of the prepaid program is deferred and recognized over the life of the service plan in line with expected claims emergence. The Company also equips vehicles with “connected car” hardware and software whereby the owner can enable the car as a wifi hotspot, activate on-demand roadside assistance in the event of an emergency, infotainment, vehicle tracking, and vehicle remote control. The Company provides the hardware as a permanent attachment to the vehicle and provides a trial period of software activation; for both of these, a portion of wholesale revenue is deferred. The owner can activate software features beyond the trial period at their own expense.

p. New accounting pronouncements

The following pronouncements have been issued by the International Accounting Standards Board (“IASB”) and have not yet been adopted:

International Financial Reporting Standards (“IFRS”) 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in International Accounting Standard (“IAS”) 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and the hedging

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Note 2 – Significant accounting policies (continued)

instrument and for the “hedged ratio” to be the same as the one management actually use for the risk management process. Contemporaneous document is still required but is different to that currently prepared under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. Based on the analysis to date, the new standard is not expected to have a material impact in terms of the classification and measurement of financial liabilities when the standard is adopted. As far as accounting for hedge relationships is concerned, analysis to date has indicated that the key changes impacting the Group will be that the time value of options and cross currency basis will now be recorded in a separate component of the statement of comprehensive income. Foreign exchange gains/losses for non-financial items will now be recognized as an adjustment to that non-financial item (i.e. inventory) when recorded on the Group’s balance sheet. There is no expected change on the basis of recognition for financial assets or financial liabilities. The Group do not intend on early adopting the Standard.

Requirements under IFRS 7 Financial Instruments: Disclosures are being assessed and disclosure will be given when IFRS 9 is adopted by the Group. The Group do not intend on early adopting the Standard.

IFRS 15 Revenue from Contracts with Customers provides a new comprehensive framework for revenue recognition and establishes new principles and the disclosure requirements thereof. The new standard specifies a uniform, five-step model for revenue recognition, which is to be applied to all contracts with customers. The new disclosure requirements aim to create a more transparent view of how a company generates its revenue and aims to provide more consistent and standardized information to users of financial statements about the nature, timing and amount arising from an entity’s contracts with customers. Under IFRS 15 revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations (such as IFRIC 13 Customer Loyalty Programs). The standard will be effective for the year beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group do not intend on early adopting the Standard. The Group consider the profit impact of IFRS 15 to be immaterial to the financial statements. The main financial impact on the Group of IFRS 15 will be the presentation of the income statement with changes in classification arising from the new definitions of agent and principal, as well as some reclassification from Other Income to Revenue and additional revenue reductions relating to payments to customers. The other significant impact of IFRS15 on the Financial Statements is the extensive disclosure requirements of the Standard, whereby additional numerical and narrative information will be required as well as significantly more disaggregation of revenue compared to the current disclosures.

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard replaces IAS 17 Leases and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the adoption of IFRS 15. The Group do not intend on early adopting the Standard.

IAS 7 Statement of Cash Flows has been amended to required additional disclosure to help users evaluate changes in borrowings. The amendment is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The Group expects to include a net debt reconciliation within its disclosures following the adoption of this standard. The Group do not intend on early adopting the Standard.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

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3. Property, plant and equipment / Assets held for sale

	Land and buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Total Fixed Assets	Assets held for sale
Cost as of 1 April 2015	\$ 26,852,392	\$ 2,036,026	\$ 355,588	\$ 4,420,762	\$ 7,009,389	\$ 40,674,157	\$ -
Additions	5,030,743	1,479,099	112,303	120,308	752,821	7,495,274	-
Disposal	(555,750)	(20,370)	(52,600)	-	(685,739)	(1,314,459)	-
Capital work-in-progress moved into service	-	-	-	-	-	-	-
Cost as of 31 March 2016	31,327,385	3,494,755	415,291	4,541,070	7,076,471	46,854,972	-
Accumulated depreciation as 1 April 2015	(6,512,634)	(1,334,454)	(95,646)	(3,474,876)	(4,470,065)	(15,887,674)	-
Disposals	-	20,254	34,580	-	685,739	740,572	-
Amount cross charged to UK for Portland depreciation	(959,351)	(56,205)	(84,688)	(4,874)	(25,254)	(1,130,372)	-
Depreciation charge for the year	(1,064,396)	(218,628)	(6,627)	(339,942)	(598,226)	(2,227,820)	-
Accumulated depreciation as of 31 March 2016	(8,536,381)	(1,589,033)	(152,381)	(3,819,692)	(4,407,806)	(18,505,294)	-
Net book value as of 31 March 2016	\$ 22,791,004	\$ 1,905,721	\$ 262,910	\$ 721,378	\$ 2,668,665	\$ 28,349,678	\$ -
Cost as of 1 April 2016	31,327,385	3,494,755	415,291	4,541,070	7,076,471	\$ 46,854,972	\$ -
Additions	5,851,759	553,762	62,566	4,472	332,375	6,804,934	-
Disposal	-	(765,404)	-	-	(128,388)	(893,792)	-
Reclassification to Assets held for sale	(21,783,173)	-	-	-	-	(21,783,173)	21,783,173
Impairments	-	-	-	-	-	-	(2,010,365)
Capital work-in-progress moved into service	-	-	-	-	-	-	-
Cost as of 31 March 2017	15,395,971	3,283,113	477,857	4,545,542	7,280,458	30,982,942	19,772,808
Accumulated depreciation as 1 April 2016	(8,536,381)	(1,589,033)	(152,381)	(3,819,692)	(4,407,806)	(18,505,294)	-
Disposals	-	388,021	-	-	39,410	427,431	-
Amount cross charged to UK for Portland depreciation	(1,346,507)	(75,740)	(93,242)	(7,311)	(30,924)	(1,553,724)	-
Reclassification to Assets held for sale	7,275,808	-	-	-	-	7,275,808	(7,275,808)
Depreciation charge for the year	(682,273)	(251,073)	(12,182)	(332,432)	(633,669)	(1,911,629)	-
Accumulated depreciation as of 31 March 2017	(3,289,353)	(1,527,825)	(257,805)	(4,159,435)	(5,032,990)	(14,267,408)	(7,275,808)
Net book value as of 31 March 2017	\$ 12,106,618	\$ 1,755,288	\$ 220,052	\$ 386,107	\$ 2,247,468	\$ 16,715,533	\$ 12,497,000

Notes:

- The Company did not have any property, plant and equipment under finance lease arrangements.
- During the fiscal year ended 31 March 2017, the Company finalized its plans to relocate its headquarters to a more suitable facility in close proximity to the current headquarters. As a result, the current headquarters facility was put up for sale. Land and buildings with a cost basis of \$21.8 million, accumulated depreciation of \$7.3 million and net book value of \$14.5 million were reclassified to Assets held for sale. Subsequently, a bona fide purchase offer was received from a third party and accepted by the Company at an amount below the carrying value of the property. Based on the letter of intent from the buyer, approximately \$2.0 million was recorded as an impairment on that property, to align the carrying value with the net proceeds to be received and the fair value of the property less costs to dispose. This amount was recorded within Other expenses on the Income Statements for the year ended 31 March 2017. As of 31 March 2017, none of the Company's other property, plant and equipment were considered impaired.

4. Other financial assets (non-current)

Other financial assets consist of Assets held in trust for five former Land Rover employees to be paid in monthly installments. This plan is a non-qualified plan. At 31 March 2017 and 2016, these assets amounted to \$2.7 million and \$3.1 million, respectively. See *Supplemental Death and Retirement Income Plan* as described in Note 2. m. and Note 20 for additional information.

Jaguar Land Rover North America, LLC

5. Income taxes

The components of income tax expense were:

	<u>31 March 2017</u>	<u>31 March 2016</u>
Current taxes:		
For current year	60,647,207	\$ 16,958,232
Prior period adjustments	490,493	(7,530,277)
Deferred taxes:		
For current year	(44,268,534)	(2,163,435)
Effect of changed tax rate	(1,344,557)	(187,659)
Prior period adjustments	(112,401)	6,949,641
Total income tax expense	\$ 15,412,208	\$ 14,026,502

The prior period adjustment of \$6.9 million during fiscal year ended 31 March 2016 is primarily related to a deferred revenue tax accounting method change that was filed with the Company's 3/31/15 tax return.

Income tax expense recognized in the Income Statements consist of the following:

	<u>31 March 2017</u>	<u>31 March 2016</u>
Current	61,137,700	\$ 9,427,955
Deferred	(45,725,492)	4,598,547
Total income tax expense	\$ 15,412,208	\$ 14,026,502

The reconciliation of estimated income tax to income tax expense is as follows:

	<u>31 March 2017</u>	<u>31 March 2016</u>
Profit before income taxes	40,504,236	\$ 35,993,820
Income tax expense at tax rates applicable to individual entities	14,176,483	12,597,835
Effect of changed tax rate	(1,344,557)	(187,659)
Current state and local taxes (net of federal benefit)	2,145,361	1,641,591
Total permanent differences	230,083	252,000
Change in Income Tax Reserves	(55,568)	(46,246)
Others	260,406	(231,019)
Income tax expense reported	\$ 15,412,208	\$ 14,026,502

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

The effective tax rate during the 12 months ended 31 March 2017 and 31 March 2016 were 38.05% and 38.97%, respectively.

Deferred tax assets have been recognized in the Balance Sheets in respect of deductible temporary differences. Significant components of deferred tax asset and liability for the year ended 31 March 2017 were as follows:

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Recognized in / reclassified from Statement of comprehensive income</u>	<u>Closing balance</u>
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 31,952,025	\$ 31,375,027	\$ -	\$ 63,327,052
Provisions	-			-
Depreciation	150,899	987,579	-	1,138,478
Compensated absences and retirement benefits	1,174,039	-	95,047	1,269,086
Deferred Revenue	11,632,948	11,681,872	-	23,314,820
Total deferred tax asset	44,909,911	44,044,478	95,047	89,049,436
Deferred tax liabilities:				
Compensated absences and retirement benefits	\$ (1,012,175)	\$ 140,877	\$ -	(871,298)
Deferred Revenue	(1,504,402)	1,504,402	-	-
Total deferred tax liability	(2,516,577)	1,645,279	-	(871,298)
Net assets	\$ 42,393,334	\$ 45,689,757	\$ 95,047	\$ 88,178,138

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

Significant components of deferred tax asset and liability for the year ended 31 March 2016 were as follows:

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Recognized in / reclassified from Statement of comprehensive income</u>	<u>Closing balance</u>
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 26,349,768	\$ 5,602,257	\$ -	\$ 31,952,025
Provisions	-	-	-	-
Depreciation	789,967	(639,068)	-	150,899
Compensated absences and retirement benefits	1,110,086	-	63,953	1,174,039
Deferred Revenue	20,279,146	(8,646,198)	-	11,632,948
Total deferred tax asset	48,528,967	(3,683,009)	63,953	44,909,911
Deferred tax liabilities:				
Compensated absences and retirement benefits	\$ (1,596,217)	\$ 584,042	\$ -	\$ (1,012,175)
Deferred Revenue	-	(1,504,402)	-	(1,504,402)
Total deferred tax liability	(1,596,217)	(920,360)	-	(2,516,577)
Net assets	\$ 46,932,750	\$ (4,603,369)	\$ 63,953	\$ 42,393,334

The deductible temporary differences do not expire under current tax legislation.

6. Inventories

Inventories consist of vehicles and automotive parts and are classified as finished goods and were comprised as follows:

	<u>As at 31 March</u>	
	<u>2017</u>	<u>2016</u>
Vehicle inventory	\$ 840,920,900	\$ 424,746,531
Parts inventory	146,247,957	136,590,147
Obsolescence provisions	(7,676,983)	(5,740,327)
Total inventories	\$ 979,491,874	\$ 555,596,351

Direct cost of inventories (including cost of purchased products) recognized as expense and inventory write-down expense during the years ended 31 March 2017 and 2016 were as follows:

	<u>As at 31 March</u>	
	<u>2017</u>	<u>2016</u>
Direct costs	\$ (6,293,564,200)	\$ (5,931,153,895)
Inventory write-down expense	\$ (2,089,926)	\$ (36,845)

Jaguar Land Rover North America, LLC

7. Operating Leases

The Company has taken land, buildings, plant and equipment, computers and furniture and fixtures under operating leases. The Company does not have any finance leases. During the year ended 31 March 2017, the Company finalized its plans to relocate its headquarters to a more suitable facility in close proximity to the current headquarters. As a result, the current headquarters facility was put up for sale and a 20 year lease was signed for the new facility.

The following is a summary of future minimum lease rental payments under non-cancellable operating leases entered into by the Company and operating lease rent expense recognized:

	Minimum Lease Payments	
	31 March 2017	31 March 2016
Not later than one year	\$ 1,395,882	\$ 2,087,590
Later than one year but not later than five years	8,795,310	7,531,036
Later than five years	23,735,724	5,581,555
Total minimum lease commitments	\$ 33,926,916	\$ 15,200,180

	31 March 2017	31 March 2016
Operating lease rent expense	\$ 1,683,781	\$ 1,722,523

8. Finance Receivables

Finance receivables consist of an intercompany loan receivable with the parent company of \$375.6 million and \$489.1 million at 31 March 2017 and 2016, respectively. See Related Party note 26 for further detail.

9. Other Current Assets

Other current assets consist of the following:

	As at 31 March	
	2017	2016
Current tax asset	\$ 34,688	\$ 30,153
Prepaid warranty insurance	817,447	595,077
Prepaid marketing costs	647,145	3,065,467
Prepaid expenses - miscellaneous	561,970	365,987
Other current assets	\$ 2,061,250	\$ 4,056,684

10. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2017 and 2016 the Company had cash of \$6.4 million and \$7.2 million, respectively.

Jaguar Land Rover North America, LLC

11. Marketing Provisions

Variable marketing accruals are comprised of liabilities for dealer incentives. Variable dealer margin consists of retailer funds held pending distribution upon completion of certain performance metrics. Fixed marketing accruals are comprised of liabilities for advertising and promotion. Maturities of these accruals are detailed in Note 23 - Disclosures on financial instruments. These accruals amounted to:

	As at 31 March	
	2017	2016
Variable marketing	\$ (245,744,178)	\$ (136,805,484)
Variable dealer margin	(240,727,161)	(209,536,497)
Fixed marketing	(38,975,122)	(29,486,214)
Total marketing accruals	\$ (525,446,461)	\$ (375,828,195)

12. Other current liabilities

Other current liabilities consist of the following:

	As at 31 March	
	2017	2016
Import duties and sales/use tax	\$ (29,997,767)	\$ (33,624,743)
Unearned revenue - financial services	(6,100,000)	(6,000,000)
Deferred revenue - certified pre-owned programs	(24,508,263)	(20,752,283)
Deferred revenue - service plans	(21,483,308)	(17,174,185)
Deferred revenue - connected car	(8,562,001)	(2,544,641)
Vehicle deposits	(383,000)	(1,074,000)
Total Other current liabilities	\$ (91,034,339)	\$ (81,169,852)

13. Other Non-current Liabilities:

Other non-current liabilities consist of the following:

	As at 31 March	
	2017	2016
Deferred revenue - certified pre-owned programs	\$ (46,246,549)	\$ (38,988,951)
Deferred revenue - service plans	(65,811,789)	(15,293,518)
Deferred revenue - customer prepaid plans	(13,270,605)	(5,549,182)
Defined benefits obligations	(6,470,805)	(6,318,207)
Deferred revenue - connected car	(20,596,213)	(6,544,270)
Total Other non-current liabilities	\$ (152,395,961)	\$ (72,694,128)

Jaguar Land Rover North America, LLC

14. Provisions

Provisions consist of accruals for the Company's expected future cash flow related to locally offered vehicle services under such programs as roadside assistance and service loaner as well as residual risk sharing agreements on leased vehicles. These provisions mature at various intervals over the next five years - see Note 23 b) iii for additional details on maturities of these provisions. The provisions were segregated between current and non-current as follows:

	Locally Offered Vehicle Services	Residual Risk	Total
Balance at March 31, 2015	\$ (14,000,992)	\$ (6,222,261)	\$ (20,223,253)
Provisions made during the year	(8,773,457)	-	(8,773,457)
Provisions used during the year	8,632,212	-	8,632,212
Other adjustments	-	6,222,261	6,222,261
Balance at March 31, 2016	\$ (14,142,237)	\$ -	\$ (14,142,237)
Current	\$ (6,590,776)	\$ -	\$ (6,590,776)
Noncurrent	\$ (7,551,461)	\$ -	\$ (7,551,461)
Provisions made during the year	(22,528,611)	(6,416,500)	(28,945,111)
Provisions used during the year	12,457,078	-	12,457,078
Other adjustments	-	-	-
Balance at March 31, 2017	\$ (24,213,770)	\$ (6,416,500)	\$ (30,630,270)
Current	\$ (10,329,504)	\$ (353,023)	\$ (10,682,527)
Noncurrent	\$ (13,884,266)	\$ (6,063,477)	\$ (19,947,743)

15. Equity

The Company maintained total issued capital in the amount of \$157.3 million both at 31 March 2017 and 2016, respectively.

16. Employee Cost

Employee cost consists of the following:

	Year ended 31 March	
	2017	2016
Salaries, wages and bonus	\$ 38,851,461	\$ 37,383,445
Benefits	4,959,465	6,205,812
Defined benefit pensions	538,270	568,852
Other	261,911	355,097
Total employee costs	\$ 44,611,107	\$ 44,513,206

Other primarily consists of amounts paid for short term and long term contract employment arrangements.

Jaguar Land Rover North America, LLC

17. Other Expenses

Other expenses consist of the following:

	Year ended 31 March	
	2017	2016
Warranty (Scheduled maintenance, Goodwill, Service loaner and Roadside assistance)	\$ 81,991,870	\$ 83,209,083
Depots and distribution costs, prep and handling	98,760,132	87,970,763
Information technology costs	3,077,750	4,434,579
Fixed Marketing	297,016,379	284,235,575
Travel and entertainment costs	3,547,297	3,593,169
Facilities costs	3,377,016	2,976,962
Consulting costs and other purchased services	8,628,913	10,245,006
Impairment on asset held for sale	2,033,762	-
Other general operating expenses	49,041,689	35,874,832
Total Other expenses	\$ 547,474,808	\$ 512,539,969

18. Other income

Other income consisted of the following:

	Year ended 31 March	
	2017	2016
Commissions - extended service plans	\$ 1,668,366	\$ 2,021,414
Commissions - oil	2,550,161	2,371,037
Satellite radio activation commissions	5,152,810	5,392,103
Miscellaneous items, net	2,312,699	3,067,112
Total Other income	\$ 11,684,036	\$ 12,851,666

19. Finance (expense)/income, net

Finance (expense)/income, net, was comprised of interest on loans from JLR Limited and other miscellaneous interest and consisted of the following:

	Year ended 31 March	
	2017	2016
Interest income	\$ 1,383,037	\$ 1,009,651
Interest expense	(1,422,964)	(523,554)
Finance (expense)/income, net	\$ (39,927)	\$ 486,097

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20. Employee benefits

The Company has several defined pension plans which cover certain employees. A participating employee's annual postretirement pension benefit is determined by the employees' credited service and in most plans, final average annual earnings with the Company. The Company's funding policy is to annually contribute the statutory required minimum amount as determined by an actuary. The Company also maintains plans providing other postretirement benefits covering substantially all salaried employees. The Company funds these benefits on a pay-as-you go basis; the following is a brief summary of the plans provided:

Plan Descriptions:

- a. *Retirement Plan for Salaried Employees of Jaguar Cars* — Qualified defined benefit plan for Jaguar Legacy employees. The Plan presently covers approximately 30 active employees, 44 inactive with deferred benefits, and 184 in pay status; service frozen in 1996 and pay frozen in October 2009. At 31 March 2017 and 2016, this plan was underfunded by \$1.0 million and \$0.5 million, respectively. As part of its continuing efforts to de-risk its retirement benefit obligations, during the fiscal year ended 31 March 2017, JLRNA announced a plan to terminate the Retirement Plan for Salaried Employees of Jaguar Cars. Form 500 has been submitted to the Pension Benefit Guaranty Corporation and all participants have been notified of the Company's intent to offer participants an option of a lump sum buyout or a continuing annuity through a third party insurer.
- b. *Land Rover Supplemental Death and Retirement Income Plan* — Non-qualified benefit plan providing monthly benefits for five former Land Rover employees.
- c. *Special Agreement* — A non-qualified agreement with a former Land Rover executive providing monthly benefits.
- d. *Jaguar Land Rover Excess Benefit Plan* - Non-qualified defined contribution plan providing restoration benefits for those restricted by Internal Revenue Service limits under the 401(K) Retirement Savings Plan; presently has four employees covered.
- e. *Jaguar Land Rover Excess Retiree Medical Plan* — Post-retirement health care plan providing a subsidy for health coverage based on years of service. This plan excluded: 1) employees hired after January 1, 2009 and 2) employees who transferred from Ford to JLRNA who were age 55 or older and had 10 years of service with Ford. Presently two retirees are receiving a subsidy.

Additionally, the Company sponsors and administers a 401(k) Savings Plan (the "Savings Plan") for the benefit of its employees. Recordkeeping services are provided by a third party plan administrator. The Savings Plan covers all eligible employees of the Company and enables eligible participants to contribute up to statutory limitations. An employee may elect to participate in the Savings Plan after having met certain minimum requirements. Participants are fully vested in the Savings Plan at all times with respect to their contributions, after 2 years of service with respect to the Company's contributions (Company Match) and after 3 years of service for the Company's contributions for Profit Sharing and Supplemental Contributions. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the Savings Plan.

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Note 20 – Employee benefits (continued)

The plans typically expose the Company to actuarial risks such as follows:

Investment Risk - The present value of the designed benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has an investment strategy whereby holdings are primarily in fixed income securities with maturities generally set to match the expected future cash flow required for the Company to meet its obligation. Due to the long-term nature of the plan liabilities and the preference to limit future exposure, the Pension and Investment Committee considers it appropriate that the majority of the plan assets should be invested in fixed income securities.

Interest Risk - A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's fixed income investments.

Longevity Risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

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Jaguar Land Rover North America, LLC

Note 20 – Employee benefits (continued)

Defined Benefit Plan

Pension and postretirement medical plans

The following table details the Company's defined benefit obligation for the plans and the fair value of the plan assets:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
<i>Change in defined benefit obligation</i>				
Defined benefit obligation at end of prior year	\$ 34,462,617	\$ 36,536,866	\$ 1,878,706	\$ 1,877,980
Current service cost	-	-	84,410	87,715
(Gain) / loss on settlements	-	-	-	-
Interest expense	1,144,042	1,170,587	73,743	69,964
Benefit payments from plan assets	(2,066,042)	(2,039,250)	-	-
Benefit payments from employer	(493,252)	(494,246)	(8,830)	(6,344)
Settlement payments from plan assets	-	-	-	-
Effect of changes in demographic assumptions	-	-	-	-
Effect of changes in financial assumptions	(781,216)	(458,417)	(44,430)	(59,850)
Effect of experience adjustments	288,800	(252,923)	(19,619)	(90,759)
Defined benefit obligation at end of year	\$ 32,554,949	\$ 34,462,617	\$ 1,963,980	\$ 1,878,706
<i>Change in fair value of plan assets</i>				
Fair value of plan assets at end of prior year	\$ 30,023,116	\$ 32,824,561	\$ -	\$ -
Interest income	1,038,557	1,091,987	-	-
Employer direct benefit payments	493,252	494,246	8,830	6,344
Benefit payments from plan	(2,066,042)	(2,039,250)	-	-
Benefit payments from employer	(493,252)	(494,246)	(8,830)	(6,344)
Settlement payments from plan assets	-	-	-	-
Administrative expenses paid from plan assets	(322,666)	(210,043)	-	-
Return on plan assets (excluding interest income)	(624,841)	(1,644,139)	-	-
Fair value of plan assets at end of year	\$ 28,048,124	\$ 30,023,116	\$ -	\$ -

Jaguar Land Rover North America, LLC

Note 20 – Employee benefits (continued)

Net pension and post retirement medical cost consists of the following components:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
<i>Components of pension cost recognized in Income Statements</i>				
Current service cost	\$ -	\$ -	\$ 84,410	\$ 87,715
(Gain) on settlement	-	-	-	-
Interest expense on DBO	1,144,042	1,170,587	73,743	69,964
Interest (income) on plan assets	(1,038,557)	(1,091,987)	-	-
Interest expense on effect of (asset ceiling)/onerous liability	-	20,030	-	-
Administrative expenses and taxes	250,000	250,000	-	-
Defined benefit cost included in Income Statements	\$ 355,485	\$ 348,630	\$ 158,153	\$ 157,679

Amount recognized in Statements of Comprehensive Income consists of:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
<i>Remeasurements (recognized in other comprehensive income)</i>				
Effect of changes in demographic assumptions	\$ -	\$ -	\$ -	\$ -
Effect of changes in financial assumptions	(781,216)	(458,417)	(44,430)	(59,850)
Effect of experience adjustments	288,800	(252,923)	(19,619)	(90,759)
(Return) on plan assets (excluding interest income)	697,507	1,604,182	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	(600,606)	-	-
Total remeasurements included in OCI	\$ 205,091	\$ 292,236	\$ (64,049)	\$ (150,609)
Total defined benefit cost recognized in P&L and OCI	\$ 560,576	\$ 640,866	\$ 94,104	\$ 7,070

Jaguar Land Rover North America, LLC

Note 20 – Employee benefits (continued)

Information on funding status for all plans is as follows:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
<i>Funded plans with a defined benefit obligation in excess of plan assets</i>				
Benefit obligation at end of year	32,313,085	34,133,870	-	-
Fair value of plan assets at end of year	30,703,833	33,096,952	-	-
<i>Funded plans with a defined benefit obligation less than plan assets</i>				
Benefit obligation at end of year	-	-	-	-
Fair value of plan assets at end of year	-	-	-	-
Unfunded plans				
Benefit obligation at end of year	241,864	328,747	1,963,980	1,878,706

The defined benefit obligation is impacted by discount rate and mortality fluctuations as follows:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
<u>Discount rate sensitivity</u>				
Discount rate decrease of 25 basis points	\$ 33,315,486	\$ 35,300,334	\$ 2,038,263	\$ 1,952,401
Assumption	1.50% - 3.60%	1.20% - 3.35%	3.85%	4.20%
Weighted average duration of defined benefit obligation (in years)	1.30 - 9.84	1.79 - 10.26	14.85	15.39
Discount rate increase of 25 basis points	\$ 31,812,651	\$ 33,654,484	\$ 1,892,398	\$ 1,807,793
Assumption	2.00% - 4.10%	1.70% - 3.85%	4.35%	3.70%
Weighted average duration of defined benefit obligation (in years)	1.30 - 9.84	1.78 - 10.14	14.85	15.39
<u>Mortality sensitivity</u>				
Mortality - one year shorter	28,137,109	29,573,972	1,942,812	1,859,076
Mortality one year longer	30,049,546	31,521,985	1,984,402	1,897,607

There is no sensitivity to inflation as the future payment obligations are fixed.

Jaguar Land Rover North America, LLC

Note 20 – Employee benefits (continued)

The assumptions used in accounting for the pension and post retirement medical plans are set out below:

	Pension Plans		Retiree Medical Plan	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
Significant actuarial assumptions				
Weighted-average assumptions to determine benefit obligations				
Discount rate	1.75% - 3.85%	1.45% - 3.60%	4.10%	3.95%
Rate of salary increase	N/A	N/A	N/A	N/A
Rate of price inflation	N/A	N/A	N/A	N/A
Rate of pension increases	N/A	N/A	N/A	N/A
Post-retirement mortality table	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014
Weighted-average assumptions to determine defined benefit cost				
Discount rate	1.45% - 3.6%	1.45% - 3.45%	3.95%	3.75%
Rate of salary increase	N/A	N/A	N/A	N/A
Rate of price inflation	N/A	N/A	N/A	N/A
Rate of pension increases	N/A	N/A	N/A	N/A
Post-retirement mortality table	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014	RP-2014 White Collar Generational based on Scale MP- 2014

The expected return on plan assets is determined considering several applicable factors mainly including the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

Plan Assets

The assets of the Company's defined benefit plans are managed on a commingled basis in a Master Trust. The investment policy and allocation of the assets in the Master Trust were approved by the Company's Benefits and Investment Committee, which has oversight responsibility for the Company's retirement plans.

The Company's pension plan asset allocation as of 31 March 2017 and 2016 by category are as follows:

	As at 31 March	
	2017	2016
Equity securities	0.0%	28.0%
Debt securities	94.5%	71.4%
Balances with banks	5.5%	0.7%

Jaguar Land Rover North America, LLC

Note 20 – Employee benefits (continued)

The pension fund assets are invested in accordance with the statement of Investment Policies and Procedures adopted by the Company, which are reviewed annually. Pension fund assets are invested on a going-concern basis with the primary objective of providing reasonable rates of return consistent with available market opportunities, a quality standard of investment, and moderate levels of risk. All securities held have a quoted market price in an active market.

The Company expects to contribute \$1.5 million to the pension plans and nil to the post retirement medical plan during the 12 months ended 31 March 2018.

Since the benefit to be received under the Company's post retirement medical plan is a fixed amount per year based on years of service, the liabilities are not sensitive to fluctuations in trend rate assumptions.

Defined contribution plan

The Company's contribution to defined contribution plans was \$1.2 million and \$1.2 million for years ended 31 March 2017 and 2016, respectively.

21. Commitments and contingencies

In the normal course, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable. Any claims of a product liability nature are assessed and a liability is recorded, if necessary, by JLR Limited.

Management asserts that none of the claims against the Company are probable or estimable, and it believes that none of the contingencies either individually or in aggregate, would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Guarantees

The Company does not make any guarantees for related parties or unrelated third parties.

Commitments

In the normal course of business, the Company contracts with third parties to provide goods and/or services to the Company in order to operate day to day.

For commitments related to leases, refer Note 7.

Contingent Asset on Residual Risk

In the normal course of business, the Company has a vehicle residual risk sharing arrangement with a financial institution that underwrites retail leases. The Company is not a party to these retail leases. Under the current arrangement, residual collateral deposits are made quarterly based on the final expected residual values of the underlying vehicle at lease termination. At certain points in the life of the retail leases, an interim review is performed and if there is excess collateral on deposit, the Company is entitled to receive a refund of previously deposited collateral. Due to the uncertainty in future residual values as they are impacted by many factors (e.g. economic environment, fuel prices, etc.) management is unable to predict the value, if any, of any future refunds.

Jaguar Land Rover North America, LLC

Note 21 – Commitments and contingencies (continued)

Taxing Authority Reviews

In the normal course of business, the Company is subject to income taxes in numerous federal, state and local jurisdictions and judgement is required in determining the appropriate provision, if any, for transactions where the ultimate tax determination is uncertain. In such circumstances the Company recognizes liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable.

The Company has income-tax related contingent liabilities where the ultimate tax determination is uncertain. No provision has been recognized for income tax-related contingencies as no reliable estimate can be made or it is not probable the tax uncertainty will result in a future economic outflow. Income tax related contingent liabilities are assessed continually and as a reliable estimate can be made, or if they become probable, a provision is recognized in the financial statements of the period in which the change in estimate or probability occurs. Where the final outcome of such matters differs from the amount recorded, any differences may impact income taxes in the period in which the final determination is made.

22. Capital Management

The Company is capitalized via investment from its parent company, JLR Limited. The Company purchases the majority of products it sells from JLR Limited and related companies. The cash flow from the sale of vehicles and parts is sufficient to pay JLR Limited and all other suppliers. Any remaining cash after paying all suppliers, vendors and operating expenses is remitted back to JLR Limited. As such, no additional financing is required. At both 31 March 2017 and 2016, the Company maintained capital of \$157.3 million.

There were no dividends paid during any of the years presented.

23. Disclosures on financial instruments

This section gives an overview of the significance of financial instruments for the Company and provides additional information on Balance Sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Jaguar Land Rover North America, LLC

Note 23 – Disclosures on financial instruments (continued)

a) Financial assets and liabilities

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of 31 March 2017 and 2016, respectively.

	As at 31 March			
	2017		2016	
	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<u>Financial Assets</u>				
Cash and cash equivalents	\$ 6,379,318	\$ 6,379,318	\$ 7,242,212	\$ 7,242,212
Trade receivables	125,538,258	125,538,258	49,624,976	49,624,976
Finance receivables	375,621,406	375,621,406	489,145,028	489,145,028
Other financial assets	2,655,709	2,655,709	3,073,836	3,073,836
Total	\$ 510,194,691	\$ 510,194,691	\$ 549,086,052	\$ 549,086,052
<u>Financial Liabilities</u>				
Accounts payable	\$ (679,768,359)	\$ (679,768,359)	\$ (564,105,212)	\$ (564,105,212)
Marketing provisions	(525,446,461)	(525,446,461)	(375,828,195)	(375,828,195)
Other current liabilities	(29,997,767)	(29,997,767)	(33,624,743)	(33,624,743)
Financial liabilities	(390,160)	(390,160)	(318,968)	(318,968)
Provisions (current)	(10,682,527)	(10,682,527)	(6,590,776)	(6,590,776)
Other non-current liabilities	(6,470,805)	(6,470,805)	(6,318,207)	(6,318,207)
Provisions (non-current)	(19,947,743)	(19,947,743)	(7,551,461)	(7,551,461)
Other financial liabilities	(2,035,985)	(2,035,985)	(1,915,936)	(1,915,936)
Total	\$ (1,274,739,807)	\$ (1,274,739,807)	\$ (996,253,498)	\$ (996,253,498)

The Company does not have any derivative financial instruments.

The short term financial assets and liabilities are stated at amortized cost which is approximately equal to their fair value.

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Company could have realized or paid in a sales transaction as of the respective dates. The estimated fair value amounts as of 31 March 2017 and 2016 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

Jaguar Land Rover North America, LLC

Note 23 – Disclosures on financial instruments (continued)

b) Financial risk management

In the course of its business, the Company is exposed primarily to fluctuations in interest rates, credit risk and liquidity risk, which may adversely impact the fair value of its financial instruments.

The Company has a risk management policy which covers risks associated with the financial assets and liabilities like interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

- Create a stable business planning environment – by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- Achieve greater predictability to earnings – by determining the financial value of the expected earnings in advance.

i) Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rate, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

a. Foreign currency exchange rate risk

The Company does not have any material exchange risk due to limited transactions in currencies other than US dollars, nor does it have any material balances at the period end which are denominated in any currency other than USD.

b. Interest rate risk

The Company's interest rate risk is limited to any short term borrowings, which are at market rates.

ii) Credit risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness, as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables and finance receivables. None of the financial instruments of the Company result in material concentrations of credit risks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was \$510.2 million and \$549.1 million as of 31 March 2017 and 2016, respectively, being the total of the carrying amount of Cash and cash equivalents, Trade receivables, Finance receivables and Other financial assets.

Jaguar Land Rover North America, LLC

Note 23 – Disclosures on financial instruments (continued)

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding trade receivables and other receivables, and other loans or receivables that are neither impaired nor past due, there were no indications as of 31 March 2017, that any defaults in payment obligations will occur.

Credit quality of financial assets and impairment loss

The ageing of trade receivables and finance receivables as of the balance sheet date is given below. The age analysis has been considered from the due date.

	31 March 2017			31 March 2016		
	Gross	Allowance	Total	Gross	Allowance	Total
Trade Receivables						
Period						
Not due	\$ 119,303,611	\$ -	\$ 119,303,611	\$ 46,447,001	\$ -	\$ 46,447,001
Overdue 1-3 months	3,336,766	-	3,336,766	466,275	(2,877)	463,398
Overdue 3-6 months	-	-	-	80,179	(2,113)	78,066
Overdue more than 6 months	2,897,881 *	-	2,897,881	2,636,511 *	-	2,636,511
Total	\$ 125,538,258	\$ -	\$ 125,538,258	\$ 49,629,966	(4,990)	\$ 49,624,976

* Balance represents receivable from Jaguar Land Rover China that will remain unsettled due to regulatory constraints.

	31 March 2017			31 March 2016		
	Gross	Allowance	Total	Gross	Allowance	Total
Finance Receivables						
Period						
Not due	\$ 375,621,406	\$ -	\$ 375,621,406	\$ 489,145,028	\$ -	\$ 489,145,028
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	-	-	-	-	-	-
Total	\$ 375,621,406	\$ -	\$ 375,621,406	\$ 489,145,028	\$ -	\$ 489,145,028

iii) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that it is available for use as per requirements.

The Company is primarily funded through the sale of vehicles and parts at a profit. Generally, funds generated through that means are sufficient to cover all obligations. Any excess cash is remitted back to the parent company, Jaguar Land Rover Limited.

Jaguar Land Rover North America, LLC

Note 23 – Disclosures on financial instruments (continued)

The table below provides details regarding the contractual maturities of financial liabilities as of 31 March 2017:

	Carrying amount	Due in 1st year	Due in 2nd year	Due in 3rd - 5th year	Due after 5 years	Non-cash amount
Accounts payable	\$ (679,768,359)	\$ (679,768,359)	\$ -	\$ -	\$ -	\$ -
Marketing provisions	(525,446,461)	(525,446,461)	-	-	-	-
Other current liabilities	(29,997,767)	(29,997,767)	-	-	-	-
Financial liabilities	(390,160)	-	-	-	-	(390,160)
Provisions (current)	(10,682,527)	(10,682,527)	-	-	-	-
Other non-current liabilities	(6,470,805)	(2,524,165)	(542,372)	(1,546,940)	(1,857,328)	-
Provisions (non-current)	(19,947,743)	-	(8,592,204)	(11,355,539)	-	-
Other financial liabilities	(2,035,985)	-	-	-	-	(2,035,985)
Total	\$ (1,274,739,807)	\$ (1,248,419,279)	\$ (9,134,576)	\$ (12,902,479)	\$ (1,857,328)	\$ (2,426,145)

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

24. Collaterals

On May 13 2011, March 27 2012 and January 28 2013, the Company's intermediary parent, Jaguar Land Rover Automotive PLC, issued £1 billion (equivalent), £500 million and \$500 million (respectively) senior unsecured notes with maturity dates between 2018 and 2023.

- \$84 million Senior Notes due 2021 at a coupon of 8.125% per annum – issued 13 May 2011; these notes were guaranteed on a senior unsecured basis by JLRNA; during fiscal 2016, these bonds were redeemed in full, satisfaction and discharge has been confirmed which includes the release of JLRNA as guarantors
- £58 million Senior Notes due 2020 at a coupon of 8.250% per annum – issued 27 March 2012; these notes were guaranteed on a senior unsecured basis by JLRNA; during March 2016, these bonds were redeemed in full, satisfaction and discharge has been confirmed which includes the release of JLRNA as guarantors
- \$500 million Senior Notes due 2023 at a coupon of 5.625% per annum – issued 28 January 2013

25. Segment reporting

The Company operates in one segment: the sale of Jaguar Land Rover vehicles, parts and accessories and one geographic segment, the USA.

Jaguar Land Rover North America, LLC

26. Related party transactions

The Company's related parties principally consist of subsidiaries of Tata Motors Ltd (subsidiaries of Jaguar Cars Ltd) and other Tata related companies. The Company routinely enters into transactions with these related parties in the ordinary course of business.

The Company purchases the majority of its inventory from subsidiaries of the ultimate UK parent company, primarily Jaguar Land Rover Limited. As a result, the Company will incur payables to those entities. Additionally, the Company has entered into a transfer price arrangement with Jaguar Land Rover Limited whereby profitability is fixed as a percentage of revenue. As a result of this arrangement, the Company will transfer profits or losses to this entity to arrive at the appropriate profit target by adjusting cost of revenues and offsetting payables to affiliated companies. At 31 March 2017 and 2016, the Company had approximately \$554.1 million and \$449.6 million, respectively, recorded as Accounts payable owed to JLR Limited.

As part of the Company's arrangement as a national sales company for JLR Limited, all excess cash after local expenditure requirements is remitted to a central treasury function in the UK on a daily basis. Similarly, if cash collected is not sufficient to cover local expenditures, the Company will receive funding from the central treasury function in the UK. Upon cash transfer between the Company and the central treasury function, an intercompany note receivable is recorded with the parent company. At 31 March 2017 and 2016, the Company had approximately \$375.6 million and \$489.1 million, respectively, recorded as a note receivable from the parent company.

Additionally, in the normal course of business, the Company transacts with other subsidiaries of JLR Limited. At 31 March 2017 and 2016, the Company had trade receivables with Jaguar Land Rover China in the amount of \$2.9 million and \$2.8 million, respectively. At 31 March 2017 and 2016, the Company had trade receivables with Jaguar Land Rover Canada in the amount of \$0.2 million and \$2.1 million, respectively. At 31 March 2017 and 2016, the Company had trade receivables with JLR Limited in the amount of \$81.5 million and \$10.5 million, respectively.

The Company also provides various services to Jaguar Land Rover Canada including, but not limited to legal, accounting, information technology, purchasing, tax services and training. These services are charged to Jaguar Land Rover Canada under a service level agreement. During the 12 months ended 31 March 2017 and 2016 the Company charged \$3.1 million and \$3.2 million, respectively, to Jaguar Land Rover Canada and received these funds in cash.

Additionally, the Company engages various related entities whereby these entities provide outsourced information technology support, technology development, and marketing purchasing to the Company. During the 12 months ended 31 March 2017 and 2016, the Company recognized expense of \$36.1 million and \$4.4 million, respectively, related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2017 and 2016 of \$36.2 million and \$4.3 million, respectively. Additionally, the Company had an outstanding accounts payable balances to these entities of \$0.3 million and \$0.4 million at 31 March 2017 and 2016, respectively.

Jaguar Land Rover North America, LLC

Note 26 – Related party transactions (continued)

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Cumulative compensation of those individuals identified as key management personnel was as follows:

	Year ended 31 March	
	2017	2016
Salaries	\$ 1,786,691	\$ 1,516,113
Incentive compensation	1,366,342	1,950,735
Other	356,912	320,245
Total key employee compensation	\$ 3,509,945	\$ 3,787,093

The Company did not have any other transactions with key management personnel.

Refer Note 20 for information on transactions with post-employment benefit plans.

27. Subsequent events

There were no events occurring after the balance sheet date that would have a material impact on the Company's results of operations, financial position or cash flows.

28. Approval of financial statements

The financial statements were approved by the board of directors and authorized for issue on 26 May 2017.