



JAGUAR LAND ROVER AUSTRALIA PTY LTD

ACN 004 352 238

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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Directors' Report

The directors of Jaguar Land Rover Australia Pty Ltd (the company) submit herewith the annual financial report of the company for the year ended 31 March 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the financial year are:

Mr M. Wiesner (Resigned 14 May 2018)
Mr A. Phillips (Resigned 18 October 2017)
Ms J.A. Perich
Mr. K.P. Nicholls (Appointed 18 October 2017)
Mr. S.R. Maynard (Appointed 6 June 2018)

Principal activities

During the financial year, the company's principal activities were the importation and distribution of Jaguar and Land Rover motor vehicles, replacement parts and accessories.

Review of operations

The net profit after income tax amounted to \$6,725,000 (2017: \$17,130,000).

Dividends

No dividend on ordinary shares was declared and paid during the financial year (2017: \$16,710,000).

Changes in state of affairs

No changes in the state of affairs of the company occurred during the financial year.

Subsequent events

No matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

Future developments

Likely developments in the operations of the company and the expected results of those operations in subsequent financial years have not been included in this report, because the directors believe that to include such information would be likely to result in unreasonable prejudice to the company.

Environmental regulations

The company is subject to environmental regulation in respect of its retail and parts distribution activities. The relevant authorities are kept updated and to the best of the director's knowledge and belief, all responsibilities under the regulations have been discharged and there have been no breaches of any environmental regulation.

Indemnification of officers and auditors

During or since the financial year, the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Auditor's independence declaration

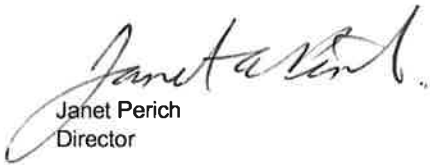
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 of the annual report.

Rounding off of amounts

The company is a company of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Janet Perich
Director

Sydney
25 July 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Jaguar Land Rover Australia Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Jaguar Land Rover Australia Pty Limited for the financial year ended 31 March 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Partner

Stephen May

Sydney

25 July 2018

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Sale of goods	3 (a)	1,139,310	1,179,001
Other revenue from ordinary activities	3 (b)	15,231	15,838
		<u>1,154,541</u>	<u>1,194,839</u>
Expenses			
Cost of sales of goods		(1,024,842)	(1,074,253)
Administration expenses		(56,919)	(51,466)
Marketing and sales promotion expenses		(51,070)	(44,670)
Finance cost - interest expense to non-related parties		(2,870)	-
Finance cost - interest expense to related parties		(290)	-
		<u>18,550</u>	<u>24,450</u>
Profit before income tax		18,550	24,450
Income tax expense	12	(11,825)	(7,320)
		<u>6,725</u>	<u>17,130</u>
Profit for the year	4	6,725	17,130
Other comprehensive income, net of tax		-	-
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>6,725</u>	<u>17,130</u>

Notes to the financial statements are included on pages 8 to 24.

**Statement of Financial Position
As at 31 March 2018**

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	23,442	28,804
Receivables	6	41,392	24,986
Interest bearing assets	7	-	68,340
Prepaid assets	8	189	452
Inventories	9	354,208	225,176
Total current assets		419,231	347,758
Non-current assets			
Property, plant and equipment	10	3,546	4,272
Intangible assets	11	1,305	1,305
Deferred tax assets	12	53,555	34,615
Total non-current assets		58,406	40,192
Total Assets		477,637	387,950
LIABILITIES			
Current liabilities			
Payables	13	269,390	266,716
Interest bearing liabilities	14	12,729	-
Current tax liabilities		17,737	9,832
Provisions	15	59,828	31,118
Deferred revenue	16	7,533	2,926
Other liabilities	17	80	176
Total current liabilities		367,297	310,768
Non-current liabilities			
Provisions	18	35,000	32,222
Deferred revenue	19	50,784	27,129
Total non-current liabilities		85,784	59,351
Total Liabilities		453,081	370,119
Net assets		24,556	17,831
EQUITY			
Issued capital	20	700	700
Retained profits	21	23,856	17,131
Total Equity		24,556	17,831

Notes to the financial statements are included on pages 8 to 24.

Statement of Changes in Equity
For the year ended 31 March 2018

	Notes	Issued Capital \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 April 2016	20, 21	700	16,711	17,411
Profit for the year		-	17,130	17,130
Other comprehensive income for the year (net of tax)		-	-	-
Transactions with owners recognised directly in equity				
Dividends paid		-	(16,710)	(16,710)
Balance at 31 March 2017		700	17,131	17,831
Profit for the year		-	6,725	6,725
Other comprehensive income for the year (net of tax)		-	-	-
Balance at 31 March 2018	20, 21	700	23,856	24,556

Notes to the financial statements are included on pages 8 to 24.

Statement of Cash Flows
For the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipt from customers		1,293,413	1,331,561
Payments to suppliers and employees		(1,353,765)	(1,383,312)
Interest received		1,316	3,348
Interest paid		(3,054)	-
Income taxes paid		(22,859)	(10,156)
Net cash used in operating activities	25	<u>(84,949)</u>	<u>(58,559)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(1,262)</u>	<u>(1,225)</u>
Net cash used in investing activities		<u>(1,262)</u>	<u>(1,225)</u>
Cash flows from financing activities			
Payment of dividends		-	(16,710)
Amounts received from related parties		<u>80,849</u>	<u>60,967</u>
Net cash generated by financing activities		<u>80,849</u>	<u>44,257</u>
Net decrease in cash and cash equivalents		<u>(5,362)</u>	<u>(15,527)</u>
Cash and cash equivalents at the beginning of the financial year		<u>28,804</u>	<u>44,331</u>
Cash and cash equivalents at end of year	5	<u>23,442</u>	<u>28,804</u>

Notes to the financial statements are included on pages 8 to 24.

Notes to the Financial Statements

1 Basis of preparation

(a) Reporting entity

Jaguar Land Rover Australia Pty Limited (the company) is a proprietary company, incorporated and operates in Australia. Its registered office and principal place of business is:

Jaguar Land Rover Australia Pty Limited (t/a Jaguar Land Rover Australia)
Level 1
65 Epping Road
North Ryde NSW 2113

The company's principal activities are the importation and distribution of Jaguar and Land Rover motor vehicles, replacement parts and accessories.

(b) Financial reporting framework

On 3 December 2015, the Federal Government passed tax legislation that resulted in the Company being required, under section 3CA of Taxation Administration Act 1953, to lodge general purpose financial statements. As a result, during the year the company changed from preparing special purpose financial statements to general purpose financial statements.

The change in the basis of preparation of these financial statements resulted in an increase in the level of disclosures as required by the Australian Accounting Standards – Reduced Disclosure Requirements. There is no impact on the recognition or measurement of amounts included in the financial statements.

In the opinion of the directors, the Company is not publically accountable. The financial report of the Company are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced disclosure requirements adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

(c) Basis of measurement

The financial statements is prepared on the basis of historical cost convention, except where stated otherwise.

(d) Functional and presentation currency

The financial statements are presented in Australian dollars (rounded to the nearest thousand), which is the Company's functional currency.

The company is of the kind referred to in Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(e) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for a period of at least 12 months from the date of approval of the financial statements.

2 Summary of significant accounting policies

Adoption of new and revised Accounting standards

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting. The adoption of these new and revised Standards and Interpretations has not resulted in any material impact to the company's accounting policies for the current or prior years.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2 Summary of significant accounting policies (continued)

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Revenue from contracts to provide services is recognised by reference to the stage of completion of the contract.

If a sale includes an agreement for subsequent servicing or maintenance, the fair value of that service is deferred and recognised as income over the relevant service period in proportion with the expected cost pattern of the agreement.

(iii) Interest income

Interest income is recognised when the right to receive the payment becomes unconditional. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(iv) Sale of fixed assets

Proceeds from the sale of fixed assets are recognised when the company has passed control of the assets to the buyer.

(v) Other income

Other income represents the expense related recoveries made during this reporting year.

(d) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 Summary of significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets 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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(e) Leased assets

Company as lessee

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Refer to note 2(k). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's fair value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of one year or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

(i) Prepayments and accrued income

Prepayments and accrued income are comprised of payments made in advance relating to the following year, and income relating to the current year which will not be received until after the balance sheet date.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is based on actual purchase cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Property, plant and equipment

All property, plant and equipment assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

Depreciation is calculated using the straight line method to allocate their cost or revalued amount of each item of property, plant and equipment over their estimated useful lives to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows :

2 Summary of significant accounting policies (continued)

Leasehold improvements and exit costs	4 - 25 years or term of lease
Plant and equipment	4 - 14.5 years
Signage	5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the company's investment in each country of operation by each primary reporting segment.

(n) Intangible assets

Costs associated with the implementation of software are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost over their estimated useful lives which are generally 3 years.

(o) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2 Summary of significant accounting policies (continued)

(q) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the company are sought out below. The company does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2015)

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 9.

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

(iii) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16.

2 Summary of significant accounting policies (continued)

(s) Comparative amounts

Comparative amounts are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

(t) Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Inventories

Note 9 sets out the categories of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

Variable marketing

The company pays variable marketing incentives on retail sales. The company makes careful estimates of incentives that will be paid on dealer inventory. Assumptions are made based on market conditions for each model.

Warranty

The company provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Refer note 15 and 18.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty that management has made in the process of applying the company accounting policies and that have a significant effect on the amount recognised in the financial statement other than provisions in note 2(o).

3 Revenue

	2018 \$'000	2017 \$'000
<i>(a) Sales revenue</i>		
Sale of goods	<u>1,139,310</u>	<u>1,179,001</u>
<i>(b) Other revenue</i>		
Interest Income from non-related parties	720	770
Interest Income from related parties	483	2,458
Other income	<u>14,028</u>	<u>12,610</u>
Other revenue from ordinary activities	<u>15,231</u>	<u>15,838</u>
	<u>1,154,541</u>	<u>1,194,839</u>

4 Profit for the year

	2018 \$'000	2017 \$'000
Profit for the year has been arrived at after charging the following items of income and expense:		
<i>Depreciation</i>		
Leasehold improvements	472	325
Plant and equipment	<u>1,370</u>	<u>1,560</u>
Total depreciation	<u>1,842</u>	<u>1885</u>
<i>Net loss on disposal of property, plant and equipment</i>	146	5
<i>Defined contribution superannuation expense</i>	930	872
<i>Employee benefits expense</i>	9,508	9,364
<i>Legal costs</i>	662	318
<i>Movement in provisions</i>	13,142	10,726

5 Current assets - Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and in hand	14,779	22,715
Cooperative marketing fund ¹	<u>8,663</u>	<u>6,089</u>
	<u>23,442</u>	<u>28,804</u>

Interest was receivable on cash at bank at the average rate of 2.00% p.a. (2017 : 2.13% p.a.)

¹ To facilitate efficient marketing programs, the company and its dealers make equal contribution to a Cooperative Marketing Fund. These funds are kept in a separate bank account which is administered by the company. The financial statement of the fund is subject to a separate audit.

6 Current assets – Receivables

	2018 \$'000	2017 \$'000
Trade receivables	<u>22,253</u>	<u>24,033</u>
Provision for doubtful receivables		
Opening balance	(19)	-
Provision created during the year	(28)	(19)
Provision reversed during the year	<u>47</u>	<u>-</u>
Closing balance	<u>-</u>	<u>(19)</u>
Receivable from related parties	<u>19,139</u>	<u>972</u>
	<u>41,392</u>	<u>24,986</u>

7 Current assets - Interest bearing assets

	2018 \$'000	2017 \$'000
Loans carried at amortised cost:		
Interest bearing loans to related parties	<u>-</u>	<u>68,340</u>

Interest earning assets are recallable on demand at the destination of the company.
The average interest rate was 2.08% p.a. in 2017.

8 Current assets – Prepaid assets

	2018 \$'000	2017 \$'000
Prepaid expenses	<u>189</u>	<u>452</u>

9 Current assets – Inventories

	2018 \$'000	2017 \$'000
Parts		
At cost	<u>47,245</u>	<u>40,050</u>
Provision for obsolescence		
Opening balance	(6,052)	(5,850)
Provision created during the year	(277)	(411)
Provision used during the year	<u>60</u>	<u>209</u>
Closing balance	<u>(6,269)</u>	<u>(6,052)</u>
	<u>40,976</u>	<u>33,998</u>
Vehicles		
Finished goods - at cost	289,310	167,103
Company fleet available for sale - at net realisable value	<u>23,922</u>	<u>24,075</u>
	<u>313,232</u>	<u>191,178</u>
	<u>354,208</u>	<u>225,176</u>

10 Non current assets - Property, plant and equipment

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 31 March 2017			
Opening net book amount	3,929	1,008	4,937
Additions	1,137	88	1,225
Disposals	(5)	-	(5)
Depreciation charge	(1,560)	(325)	(1,885)
Closing net book amount	<u>3,501</u>	<u>771</u>	<u>4,272</u>
At 31 March 2017			
Cost	7,710	1,637	9,347
Accumulated depreciation	(4,209)	(866)	(5,075)
Net book amount	<u>3,501</u>	<u>771</u>	<u>4,272</u>
Year ended 31 March 2018			
Opening net book amount	3,501	771	4,272
Additions	1,262	-	1,262
Disposals	(145)	(1)	(146)
Depreciation charge	(1,370)	(472)	(1,842)
Closing net book amount	<u>3,248</u>	<u>298</u>	<u>3,546</u>
At 31 March 2018			
Cost	8,133	1,635	9,768
Accumulated depreciation	(4,885)	(1,337)	(6,222)
Net book amount	<u>3,248</u>	<u>298</u>	<u>3,546</u>

11 Non current assets – Intangible assets

	2018 \$'000	2017 \$'000
Gross carrying amount - Goodwill	<u>1,305</u>	<u>1,305</u>

The company has assessed the recoverable amount of goodwill and determined that no impairment exists.

12 Income taxes

Amounts recognised in profit or loss:

	2018 \$'000	2017 \$'000
Current year tax expenses	24,516	19,038
Adjustment for prior years	6,249	-
	<u>30,765</u>	<u>19,038</u>
Deferred tax assets:		
Deferred tax expenses	<u>(18,940)</u>	<u>(11,718)</u>
Total income tax expense on continuing operations	<u>11,825</u>	<u>7,320</u>

Income tax expense for the year can be reconciled to the accounting profit as follows:

	2018 \$'000	2017 \$'000
Profit before tax from continuing operations	<u>18,550</u>	<u>24,450</u>
Income tax expense calculated at 30% (2017: 30%)	5,565	7,335
Effect of expenses that are not deductible in determining taxable profits	<u>11</u>	<u>10</u>
	<u>5,576</u>	<u>7,345</u>
Adjustments recognised in the current year in relation to the current tax of prior years	<u>6,249</u>	<u>(25)</u>
Income tax recognised in profit or loss on continuing operations	<u>11,825</u>	<u>7,320</u>

Movement in deferred tax assets:

	2018 \$'000	2017 \$'000
Opening balance as at 1 April	34,615	22,897
Recognised in profit or loss		
Property, plant and equipment	62	165
Deferred revenue	8,478	5,379
Employee benefits	(204)	(256)
Warranty provisions	2,753	2,989
Other provisions	7,138	3,586
Others	<u>713</u>	<u>(145)</u>
Closing balance as at 31 March	<u>53,555</u>	<u>34,615</u>

13 Current liabilities – Payables

	2018 \$'000	2017 \$'000
Trade payables	15,879	14,709
Payables to related parties	158,311	183,689
Other payables	<u>95,200</u>	<u>68,318</u>
	<u>269,390</u>	<u>266,716</u>

14 Current liabilities - Interest bearing liabilities

	2018 \$'000	2017 \$'000
Loans carried at amortised cost:		
Interest bearing loans from related parties	<u>12,729</u>	<u>-</u>

The average interest rate is 2.05% p.a.

15 Current liabilities – Provisions

	2018 \$'000	2017 \$'000
Employee benefits provision		
Opening balance	3,302	4,231
Provision created during the year	1,902	2,229
Provision used during the year	(1,907)	(1,678)
Provision reversed during the year	<u>(589)</u>	<u>(1,480)</u>
Closing balance	<u>2,708</u>	<u>3,302</u>
Service warranties		
Opening balance	27,816	21,996
Provision created during the year	77,862	43,756
Provision used during the year	(45,702)	(32,177)
Provision reversed during the year	<u>(2,856)</u>	<u>(5,759)</u>
Closing balance	<u>57,120</u>	<u>27,816</u>
	<u>59,828</u>	<u>31,118</u>

16 Current liabilities - Deferred revenue

	2018 \$'000	2017 \$'000
Connected car servicing and service plan	<u>7,533</u>	<u>2,926</u>

17 Current liabilities - Other liabilities

	2018 \$'000	2017 \$'000
Lease incentive received	<u>80</u>	<u>176</u>

18 Non current liabilities – Provisions

	2018	2017
	\$'000	\$'000
Employee benefits provision		
Opening balance	299	223
Provision created during the year	-	76
Provision used during the year	-	-
Provision reversed during the year	(77)	-
	<u>222</u>	<u>299</u>
Closing balance	222	299
Service warranties		
Opening balance	31,668	25,909
Provision created during the year	2,855	5,759
Provision used during the year	-	-
Provision reversed during the year	-	-
	<u>34,523</u>	<u>31,668</u>
Closing balance	34,523	31,668
Leasehold exit costs		
Opening balance	255	255
Provision created during the year	-	-
Provision used during the year	-	-
Provision reversed during the year	-	-
	<u>255</u>	<u>255</u>
Closing balance	255	255
	<u>35,000</u>	<u>32,222</u>

19 Non current liabilities - Deferred revenue

	2018	2017
	\$'000	\$'000
Connected car servicing and service plan	<u>50,784</u>	<u>27,129</u>

20 Issued capital

	2018	2017	2018	2017
	Shares	Shares	\$'000	\$'000
Ordinary Shares				
- Fully paid	<u>350,000</u>	<u>350,000</u>	<u>700</u>	<u>700</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

21 Retained profits

Movements in retained profits were

	2018 \$'000	2017 \$'000
Opening balance	17,131	16,711
Profit for the year	6,725	17,130
Dividends paid	-	(16,710)
Closing balance	<u>23,856</u>	<u>17,131</u>

22 Contingencies

Contingent Liabilities

The company is subject to certain tax audits that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of these audits are uncertain, and unfavourable outcomes could have a material adverse impact.

Other contingent liabilities

	2018 \$'000	2017 \$'000
Bank guarantee contract with ANZ Bank	1,826	283
Contract penalty should project not proceed	<u>223</u>	<u>-</u>
	<u>2,049</u>	<u>283</u>

23 Commitments

Operating leases

The company leases various office space and IT equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated:

	2018 \$'000	2017 \$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	1,952	654
Later than one year but not later than five years	<u>29,268</u>	<u>809</u>
	<u>31,220</u>	<u>1,463</u>

24 Related party transactions

(a) Parent and ultimate parent entity

The immediate parent entity is Jaguar Land Rover Limited (incorporated in England) which owns 100% of the issued share capital of the company.

The ultimate parent entity for the company is Tata Motors Ltd (incorporated in India).

(b) Transactions with key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2018 \$'000	2017 \$'000
Short-term benefits	1,898	2,036
Termination benefits	114	24
	<u>2,012</u>	<u>2,060</u>

There is no outstanding balances relating to key management personnel.

(c) Trading transactions

	Transaction value year ended 31 Mar		Balance (payable) / receivable as at 31 Mar	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Jaguar Land Rover Limited - sale of products	(393)	(837)	21	21
Jaguar Land Rover Limited - service rendered	(782)	(728)	84	186
Jaguar Land Rover Limited - warranty campaign received	(23,935)	(8,937)	18,966	701
Jaguar Land Rover Limited - interest income	(483)	(2,458)	-	-
Jaguar Land Rover Limited - loan receivable	-	-	-	68,340
Jaguar Land Rover Japan Limited - service rendered	(68)	(65)	68	65
Jaguar Land Rover Singapore Pte Ltd - service rendered	(14)	-	-	-
Jaguar Land Rover Limited (Singapore) - service rendered	-	15	-	-
	<u>(25,675)</u>	<u>(13,010)</u>	<u>19,139</u>	<u>69,313</u>
Jaguar Land Rover Limited - purchases of goods	1,015,756	1,026,391	(151,899)	(180,643)
Jaguar Land Rover Limited - service received	14,612	20,240	(6,373)	(2,632)
Jaguar Land Rover Limited - dividend paid	-	16,710	-	-
Jaguar Land Rover Limited - interest expense	290	-	-	-
Jaguar Land Rover Limited - loan payable	-	-	(12,729)	-
Tata Consultancy Services Limited - service received	220	228	(18)	(19)
Spark44 Pty Limited (Sydney) - service received	4,139	-	(21)	-
	<u>1,035,017</u>	<u>1,063,569</u>	<u>(171,040)</u>	<u>(183,294)</u>
	<u>1,009,342</u>	<u>1,050,559</u>	<u>(151,901)</u>	<u>(113,981)</u>

All outstanding balances with associates are priced on an arm's length basis and are to be settled in cash within three months of the end of the reporting date. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

25 Reconciliation of profit after income tax to net cash outflow from operating activities

	2018	2017
	\$'000	\$'000
Profit for the year	6,725	17,130
Depreciation	1,842	1,885
Amorisation of lease incentive	(96)	(76)
Net loss on sale of non-current assets	146	5
Change in operating assets and liabilities:		
Decrease in trade debtors and other debtors	(16,406)	(9,761)
Increase in interest receivable	113	120
Increase in interest payable	107	-
(Decrease) / increase in prepaid assets	263	(452)
Increase in inventories	(129,032)	(49,330)
(Increase) in future income tax benefit	(18,940)	(11,718)
Increase / (decrease) in trade and other creditors	2,674	(43,897)
Increase in deferred revenue	28,262	17,927
Increase in income tax payable	7,905	8,882
Increase in employee and other provisions	31,488	10,726
	<hr/>	<hr/>
Net cash outflow from operating activities	(84,949)	(58,559)

Directors' Declaration

In the opinion of the directors of Jaguar Land Rover Australia Pty Limited ('the Company'):

(a) the Company is not publicly accountable;

(b) the financial statements and notes that are set out on pages 4 to 24 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 March 2018 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Sydney, this 25th day of July 2018.



Janet Perich
Director



Independent Auditor's Report

To the Shareholders of Jaguar Land Rover Australia Pty Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Jaguar Land Rover Australia Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 March 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 31 March 2018
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Independent Auditor's Report (continued)

Other Information

Other Information is financial and non-financial information in Jaguar Land Rover Australia Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Partner

Stephen May

Sydney

25 July 2018