

Jaguar Land Rover North America, LLC

Financial Statements

For fiscal years ended

31 March 2019 and 2018

Jaguar Land Rover North America, LLC

INDEX TO FINANCIAL STATEMENTS

Statutory Financial Statements of Jaguar Land Rover North America, LLC

Independent Auditors' Report for the fiscal year ended 31 March 2019.....	3
Balance Sheets.....	5
Income Statements.....	6
Statements of Comprehensive Income.....	6
Statements of Cash Flows.....	7
Statements of Changes in Equity.....	8
Notes to the financial statements.....	9



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Jaguar Land Rover North America, LLC

We have audited the accompanying financial statements of Jaguar Land Rover North America, LLC, which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of income, changes in equity, and cash flows 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 auditors' 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 entity'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 entity'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 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, New York
May 29, 2019

Jaguar Land Rover North America, LLC

Balance Sheets	As at 31 March		
In \$USD	Note	2019	2018
Non-current assets			
Property, plant and equipment	3	\$ 46,905,740	\$ 47,009,046
Other financial assets	4	2,270,094	2,317,395
Deferred tax assets	5	85,665,327	76,422,594
Total non-current assets		134,841,161	125,749,035
Current assets			
Inventories	6	607,661,656	726,519,323
Trade receivables	21	91,802,234	30,075,509
Finance receivables	8, 21	975,806,565	546,968,304
Other current assets	9	9,231,688	21,401,126
Cash and cash equivalents		493,868	60,013,558
Assets held for sale	3	-	12,497,000
Total current assets		1,684,996,011	1,397,474,820
Total assets		1,819,837,172	1,523,223,855
Current liabilities			
Accounts payable		(549,430,145)	(257,740,543)
Variable marketing provisions	11	(234,079,500)	(291,866,820)
Financial liabilities		(343,799)	(405,466)
Other current liabilities	12	(465,555,084)	(451,694,504)
Other provisions	14	(13,030,631)	(11,259,422)
Current income tax liabilities	5	(2,180,835)	(60,634,260)
Total current liabilities		(1,264,619,994)	(1,073,601,015)
Non-current liabilities			
Other non-current liabilities	13	(206,865,434)	(185,087,377)
Other provisions	14	(15,526,371)	(15,103,074)
Other financial liabilities		(1,381,107)	(1,724,907)
Total non-current liabilities		(223,772,912)	(201,915,358)
Total liabilities		(1,488,392,906)	(1,275,516,373)
Shareholder's equity			
Ordinary shares		(40,000,000)	(40,000,000)
Share premium		(117,300,000)	(117,300,000)
Retained earnings		(174,464,526)	(90,730,381)
Accumulated other comprehensive loss:			
Pension reserve		320,260	322,899
Total equity		(331,444,266)	(247,707,482)
Total liabilities and equity		\$ (1,819,837,172)	\$ (1,523,223,855)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Income Statements

In \$USD

	Note	Year ended 31 March	
		2019	2018
Income			
Revenue - vehicles		\$ 7,229,956,115	\$ 6,978,548,926
Revenue - parts, service and accessories		533,976,803	481,081,220
Other income	17	14,716,745	13,429,769
Total revenue		7,778,649,662	7,473,059,915
Purchase of vehicles and parts	6	(7,097,524,551)	(6,671,571,871)
Employee costs	15	(44,856,229)	(45,211,205)
Warranty and services costs		(143,464,811)	(113,916,628)
Fixed marketing expense		(295,480,175)	(326,070,130)
Warehousing, handling and distribution costs		(54,398,334)	(107,472,478)
Other expenses	16	(34,083,675)	(39,448,746)
Depreciation and amortization	3	(4,995,609)	(3,285,926)
Foreign exchange (expense)/income		(1,217)	(86,211)
Finance income		14,443,033	3,369,970
Finance costs		(6,150,760)	(3,207,802)
Profit before tax		112,137,334	166,158,888
Income Tax Expense	5	(28,403,189)	(89,370,803)
Profit for the period		\$ 83,734,145	\$ 76,788,085

Jaguar Land Rover North America, LLC

Statements of Comprehensive Income

In \$USD

	Year ended 31 March	
	2019	2018
Profit for the period	\$ 83,734,145	\$ 76,788,085
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement gain/(loss), net of tax expense of \$3,893 and \$570,555 for fiscal years ended 31 March 2019 and 2018, respectively	2,639	(77,105)
Other comprehensive gain/(loss) for the year	2,639	(77,105)
Total comprehensive income for the year	\$ 83,736,784	\$ 76,710,980

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Statements of Cash Flows

In \$USD

	Note	Year Ended 31 March	
		2019	2018
Cash flows from operating activities:			
Profit for the period		\$ 83,734,145	\$ 76,788,085
Adjustments for noncash items included in profit for the period:			
Depreciation and amortization	3	4,995,609	3,285,926
Inventory write-down		231,409	4,096,309
Loss on sale of assets / assets written off	3	30,780	28,437
Impairment to Assets held for sale	3	38,710	-
Income tax expense	5	28,403,189	89,370,803
Net finance income		(5,260,624)	(162,168)
		112,173,219	173,407,392
Changes in assets and liabilities:			
Decrease in Other Financial Assets		47,301	338,314
Decrease/(Increase) in Deferred tax assets	5	9,246,626	(11,184,989)
Decrease in Inventories	6	118,626,258	89,968,569
(Increase)/Decrease in Trade receivables	21	(61,726,725)	95,462,749
Decrease/(Increase) in Other Current Assets	9	12,169,438	(18,209,569)
Increase/(Decrease) in Accounts payable		291,689,602	(150,448,076)
(Decrease)/Increase in Current income tax liabilities	5	(2,294,752)	11,979,925
(Decrease)/Increase in Variable marketing provisions	11	(57,787,320)	46,122,642
(Decrease)/Increase in Financial Liabilities		(61,667)	15,306
Increase in Other Current Liabilities	12	13,860,580	84,165,684
Increase in Provisions (Current)	14	1,771,209	576,895
Increase in Other Non-Current Liabilities	13	21,778,057	32,691,416
Increase/(Decrease) in Provisions (Non-current)	14	423,297	(4,844,669)
(Decrease) in Other Financial Liabilities		(341,161)	(388,183)
Cash generated from operating activities		459,573,962	349,653,406
Income tax paid net of refunds	5	(95,850,708)	(90,629,688)
Net cash generated from operating activities		363,723,254	259,023,718
Cash flows from investing activities:			
Interest received		-	3,369,617
Investments in cash pooling account		(7,258,084,891)	(6,904,000,000)
Redemptions of cash invested in pooling account		6,830,338,389	6,729,445,653
Proceeds from sale of former headquarters	3	12,458,290	-
Payments for property, plant and equipment	3	(4,923,083)	(30,996,945)
Net cash used by investing activities		(420,211,295)	(202,181,675)
Cash flows from financing activities:			
Interest paid		(3,031,649)	(3,207,802)
Net cash used by financing activities		(3,031,649)	(3,207,802)
Net change in cash and cash equivalents		\$ (59,519,690)	\$ 53,634,240
Cash and cash equivalents, beginning of the year		60,013,558	6,379,318
Cash and cash equivalents, end of the year		\$ 493,868	\$ 60,013,558

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Statements of Changes in Equity

In \$USD

	Ordinary Share Capital	Share Premium	Retained earnings	Accumulated other comprehensive loss	Total Equity
Balance at 31 March 2017 - Unaudited	\$ (40,000,000)	\$ (117,300,000)	\$ (15,019,564)	\$ 1,323,062	\$ (170,996,502)
Profit for the period - unaudited	-	-	(76,788,085)	-	(76,788,085)
Reclassification from accumulated other comprehensive loss to Retained earnings	-	-	1,077,268	(1,077,268)	-
Other comprehensive loss, net of tax expense of \$570,555	-	-	-	77,105	77,105
Balance at 31 March 2018	\$ (40,000,000)	\$ (117,300,000)	\$ (90,730,381)	\$ 322,899	\$ (247,707,482)
Profit for the period	-	-	(83,734,145)	-	(83,734,145)
Other comprehensive gain, net of tax expense of \$3,893	-	-	-	(2,639)	(2,639)
Balance at 31 March 2019	\$ (40,000,000)	\$ (117,300,000)	\$ (174,464,526)	\$ 320,260	\$ (331,444,266)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Notes to the Financial Statements

1. Background and operations

Jaguar Land Rover North America, LLC (the "Company" or "JLRNA") is a limited liability company registered in the State of Delaware. The registered office address is c/o Corporation Services Company 251 Little Falls Drive Wilmington, DE 19808. 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 at 100 Jaguar Land Rover Way Mahwah, New Jersey, with four regional offices located around the United States as well as two dedicated training facilities. The Company relocated its headquarters in March 2018.

JLRNA is a wholly-owned subsidiary of Jaguar Land Rover Limited ("JLR Limited"), which is a UK company. The ultimate parent and controlling shareholder 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 described in Note 23, the Company pools all of its excess cash with its parent company, JLR Limited under a cash pooling agreement.

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 JLR Limited and its ultimate parent, TML and the financial statements of all these entities, including JLRNA, 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.

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 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. The Company also uses judgement and estimates in determining timing and amount of provisions for uncertain tax matters where deemed appropriate.
- ii) 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.
- iii) Notes 12 & 13 – Other current liabilities and Other non-current liabilities - The Company applies judgement in estimating 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.
- iv) Note 14 – Other provisions – The Company applies judgement in estimating 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) Note 18 – 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 on plan 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

Note 2 – Significant accounting policies (continued)

c. Concentration risk

As a wholly-owned subsidiary of JLR Limited, the Company's going concern is linked to the going concern of that entity. Further, the Company is dependent on JLR Limited for substantially all of the products it sells. This dependency represents a material concentration of supply of vehicles and parts, and without that supply, the Company's ability to continue as a going concern would be limited.

d. Revenue recognition

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

The Company recognizes revenues on the sale of vehicles, net of discounts, sales incentives, customer bonuses and rebates granted, when products are segregated for dispatch to retailers, which is when risks and rewards of ownership pass to the customer. Revenues on the sale of parts is recognized upon shipment. 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 related to cash 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 expected to be provided.

e. Cost recognition and presentation

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

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 provision.

i) *Locally offered vehicle services expenses*

The estimated provision for locally offered vehicle services under such programs as roadside assistance and service loaner are recorded when vehicles are sold to retailers. 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.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

ii) *Variable marketing*

In the normal course of business, the Company provides opportunities for retailers to earn incentives upon the retail sale of a vehicle. The Company makes a best estimate of the amount expected to be earned by the retailers on in-stock inventory and records a provision for those expected payments. The timing of these payments will vary based on when the retailers sell their in-stock inventory, being typically one to three months from the time of provisioning.

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 the tax is also recognized outside profit or loss, or where it arises from the initial accounting for business combination.

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

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

i. *Inventories and Purchase of vehicles and parts*

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 profit before tax is set at 1.25% of revenue. Profit adjustments, negative or positive, to meet the required profit targets, are reflected in the Income Statements as a component of Purchase of vehicles and parts.

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. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit and loss. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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

	Estimated useful life in years
Buildings and leasehold improvements	Lesser of lease term or useful life
Office machines & equipment	12.5 - 14.5
Vehicles	1 - 8
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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 reporting date, the Company assesses whether there is any indication that any property, plant and equipment or cash generating unit 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.

m. *Employee benefits*

Retirement plans

The Company has two supplemental executive retirement plans that provide for a fixed monthly benefit for its participants, one of which is fully funded and one which is not. The Company also maintains a plan providing postretirement medical benefits covering certain salaried employees which is also unfunded. The Company funds the unfunded benefits plans on a pay-as-you go basis.

Remeasurement gains and losses

Remeasurement gains and losses relating to retirement benefit plans are recognized directly in the Statements of Comprehensive Income in the period in which they arise and subsequently are never reclassified into profit or loss.

Measurement date

The measurement date of retirement plans is March 31.

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 accounted for at amortized cost on the basis of the effective interest method.

Financial instruments are recognized on the Balance Sheet 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 reporting 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 Statement. 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 Statement.

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 amount is determined on a cost-plus-margin basis with all remaining revenue allocated to the vehicle. 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

Standards, revisions, and amendments to standards and interpretations significant to JLRNA, and applied for the first time in the fiscal year ending 31 March 2019:

IFRS 9 Financial Instruments has been applied to the Group’s financial statements from 1 April 2018.

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets and new rules for hedge accounting.

The Company has undertaken an assessment of classification and measurement on transition and has not identified a material impact on the financial statements given that equity investments which are not equity accounted are valued at fair value through profit or loss. The Company does not have any equity investments.

Note 2 – Significant accounting policies (continued)

p. *New accounting pronouncements (continued)*

The Company has undertaken an assessment of the impairment provisions, especially with regards to trade receivables and has applied the simplified approach under the standard. The Company and its customers operate with major financial institutions who take on the principal risks of sales to customers and consequently the Company receive full payment for these receivables between 0–30 days. Therefore the Company has concluded that there is no material impact under the standard for remeasurement of impairment provisions and no transition adjustment have been made.

The Company adopted **IFRS 15 Revenue from Contracts with Customers** with a date of initial application of 1 April 2018. The new standard replaces the requirements under IAS 18 *Revenue* and IAS 11 *Construction Contracts*, as well as the related interpretations. The primary purpose of the new standard is to specify a set of consistently applicable underlying revenue recognition principles across all sectors, industries, and types of arrangements.

The application of IFRS 15 did not have a material impact on the Company's Balance sheet or Income statement.

IFRIC 22 Foreign Currency Transactions and Advance Consideration is effective for accounting periods commencing on or after 1 January 2018, and addresses the treatment of payments made in advance or consideration is received in advance for transactions denominated in a foreign currency transactions. Where a corresponding non-monetary asset or liability is recognised, the exchange rate prevailing at the date of transaction should prevail. If there are multiple payments or advance receipts, a date of transaction is established for each payment or receipt. The Company does not have a material amount of transactions in foreign currency so IFRIC 22 does not have a material impact to its financial statements.

Financial reporting pronouncements, issued by the IASB, that are considered significant to JLRNA but are not yet adopted:

A new lease accounting standard **IFRS 16 Leases** is effective for the year beginning 1 April 2019 for the Company. This standard replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of the Transactions Involving the Legal Form of a Lease* interpretations. Under IFRS 16, lessee accounting is based on a single model, resulting from the elimination of the distinction between operating and finance leases. All leases will be recognised on the balance sheet with a right-of-use asset capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce over the same period with an appropriate interest charge recognised.

The Company will elect to apply the exemptions for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term or another systematic basis.

Note 2 – Significant accounting policies (continued)

p. *New accounting pronouncements (continued)*

The Company has elected to use the following practical expedients permitted by the Standard:

- On initial application, IFRS 16 has only been applied to contracts that were previously classified as leases under IFRIC 4;
- Regardless of the original lease term, lease arrangements with a remaining duration of less than 12 months will continue to be expensed to the Income Statement on a straight line basis over the lease term;
- Short-term and low value leases will be exempt;
- The lease term has been determined with the use of hindsight where the contract contains options to extend or terminate the lease;
- The discount rate applied as at transition date is the incremental borrowing rate corresponding to the remaining lease term.
- The measurement of a right-of-use asset excludes the initial direct costs at the date of initial application.

The Company will apply the modified retrospective approach on transition under which the comparative financial statements will not be restated. The cumulative impact of the first-time application of IFRS 16 will be recognized as an adjustment to opening equity as 1 April 2019.

IFRIC 23 Uncertainty Over Income Tax Treatments is effective for accounting periods commencing on or after 1 January 2019. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The application of IFRIC 23 is not considered to have a material impact on the Company's profitability, liquidity and capital resources and financial position as the existing accounting policy applied by the Company is largely consistent with IFRIC 23.

Note 2 – Significant accounting policies (continued)

p. *New accounting pronouncements (continued)*

Financial reporting pronouncements, issued by the IASB and are not yet effective, and so are not yet adopted by JLRNA:

IFRS 17 Insurance Contracts will replace IFRS 4, the existing accounting standard for insurance contracts, with an effective date for accounting periods commencing on or after 1 January 2021.

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The requirements are designed to achieve the goal of a consistent principle-based accounting for insurance contracts. The new standard is not expected to have a material impact to the Company at this time, as certain ‘insurance-type’ offerings common to the automotive industry (such as vehicle warranties issued by Jaguar Land Rover as an original equipment manufacturer) are treated outside of the scope of IFRS 17, instead under alternative standards such as IFRS 15 *Revenue From Contracts With Customers* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. A formal impact assessment of IFRS 17 will be performed prior to the effective date and adoption of the standard by the JLR Limited. While early application of IFRS 17 is permitted, the Company does not plan to do so.

Amendments to **IAS 19 Employee Benefits** were announced to clarify the accounting for plan amendments, curtailments and settlements, and are effective for accounting periods commencing on or after 1 January 2019. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. This is not expected to have a material impact on the Company.

Other standards and interpretations that have been approved but not discussed above are not considered to have a material impact on the Company’s financial statements, and therefore no specific disclosure has been made.

Jaguar Land Rover North America, LLC

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

	Land and buildings	Plant and equipment	Capital Work-in-Progress	Vehicles	Computers	Furniture and fixtures	Total Fixed Assets	Assets held for sale
Cost as of 1 April 2017	\$ 15,395,971	\$ 3,283,113	\$ -	\$ 477,857	\$ 4,545,542	\$ 7,280,458	\$ 30,982,941	\$ 19,772,808
Additions	3,229,693	1,194,877	28,088,394	565,882	64,171	464,859	33,607,876	-
Disposals	-	(846,398)	-	(60,570)	(200,354)	(777,612)	(1,884,934)	-
Impairments	24,410,675	166,473	(28,088,394)	-	356,031	3,155,215	-	-
Cost as of 31 March 2018	\$ 43,036,339	\$ 3,798,065	\$ -	\$ 983,169	\$ 4,765,390	\$ 10,122,920	\$ 62,705,883	\$ 19,772,808
Accumulated depreciation as 1 April 2017	\$ (3,289,353)	\$ (1,527,825)	\$ -	\$ (257,805)	\$ (4,159,435)	\$ (5,032,990)	\$ (14,267,408)	\$ (7,275,808)
Disposals	-	846,398	-	57,868	200,354	751,877	1,856,497	-
Depreciation charge for the year	(1,731,955)	(390,455)	-	(135,296)	(268,407)	(759,813)	(3,285,926)	-
Accumulated depreciation as of 31 March 2018	(5,021,307)	(1,071,882)	-	(335,233)	(4,227,488)	(5,040,926)	(15,696,837)	(7,275,808)
Net book value as of 31 March 2018	\$ 38,015,032.27	\$ 2,726,183	\$ -	\$ 647,936	\$ 537,902	\$ 5,081,994.39	\$ 47,009,046	\$ 12,497,000
Cost as of 1 April 2018	\$ 43,036,339	\$ 3,798,065	\$ -	\$ 983,169	\$ 4,765,390	\$ 10,122,920	\$ 62,705,883	\$ 19,772,808
Additions	3,711,615	320,175	-	3	25,211	866,080	4,923,083	-
Disposal	(7,157)	-	-	(96,360)	-	(27,500)	(131,017)	(19,772,808)
Capital work-in-progress moved into service	(1,046,929)	634,177	-	-	134,131	278,621	-	-
Cost as of 31 March 2019	\$ 45,693,867	\$ 4,752,417	\$ -	\$ 886,812	\$ 4,924,732	\$ 11,240,120	\$ 67,497,950	\$ -
Accumulated depreciation as 1 April 2018	\$ (5,021,307)	\$ (1,071,882)	\$ -	\$ (335,233)	\$ (4,227,488)	\$ (5,040,926)	\$ (15,696,837)	\$ (7,275,808)
Disposals	3,877	-	-	96,360	-	-	100,236	7,275,808
Depreciation charge for the year	(3,449,016)	(334,449)	-	(144,643)	(92,872)	(974,629)	(4,995,609)	-
Accumulated depreciation as of 31 March 2019	(8,466,446)	(1,406,331)	-	(383,516)	(4,320,361)	(6,015,555)	(20,592,210)	\$ -
Net book value as of 31 March 2019	\$ 37,227,421	\$ 3,346,086	\$ -	\$ 503,296	\$ 604,372	\$ 5,224,565	\$ 46,905,740	\$ -

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 in the Income Statement for the year ended 31 March 2017. The sale was completed on 30 April 2018 with no material gain or loss.

4. Other financial assets (non-current)

Other financial assets consist of assets held in trust for four former Land Rover employees to be paid in monthly installments. This plan is a non-qualified plan. At 31 March 2019 and 2018, these assets amounted to \$2.3 million and \$2.3 million, respectively. During the fiscal year ended 31 March 2018, a final lump sum payout was made to a beneficiary of one of the participants in the amount of \$0.4 million. See *Supplemental Death and Retirement Income Plan* as described in Note 18 for additional information.

Jaguar Land Rover North America, LLC

5. Income taxes

On 22 December 2017, the United States Congress passed the Tax Cuts and Jobs Act (“TCJA”) effective for tax years beginning after 31 December 2017. This legislation reduced the federal corporate tax rate from 35% to 21%. As a result, JLRNA utilized a 31.55% blended tax rate for the fiscal year ended 31 March 2018 to reflect nine months at the old rate and three months at the new rate. For the year ended 31 March 2019, JLRNA utilized a corporate tax rate of 21% in accordance with the provisions of the TCJA. In addition, during the year ended 31 March 2018, related to changes from the TCJA, the Company’s deferred taxes were re-measured at a rate of 21%. This resulted in a reduction of Deferred taxes and an increase in Income tax expense of \$37.1 million. The re-measurement of the deferred taxes has no impact on Profit before tax or cash flows during the year ended 31 March 2018.

The components of income tax expense were:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Current taxes:		
For current year	\$ 38,378,739	\$ 79,148,196
Prior period adjustments	(728,924)	(962,382)
Deferred taxes:		
For current year	(10,080,426)	(25,723,103)
Effect of changed tax rate	252,532	37,100,971
Prior period adjustments	581,268	(192,879)
Total income tax expense	\$ 28,403,189	\$ 89,370,803

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Current	\$ 37,649,815	\$ 78,185,814
Deferred	(9,246,626)	11,184,989
Total income tax expense	\$ 28,403,189	\$ 89,370,803

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Profit before tax	\$ 112,137,334	\$ 166,158,888
Income tax expense at applicable tax rates	23,548,840	52,423,129
Effect of changed tax rate	252,532	33,084,712
Current state and local taxes (net of federal benefit)	5,410,592	6,189,495
Total permanent differences	105,097	222,110
Change in Income Tax Reserves	-	(1,848,681)
Other	(913,872)	(699,963)
Income tax expense	\$ 28,403,189	\$ 89,370,803

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

As a limited risk distributor, JLRNA operates under an advanced transfer pricing agreement (“APA”) with JLR Limited whereby pretax operating profit is set at 1.25% of revenue. Prior to fiscal 2017/18, this was set at 0.55% of revenue. During the year ended 31 March 2018, at the conclusion of a pricing study commissioned by us, the APA was changed to reflect the higher operating profit target percentage. This target change was deemed effective for past fiscal years ended 31 March 2015 through 31 March 2017. During the negotiations, at 31 March 2017 it was determined that a settlement with the Internal Revenue Service was more likely than not, and a best estimate of that settlement was recorded resulting in an increase to pretax profit of \$116.4 million and a tax provision \$48.3 million for that fiscal year. Subsequently, when the final settlement was reached during the year ended 31 March 2018, an additional pretax profit of \$68.7 million and tax provision of \$18.0 million was recorded to reflect the final settlement. The total amount of the final settlement resulted in an increase in pretax profit of \$185.1 million and a tax liability of \$66.3 million that was remitted to the taxing authorities in July 2018.

The effective tax rate during the 12 months ended 31 March 2019 and 31 March 2018 were 25.33% and 53.79%, respectively.

Deferred tax assets have been recognized in the Balance Sheets in respect of deductible temporary differences. Significant components of deferred tax assets and liabilities for the year ended 31 March 2019 were as follows:

	Opening balance	Recognized in Income statement	Recognized in / reclassified from Statement of comprehensive income	Closing balance
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 44,060,153	\$ (4,983,708)		\$ 39,076,445
Provisions	553,444	152,187		705,631
Depreciation	346,356	(346,356)		(0)
Compensated absences and retirement benefits	698,531	-	(3,893)	694,638
Deferred Revenue	36,681,332	9,603,263		46,284,595
Total deferred tax assets	\$ 82,339,816	\$ 4,425,385	\$ (3,893)	\$ 86,761,308
Deferred tax liabilities:				
Compensated absences and retirement benefits	\$ (872,138)	\$ (41,463)	-	\$ (913,601)
Taxable temporary difference – prepaid advertising, Section 481(a) adjustment	(5,045,084)	4,893,088	-	(151,996)
Depreciation	-	(30,385)	-	(30,385)
Total deferred tax liabilities	\$ (5,917,222)	\$ 4,821,240	\$ -	\$ (1,095,982)
Net deferred tax assets	\$ 76,422,594	\$ 9,246,626	\$ (3,893)	\$ 85,665,327

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

Significant components of deferred tax assets and liabilities for the year ended 31 March 2018 were as follows:

	Opening balance	Recognized in Income statement	Recognized in / reclassified from Statement of comprehensive income	Closing balance
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 63,327,052	\$ (19,266,899)	\$ -	\$ 44,060,153
Provisions	-	553,444	-	553,444
Depreciation	1,138,478	(792,122)	-	346,356
Compensated absences and retirement benefits	1,269,086		(570,555)	698,531
Deferred Revenue	23,314,820	13,366,512	-	36,681,332
Total deferred tax assets	\$ 89,049,436	\$ (6,139,065)	\$ (570,555)	\$ 82,339,816
Deferred tax liabilities:				
Compensated absences and retirement benefits	\$ (871,298)	\$ (840)	-	\$ (872,138)
Taxable temporary difference – prepaid advertising, Section 481(a) adjustment		(5,045,084)	-	(5,045,084)
Total deferred tax liabilities	\$ (871,298)	\$ (5,045,924)	\$ -	\$ (5,917,222)
Net deferred tax assets	\$ 88,178,138	\$ (11,184,989)	\$ (570,555)	\$ 76,422,594

6. Inventories

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

	As at 31 March	
	2019	2018
Vehicle inventory	\$ 445,175,451	\$ 560,917,683
Parts inventory	174,490,906	177,374,932
Adjustment to lower of cost or net realizable value	(12,004,702)	(11,773,292)
Total inventories	\$ 607,661,656	\$ 726,519,323

Purchase of vehicles and parts recognized as expense and inventory write-down expense included in the Income Statements for the years ended 31 March 2019 and 2018 were as follows:

	Year ended 31 March	
	2019	2018
Purchase of vehicles and parts	\$ (7,097,524,551)	\$ (6,671,571,871)
Inventory write-down expense	\$ (2,424,845)	\$ (6,437,966)

Jaguar Land Rover North America, LLC

7. Operating Leases

The Company uses land, buildings, plant and equipment, computers and furniture and fixtures under operating leases. The Company does not have any arrangement which qualify as a finance leases for accounting purposes. During the year ended 31 March 2018, the Company finalized its plans to relocate its headquarters to a more suitable facility in close proximity to the current headquarters. The move was completed in March and April 2018. 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 2019	31 March 2018
Not later than one year	\$ 4,587,401	\$ 4,702,914
Later than one year but not later than five years	19,134,412	17,189,203
Later than five years	42,340,341	45,269,170
Total minimum lease commitments	\$ 66,062,153	\$ 67,161,287

	31 March 2019	31 March 2018
Operating lease rent expense	\$ 3,519,906	\$ 3,520,998

8. Finance Receivables

Finance receivables consist of an intercompany loan receivable with the parent company of \$975.8 million and \$547.0 million at 31 March 2019 and 2018, respectively. See Related Party note 23 for further details.

9. Other Current Assets

Other current assets consist of the following:

	As at 31 March	
	2019	2018
Current tax asset	\$ 46,589	\$ 52,508
Prepaid warranty insurance	900,704	876,662
Prepaid marketing costs	119,487	18,610,198
Prepaid expenses - miscellaneous	8,164,908	1,861,758
Other current assets	\$ 9,231,688	\$ 21,401,126

Jaguar Land Rover North America, LLC

10. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2019 and 2018 the Company had cash of \$0.5 million and \$60.0 million, respectively.

11. Variable Marketing Provisions

Variable marketing provisions are comprised of liabilities for dealer incentives. Variable marketing provisions were all current and materialized as follows:

Balance at 31 March 2017 - Unaudited	\$ (245,744,178)
Provisions made during the year	(629,850,792)
Provisions used during the year	583,581,516
Other adjustments	146,634
Balance at 31 March 2018	\$ (291,866,820)
Provisions made during the year	(583,597,980)
Provisions used during the year	641,385,300
Other adjustments	-
Balance at 31 March 2019	\$ (234,079,500)

12. Other current liabilities

Other current liabilities consist of the following:

	As at 31 March	
	2019	2018
Variable dealer margin accruals	\$ (287,403,310)	\$ (292,290,171)
Fixed marketing accruals	(51,881,956)	(46,884,388)
Deferred revenue - service plans	(50,719,639)	(37,781,074)
Deferred revenue - certified pre-owned programs	(28,826,709)	(29,541,782)
Import duties and sales/use tax	(25,291,566)	(29,656,415)
Deferred revenue - connected car	(20,863,779)	(15,045,674)
Customer deposits	(568,125)	(495,000)
Total Other current liabilities	\$ (465,555,084)	\$ (451,694,504)

Jaguar Land Rover North America, LLC

13. Other Non-current Liabilities

Other non-current liabilities consist of the following:

	As at 31 March	
	2019	2018
Deferred revenue - certified pre-owned programs	\$ (59,908,647)	\$ (48,179,399)
Deferred revenue - service plans	(85,830,472)	(84,685,348)
Deferred revenue - customer prepaid plans	(18,249,013)	(15,231,196)
Defined benefits obligations	(4,249,809)	(4,474,622)
Deferred revenue - connected car	(38,627,492)	(32,516,812)
Total Other non-current liabilities	\$ (206,865,433)	\$ (185,087,377)

14. Other provisions

Other provisions consist of amounts recognized related to expected future cash outflow for locally offered vehicle services under such programs as roadside assistance and service loaner as well as residual risk sharing agreements on leased vehicles. The Company also completed a restructuring of its business that resulted in the termination of 35 individuals from the headquarters and field operations. These other provisions mature at various intervals over the next five years. The other provisions were segregated between current and non-current as follows:

	Locally Offered Vehicle Services	Residual Risk	Restructuring	Total
Balance at 31 March 2017 - Unaudited	\$ (24,213,770)	\$ (6,416,500)	\$ -	\$ (30,630,270)
Provisions made during the year	(40,724,583)	(2,684,037)	-	(43,408,620)
Provisions used during the year	38,575,857	-	-	38,575,857
Other adjustments	-	9,100,537	-	9,100,537
Balance at 31 March 2018	\$ (26,362,496)	\$ -	\$ -	\$ (26,362,496)
Current	\$ (11,259,422)	\$ -	\$ -	\$ (11,259,422)
Noncurrent	\$ (15,103,074)	\$ -	\$ -	\$ (15,103,074)
Provisions made during the year	(55,786,864)	-	(2,269,071)	(58,055,934)
Provisions used during the year	54,326,295	-	1,535,133	55,861,429
Other adjustments	-	-	-	-
Balance at 31 March 2019	\$ (27,823,065)	\$ -	\$ (733,937)	\$ (28,557,002)
Current	\$ (12,296,693)	\$ -	\$ (733,937)	\$ (13,030,631)
Noncurrent	\$ (15,526,371)	\$ -	\$ -	\$ (15,526,371)

Jaguar Land Rover North America, LLC

15. Employee Costs

Employee costs consist of the following:

	Year ended 31 March	
	2019	2018
Salaries, wages and bonus	\$ 38,840,522	\$ 39,480,124
Benefits	3,214,467	5,143,717
Defined benefit pensions	254,599	231,134
Reorganization costs	2,269,071	-
Other	277,571	356,230
Total employee costs	\$ 44,856,229	\$ 45,211,205

16. Other Expenses

Other expenses consist of the following:

	Year ended 31 March	
	2019	2018
Consulting costs and other purchased services	\$ 9,616,443	\$ 9,796,020
Facilities costs	5,947,693	6,522,709
Travel and entertainment costs	1,989,869	3,751,523
Information technology costs	2,961,050	2,948,460
Impairment on asset held for sale	-	22,793
Other general operating expenses	13,568,620	16,407,241
Total Other expenses	\$ 34,083,675	\$ 39,448,746

17. Other income

Other income consisted of the following:

	Year ended 31 March	
	2019	2018
Commissions - extended service plans	\$ 1,419,330	\$ 1,243,547
Commissions - oil	3,189,298	2,790,971
Satellite radio activation commissions	6,249,277	5,586,925
Tire and navigation revenue share	3,114,004	2,096,330
Miscellaneous items, net	744,836	1,711,996
Total Other income	\$ 14,716,745	\$ 13,429,769

18. Employee benefits

Defined benefit plans

The Company has two supplemental executive retirement plans that provide for a fixed annual benefit for its participants, one of which is fully funded and one which is not. The Company also maintains a plan providing postretirement medical benefits covering certain salaried employees which is also unfunded. The Company funds the unfunded benefits plans on a pay-as-you go basis. These plans have a total liability of \$4.4 million and \$4.5 million at 31 March 2019 and 31 March 2018, respectively. During the years ended 31 March 2019 and 31 March 2018, the Company recognized expense of \$0.2 million and \$0.3 million related to these plans. The Company expects to contribute \$0.1 million to these plans during the 12 months ending 31 March 2020.

Defined contribution plan

Additionally, the Company sponsors and administers a 401(k) Retirement 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.

The Company's contribution to defined contribution plans was \$1.6 million and \$1.5 million for years ended 31 March 2019 and 2018, respectively.

19. 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 provision for any claims where the Company has a present obligation as a result of a past event where it is probable an outflow of resources will be required to settle the obligation and a reliable estimate can be made 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 provision in its accounts unless the loss becomes probable. Any claims of a product liability nature are assessed and a provision 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 provide any guarantees for related parties or unrelated third parties.

Note 19 – Commitments and contingencies (continued)

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 to Note 7.

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 arrangement that was in effect until 31 March 2018, residual collateral deposits were 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 was performed and if there was excess collateral on deposit, the Company was entitled to receive a refund of previously deposited collateral.

Effective 1 April 2018, a revised residual risk sharing agreement has been executed that will revise the risk sharing agreement for future lease contracts.

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.

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.

20. 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 2018 and 2017, the Company maintained capital of \$157.3 million.

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

Jaguar Land Rover North America, LLC

21. 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.

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 2019 and 2018, respectively.

	As at 31 March			
	2019		2018	
	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<u>Financial Assets</u>				
Cash and cash equivalents	\$ 493,868	\$ 493,868	\$ 60,013,558	\$ 60,013,558
Trade receivables	91,802,234	91,802,234	30,075,509	30,075,509
Finance receivables	975,806,565	975,806,565	546,968,304	546,968,304
Other financial assets	2,270,094	2,270,094	2,317,395	2,317,395
Total	\$ 1,070,372,761	\$ 1,070,372,761	\$ 639,374,766	\$ 639,374,766
 <u>Financial Liabilities</u>				
Accounts payable	\$ (549,430,145)	\$ (549,430,145)	\$ (257,740,543)	\$ (257,740,543)
Financial liabilities	(343,799)	(343,799)	(405,466)	(405,466)
Other financial liabilities	(1,381,107)	(1,381,107)	(1,724,907)	(1,724,907)
Total	\$ (551,155,051)	\$ (551,155,051)	\$ (259,870,916)	\$ (259,870,916)

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 2019 and 2018 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.

Note 21 – 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.

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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was \$1.07 billion and \$639.4 million as of 31 March 2019 and 2018, 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 21 – 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 impaired. Regarding trade receivables and other receivables, and other loans or receivables that are neither impaired, there were no indications as of 31 March 2019, 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 2019			31 March 2018		
	Gross	Allowance	Total	Gross	Allowance	Total
Trade Receivables						
Period						
Not due	\$ 90,172,946	\$ -	\$ 90,172,946	\$ 25,761,843	\$ -	\$ 25,761,843
Overdue 1-3 months	1,220,209	-	1,220,209	1,183,442	-	1,183,442
Overdue 3-6 months	88,750	-	88,750	147,624	-	147,624
Overdue more than 6 months	320,329	-	320,329	2,982,600 *	-	2,982,600
Total	\$ 91,802,234	\$ -	\$ 91,802,234	\$ 30,075,509	\$ -	\$ 30,075,509

	31 March 2019			31 March 2018		
	Gross	Allowance	Total	Gross	Allowance	Total
Finance Receivables						
Period						
Not due	\$975,806,565	\$ -	\$975,806,565	\$ 546,968,304	\$ -	\$ 546,968,304
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	-	-	-	-	-	-
Total	\$975,806,565	\$ -	\$975,806,565	\$ 546,968,304	\$ -	\$ 546,968,304

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 21 – Disclosures on financial instruments (continued)

The table below provides details regarding the contractual maturities of financial liabilities as of 31 March 2018:

	Carrying amount	Due in 1st year	Due in 2nd year	Due in 3rd - 5th year	Due after 5 years	Non-cash amount
Accounts payable	\$ (549,430,145)	\$ (549,430,145)	\$ -	\$ -	\$ -	\$ -
Financial liabilities	(343,799)	-	-	-	-	(343,799)
Other financial liabilities	(1,381,107)	-	-	-	-	(1,381,107)
Total	\$ (551,155,051)	\$ (549,430,145)	\$ -	\$ -	\$ -	\$ (1,724,906)

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

22. Collaterals

On 28 January 2013, the Company's intermediary parent, Jaguar Land Rover Automotive PLC, issued \$500 million Senior Notes due 2023 at a coupon of 5.625% per annum. These notes were guaranteed on a senior unsecured basis by JLRNA, Jaguar Land Rover Holdings Limited, Jaguar Land Rover Limited, Land Rover Exports Limited and JLR Nominee Company Limited.

23. 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 sales and offsetting payables to affiliated companies. At 31 March 2019 and 2018, the Company had approximately \$368.7 million and \$92.0 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 2019 and 2018, the Company had approximately \$975.8 million and \$547.0 million, respectively, recorded as a note receivable from the parent company.

Jaguar Land Rover North America, LLC

Note 23 – Related party transactions (continued)

Additionally, in the normal course of business, the Company transacts with other subsidiaries of JLR Limited. At 31 March 2019 and 2018, the Company had trade receivables with Jaguar Land Rover China in the amount of nil and \$2.9 million, respectively. At 31 March 2019 and 2018, the Company had trade receivables with Jaguar Land Rover Canada in the amount of \$0.4 million and \$0.4 million, respectively. At 31 March 2019 and 2018, the Company had trade receivables with JLR Limited in the amount of \$5.4 million and \$0.9 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 2019 and 2018 the Company charged \$2.9 million and \$2.7 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 2019 and 2018, the Company recognized expense of \$33.0 million and \$43.0 million, respectively, related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2019 and 2018 of \$34.8 million and \$40.9 million, respectively. Additionally, the Company had an outstanding accounts payable balances to these entities of \$0.5 million and \$2.4 million at 31 March 2019 and 2018, respectively.

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			
	2019		2018	
Salaries	\$	1,548,202	\$	1,510,283
Incentive compensation		507,614		838,992
Other		420,921		468,906
Total key employee compensation	\$	2,476,737	\$	2,818,181

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

Refer to Note 18 for information on transactions with post-employment benefit plans.

24. Subsequent events

There were no other events occurring after the reporting date through 29 May 2019 requiring an accounting adjustment to be disclosed that would have a material impact on the Company's results of operations, financial position or cash flows.

25. Approval of financial statements

The financial statements were approved by the board of directors and authorized for issue on 29 May 2019.