

Jaguar Land Rover Canada ULC

Financial statements
Years ended 31 March 2017 and 2016

Jaguar Land Rover Canada ULC

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Jaguar Land Rover Canada ULC

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Jaguar Land Rover Canada ULC
Mahwah, New Jersey

We have audited the accompanying financial statements of Jaguar Land Rover Canada ULC (the "Company"), which comprise the balance sheet as of March 31, 2017 and 2016, and the related statements of income, comprehensive income, cash flows, and changes in equity, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter Regarding Going Concern

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



New York, New York
May 26, 2017

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC

Balance Sheets

in \$CAD

	Note	As at 31 March	
		2017	2016
Non-current assets			
Property, plant and equipment	6	\$ 1,983,911	\$ 2,129,454
Other financial assets	5	321,684	567,206
Deferred income taxes	8	41,505,876	28,904,876
Total non-current assets		43,811,471	31,601,536
Current assets			
Inventories	4	91,546,503	66,746,786
Trade receivables		11,884,429	4,097,322
Other financial assets		408,435	273,996
Other current assets		134,747	24,478
Cash and cash equivalents	3	117,544,621	79,894,544
Total current assets		221,518,735	151,037,126
Total assets		\$ 265,330,206	\$ 182,638,662
Current liabilities			
Accounts payable		\$ (48,733,096)	\$ (31,358,839)
Marketing provisions	13	(58,972,659)	(45,337,434)
Financial liabilities		(85,255)	(85,255)
Other current liabilities	10	(15,292,585)	(8,540,671)
Provisions	9	(32,611,125)	(26,428,943)
Current income tax liabilities	8	(9,205,289)	(4,493,146)
Total current liabilities		(164,900,009)	(116,244,288)
Non-current liabilities			
Other non-current liabilities	11	(9,645,270)	(4,932,391)
Provisions	9	(85,937,127)	(57,935,390)
Other financial liabilities	12	(248,660)	(333,915)
Total non-current liabilities		(95,831,057)	(63,201,696)
Total liabilities		(260,731,066)	(179,445,984)
Equity attributable to shareholders			
Profit for the year		(4,599,140)	(3,192,678)
Equity attributable to shareholders		(4,599,140)	(3,192,678)
Total liabilities and equity		\$ (265,330,206)	\$ (182,638,662)

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC
Income Statements
in \$CAD

	Note	Year ended 31 March	
		2017	2016
Income			
Revenue		\$ 971,282,962	\$ 825,457,063
Other income		2,211,754	508,152
Total Income		973,494,716	825,965,215
Expenditure			
Direct costs	4	(836,143,989)	(718,819,223)
Employee costs	14	(5,032,087)	(4,919,507)
Other expenses	15	(127,472,563)	(98,585,437)
Total expenditure		(968,648,639)	(822,324,167)
Profit before depreciation, interest, amortization and tax		4,846,077	3,641,048
Depreciation and amortisation		(410,827)	(212,972)
Miscellaneous Expenses		94,418	(239,032)
Finance income, net	16	1,258,615	1,842,841
Profit before tax		5,788,283	5,031,885
Income Tax Expense	8	(1,189,143)	(1,839,207)
Profit for the period		\$ 4,599,140	\$ 3,192,678

Statements of Comprehensive Income
In \$CAD

	Year ended 31 March	
	2017	2016
Profit for the period	\$ 4,599,140	\$ 3,192,678
Other comprehensive income:		
Actuarial losses	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	\$ 4,599,140	\$ 3,192,678

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Statements of Cash Flows

In \$CAD

	For the Fiscal Year Ended 31 March	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 4,599,140	\$ 3,192,678
Adjustments for noncash items included in net income:		
Depreciation	410,827	212,972
Inventory write-down	360,515	169,749
Allowances for trade and other receivables	-	13,152
Loss on sale of assets / assets written off	5,204	2,893
Income tax expense	1,189,143	1,839,207
Interest income	(1,004,471)	(1,301,680)
Cash flows from operating activities before changes in following assets and liabilities	5,560,358	4,128,971
Decrease in Other Financial Assets (Non-current)	245,522	19,586,260
Increase in Deferred tax assets	(12,601,000)	(9,342,000)
(Increase)/decrease in Inventories	(25,160,233)	961,008
(Increase)/decrease in Trade receivables	(7,787,107)	2,108,241
Decrease in Finance receivables	269,916	1,175,105
Increase in Other Financial Assets	(134,439)	(264,214)
Increase in Other Current Assets	(110,268)	(10,329)
Decrease in Current income tax assets	-	10,059,831
Increase/(decrease) in Accounts payables	17,374,257	(14,675,688)
Increase/(decrease) in Current income tax liabilities	12,971,699	(717,831)
Increase in Marketing Provisions	13,635,225	22,035,744
Increase in Other Current Liabilities	7,232,327	1,961,500
Increase in Provisions (Current)	6,182,181	4,905,332
Increase in Other Non-Current Liabilities	4,712,879	1,316,535
Increase in Provisions (Non-current)	28,001,736	10,096,811
Decrease in Other Financial Liabilities (Non-current)	(85,255)	(85,255)
Cash generated from operating activities	50,307,798	53,240,021
Income tax refunds (paid)/received	(9,448,699)	3,371,770
Net cash generated from operating activities	40,859,099	56,611,791
Cash flows from investing activities:		
Interest received	734,556	126,575
Payments for property, plant and equipment	(270,488)	(1,266,043)
Net cash generated from/(used by) investing activities	464,068	(1,139,468)
Cash flows from financing activities:		
Interest paid	(480,412)	(667,736)
Dividend paid to parent company	(3,192,678)	(5,353,881)
Net cash used by financing activities	(3,673,090)	(6,021,617)
Net change in cash and cash equivalents	\$ 37,650,077	\$ 49,450,706
Cash and cash equivalents, beginning of the year	79,894,544	30,443,838
Cash and cash equivalents, end of the year	\$ 117,544,621	\$ 79,894,544

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC
Statements of Changes in Equity
In \$CAD

	Ordinary Share Capital	Share Premium	Retained Profit	Pension Reserve	Total Equity
Balance at 31 March 2015	\$ -	\$ -	\$ (5,353,881)	\$ -	\$ (5,353,881)
Income for the year			(3,192,678)		(3,192,678)
Dividend paid to parent company			5,353,881		5,353,881
Balance at 31 March 2016	\$ -	\$ -	\$ (3,192,678)	\$ -	\$ (3,192,678)
Income for the year			(4,599,140)		(4,599,140)
Dividend paid to parent company			3,192,678		3,192,678
Balance at 31 March 2017	\$ -	\$ -	\$ (4,599,140)	\$ -	\$ (4,599,140)

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

1. Background and operations

Jaguar Land Rover Canada ULC ("the Company" or "JLRC") is an importer and distributor of luxury sedans, sport utility vehicles and parts in Canada. 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.

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

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. JLRC owns the inventory and manages the sale and collection function.

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

2. Significant accounting policies

a. *Statement of compliance*

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

Basis of preparation

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

All figures are presented in Canadian dollars except for share volume and unless otherwise stated.

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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 6 – Property, plant and equipment – the Company applies judgement in determining the estimate useful life of assets.
- ii) Note 8 – Recoverability/recognition of deferred tax assets – management applies judgement in establishing the timing of the recognition of deferred tax assets relating to historic losses.
- iii) Note 9 – Provisions – it is necessary for the Company to assess the provision for anticipated payments on locally offered vehicle services under such programs as manufacturer's warranty, 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. Additionally, the Company is responsible for some of the residual 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.
- iv) Notes 10 & 11 - Other current liabilities and Other noncurrent liabilities - it is necessary for the Company to assess the anticipated payments on locally offered vehicle services under such programs as certified pre-owned, 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.
- v) Note 13 - 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.

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Note 2 - Significant accounting policies (continued)

c. *Going concern / Events after the Balance Sheet date*

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

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

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

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

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

d. *Revenue recognition*

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

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

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

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

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Note 2 - Significant accounting policies (continued)

e. *Cost recognition*

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 liability.

i) *Locally offered vehicle services expenses*

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

ii) *Residual risk*

The Company is responsible for some of the residual 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.

g. *Foreign currency*

These financial statements are presented in Canadian Dollars ("CAD").

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 remeasured into CAD 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 they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss, or where they arise from the initial accounting for business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

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

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.

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Note 2 - Significant accounting policies (continued)

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

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

i. *Inventories and Direct costs*

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

j. *Property, plant and equipment*

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

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

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

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

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

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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.

1. *Impairment – Property, plant and equipment*

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment may be impaired. If any such impairment indication exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

As of 31 March 2017, none of the Company's property, plant and equipment was considered impaired.

m. *Employee benefits*

Plan Descriptions:

- a. *Defined Contribution Pension Plan ("DCPP")* — covers all former employees from the Ford Motor Company who transferred as a result of the sale and became members of the DPP effective January 1, 2009. All full-time and part-time employees hired on or after January 1, 2009 automatically join the DCPP on their date of hire as a condition of employment. The Company will make contributions to the member's DCPP account in an amount equal to a percentage of the member's salary. The Company's only liability is limited to the contributions currently required under the plan.
- b. *Retirement Savings Plan ("RSP")*, — An employee is eligible to join the RSP as of the date of hire. Participation is voluntary. The member may contribute a percentage of base salary and direct the contribution to the Group RRSP or the Employee Profit Sharing Plan ("EPSP") or a combination of both. The Company will match a portion of the member's contribution to the EPSP at a percentage authorized by the Company. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the plans.
- c. *Group Registered Retirement Savings Plan ("Group RRSP")*— The Company also maintains a plan covering certain Ford legacy employees that provides additional postretirement benefits to replace pension benefits lost as a result of the acquisition of the Jaguar and Land Rover businesses on June 2, 2008 by a subsidiary of Tata Motors Limited. The Company funds these benefits on a pay-as-you go basis out of Company assets.

Jaguar Land Rover Canada ULC

Note 2 - Significant accounting policies (continued)

n. *Financial instruments*

i) *Classification, initial recognition and measurement*

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

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

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

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

These includes trade receivables, balances 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. 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.

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Note 2 - Significant accounting policies (continued)

iv) Impairment of financial assets:

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

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

o. Deferred Revenue

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

p. New accounting pronouncements

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

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

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Note 2 – Significant accounting policies (continued)

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

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

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

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

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

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

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3. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2017 and 2016, these amounted to \$117.5 million and \$79.9 million, respectively.

4. Inventories

Inventories consist of vehicles and automotive parts and are classified as finished goods. At 31 March 2017 and 2016 the Company had the following:

	As at 31 March	
	2017	2016
Vehicle inventory	\$ 70,622,797	\$ 48,827,982
Parts inventory	22,215,616	19,004,126
Obsolescence provisions	(1,291,910)	(1,085,322)
Total inventories	\$ 91,546,503	\$ 66,746,786

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

	As at 31 March	
	2017	2016
Direct costs	\$ (836,143,989)	\$ (718,819,223)
Inventory write-down expense	\$ (360,515)	\$ (169,749)

5. Other financial assets (non-current)

Other financial assets (non-current) consist of deposits with banks whose use in whole or in part are restricted for specific purposes bound by virtue of contracted agreements. For both fiscal years presented, the Company has contractual arrangements with a financial institution requiring it to deposit collateral for the residual value of vehicles that are subject to retail leases financed by the financial institution, which the Company shares in the potential losses upon termination. At 31 March 2017 and 2016, these deposits amounted to \$0.3 million and \$0.6 million, respectively.

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6. Property, plant and equipment

	Buildings	Plant and equipment	Computers	Furniture and fixtures	Total
Cost as of 1 April 2015	\$ 1,230,859	\$ 78,606	\$ 3,698	\$ 279,114	\$ 1,592,277
Additions	165,240	106,539	-	994,265	1,266,044
Disposal	-	(4,312)	-	-	(4,312)
Capital work-in-progress moved into service	-	-	-	-	-
Cost as of 31 March 2016	1,396,099	180,833	3,698	1,273,379	2,854,009
Accumulated depreciation as 1 April 2015	(406,989)	(31,045)	(1,110)	(73,857)	(513,000)
Disposals	-	1,418	-	-	1,418
Depreciation charge for the year	(124,829)	(7,466)	(370)	(80,307)	(212,972)
Accumulated depreciation as of 31 March 2016	(531,818)	(37,093)	(1,480)	(154,164)	(724,554)
Net book value as of 31 March 2016	\$ 864,282	\$ 143,740	\$ 2,219	\$ 1,119,215	\$ 2,129,454
Cost as of 1 April 2016	1,396,099	180,833	3,698	1,273,379	2,854,009
Additions	74,615	23,180	-	172,693	270,488
Disposal	-	(16,143)	-	-	(16,143)
Capital work-in-progress moved into service	-	-	-	-	-
Cost as of 31 March 2017	1,470,714	187,869	3,698	1,446,072	3,108,353
Accumulated depreciation as 1 April 2016	(531,818)	(37,093)	(1,480)	(154,164)	(724,554)
Disposals	-	10,939	-	-	10,939
Depreciation charge for the year	(166,421)	(14,174)	(370)	(229,861)	(410,827)
Accumulated depreciation as of 31 March 2017	(698,239)	(40,328)	(1,849)	(384,026)	(1,124,442)
Net book value as of 31 March 2017	\$ 772,475	\$ 147,541	\$ 1,849	\$ 1,062,046	\$ 1,983,911

Notes:

- The Company did not have any property, plant and equipment under finance lease arrangements.

7. Operating Leases

The Company has taken buildings, plant and equipment, computers and furniture and fixtures under operating leases. The Company does not have any finance leases. The following is a summary of future minimum lease rental payments under non-cancellable operating leases entered into by the Company and operating lease rent expense recognized:

	Minimum Lease Payments	
	31 March 2017	31 March 2016
Not later than one year	\$ 271,198	\$ 271,198
Later than one year but not later than five years	790,993	1,062,191
Later than five years	-	-
Total minimum lease commitments	\$ 1,062,191	\$ 1,333,389

	Minimum Lease Payments	
	31 March 2017	31 March 2016
Facilities rent expense	\$ 271,198	\$ 162,724
Computer lease expense	\$ 20,945	\$ 9,525

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8. Income taxes

The components of income tax expense:

	<u>31 March 2017</u>	<u>31 March 2016</u>
Current taxes:		
Current year	\$ 14,160,307	\$ 4,686,376
Prior period adjustments	(370,164)	6,494,831
Deferred taxes:		
Current year	(12,601,000)	(2,980,752)
Prior period adjustments	-	(6,361,248)
Total income tax expense	\$ 1,189,143	\$ 1,839,207

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

	<u>31 March 2017</u>	<u>31 March 2016</u>
Current	13,790,143	\$ 11,181,207
Deferred	(12,601,000)	(9,342,000)
Total income tax expense	\$ 1,189,143	\$ 1,839,207

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

	<u>31 March 2017</u>	<u>31 March 2016</u>
Profit before income taxes	5,788,283	\$ 5,031,885
Income tax expense at tax rates applicable to individual entities	1,533,895	1,680,474
Non-deductible expenses	23,298	25,150
Reduction(increase) in tax rates	-	121
Net prior period current and deferred tax adjustments	(370,164)	133,462
Other	2,114	-
Income tax expense reported	\$ 1,189,143	\$ 1,839,207

The provincial government enacted changes to its statutory tax rate which cancelled the proposed decline in the tax rate and the tax rate was frozen at 11.5%. The combined federal and provincial statutory tax rate is 26.5% for the 2013 and future taxation years. The effective rate during the 12 months ended 31 March 2017 and 31 March 2016 were 20.54% and 36.55%

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Note 8 - Income taxes (continued)

Significant components of deferred tax assets for the year ended 31 March 2017 were as follows:

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Closing balance</u>
Deferred tax assets:			
Tax effects of excess depreciation over capital cost allowance	\$ (44,031)	10,000	\$ (34,031)
Expenses deductible in future years:			
Contingent liabilities incurred including warranty payables, step rent, and impact of reduction in tax rates	28,551,421	12,536,000	41,087,421
Inventory	287,610	55,000	342,610
Post retirement benefit plan	109,876	-	109,876
Deferred tax assets	\$ 28,904,876	\$ 12,601,000	\$ 41,505,876

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

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Closing balance</u>
Deferred tax assets:			
Tax effects of excess depreciation over capital cost allowance	\$ (29,124)	\$ (14,907)	\$ (44,031)
Expenses deductible in future years:			
Contingent liabilities incurred including warranty payables and impact of reduction in tax rates	19,166,000	9,385,421	28,551,421
Inventory	316,000	(28,390)	287,610
Post retirement benefit plan	110,000	-	109,876
Deferred tax assets	\$ 19,562,876	\$ 9,342,124	\$ 28,904,876

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9. Provisions

Provisions consist of accruals for the Company's expected future cash flow related to locally offered vehicle services under such programs as manufacturer's warranty, roadside assistance and service loaner as well as residual risk sharing agreements on leased vehicles and retirement leave. The overall provision was as follows:

	Locally Offered Vehicle Services	Residual Risk	Retirement Plans	Total
Balance at March 31, 2015	\$ (54,779,234)	\$ (14,559,879)	\$ (23,077)	\$ (69,362,190)
Provisions made during the year	(40,608,696)	(6,818,636)	(52,496)	(47,479,828)
Provisions used during the year	19,454,595	1,994,146	-	21,448,741
Other adjustments	8,856,547	2,172,397	-	11,028,944
Balance at March 31, 2016	\$ (67,076,788)	\$ (17,211,972)	\$ (75,573)	\$ (84,364,333)
Current	\$ (21,058,387)	\$ (5,370,556)	\$ -	\$ (26,428,943)
Noncurrent	\$ (46,018,400)	\$ (11,841,417)	\$ (75,573)	\$ (57,935,390)
Provisions made during the year	(43,739,150)	(16,582,956)	-	(60,322,106)
Provisions used during the year	20,703,262	7,156,226	-	27,859,488
Other adjustments	-	(1,761,524)	40,225	(1,721,299)
Balance at March 31, 2017	\$ (90,112,676)	\$ (28,400,226)	\$ (35,348)	\$ (118,548,250)
Current	\$ (27,358,845)	\$ (5,252,280)	\$ -	\$ (32,611,125)
Noncurrent	\$ (62,753,832)	\$ (23,147,947)	\$ (35,348)	\$ (85,937,127)

For details on expected timing of cash outflows, see Note 20 – Disclosures on financial instruments.

10. Other current liabilities

Other current liabilities consist of the following.

	As at 31 March	
	2017	2016
VAT taxes	\$ (4,400,539)	\$ (1,153,319)
Import duties	(1,345,850)	(1,242,665)
Transfer price adjustments	(136,458)	251,020
Deferred revenue - certified pre-owned programs	(2,797,551)	(1,567,420)
Deferred revenue - service plans	(5,153,764)	(4,557,417)
Deferred revenue - connected car	(1,458,423)	(270,870)
Total Other current liabilities	\$ (15,292,585)	\$ (8,540,671)

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11. Other non-current liabilities

Other non-current liabilities consist of the following:

	As at 31 March	
	2017	2016
Deferred revenue - certified pre-owned programs	\$ (5,450,579)	\$ (3,494,062)
Deferred revenue - service plans	(792,442)	(707,066)
Deferred revenue - connected car	(3,402,249)	(731,263)
Total Other non-current liabilities	\$ (9,645,270)	\$ (4,932,391)

12. Other financial liabilities

For both years presented, Other financial liabilities current and non-current consist of unamortized landlord reimbursements for construction performed at the Company's leased facility. This will be amortized against rent expense over the existing term of the lease. See Note 7 – Leases for further details around the Company's facility lease.

13. Marketing provisions

Variable marketing accruals are comprised of liabilities for dealer incentives. Variable dealer margin consists of retailer funds held pending distribution upon completion of certain performance metrics. Fixed marketing accruals are comprised of liabilities for advertising and promotion. The maturity of these accruals is detailed in Note 20 – Disclosures on financial instruments. These accruals amounted to:

	As at 31 March	
	2017	2016
Variable marketing	\$ (24,788,212)	\$ (18,945,218)
Variable dealer margin	(30,761,922)	(23,335,986)
Fixed marketing	(3,422,525)	(3,056,230)
Total marketing accruals	\$ (58,972,659)	\$ (45,337,434)

14. Employee cost

Employee cost consists of the following:

	Year ended 31 March	
	2017	2016
Salaries, wages and bonus	\$ 4,216,879	\$ 3,403,806
Benefits	778,827	1,064,623
Other	36,381	451,078
Total employee costs	\$ 5,032,087	\$ 4,919,507

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15. Other expenses

Other expenses consist of the following:

	Year ended 31 March	
	2017	2016
Warranty (Scheduled maintenance, Goodwill, Service loaner and Roadside assistance)	\$ 64,957,628	\$ 47,556,000
Fixed Marketing	32,900,763	24,652,752
Depots and distribution costs, prep and handling	16,974,771	16,397,794
Consulting costs and other purchased services	4,854,523	4,872,229
Travel and entertainment costs	639,451	476,041
Facilities costs	394,861	344,007
Information technology costs	124,840	355,446
Other general operating expenses	6,625,726	3,931,168
Total Other expenses	\$ 127,472,563	\$ 98,585,437

16. Finance income, net

Finance income, net consisted of the following:

	Year ended 31 March	
	2017	2016
Interest income	\$ 254,144	\$ 541,161
Net change in discounting of manufacturer warranty	1,004,471	1,301,680
Finance income, net	\$ 1,258,615	\$ 1,842,841

17. Employee benefits

The Company sponsors and administers a Defined Contribution Pension Plan (“DCPP”) a Retirement Savings Plan (“RSP”), a Group Registered Retirement Savings Plan (“Group RRSP”) and an Employee Profit Sharing Plan (“EPSP”) for the benefit of its employees.

The DCPP covers all former employees of the Ford Motor Company who transferred as a result of the sale and became members of the DCPP effective January 1, 2009. All full-time and part-time employees hired on or after January 1, 2009 will automatically join the DCPP on their date of hire as a condition of employment. The Company will make contributions to the member’s DCPP account in an amount equal to a percentage of the member’s salary. The Company’s only liability is limited to the contributions currently required under the plan. For the years ended 31 March 2017 and 2016, the Company made a contribution of approximately \$194,000 and \$178,000.

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Note 17 – Employee benefits (continued)

An employee is eligible to join the RSP as of the date of hire. Participation is voluntary. The member may contribute a percentage of base salary and direct the contribution to the Group RRSP or the EPSP or a combination of both. The Company will match a portion of the member's contribution to the EPSP at a percentage authorized by the Company. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the plans. For the years ended 31 March 2017 and 2016, the Company made a matching contribution of approximately \$122,000 and \$112,000.

The Company maintained a plan covering certain Ford legacy employees that provides additional postretirement benefits to replace pension benefits lost as a result of the acquisition of the Jaguar and Land Rover businesses on June 2, 2008 by a subsidiary of Tata Motors Limited. The Company funds these benefits on a pay-as-you go basis out of Company assets. As of 31 March 2017 and 2016, the Company had accrued approximately \$35,000 and \$75,000 related to future benefit payments, respectively.

18. Commitments and contingencies

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

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

Guarantees

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

Commitments

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

For commitments related to leases, refer Note 7.

Contingent Asset on Residual Risk

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

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Note 18 – Commitments and contingencies (continued)

Taxing Authority Reviews

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

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

19. Capital Management

The Company is capitalized via investment from its parent company, JLR Limited. The Company purchases the majority of products it sells from the parent company and related Group 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 retained within the Company. As such, no additional financing is required. From time to time, the Company will remit excess cash to JLR Limited in the form of a dividend. During the year ended 31 March 2017, the Company paid a dividend to Jaguar Land Rover Limited in the amount of \$3,192,678.

20. 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.

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Note 20 – Disclosures on financial instruments (continued)

a) Financial assets and liabilities

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

	As at 31 March			
	2017		2016	
	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Financial Assets				
Cash and cash equivalents	\$ 117,544,621	\$ 117,544,621	\$ 79,894,544	\$ 79,894,544
Trade receivables	11,884,429	11,884,429	4,097,322	4,097,322
Other financial assets (current)	408,435	408,435	273,996	273,996
Other financial assets (non-current)	321,684	321,684	567,206	567,206
Total	\$ 130,159,169	\$ 130,159,169	\$ 84,833,068	\$ 84,833,068
Financial Liabilities				
Accounts payable	\$ (48,733,096)	\$ (48,733,096)	\$ (31,358,839)	\$ (31,358,839)
Marketing provisions	(58,972,659)	(58,972,659)	(45,337,434)	(45,337,434)
Other current liabilities	(5,882,848)	(5,882,848)	(2,415,834)	(2,415,834)
Financial liabilities	(85,255)	(85,255)	(85,255)	(85,255)
Provisions (current)	(32,611,125)	(32,611,125)	(26,428,943)	(26,428,943)
Provisions (non-current)	(85,937,127)	(85,937,127)	(57,935,390)	(57,935,390)
Other financial liabilities	(248,660)	(248,660)	(333,915)	(333,915)
Total	\$ (232,470,770)	\$ (232,470,770)	\$ (163,895,610)	\$ (163,895,610)

Notes

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 respective dates. The estimated fair value amounts as of 31 March 2017 and 2016 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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Note 20 – 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.

- ***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 Canadian dollars.

- ***Interest rate risk***

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

ii) Credit risk

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was \$130.2 million and \$84.8 million as of 31 March 2017 and 2016, respectively, being the total of the carrying amount of Cash and cash equivalents, Trade receivables, and Other financial assets current and non-current.

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Note 20 – Disclosures on financial instruments (continued)

ii) Credit risk (continued)

Financial assets that are neither past due nor impaired

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

Credit quality of financial assets and impairment loss

The ageing of trade receivables as of Balance Sheet date is given below. The age analysis has been considered from the due date.

	31 March 2017			31 March 2016		
	Gross	Allowance	Total	Gross	Allowance	Total
Trade Receivables						
Period						
Not due	\$ 11,884,429	\$ -	\$ 11,884,429	\$ 4,097,322	\$ -	\$ 4,097,322
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	-	-	-	-	-	-
Total	\$ 11,884,429	\$ -	\$ 11,884,429	\$ 4,097,322	\$ -	\$ 4,097,322

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 retained by the Company and sporadically remitted back to the parent company, Jaguar Land Rover Limited in the form of a dividend.

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

	Carrying amount	Due in 1st year	Due in 2nd year	Due in 3rd - 5th year	Due after 5 years	Non-cash amount
Accounts payable	\$ (48,733,096)	\$ (48,733,096)	\$ -	\$ -	\$ -	\$ -
Marketing provisions	(58,972,659)	(58,972,659)	-	-	-	-
Other current liabilities	(5,882,848)	(5,882,848)	-	-	-	-
Financial liabilities	(85,255)	-	-	-	-	(85,255)
Provisions (current)	(32,611,125)	(32,611,125)	-	-	-	-
Provisions (non-current)	(85,937,127)	-	(32,980,004)	(51,393,861)	(1,563,262)	-
Other financial liabilities	(248,660)	-	-	-	-	(248,660)
Total	\$ (232,470,770)	\$ (146,199,728)	\$ (32,980,004)	\$ (51,393,861)	\$ (1,563,262)	\$ (333,915)

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

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21. Collaterals

The Company does not have any guarantees or assets pledged as collateral.

22. Segment reporting

The company operates in one segment, the sale of Jaguar Land Rover vehicles and part in one geographic segment, Canada.

23. Related party transactions

The Company's related parties principally consist of subsidiaries of its parent company, JLR Limited, TML, 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 UK parent company JLR Limited. As a result, the Company will incur payables to those entities. Additionally, the Company has entered into a transfer price arrangement with JLR Limited whereby profitability is fixed as a percentage of selected selling expenses. As a result of this arrangement, the Company will transfer profits or losses to these entities to arrive at the appropriate profit target by adjusting cost of revenues and offsetting payables to affiliated companies. At 31 March 2017 and 2016, the Company had approximately \$21.5 million and \$12.7 million, respectively recorded as payables owed to JLR Limited and \$15.9 million and nil, respectively recorded as receivables due from JLR Limited.

The Company also receives various services from Jaguar Land Rover North America including, but not limited to legal, accounting, information technology, purchasing, tax services and training. These services are charged to the Company under a service level agreement. During the 12 months ended 31 March 2017 and 2016 the Company was charged \$4.1 million and \$4.2 million, respectively, from Jaguar Land Rover North America and paid these funds in cash.

Additionally, in the normal course of business, the Company transacts with other subsidiaries of JLR Limited. At 31 March 2017, the Company had trade receivables and trade payables with Jaguar Land Rover North America in the amount of \$0.5 million and \$0.8 million, respectively.

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Note 23 – Related party transactions (continued)

Additionally, the Company engages various related entities whereby these entities provide outsourced information technology support, technology development, and marketing purchasing to the Company. During the 12 months ended 31 March 2017, the Company recognized expense of \$4.7 million related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2017 of \$4.3 million. Additionally, the Company had an outstanding accounts payable balances to these entities of \$0.8 million at 31 March 2017.

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

	Year ended 31 March	
	2017	2016
Salaries	\$ 1,368,226	\$ 1,312,820
Incentive compensation	1,075,450	1,606,543
Other	243,206	273,274
Total key employee compensation	\$ 2,686,882	\$ 3,192,637

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

Refer Note 17 for information on transactions with post-employment benefit plans.

24. Subsequent events

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

25. Approval of financial statements

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