Jaguar Land Rover Canada ULC

Financial Statements

For fiscal years ended

31 March 2019 and 2018

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

Independent Auditors' Report

The Board of Directors
Jaguar Land Rover Canada ULC

We have audited the accompanying financial statements of Jaguar Land Rover Canada ULC, 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.

KPMG LLP is a Delaware limited liability partnership and the U.S. member
firm of the KPMG network of independent member firms affiliated with
KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, 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 Canada ULC

Balance Sheets in $CAD	Note	As at 31 March 2019	2018
Non-current assets			
Property, plant and equipment	3	$ 4,051,546	$ 2,177,909
Other financial assets	4	275,614	210,218
Deferred tax assets	5	49,422,876	50,899,876
Total non-current assets		53,750,036	53,288,003
Current assets			
Inventories	6	86,050,037	54,840,898
Trade receivables	20	72,078,861	16,232,128
Finance receivables	10, 20	-	150,020,034
Other financial assets		41,314	62,585
Other current assets	8	18,736,841	21,462,900
Cash and cash equivalents		138,784,116	89,640,339
Current income tax assets	5	5,645,078	2,627,775
Total current assets		321,336,247	334,886,659
Total assets		$ 375,086,283	$ 388,174,662
Current liabilities			
Accounts payable		$ (50,524,498)	$ (126,570,530)
Variable marketing provisions	11	(29,498,586)	(40,775,711)
Financial liabilities		(85,255)	(85,255)
Other current liabilities	12	(59,644,583)	(62,176,549)
Other provisions	14	(43,599,486)	(38,463,161)
Current income tax liabilities	5	(14,700,000)	(8,700,000)
Total current liabilities		(198,052,408)	(276,771,206)
Non-current liabilities			
Other non-current liabilities	13	(16,875,470)	(13,659,984)
Other provisions	14	(98,351,578)	(100,906,039)
Other financial liabilities		(78,150)	(163,405)
Total non-current liabilities		(115,305,198)	(114,729,428)
Total liabilities		(313,357,606)	(391,500,634)
Shareholder's equity			
(Retained earnings) / Accumulated deficit		(61,728,677)	3,325,972
Total equity		(61,728,677)	3,325,972
Total liabilities and equity		$ (375,086,283)	$ (388,174,662)

See accompanying notes to the financial statements

Income Statements
in $CAD

	Note	Year ended 31 March 2019		Year ended 31 March 2018
Income				
Revenue - vehicles		$ 982,174,569	$	1,003,421,684
Revenue - parts, service and accessories		64,349,741		60,654,963
Other income		1,605,832		878,423
Total revenue		1,048,130,142		1,064,955,070
Purchase of vehicles and parts	6	(873,350,262)		(936,971,521)
Employee costs	15	(5,822,385)		(5,838,379)
Warranty and services costs		(43,652,233)		(50,509,080)
Fixed marketing expense		(33,876,118)		(37,643,156)
Warehousing, handling and distribution costs		(6,015,243)		(20,573,389)
Other expenses	16	(8,604,701)		(8,706,751)
Depreciation and amortization	3	(690,507)		(489,470)
Foreign exchange income		(228,208)		40,409
Finance income		4,205,631		1,433,210
Finance costs		(2,591,523)		1,588,690
Profit before tax		**77,504,593**		**7,285,632**
Income Tax Expense	5	(12,449,943)		(10,611,604)
(Loss)/Profit for the period		**$ 65,054,650**	**$**	**(3,325,972)**

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

In $CAD	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
Cash flows from operating activities:			
Profit/(loss) for the period		$ 65,054,650	$ (3,325,972)
Adjustments for noncash items included in (loss)/profit for the period:			
Depreciation and amortization	3	690,507	489,470
Inventory write-down		347,013	452,271
Allowances for trade and other receivables		-	374,966
Loss on sale of assets / assets written off	3	-	-
Income tax expense	5	12,449,943	10,611,604
Net finance income		(980,429)	(3,021,899)
		77,561,683	5,580,440
Changes in assets and liabilities:			
(Increase)/Decrease in Other Financial Assets (Non-current)	4	(65,396)	111,466
(Increase)/Decrease in Deferred tax assets	5	(1,477,000)	9,394,000
(Increase)/Decrease in Inventories	6	(31,556,152)	20,852,553
(Increase)/Decrease in Trade receivables	20	(55,718,563)	(6,300,523)
Decrease in Other Financial Assets		21,271	345,850
Decrease/(Increase) in Other Current Assets	8	2,726,059	(14,428,457)
(Decrease)/Increase in Accounts payables		(75,807,417)	86,338,519
Increase/(Decrease) in Current income tax liabilities	5	1,004,754	(9,255,323)
(Decrease)/Increase in Variable marketing provisions	11	(11,277,125)	19,425,902
(Decrease)/Increase in Other Current Liabilities	12	(2,531,966)	9,536,003
Increase in Provisions (Current)	14	5,136,325	5,852,036
Increase in Other Non-Current Liabilities	13	3,215,486	4,014,714
(Decrease)/Increase in Provisions (Non-current)	14	(2,554,461)	17,990,811
(Decrease) in Other Financial Liabilities (Non-current)		(85,255)	(85,255)
Cash (used by)/generated from operating activities		(91,407,757)	149,372,736
Income tax paid	5	(7,518,000)	(23,277,345)
Net cash (used by)/generated from operating activities		(98,925,757)	126,095,391
Cash flows from investing activities:			
Interest received		872,293	1,557,824
Investment in note receivable with parent company	10	-	(150,000,000)
Redemption of note receivable with parent company	10	150,000,000	-
Payments for property, plant and equipment	3	(2,564,144)	(683,468)
Net cash generated from/(used in) investing activities		148,308,149	(149,125,644)
Cash flows from financing activities:			
Interest paid		(238,615)	(274,889)
Dividend paid to parent company		-	(4,599,140)
Net cash used by financing activities		(238,615)	(4,874,029)
Net change in cash and cash equivalents		$ 49,143,778	$ (27,904,282)
Cash and cash equivalents, beginning of the year		89,640,339	117,544,621
Cash and cash equivalents, end of the year		$ 138,784,117	$ 89,640,339

See accompanying notes to the financial statements

Statements of Changes in Equity
In $CAD

	(Retained earnings)/ Accumulated deficit	Total Equity
Balance at 31 March 2017 - Unaudited	$ (4,599,140)	$ (4,599,140)
Loss for the period	3,325,972	3,325,972
Dividend paid to parent company	4,599,140	4,599,140
Balance at 31 March 2018	$ 3,325,972	$ 3,325,972
Profit for the period	(65,054,650)	(65,054,650)
Dividend paid to parent company	-	-
Balance at 31 March 2019	$ (61,728,677)	$ (61,728,677)

See accompanying notes to the financial statements

1. Background and operations

Jaguar Land Rover Canada ULC (the "Company" or "JLRC") is an unlimited liability corporation registered in the Province of Alberta. The registered office address is 855 2 Street SW Calgary, Alberta. JLRC is an importer and distributor of luxury sedans, sport utility vehicles and parts in the Canadian 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.

JLRC headquarters is located at 75 Courtneypark Drive West Unit 3 Mississauga, Ontario L5W 0E3.

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

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 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 unless otherwise stated.

b. *Use of estimates and judgements*

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.

Note 2 – Significant accounting policies (continued)

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 pending tax matters where deemed appropriate.

ii) Note 11 – Variable marketing incentives are estimated at the reporting 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 – 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.

c. Concentration risk

As a wholly-owned subsidiary of JLR Limited, 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 dealers, 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.

Note 2 – Significant accounting policies (continued)

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.

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 as and when claims will arise, being typically one to three months from the time of provisioning.

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 re-measured into CAD at the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the Income Statements.

Note 2 – Significant accounting policies (continued)

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 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. 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.

i. *Inventories and Purchases 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 0.55% of revenue. The Company is currently in negotiations with the taxing authorities in both Canada and the United Kingdom and there is a high likelihood that the transfer price agreement will be renegotiated to reflect profit before tax of 1.9% of revenue. As such and due to the relative certainty of the outcome, during the year ended 31 March 2019, the Company reflected current year profit before tax at 1.9% of revenue and recorded an adjustment to historical profits to reflect the higher target operating margin. Profit adjustments, negative or positive, to meet the required profit targets, are reflected in the Income Statements as a component of Purchases of vehicles and parts. See Note 5 – Income Taxes for additional information on the advanced pricing agreement negotiations.

Note 2 – Significant accounting policies (continued)

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.

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.

Note 2 – Significant accounting policies (continued)

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.

As of 31 March 2019, none of the Company's property, plant and equipment were considered impaired.

m. ***Employee benefits***

Plan Descriptions:

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 DCPP 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.

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.

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.

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.

i) 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.

ii) 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.

Note 2 – Significant accounting policies (continued)

iii) 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 complementary scheduled maintenance plans 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 other revenue allocated to the vehicle. This deferred revenue is 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 JLRC, 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.

Note 2 – Significant accounting policies (continued)

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.

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 an immaterial amount of transactions in foreign currency do IFRIC 22 does not have a material impact to the Group.

Note 2 – Significant accounting policies (continued)

Financial reporting pronouncements, issued by the IASB, that are considered significant to JLRC 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.

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)

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

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-base 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.

3. Property, plant and equipment

Fixed assets consist of the following:

	Buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Total
Cost as of 1 April 2017	$ 1,470,714	$ 187,869	$ -	$ 3,698	$ 1,446,072	$ 3,108,353
Additions	65,391	544,425	-	-	73,652	683,468
Disposal	-	-	-	-	-	-
Cost as of 31 March 2018	$ 1,536,105	$ 732,294	$ -	$ 3,698	$ 1,519,724	$ 3,791,821
Accumulated depreciation as 1 April 2017	$ (698,239)	$ (40,328)	$ -	$ (1,849)	$ (384,026)	$ (1,124,442)
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(176,986)	(68,334)	-	(370)	(243,780)	(489,470)
Accumulated depreciation as of 31 March 2018	$ (875,225)	$ (108,662)	$ -	$ (2,219)	$ (627,806)	$ (1,613,912)
Net book value as of 31 March 2018	$ 660,880	$ 623,632	$ -	$ 1,479	$ 891,918	$ 2,177,909
Cost as of 1 April 2018	$ 1,536,105	$ 732,294	$ -	$ 3,698	$ 1,519,724	$ 3,791,821
Additions	538,978	218,768	211,557	129,641	1,465,200	2,564,144
Disposal						-
Cost as of 31 March 2019	$ 2,075,083	$ 951,062	$ 211,557	$ 133,339	$ 2,984,924	$ 6,355,965
Accumulated depreciation as 1 April 2018	$ (875,225)	$ (108,662)	$ -	$ (2,219)	$ (627,806)	$ (1,613,912)
Disposals						-
Depreciation charge for the year	(184,865)	(161,300)	(68,913)	(370)	(275,059)	(690,507)
Accumulated depreciation as of 31 March 2019	(1,060,090)	(269,961)	(68,913)	(2,589)	(902,864)	(2,304,419)
Net book value as of 31 March 2019	$ 1,014,993	$ 681,101	$ 142,644	$ 130,750	$ 2,082,059	$ 4,051,546

4. 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 2019 and 2018, these deposits amounted to $0.3 million and $0.2 million, respectively.

5. Income taxes

The components of income tax expense were:

	31 March 2019	31 March 2018
Current taxes:		
Current year	$ 4,487,864	$ 11,349,889
Prior period adjustments	485,079	(44,285)
Change in tax provision	6,000,000	8,700,000
Deferred taxes:		
Current year	1,477,000	(9,394,000)
Total income tax expense	$ 12,449,943	$ 10,611,604

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

	31 March 2019	31 March 2018
Current	$ 10,972,943	$ 20,005,604
Deferred	1,477,000	(9,394,000)
Total income tax expense	$ 12,449,943	$ 10,611,604

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

	31 March 2019	31 March 2018
Profit before tax	$ 77,504,593	$ 7,285,632
Income tax expense at applicable tax rates	20,538,717	1,930,692
Change in tax provision	(8,154,975)	8,700,000
Non-deductible expenses	10,890	21,065
Net prior period current and deferred tax adjustments	(21,497)	(44,285)
Other	76,808	4,132
Income tax expense	$ 12,449,943	$ 10,611,604

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. The Company is currently in negotiations with Canada Revenue Agency ("CRA") to evaluate the appropriateness of the current target operating profit of 0.55%. As a result, based on the current best estimate of the likely outcome of these negotiations, the Company recorded a tax provision and related tax expense of $8.7 million during the year ended 31 March 2018. Further discussions with CRA during the year ended 31 March 2019 indicated that CRA and the Company are likely to renew the agreement with a pretax operating profit target of 1.9%. Further, the rate would be retroactively recalculated for fiscal years ended 31 March 2012 through the present resulting in an expected tax liability for past years of $14.7 million. As a result, during the year ended 31 March 2019, the Company recorded an additional tax provision of $6.0 million .

Note 5 – Income taxes (continued)

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 2019 and 31 March 2018 were 16.06% and 145.65%.

Deferred tax assets have been recognized in the Balance Sheet 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	Closing balance
Deferred tax assets:			
Expenses deductible in future years:			
Contingent liabilities incurred including warranty			
payables, step rent, and impact of reduction in tax rates	50,343,369	$ (1,569,000)	$ 48,774,369
Inventory	462,208	92,000	554,208
Post retirement benefit plan	109,876	-	109,876
Deferred tax assets	$ 50,915,453	$ (1,477,000)	$ 49,438,453
Deferred tax liabilities:			
Tax effects of excess depreciation over capital cost allowance	(15,577)	-	(15,577)
Net deferred tax assets	$ 50,899,876	$ (1,477,000)	$ 49,422,876

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

	Opening balance	Recognized in Income statement	Closing balance
Deferred tax assets:			
Expenses deductible in future years:			
Contingent liabilities incurred including warranty			
payables, step rent, and impact of reduction in tax rates	$ 41,087,421	$ 9,255,948	$ 50,343,369
Inventory	342,610	119,598	462,208
Post retirement benefit plan	109,876	-	109,876
Deferred tax assets	$ 41,539,907	$ 9,375,546	$ 50,915,453
Deferred tax liabilities:			
Tax effects of excess depreciation over capital cost allowance	(34,031)	18,454	(15,577)
Net deferred tax assets	$ 41,505,876	$ 9,394,000	$ 50,899,876

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	$ 60,920,291	$ 32,063,294
Parts inventory	27,220,940	24,521,785
Adjustment to lower of cost or net realizable value	(2,091,194)	(1,744,181)
Total inventories	$ 86,050,037	$ 54,840,898

Cost of sales (including cost of purchased products) recognized as expense and inventory write-down expense included in Cost of sales for the years ended 31 March 31 2019 and 2018 were as follows:

	Year ended 31 March	
	2019	2018
Purchase of vehicles and parts	$ (873,350,262)	$ (936,971,521)
Inventory write-down expense	$ (1,270,224)	$ (1,072,984)

7. Operating Leases

The Company uses buildings, plant and equipment, computers and furniture and fixtures under operating leases. The Company does not have any arrangement that qualify as finance leases for accounting purposes. 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	$ 1,324,206	$ 271,198
Later than one year but not later than five years	4,675,488	519,793
Later than five years	6,050,250	-
Total minimum lease commitments	**$ 12,049,944**	**$ 790,991**

	31 March 2019	31 March 2018
Facilities rent expense	$ 162,724	$ 247,979
Computer lease expense	29,483	26,132
Total expense	**$ 192,207**	**$ 274,111**

8. Other current assets

Other current assets consisted of the following:

	As at 31 March	
	2019	2018
Prepayments for vehicles	$ 18,490,737	$ 21,432,254
Other	246,104	30,646
Other current assets	$ 18,736,841	$ 21,462,900

9. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2019 and 2018, these amounted to $138.8 million and $89.6 million, respectively. At 31 March 2019 and 31 March 2018, nil and $37.3 million was invested in short-term securities.

10. Finance Receivable

On 27 March 2018, in order to better utilize cash held in Canada subject to regulatory restrictions over pooling excess funds held by JLRC within JLR Limited, JLRC entered a loan agreement with JLR Limited permitting JLRC to lend up to $200 million to JLR Limited. This loan had a term of 1 year. This loan bore interest at the Canada Bankers Acceptances 1-month rate plus 0.05% with interest payments deferred until repayment of principal. This loan was repaid in late March 2019. At 31 March 2018, JLRC had loaned $150.0 million to JLR Limited.

11. Variable Marketing Provisions

Variable marketing provisions represent liabilities for dealer incentives and were all current liabilities. These provisions amounted to:

Balance at 31 March 2017 - Unaudited	**$ (24,788,212)**
Provisions made during the year	(103,177,427)
Provisions used during the year	89,076,880
Other adjustments	(1,886,952)
Balance at 31 March 2018	**$ (40,775,711)**
Provisions made during the year	(60,439,258)
Provisions used during the year	73,289,018
Other adjustments	(1,572,635)
Balance at 31 March 2019	**$ (29,498,586)**

12. Other current liabilities

Other current liabilities consist of the following:

	As at 31 March	
	2019	2018
Variable dealer margin accruals	$ (29,937,718)	$ (35,987,777)
Transfer price adjustments	(6,023,701)	(5,719,538)
VAT and excise taxes	(5,233,398)	(5,623,496)
Deferred revenue - certified pre-owned programs	(4,558,020)	(4,233,432)
Deferred revenue - service plans	(4,784,787)	(4,835,317)
Fixed marketing accruals	(3,756,731)	(1,635,074)
Deferred revenue - connected car	(3,552,533)	(2,564,849)
Import duties	(1,797,696)	(1,577,066)
Total Other current liabilities	$ (59,644,584)	$ (62,176,549)

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	$ (10,569,684)	$ (6,987,277)
Deferred revenue - service plans	(867,104)	(1,591,895)
Deferred revenue - connected car	(5,438,682)	(5,080,812)
Total Other non-current liabilities	**$ (16,875,470)**	**$ (13,659,984)**

14. Other provisions

Other provisions consist of amounts recognized related to expected future cash outflows for 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	Restructuring	Retirement Plans	Total
Balance at 31 March 2017 - Unaudited	**$ (90,112,676)**	**$ (28,400,226)**	$ -	**$ (35,348)**	**$ (118,548,250)**
Provisions made during the year	(37,841,152)	(21,299,052)	-	-	(59,140,204)
Provisions used during the year	25,024,517	4,193,416	-	-	29,217,933
Other adjustments	-	9,101,321	-	-	9,101,321
Balance at 31 March 2018	**$ (102,929,311)**	**$ (36,404,541)**	**-**	**$ (35,348)**	**$ (139,369,200)**
Current	$ (31,637,699)	$ (6,825,462)	-	$ -	$ (38,463,161)
Noncurrent	$ (71,291,612)	$ (29,579,079)	-	$ (35,348)	$ (100,906,039)
Provisions made during the year	(31,642,485)	(20,665,521)	(230,630)	-	(52,538,635)
Provisions used during the year	29,603,387	4,484,701	21,973	-	34,110,061
Other adjustments	-	15,846,711	-	-	15,846,711
Balance at 31 March 2019	**$ (104,968,409)**	**$ (36,738,649)**	**$ (208,657)**	**$ (35,348)**	**$ (141,951,063)**
Current	$ (34,449,890)	$ (8,940,939)	$ (208,657)	$ -	$ (43,599,486)
Noncurrent	$ (70,518,519)	$ (27,797,711)	$ -	$ (35,348)	$ (98,351,578)

15. Employee Costs

Employee costs consists of the following:

	Year ended 31 March	
	2019	**2018**
Salaries, wages and bonus	$ 4,542,818	$ 4,301,779
Benefits	1,012,843	1,430,628
Reorganization costs	230,630	-
Other	36,094	105,972
Total employee costs	**$ 5,822,385**	**$ 5,838,379**

16. Other Expenses

Other expenses consist of the following:

	Year ended 31 March	
	2019	**2018**
Consulting costs and other purchased services	$ 4,981,266	$ 4,460,181
Travel and entertainment costs	349,580	679,003
Facilities costs	834,439	363,768
Information technology costs	90,676	156,149
Other general operating expenses	2,348,740	3,047,650
Total Other expenses	**$ 8,604,701**	**$ 8,706,751**

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 2019 and 2018, the Company made a contribution of approximately $184,000 and $189,000.

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 2019 and 2018, the Company made a matching contribution of approximately $153,000 and $149,000.

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 2019 and 2018, the Company had accrued approximately $35,000 for both dates related to future benefit payments.

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 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.

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.

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.

The Company is responsible for all 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.

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.

Note 18 – Commitments and contingencies (continued)

The Company has income-tax related contingent liabilities where the ultimate tax determination is uncertain. 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 2018, the Company paid a dividend to Jaguar Land Rover Limited in the amount of $4,599,140. There were no dividends remitted during the year ended 31 March 2019.

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.

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
Financial Assets				
Cash and cash equivalents	$ 138,784,116	$ 138,784,116	$ 89,640,339	$ 89,640,339
Trade receivables	72,078,861	72,078,861	16,232,128	16,232,128
Finance receivables	-	-	150,020,034	150,020,034
Other financial assets (current)	41,314	41,314	62,585	62,585
Other financial assets (non-current)	275,614	275,614	210,218	210,218
Total	$ 211,179,905	$ 211,179,905	$ 256,165,304	$ 256,165,304
Financial Liabilities				
Accounts payable	$ (50,524,499)	$ (50,524,499)	$ (126,570,530)	$ (126,570,530)
Financial liabilities	(85,255)	(85,255)	(85,255)	(85,255)
Other financial liabilities	(78,150)	(78,150)	(163,405)	(163,405)
Total	$ (50,687,904)	$ (50,687,904)	$ (126,819,190)	$ (126,819,190)

The Company does not have any derivative financial instruments.

Note 20 – Disclosures on financial instruments (continued)

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.

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 Canadian dollars, nor does it have any material balances at the period end which are denominated in any currency other than CAD.

b. Interest rate risk

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

Note 20 – Disclosures on financial instruments (continued)

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 $211.2 million and $256.2 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.

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	$ 16,463,861	$ -	$ 16,463,861	$16,230,002	$ -	$ 16,230,002
Overdue 1-3 months	-	-	-	2,126	-	2,126
Overdue 3-6 months	-	-	-	-		-
Overdue more than 6 months	-	-	-	-		-
Total	$ 16,463,861	$ -	$ 16,463,861	$ 16,232,128	$ -	$ 16,232,128

	31 March 2019			31 March 2018		
	Gross	Allowance	Total	Gross	Allowance	Total
Finance Receivables						
Period						
Not due	$ -	$ -	$ -	$ 150,020,034	$ -	$ 150,020,034
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ 150,020,034	$ -	$ 150,020,034

Note 20 – Disclosures on financial instruments (continued)

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.

The table below provides details regarding the contractual maturities of financial liabilities as of 31 March 2019:

	Carrying amount	Due in 1st year	Due in 2nd year	Due in 3rd - 5th year	Due after 5 years	Non-cash amount
Accounts payable	$ (50,524,499)	$ (50,524,499)	-	-	-	-
Financial liabilities	(85,255)	-	-	-	-	(85,255)
Other financial liabilities	(78,150)	-	-	-	-	(78,150)
Total	$ (50,687,904)	$ (50,524,499)	$ -	$ -	$ -	$ (163,405)

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

21. Collaterals

With the exception of the residual value collateral deposits described in Note 4, the Company does not have any guarantees or assets pledged as collateral.

22. 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 revenues. 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 2019 and 2018, the Company had approximately $19.3 million and $97.6 million, respectively recorded as payables owed to JLR Limited and $55.7 million and $0.1 million, respectively recorded as receivables due from JLR Limited.

Note 22 – Related party transactions (continued)

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 2019 and 2018 the Company was charged $3.8 million and $3.4 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 2019, the Company had trade receivables and trade payables with Jaguar Land Rover North America in the amount of zero and $0.5 million, respectively.

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, the Company recognized expense of $6.6 million related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2019 of $6.9 million. Additionally, the Company had an outstanding accounts payable balances to these entities of $0.4 million at 31 March 2019.

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	$ 1,592,266	$ 1,529,358
Incentive compensation	563,561	921,264
Other	388,594	400,146
Total key employee compensation	**$ 2,544,421**	**$ 2,850,768**

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

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

23. Subsequent events

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

24. Approval of financial statements

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