

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

JAGUAR LAND ROVER FRANCE

A French limited company in the form of a *Société par Actions Simplifiée*

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II. Introduction

Jaguar Land Rover France SAS was created on 10 November 2008 with share capital of €3,115,880 comprising 311,588 shares with a par value of €10 each.

The following notes apply to the company's financial statements including a balance sheet (before appropriation of net income) as at 31 March 2019 disclosing total assets of €217,516,277 and an income statement for the period disclosing net income of €3,978,840.

The financial year comprised twelve months from 1st April 2018 to 31 March 2019.

The financial statements have been authorised for publication by the company's Chairman. The main events of the period, in terms of volume of activity and results, have been commented on in the Chairman's Report to shareholders.

For its 2018/19 financial year, Jaguar Land Rover France (hereafter JLR France) recorded net sales of €837,896,773, operating costs of €828,976,729 and net financial expense of €2,289,323. Net income for the period amounted to €3,978,840.

III Economic and market environment

The global automobile market, which had been experiencing annual growth of 5% since 2010, met with stagnation in 2018. Europe in particular was confronted with contraction of the diesel market and the introduction of drastic environmental standards (WLTP).

The domestic market nevertheless increased by 3% as a result of the introduction on 1st September 2018 of the aforementioned standards which encouraged manufacturers to engage programmes to reduce inventories of their previous models.

2019 may therefore experience a contraction of 3-4%.

Despite this perturbed environment and an 11% reduction in new car sales, JLR France was able to attenuate that decline by a favourable product mix, which limited the erosion of its profitability, and achieved net income of €3.9 million.

In the short term, JLR France's performance will reap the benefit of the launch of 3 new models namely the Jaguar I-Pace, the Range Rover PHEV and the new Range Rover Evoque.

The Chairman's report provides additional details of the performance of the market and of JLR.

IV Main events of the period

A. Brexit

Following the referendum result of June 2016 on the UK's withdrawal from the European Union, Jaguar Land Rover Group has been particularly attentive to the implications of the decision for its activities.

Since July 2017, a Brexit Steering Group (BSG) has been created under the direction of Hanno Kirner, JLR Corporate and Strategy executive director, with the aim of ensuring that JLR be rapidly Brexit-ready at the level of all enterprise functions.

JLR has implemented three main initiatives to prepare Brexit assuming the adoption of a "no deal" solution at the end of March 2019:

- Modifying its Easter closure dates with the interruption of production from 5 to 24 April 2019;
- Increasing its buffer inventories from 2½ to 3½ days in order to ensure sufficient component inventories for the rest of April;
- Preparing a business continuity plan ready to be actioned in the event of a no deal.

Even though the UK's EU membership has been extended by six months to 31 October 2019, and the probability of a no deal exit has diminished, JLR has decided to remain vigilant and maintain its BSG active to prepare any changes by elaborating relevant and rapid reactions.

JLR is conscious that a no deal might impact its market and the relationships between EU distributors and their customers. It has thus launched a request for tenders for frontier support in the event of failure to agree on customs and other supply chain issues.

JLR Ltd would bear any additional costs associated with a no deal, which would be rebilled to domestic distributors, but selling prices to dealers are not expected to increase.

In conclusion, a no deal Brexit appears unlikely but JLR nevertheless continues to prepare itself by identifying any measures which may be required, and remains attentive to the negotiations between the UK and the EU. The impact of Brexit for JLR's 2018/19 financial statements has been very limited. Nevertheless, given the continuing uncertainty, the Group continues to develop its existing plans and prepare for any eventuality.

B. Restructuring plan

Faced with the slowdown in the global automobile market, and in particular of the Chinese market (-21.6% in 2018), plus the drop in diesel sales and the Brexit uncertainties, JLR has initiated a restructuring plan for long-term viability and profitability. The aim is to reduce, over 18 months, costs by £2.5 billion and improve cash flow as a prelude to fundamental long-term operating cost improvement. The parallel staff reduction of 4,500 persons is designed to produce a lighter, more sustainable organisation with fewer hierarchical levels.

The restructuring is expected to impact JLR France which has recognised a restructuring provision of €1,949,436 as at 31 March 2019.

V. Financial statements

BALANCE SHEET – ASSETS

(in euro)	Accounting period ended 31 March 2019			31-Mar-18
	(12 months)			(12 months)
	GROSS	DEPRECIATION, AMORTIZATION, PROVISIONS	NET	NET
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Concessions, patents, licenses, software, and similar rights	19,000	15,645	3,355	9,690
Goodwill	5,858,846		5,858,846	5,858,846
PROPERTY, PLANT AND EQUIPMENT				
Buildings	44,209	17,203	27,005	28,967
Industrial and technical plant	512,741	237,778	274,963	283,861
Other plant and equipment	2,196,891	456,391	1,740,500	854,162
PP&E under construction				281,454
FINANCIAL ASSETS				
Guarantee deposits	175,395		175,395	172,169
TOTAL	8,807,084	727,018	8,080,065	7,489,151
CURRENT ASSETS				
INVENTORIES AND WORK-IN-PROGRESS				
Bought-in goods	70,292,619	4,831,425	65,461,194	82,199,422
Payments on account – inventories				200,385
ACCOUNTS RECEIVABLE				
Trade receivables and related accounts	47,123,417	200,693	46,922,723	59,010,141
Other receivables	95,323,812		95,323,812	55,519,009
OTHER CURRENT ASSETS				
Cash and cash equivalents	939,640		939,640	1,086,933
Prepayments	788,841		788,841	1,423,196
TOTAL	214,468,330	5,032,119	209,436,211	199,439,088
Deferred charges				
Bond redemption premiums				
Unrealized foreign exchange losses				
GRAND TOTAL	223,275,415	5,759,138	217,516,276	206,928,239

BALANCE SHEET – LIABILITIES & SHAREHOLDERS' EQUITY

(in euro)	Accounting period ended 31 March 2019	31-Mar-18
	(12 months)	(12 months)
SHAREHOLDERS' EQUITY		
Share capital	3,115,880	3,115,880
Additional paid-in capital	1,086,826	1,086,826
Legal reserve	311,588	311,588
Retained earnings	4,449,142	
Net income (loss) for the period	3,978,840	4,449,142
Tax-driven provisions		
TOTAL	12,942,277	8,963,437
PROVISIONS FOR CONTINGENCIES AND LOSSES		
Provisions for contingencies	3,388,078	3,307,339
Provisions for losses	2,935,351	1,393,794
TOTAL	6,323,429	4,701,133
LIABILITIES		
Operating liabilities		
Trade payables and related accounts	109,538,529	100,537,938
Tax and employee-related liabilities	22,012,622	22,511,226
Other liabilities		
Other liabilities	61,046,373	65,674,375
Deferred income and miscellaneous		
Deferred income	5,653,043	4,540,127
TOTAL	198,250,569	193,263,668
Unrealized foreign exchange gains		
GRAND TOTAL	217,516,277	206,928,239

INCOME STATEMENT FOR THE YEAR

(in euro)			Accounting period ended 31 March 2019 (12 months)	31-Mar-18 (12 months)
OPERATING REVENUES	France	Export		
Sales of bought-in goods	617,079,593	186,384,274	803,463,868	843,940,070
Sales of own services	9,324,345	25,108,558	34,432,904	30,533,475
NET SALES	626,403,939	211,492,833	837,896,773	874,473,545
Operating subsidies			9,000	14,000
Reversals of dep'n and provisions, reclassification of expenses			2,717,059	2,230,910
Other revenues				
		TOTAL	840,622,832	876,718,455
OPERATING EXPENSES				
Purchases of bought-in goods (including customs duties)			707,677,232	800,796,817
Change in inventories of bought-in goods			15,807,880	-30,335,353
Other purchases and external charges			88,355,483	79,597,968
Duties and taxes other than corporate income tax			3,569,471	3,719,211
Wages and salaries			6,678,900	6,227,956
Employee welfare contributions and similar charges			3,307,866	2,975,661
Depreciation and amortization			240,272	119,623
Impairment of current assets			2,326,651	2,704,691
Charges for provisions			1,012,897	2,449,746
Other charges			74	-224
		TOTAL	828,976,729	868,256,097
NET OPERATING INCOME			11,646,102	8,462,357
Financial income			12,808	12,058
Financial expenses			2,302,132	992,050
NET FINANCIAL EXPENSE			-2,289,323	-979,992
NET INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX			9,356,779	7,482,365
Exceptional income - operating items			111,600	29,750
Exceptional income - capital items				5
Exceptional income - reversal of provisions and reclassification of expenses			115,000	
Exceptional income			226,600	29,756
Exceptional charges - operating items			59,017	145,753
Exceptional charges - capital items			3,303	5,590
Exceptional charges for impairment and provisions			1,949,436	295,000
Exceptional charges			2,011,756	446,343
NET EXCEPTIONAL ITEMS			-1,785,155	-416,587
Statutory employee profit-sharing scheme			644,916	379,855
Corporate income tax			2,947,865	2,236,780
NET INCOME (LOSS) FOR THE PERIOD			3,978,840	4,449,142

VI General accounting policies

The financial statements for the period ended 31 March 2019 have been prepared in accordance with French regulation ANC n° 2014-03 and with French generally accepted accounting principles.

The following accounting conventions have been applied:

- Going concern (cf. above);
- Consistency of accounting policies;
- Accrual basis.

Unless otherwise stated, the historical cost basis of valuation has also been applied.

The company's main accounting policies are as follows:

A/ Intangible assets and property, plant and equipment

- . Intangible assets are recorded at acquisition cost.
- . Goodwill is not amortised but is subject to impairment depending on the economic environment.
- . Computer software is amortised on a straight-line basis over five years.

Property, plant and equipment are recorded at historical cost, inclusive of directly attributable expenses but excluding any borrowing costs, and depreciated on a straight-line basis using the following estimated useful lives:

- Fixtures and fittings 10 to 20 years
- Equipment and tools 8 to 10 years
- Technical installations 1 to 3 years
- Furniture 1 to 10 years

Property, plant and equipment contributed at the time of the company's creation were recognised as second-hand assets.

B/ Non-current financial assets

Non-current financial assets comprise guarantee deposits, in particular for the company's leasehold premises in Colombes, and do not require the recognition of any impairment. The company has no equity investments.

C/ Inventories

Spare part inventories are measured at average cost. Impairment allowances are recognised when the estimated net realisable value is below cost (e.g. for slow-moving items based on recent sales or consumption). In particular, impairment is recognised for parts without movement over the past three years, with the exception of the company's action service or all-time buy references.

Vehicles are measured on the basis of individual historical cost.

D/ Impairment of inventories

Impairment allowances are recognised when the estimated net realisable value is below historical cost less costs to sell.

Vehicles for buyback contracts, despite being locally accounted for as final sales, are also subject to the recognition of impairment allowances if applicable given the applicable buyback prices adjusted however for any expected buyback gains (cf. the decision of the Versailles court of appeal dated 19 July 2016).

E/ Receivables and payables

Trade receivables are measured on the basis of the applicable invoice amounts less any impairment based on the legal and financial appraisal of debtors as at the balance sheet date.

Vehicles are billed to dealers when they leave the UK factory. Direct sales are billed on delivery. Spare parts despatched are billed at the end of each week.

F/ Sales incentive programmes

The cost of sales incentive programmes is deducted from the applicable sales and accrued as appropriate. Occasionally, incentives may be decided on subsequent to sale (e.g. in the case of retail programmes designed to clear dealer inventories), in which case appropriate provision is made at the time of the decision. The corresponding liabilities are recognised as part of other liabilities.

G/ Factoring

Receivables arising from sales of vehicles to dealers are transferred on a daily basis to FCA France which is responsible for collection and assumes the applicable risks.

VII Provisions

A/ Buyback contracts

Cf. Impairment of inventories.

B/ Product warranty

No warranty is provided for by Jaguar Land Rover France SAS since all warranty costs for vehicles and spare parts are borne by Jaguar Cars Limited and Land Rover Limited in the UK.

Dealers receive warranty credits from Jaguar Land Rover France SAS based on the amounts granted by Jaguar Land Rover Limited (UK). In parallel, Jaguar Land Rover France SAS recognises credits from its parent company net of its margin on the original sale of parts to the dealers.

C/ Post-employment and long-service benefits

Post-employment and long-service benefits are provided for over employees' expected working lives, using the projected unit credit method, and recognised as part of provisions for contingencies.

The main actuarial assumptions applicable at 31 March 2019 to post-employment benefits are as follows:

- Retirement assumed to be voluntary;
- Discount rate of 1.3%;
- Social contribution loading factors of 47.2% for senior executives, 47.2% for other managers and 47.2% for employees/technicians;
- Annual salary increases of 5% for employees aged 20-29, 4% for employees aged 30-39, 3% for employees aged 40-49, 2% for employees aged 50-59 and 1% for employees aged 60-65;
- Retirement at 65 for senior executives and other managers and 62 for employees/technicians;
- Staff turnover rates by age band as follows: <29 (20%), 30-34 (14%), 35-39 (10%), 40-44 (8%), 45-49 (4%), 50-54 (2%) and 55-65 (%);
- Mortality per the INSEE table for 2012-2014.

VIII Miscellaneous items

A/ Transactions denominated in foreign currencies

Income and expenses denominated in foreign currencies are recognised at the exchange rates prevailing on the transaction dates. Receivables and payables are adjusted to the applicable closing rates at the year-end. Unrealised losses are charged to profit or loss.

B/ Directors' remuneration and advances to directors:

- a. As the Chairman of JLR France is not an employee of the company, he receives no remuneration from JLR France.
- b. As stipulated by the French code of commercial law, no form of advance has been made to directors of the company.

C/ Cash and cash equivalents:

Cash on hand or at bank is measured at its nominal amount. The company has no foreign currency holdings.

IX Financial statement disclosures

A. ADDITIONAL INFORMATION IN RESPECT OF ASSETS

NON-CURRENT ASSETS

Breakdown of non-current assets

	Intangible assets	Tangible assets	Financial assets	Total
Gross opening balance	5,877,846	2,143,582	172,169	8,193,598
Additions		1,112,718	3,226	1,115,944
Disposals		-502,458		-502,458
Gross closing balance	5,877,846	2,753,842	175,395	8,807,084

1. Intangible assets

Intangible assets essentially comprise the company's €5,858,846 of goodwill representing the value of the Jaguar and Land Rover trademarks.

The impairment test performed as at 31 March 2019, by DCF analysis assuming indefinite useful lives with a detailed 3-year projection of revenue and operating costs, did not reveal any impairment.

2. Tangible assets

The acquisitions of €1,112,718 are essentially related to the fitting out of our Flévy (Metz) spare parts warehouse depreciated as already described. Disposals equate with the scrapping of obsolete equipment.

3. Financial assets

Financial assets comprise the guarantee deposit for the company's Colombes lease.

4. Depreciation and amortisation

	Intangible assets	Tangible assets	Financial assets	Total
Opening balance	9,310	695,137		704,447
Straight-line charges	6,335	233,937		240,272
Eliminated for disposals		-217,701		-217,701
Closing balance	15,645	711,373		727,018

5. Current assets

Breakdown of inventories

	Gross	Impairment	Balance at
			31/03/2019
New vehicles	21,707,829		21,707,829
Company vehicles	11,764,742	-1,680,698	10,084,044
Second-hand vehicles	5,784,566	-11,441	5,773,125
Spare parts & accessories	30,430,571	-2,889,287	27,541,284
Promotional materials etc.	604,912	-250,000	354,912
TOTAL	70,292,619	-4,831,427	65,461,193

Loss in value of company cars (-€1.68 million) has been calculated on the basis of the historical selling price and costs to sell as already defined.

Impairment of promotional materials reflects the cost of destruction of obsolete items at the year-end.

Receivables

	Gross amount	≤ 1 year
Trade receivables	47,123,417	47,123,417
Other receivables	95,323,812	95,323,812
Prepaid expenses	788,841	788,841
Total receivables	143,236,070	143,236,070

Details of impairment

	Balance at	Increases	Write-offs	Decreases	Balance at
	31/03/2018				31/03/2019
Impairment of inventories	3,901,077	2,301,168		-1370820	4,831,425
Impairment of trade receivables	175,210	25,483			200,693
TOTAL	4,076,287	2,326,652		-1,370,820	5,032,119

Details of other receivables

	Balance at
	31/03/2019
Valued added tax	13,537,905
Group cash pooling balance	70,732,508
Intercompany balances	10,621,151
Staff committee	33,996
Miscellaneous items	398,253
Total	95,323,812

By “related parties” are meant all Jaguar and Land Rover entities with which Jaguar Land Rover France SAS concludes transactions.

Jaguar Land Rover France SAS has a cash pooling agreement with Jaguar Land Rover Ltd in the UK enabling the company to invest its cash surpluses and fund its cash requirements.

As at 31 March 2019 Jaguar Land Rover France SAS had a cash pooling balance of €70,732,508 in its favour.

Intercompany receivables are for sales of spare parts and accessories to Group subsidiaries in Germany, Benelux and Austria via the Févy (Metz) warehouse.

Details of accrued income

	Balance at
	31/03/2019
Accrued revenue (trade receivables)	2,672,060
Accrued intercompany credit note (other receivables)	8,096,826
TOTAL	10,768,886

Details of prepaid expenses

	Balance at
	31/03/2019
Marketing expenses	130,017
Rent for Q2 2019	529,749
Other expenses	129,075
TOTAL	788,841

B. ADDITIONAL INFORMATION IN RESPECT OF EQUITY AND LIABILITIES

1. Share capital

The company's opening and closing share capital comprised 311,588 shares with a par value of €10 each.

Statement of changes in equity

Opening equity at 1st April 2018:	
- Share capital	3,115,880
- Share premium	1,086,826
- Legal reserve	311,588
- Retained profits	4,449,142
	8,963,437
Net income for the year	3,978,840
Closing equity at 31 March 2019	12,942,277

The net income for the financial year ended 31 March 2018 was allocated in total to retained profits. No dividend was paid during the financial year ended 31 March 2019.

2. Provisions

Breakdown of provisions

	Provisions for contingencies and losses	Provisions for restructuring	Total
Opening balance	4,701,133		4,701,133
Charges for the period	1,012,898	1,949,436	2,962,334
Use	-110,395		-110,395
Write-back	-1,229,642		-1,229,642
Closing balance	4,373,994	1,949,436	6,323,429

The €2,962,334 of charges for the period mainly comprised:

- € 568,898 for standard returns of spare parts;
- € 444,000 of payments under litigation;
- €1,949,436 for restructuring.

The €110,395 of use for the period mainly comprised:

- € 209 for long-service awards;
- €110,186 for a termination settlement.

The €1,229,642 of write-back for the period mainly comprised:

- € 19,977 of actuarial adjustment for long-service awards;
- €387,902 of actuarial adjustment for post-employment and similar obligations.
- € 18,480 for maintenance commitments in respect of vehicles sold (the XJ free service programme);
- €554,316 relating to standard returns of spare parts;
- €244,362 relating to litigation favourable to JLR France.

3. Current liabilities

Payables

	Gross amount	≤ 1 year
Trade payables	109,538,529	109,538,529
Tax and payroll liabilities	22,012,622	22,012,622
Other liabilities	61,046,373	61,046,373
Deferred revenue	5,653,043	5,653,043
Total payables	198,250,569	198,250,569

Trade payables include €98,712,289 of purchases of vehicles and spare parts from JLR Ltd.

Details of tax and payroll liabilities

	Balance at
	31/03/2019
Accrued holiday pay	628,870
Accrued profit-sharing bonus	642,696
Accrued extra leave, vacation bonus etc.	158,767
Accrued other bonus etc.	134,055
Other payroll charges	435,466
Social contributions for accrued holiday pay	298,852
Other accrued social contributions	255,084
Accrued sales tax	1,718,524
Accrued payroll taxes	56,739
Accrued vehicle taxes	122,880
Accrued business taxes	435,847
VAT payable	16,630,729
Accrued miscellaneous taxes	58,858
Accrued corporate income tax	435,256
TOTAL	22,012,622

Details of other liabilities

	Balance at
	31/03/2019
Customer rebates	59,862,174
Credit balances with customers	1,184,199
TOTAL	61,046,373

Details of accrued expenses

	Balance at
	31/03/2019
Accrued 3rd party trade expenses	8,345,979
Accrued intragroup expenses	453,764
Accrued customer credit notes (VME programme)	59,862,175
TOTAL	68,661,918

Details of deferred revenue

	Balance at
	31/03/2019
Vehicles not yet delivered to customers	5,243,050
Loan programme	295,100
Marketing products	114,893
TOTAL	5,653,043

C. ADDITIONAL INFORMATION IN RESPECT OF THE CHAIRMAN'S STATEMENT

1. Calculation of outstanding sales invoices as at 31 March 2019

Outstanding trade invoices

	Amount
Vehicle sales	15,857,126
Spare parts sales	26,138,727
Miscellaneous sales	2,098,653
Doubtful sales	356,850
Accrued revenue	2,672,060
Doubtful sales adjustment	-356,850
Accrued revenue adjustment	-2,672,060
TOTAL	44,094,506

2. Calculation of outstanding purchase invoices as at 31 March 2019

Outstanding trade invoices

	Amount
Vehicle purchases	71,832,898
Spare parts purchases	24,659,145
Miscellaneous purchases	4,246,744
Accrued expenses	8,799,743
Accrued expenses adjustment	-8,799,743
Credit notes adjustment	-2,522,745
TOTAL	98,216,041

D. ADDITIONAL INFORMATION IN RESPECT OF THE INCOME STATEMENT

1. Net sales

Breakdown of net sales

	Balance at 31/03/2019
Domestic sales	626,403,939
Vehicles	550,415,957
Spare parts	66,663,637
Service	9,324,345
Export sales	211,492,834
Vehicles	17,127,568
Spare parts	169,256,707
Service	25,108,559
TOTAL	837,896,773

2. Other income and expenses

Cash pooling financial items

	Balance at 31/03/2019
Intercompany financial income	10,592
Intercompany financial expense	72,576

Exceptional items

	Balance at 31/03/2019
Exceptional income	226,600
Reversal of provision for a staff dispute	115,000
Miscellaneous items	111,600
Exceptional expense	2,011,756
Restructuring	1,949,436
Penalties & fines	2,017
Corporate sponsorship & gifts	57,000
Assets scrapped	3,303

3. Corporate income tax

Breakdown of corporate income tax

	Balance at 31/03/2019
Total tax charge	3,033,277
Basic charge	2,960,751
Surcharge	72,526
Total tax credit	79,117
Competitiveness	24,718
Family	8,199
Corporate sponsorship	46,200
Prior year credit adjustment	6,295
TOTAL	2,947,866

The tax on current profit amounted to €3,642,905 and was offset by a €609,628 credit for exceptional items.

The €24,718 competitiveness tax credit for the 2018 civil year is used to encourage training and recruitment.

E. EMPLOYEES

Breakdown of average employees

	31/03/2019
Average employees:	
- Managers	77
- Employees and technicians	3
- Apprentices	1
Total	81

Average employees under contract are calculated on a quarterly basis (at the end of each quarter).

F. CONTINGENT ASSETS & LIABILITIES

Contingent assets

	Balance at 31/03/2019
Guarantees provided by dealers and authorised repairers	32,864,938

Contingent liabilities

	Balance at
	31/03/2019
Lease commitment	362,909
Buyback commitment	2,630,652
Suppliers	4,556,676
TOTAL	7,550,237