



**Jaguar Land Rover Singapore Pte. Ltd.**  
**Registration Number: 201541482M**

**Financial Statements**  
**Year ended 31 March 2019**



## **Directors' statement**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2019.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS28 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## **Directors**

The directors in office at the date of this statement are as follows:

Colgan Robin Michael  
Yong Ee Fong Fiona

## **Directors' interests**

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

## **Share options**

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

**Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors

A handwritten signature in blue ink, appearing to be 'Colgan', written over a horizontal line.

**Colgan Robin Michael**  
*Director*

A handwritten signature in blue ink, appearing to be 'Yong Ee Fong', written over a horizontal line.

**Yong Ee Fong Fiona**  
*Director*

10 May 2019



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## Independent auditors' report

Members of the Company  
Jaguar Land Rover Singapore Pte. Ltd.

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Jaguar Land Rover Singapore Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 March 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS28.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

#### **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

*KPMG m*

**KPMG LLP**  
*Public Accountants and*  
*Chartered Accountants*

**Singapore**  
10 May 2019



**Statement of financial position  
 As at 31 March 2019**

	Note	2019 \$	2018 \$
<b>Assets</b>			
Property, plant and equipment	4	2,803,901	3,693,463
<b>Non-current assets</b>		<u>2,803,901</u>	<u>3,693,463</u>
Cash and cash equivalents		3,477,041	7,962,612
Trade and other receivables	5	15,540,614	19,183,621
Inventories	6	7,460,122	12,418,117
Loan to immediate holding company	7	16,250,732	8,851,384
<b>Current assets</b>		<u>42,728,509</u>	<u>48,415,734</u>
<b>Total assets</b>		<u>45,532,410</u>	<u>52,109,197</u>
<b>Equity</b>			
Share capital	8	750,000	750,000
Accumulated profits		3,195,717	2,378,270
<b>Total equity</b>		<u>3,945,717</u>	<u>3,128,270</u>
<b>Liabilities</b>			
Contract liabilities	14	4,804,082	–
Deferred income	9	–	4,200,518
Warranty provision	10	1,788,196	2,185,426
Provision for reinstatement costs	11	925,270	764,270
Deferred tax liability	12	189,108	75,386
<b>Non-current liabilities</b>		<u>7,706,656</u>	<u>7,225,600</u>
Trade and other payables	13	30,298,025	38,372,418
Contract liabilities	14	1,454,240	–
Deferred income	9	–	1,923,395
Warranty provision	10	1,421,592	1,272,836
Current tax payable		706,180	186,678
<b>Current liabilities</b>		<u>33,880,037</u>	<u>41,755,327</u>
<b>Total liabilities</b>		<u>41,586,693</u>	<u>48,980,927</u>
<b>Total equity and liabilities</b>		<u>45,532,410</u>	<u>52,109,197</u>

The accompanying notes form an integral part of these financial statements.

**Statement of comprehensive income**  
**Year ended 31 March 2019**

	Note	2019 \$	2018 \$
Revenue	14	61,102,229	71,577,256
Cost of sales		<u>(52,045,999)</u>	<u>(64,904,258)</u>
<b>Gross profit</b>		<u>9,056,230</u>	<u>6,672,998</u>
Service income	20	22,728,229	27,043,526
Administrative expenses		(16,949,801)	(16,494,015)
Marketing expenses		<u>(10,704,049)</u>	<u>(16,209,056)</u>
<b>Results from operating activities</b>		<u>4,130,609</u>	<u>1,013,453</u>
Finance income	15	155,681	48,283
Finance costs	15	<u>(184,242)</u>	<u>(12,394)</u>
<b>Net finance (costs)/income</b>		<u>(28,561)</u>	<u>35,889</u>
<b>Profit before tax</b>	17	4,102,048	1,049,342
Tax expense	16	<u>(1,144,601)</u>	<u>(235,537)</u>
<b>Profit for the year, representing total comprehensive income</b>		<u>2,957,447</u>	<u>813,805</u>

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity**  
**Year ended 31 March 2019**

	Note	Share capital \$	Accumulated profits \$	Total \$
At 1 April 2017		750,000	1,564,465	2,314,465
Total comprehensive income for the year		–	813,805	813,805
At 31 March 2018		<u>750,000</u>	<u>2,378,270</u>	<u>3,128,270</u>
At 1 April 2018		750,000	2,378,270	3,128,270
Dividend paid	19	–	(2,140,000)	(2,140,000)
Total comprehensive income for the year		–	2,957,447	2,957,447
At 31 March 2019		<u>750,000</u>	<u>3,195,717</u>	<u>3,945,717</u>

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows**  
**Year ended 31 March 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Profit before tax		4,102,048	1,049,342
Adjustments for:			
Depreciation of property, plant and equipment	4	933,255	870,083
Warranty provision	10	2,218,533	3,675,652
Net finance costs/(income)	15	28,561	(35,889)
		<u>7,282,397</u>	<u>5,559,188</u>
Changes in working capital:			
Trade and other receivables		3,643,007	(7,293,419)
Inventories		4,957,995	(8,636,839)
Trade and other payables		(8,074,393)	15,916,485
Deferred income		(6,123,913)	1,996,545
Contract liabilities		6,258,322	–
Utilisation of warranty provisions	10	(2,485,955)	(2,770,563)
<b>Cash from operating activities</b>		<u>5,457,460</u>	<u>4,771,397</u>
Tax paid		(511,377)	(287,405)
<b>Net cash from operating activities</b>		<u>4,946,083</u>	<u>4,483,992</u>
<b>Cash flows from investing activities</b>			
Loan to immediate holding company		(7,399,348)	(8,851,384)
Interest received		155,681	21,311
Purchases of property, plant and equipment		(43,693)	(584,364)
<b>Net cash used in investing activities</b>		<u>(7,287,360)</u>	<u>(9,414,437)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		(2,140,000)	–
Loan payable to immediate holding company		–	(757,456)
Interest paid		(4,294)	(12,394)
<b>Net cash used in financing activities</b>		<u>(2,144,294)</u>	<u>(769,850)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(4,485,571)</u>	<u>(5,700,295)</u>
Cash and cash equivalents at 1 April		<u>7,962,612</u>	<u>13,662,907</u>
<b>Cash and cash equivalents at 31 March</b>		<u>3,477,041</u>	<u>7,962,612</u>

The accompanying notes form an integral part of these financial statements.

## **Notes to the financial statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 10 May 2019.

### **1 Domicile and activities**

Jaguar Land Rover Singapore Pte. Ltd. ('the Company') is incorporated in the Republic of Singapore. The address of the Company's registered office is at 138 Market Street, #36-01/02, CapitaGreen, Singapore 048946.

The principal activities of the Company are those relating to wholesale of motor vehicles and spare parts (except motorcycles and scooters) and to manage Asia Pacific's importers on behalf of its holding companies.

The immediate and ultimate holding company are Jaguar Land Rover Limited and Tata Motors Limited. Jaguar Land Rover Limited is a company incorporated in United Kingdom and Tata Motors Limited, a company incorporated in India.

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ('FRS').

#### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

#### **2.3 Functional and presentation currency**

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

#### **2.4 Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect in the amounts recognised in the financial statements is included in note 10, warranty provision.

## 2.5 Changes in accounting policies

The Company has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 April 2018:

- FRS 115 *Revenue from Contracts with Customers*;
- *Clarifications to FRS 115 Revenue from Contracts with Customers* (Amendments to FRS 115); and
- FRS 109 *Financial Instruments*.

### ***FRS 115 Revenue from Contracts with Customers***

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of accumulated profits. Therefore, the comparative information was not restated and continues to be reported under FRS 11.

The adoption of FRS 115 has no significant impact on the Company's financial statements, other than the reclassification of 'deferred income' amounted to \$5,533,577 to 'contract liabilities' as at 1 April 2018.

### ***FRS 109 Financial Instruments***

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 April 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39. The adoption of FRS109 has no significant impact on the Company's financial statements, except as described below.

### **Classification of financial assets and financial liabilities**

Under FRS 109, financial assets are classified in the following categories: measured at amortised cost, FVOCI - debt instrument, FVOCI - equity instrument; or FVTPL. The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

## **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

### **3.1 Foreign currency**

#### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

### **3.2 Financial instruments**

#### **(i) Recognition and initial measurement**

##### ***Non-derivative financial assets and financial liabilities***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

***Non-derivative financial assets – Policy applicable from 1 April 2018***

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through othe comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**Financial assets at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets: Business model assessment – Policy applicable from 1 April 2018**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 April 2018**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 April 2018**

***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Non-derivative financial assets – Policy applicable before 1 April 2018***

The Company classified non-derivative financial assets into loans and receivables.

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

**Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 April 2018**

*Loans and receivables*

Loans and receivables comprised cash and cash equivalents, trade and other receivables and loan to immediate holding company.

Cash and cash equivalents comprised cash at bank.

*Non-derivative financial liabilities*

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans from members and trade and other payables.

(iii) Derecognition

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3.3 Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

- |                          |            |
|--------------------------|------------|
| • Tooling                | 5 years    |
| • Furniture and fittings | 12.5 years |
| • Renovations            | 5 years    |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

### 3.5 Impairment

#### **Non-derivative financial assets**

##### ***Policy applicable from 1 April 2018***

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

#### **Simplified approach**

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### **General approach**

The Company applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### **Measurement of ECLs**

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

#### **Presentation of allowance for ECLs in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

#### **Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### ***Policy applicable before 1 April 2018***

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicates that a loss event had occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor would enter bankruptcy or adverse changes in the payment status of borrowers.

## **Loans and receivables**

The Company considered evidence of impairment for loans and receivables at a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired were then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that were not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. When a subsequent event (e.g. repayment by a debtor) caused the amount of impairment loss to decrease, the decrease in impairment loss was reversed through profit or loss.

## **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **3.6 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance income.

### 3.7 Revenue

#### *Policy applicable from 1 April 2018*

##### **Sales of motor vehicles and spare parts**

The Company sells motor vehicles and spare parts to the wholesale market. Sales are recognised when control of the goods has transferred to its customer, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the goods. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

##### **Sale of services – maintenance relating to motor vehicles**

Included in the transaction price for the sale of motor vehicles is an after-sales service. This service relates to maintenance work that may be required to be carried out on the motor vehicles for a three- to five-year period after sale. The maintenance service is considered to be a distinct service as it is both regularly supplied by the Company to customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Revenue relating to the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight line basis over the period of service (i.e. three to five years when the services are purchased together with the underlying motor vehicles).

#### *Policy applicable before 1 April 2018*

##### **Sale of goods**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### 3.8 Lease payment

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 3.9 Finance income and finance costs

Finance income comprise interest income on loans to immediate holding company and unwinding of discount on provision.

Finance costs comprise interest expense on borrowings from immediate holding company. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.10 Employee benefits

#### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the period in which the employees render their services.

#### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income .

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.12 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The Company's assessment of FRS 116, which is expected to have a more significant impact on the Company, is as described below.

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted.

The Company plans to apply FRS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company is currently assessing the impact of the new standard on its financial statements.

#### 4 Property, plant and equipment

	Tooling \$	Furniture and fittings \$	Renovations \$	Total \$
<b>Cost</b>				
At 1 April 2017	–	423,802	3,829,174	4,252,976
Additions	428,817	–	155,547	584,364
At 31 March 2018	428,817	423,802	3,984,721	4,837,340
At 1 April 2018	428,817	423,802	3,984,721	4,837,340
Additions	43,693	–	–	43,693
At 31 March 2019	472,510	423,802	3,984,721	4,881,033
<b>Accumulated depreciation</b>				
At 1 April 2017	–	(19,784)	(254,010)	(273,794)
Depreciation	(64,921)	(33,904)	(771,258)	(870,083)
At 31 March 2018	(64,921)	(53,688)	(1,025,268)	(1,143,877)
At 1 April 2018	(64,921)	(53,688)	(1,025,268)	(1,143,877)
Depreciation	(90,970)	(33,905)	(808,380)	(933,255)
At 31 March 2019	(155,891)	(87,593)	(1,833,648)	(2,077,132)
<b>Carrying amounts</b>				
At 1 April 2017	–	404,018	3,575,164	3,979,182
At 31 March 2018	363,896	370,114	2,959,453	3,693,463
At 31 March 2019	316,619	336,209	2,151,073	2,803,901

#### 5 Trade and other receivables

	2019 \$	2018 \$
<b>Trade receivable</b>		
Third party	7,774,662	8,156,980
<b>Other receivables</b>		
Immediate holding company	7,117,773	10,011,270
Related companies	–	20,470
	14,892,435	18,188,720
Prepayments	648,179	994,901
	15,540,614	19,183,621

The average credit period of the Company is 30 days (2018: 30 days). Before accepting any new customer, the Company will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

The non-trade amount due from the holding company is unsecured, interest-free and repayable on demand. There is no allowance for doubtful receivables arising from the balance.

**6 Inventories**

	2019	2018
	\$	\$
Finished goods	4,741,466	469,565
Goods-in-transit	2,718,656	11,948,552
	7,460,122	12,418,117

In 2019, inventories of \$40,684,340 (2018: \$50,661,137) were recognised as an expense during the year and included in 'cost of sales' (see Note 17).

In addition, inventories have been reduced by \$387,673 (2018: \$110,000) as a result of the write-down to net realisable value. The write-down is included in 'cost of sales'.

**7 Loan to immediate holding company**

	2019	2018
	\$	\$
Loan to immediate holding company	16,250,732	8,851,384

The loan to the immediate holding company, Jaguar Land Rover Limited, is non-trade in nature, unsecured, repayable on demand and bears interest at LIBOR interbank interest rate plus a margin of 0.05%.

**8 Share capital**

	2019		2018	
	No. of shares	\$	No. of shares	\$
<b>Fully paid ordinary shares, with no par value</b>				
At 1 April and 31 March	750,000	750,000	750,000	750,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

***Capital management***

The Company defines "capital" as share capital and all other components of equity. The Company's policy is to maintain a sound capital base to sustain the future development and expansion of the Company's business, so as to maintain investor and creditor confidence in the Company. The Board of Directors monitors the level of dividend payment by taking into account the Company's business expansion requirements.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**9 Deferred income**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Current</b>		
Deferred income	–	1,923,395
<b>Non-current</b>		
Deferred income	–	4,200,518

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

‘Deferred income’ balances have been reclassified to ‘contract liabilities’ as at 1 April 2018 due to the adoption of FRS 115.

**10 Warranty provision**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Current</b>		
Warranty provision	1,421,592	1,272,836
<b>Non-current</b>		
Warranty provision	1,788,196	2,185,426
	<b>Product warranty</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
At beginning of the year	3,458,262	2,580,145
Provisions for the year	2,218,533	3,675,652
Utilisation during the year	(2,485,955)	(2,770,563)
Unwinding of discount	18,948	(26,972)
At end of the year	3,209,788	3,458,262

The Company offers warranty cover in respect of manufacturing defects, which become apparent up to five years after purchase, dependent on the market in which the purchase occurred. The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures. The discount on the warranty provision is calculated using a risk-free discount rate as the risks specific to the liability, such as inflation, are included in the base calculation. The timing of outflows will vary as and when a warranty claim will arise, being typically up to five years.

**11 Provision for reinstatement costs**

	<b>2019</b>	<b>2018</b>
	\$	\$
Provision as at year end, presented as non-current liability	925,270	764,270

The provision for reinstatement costs is an estimation of costs to reinstate the Company's office and training academy.

## 12 Deferred tax liability

Movements in deferred tax liabilities:

	At 1 April 2018 \$	Recognised in profit or loss (Note 16) \$	At 31 March 2018 \$	Recognised in profit or loss (Note 16) \$	At 31 March 2019 \$
Property, plant and equipment	35,148	40,238	75,386	84,024	159,410
Provisions	–	–	–	29,698	29,698
	<u>35,148</u>	<u>40,238</u>	<u>75,386</u>	<u>113,722</u>	<u>189,108</u>

## 13 Trade and other payables

	2019 \$	2018 \$
<b>Trade payables</b>		
Third parties	2,500,692	2,248,554
Immediate holding company	15,248,862	18,094,696
	<u>17,749,554</u>	<u>20,343,250</u>
<b>Other payables</b>		
Import duty accruals	712,725	2,036,237
Accrued variable marketing expense	2,295,201	4,126,500
Accrued variable dealer expense	2,217,296	1,533,865
Other accruals	6,897,448	9,733,360
GST payables	425,801	599,206
	<u>12,548,471</u>	<u>18,029,168</u>
	<u>30,298,025</u>	<u>38,372,418</u>

The contractual undiscounted cash flow of trade and other payables are expected to be due within 1 year.

## 14 Revenue

	2019 \$	2018 \$
<i>Type of goods or services</i>		
Sale of motors vehicles and spare parts	59,922,629	71,003,065
Sale of services – maintenance relating to motor vehicles	1,179,600	574,191
	<u>61,102,229</u>	<u>71,577,256</u>
<i>Timing at transfer of goods or services</i>		
At a point in time	59,922,629	71,003,065
Over time	1,179,600	574,191
	<u>61,102,229</u>	<u>71,577,256</u>

### Sale of services – maintenance relating to motor vehicles

The following table provides information about contract liabilities from contracts with customers.

	<b>2019</b>	<b>1 April</b>
	<b>\$</b>	<b>2018</b>
		<b>\$</b>
<b>Receivables from contracts with customers</b>		
Contract liabilities:		
Current	1,454,240	1,333,059
Non-current	4,804,082	4,200,518
	<u>6,258,322</u>	<u>5,533,577</u>

### Contracts liabilities

Contracts liabilities primarily relate to the Company's obligation to transfer services to customers for subsequent servicing or maintenance. The fair value of that service is initially recognised as contract liabilities and subsequently recognised as income over the relevant service period in proportion with the expected cost pattern of the agreement.

Revenue recognised in 2019 which was included in the contract liabilities balance at the beginning of the year was \$1,179,600.

### Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation as at 31 March 2019 is \$6,258,322. The Company expects to recognised \$1,454,240 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 March 2019 in financial year 2020, \$1,645,627 in financial year 2021, \$1,695,033 in the financial year 2022, \$1,033,495 in the financial year 2023 and \$429,927 in the financial year 2024.

## 15 Finance (costs)/income

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Finance income</b>		
Interest income on loan to immediate holding company	155,681	21,311
Unwinding of discount on warranty provision	–	26,972
	<u>155,681</u>	<u>48,283</u>
<b>Finance costs</b>		
Unwinding of discount on warranty provision	(18,948)	–
Interest expense on loan payable to immediate holding company	(4,294)	(12,394)
Unwinding of discount on provision for reinstatement costs	(161,000)	–
	<u>(184,242)</u>	<u>(12,394)</u>
<b>Finance (costs)/income, net</b>	<u>(28,561)</u>	<u>35,889</u>

## 16 Tax expense

	2019	2018
	\$	\$
<b>Current tax expense</b>		
Current year	713,964	195,299
Adjustment for prior year	316,915	–
	<u>1,030,879</u>	<u>195,299</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	79,499	20,698
Adjustment for prior year	34,223	19,540
	<u>113,722</u>	<u>40,238</u>
<b>Tax expense</b>	<u>1,144,601</u>	<u>235,537</u>
 <i>Reconciliation of effective tax rate</i>		
Profit before tax	<u>4,102,048</u>	<u>1,049,342</u>
Tax calculated using Singapore tax rate of 17% (2018: 17%)	697,348	178,388
Non-deductible expenses	113,540	75,043
Tax exempt income	(17,425)	(27,434)
Tax rebates	–	(10,000)
Underprovision in prior year	351,138	19,540
	<u>1,144,601</u>	<u>235,537</u>

## 17 Profit for the year

The following items have been included in arriving at profit for the year:

	2019	2018
	\$	\$
Warranty provision	2,218,533	3,675,652
Employee benefits expense	6,614,279	5,893,031
Directors' remuneration included in employee benefits	807,751	765,511
Cost of inventories recognised as expenses	48,064,685	61,604,580
Cost of defined contribution plans included in employee benefit expense	<u>432,509</u>	<u>431,586</u>

## 18 Operating leases

	2019	2018
	\$	\$
Minimum lease payments under operating leases recognised as expense in the year	<u>2,016,712</u>	<u>2,016,712</u>

At the reporting date, the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Within one year	2,179,565	2,179,565
Within two to five years	2,855,779	5,035,343
	5,035,344	7,214,908

Operating lease payments represent rental payable by the Company for rental of office premises and training academy. The leases are negotiated for five years and rentals are fixed for five years.

## 19 Dividend

	<b>2019</b>	<b>2018</b>
	\$	\$
Final dividend of \$2.85 per share	2,140,000	—

During the year, the Company declared and paid dividend of \$2,140,000 to its immediate holding company.

## 20 Related parties

### *Key management personnel compensation*

The remuneration of directors and other members of key management are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Short-term benefits	793,321	750,206
Post-employment benefits	14,430	15,305
	807,751	765,511

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries. The directors are considered as key management personnel of the Company.

### *Other related party transactions*

The Company is a wholly-owned subsidiary of Jaguar Land Rover Limited, incorporated in United Kingdom. The company's ultimate holding company is Tata Motors Limited. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

During the financial year, other than those disclosed elsewhere in the financial statements, the Company had the following significant related party transactions on terms agreed between the parties:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Immediate holding company</b>		
Purchase of vehicles, parts and accessories	35,726,346	59,297,976
Service income	(22,728,229)	(27,043,526)
Other recharges	1,000,000	500,000
 <b>Related companies</b>		
Service expenses	1,438,923	–

## 21 Financial instruments

### Financial risk management

#### Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company, as and when they fall due.

The Company has a credit policy in place whereby new customers are subject to credit evaluations based on available financial information and past experiences. The Company has established credit limits for customers and monitors their balances on an ongoing basis. Cash is placed with reputable banks and financial institutions, which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company's primary exposure to credit risk arises through its trade and other receivables.

At the end of the reporting period, there is significant concentration of credit risk arising from trade receivables due from 1 customer (2018: 1 customer) amounting to \$7,774,662 (2018: \$8,156,980) and non-trade amount due from immediate holding company amounting to \$7,117,773 (2018: \$10,011,270), forming 96% (2018: 95%) of total trade and other receivables.

***Comparative information under FRS 39 is as follows:***

The Company evaluated whether there was any objective evidence that trade and other receivables were impaired, and determined the amount of impairment loss as a result of the inability of customers to make required payments. The Company determined the estimates based on ageing of the trade receivables balance, credit-worthiness and historical default experiences.

The trade receivables were aged current as at the end of the reporting period. The management believed that no impairment allowance on the outstanding receivables is necessary owing to the good credit records maintained by the customers.

**Expected credit loss assessment for trade receivable as at 1 April 2018 and 31 March 2019 (12 month ECL)**

Impairment on trade receivable (one customer) has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The receivable is considered to have low credit risk as there has been no significant increase in the risk of default on the receivable since initial recognition. The amount of the allowance is negligible.

**Expected credit loss assessment for cash and cash equivalents as at 1 April 2018 and 31 March 2019 (12 month ECL)**

Impairment on cash and cash equivalents have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the credit worthiness of the bank counterparties. The amount of the allowance is negligible.

Cash and cash equivalents consists of cash and fixed deposits which are placed with banks regulated under the Singapore Banking Act and by the China Banking Regulatory Commission.

**Expected credit loss assessment for non-trade amount/loan due from immediate holding company as at 1 April 2018 and 31 March 2019 (12 month ECL)**

The Company held non-trade receivables from its immediate holding company of \$7,117,773 (2018: \$10,011,270) and loan to immediate holding company of \$16,250,732 (2018: \$8,851,384). These are loans to immediate holding company to satisfy short term funding requirements. The Company considers that these exposures have low credit risks as there has been no significant increase in the risk of default on these balances since initial recognition. The amount of the allowance is negligible.

**Interest rate risk**

The Company's exposure to market risk for changes in interest rate relates mainly to its loan to immediate holding company which have floating rates.

*Sensitivity analysis*

A decrease/increase of 100 bp in interest rate at the reporting date would have (decrease)/increase (2018: (decreased)/increased) profit before tax, respectively, by \$162,507 (2018: \$88,514). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The objective of liquidity management is to ensure that the Company has sufficient funds to meet its contractual and financial obligations as and when they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company focuses on ensuring matching maturities of the Company's assets and liabilities. The Company will also maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

**Classification of accounting instruments**

The carrying amounts of financial assets and liabilities shown in the statement of financial position are as follows:

	2019	2018
	\$	\$
<b>Financial assets</b>		
Loan to immediate holding company	16,250,732	8,851,384
Trade and other receivables*	14,892,435	18,188,720
Cash and cash equivalents	3,477,041	7,962,612
	<u>34,620,208</u>	<u>35,002,716</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>30,298,025</u>	<u>38,372,418</u>

\* Excludes prepayments

**Fair values of financial assets and financial liabilities**

The carrying amounts of financial assets and financial liabilities on the statement of financial position approximate their respective fair values due to their short period to maturity.



