

JAGUAR LAND ROVER SOUTH AFRICA (PTY) LTD

(Registration Number 2001/027269/07)

Annual Financial Statements

Audited

for the year ended 31 March 2020

Preparation supervised by Liaan Kretzschmar CA(SA) (Finance Director)

JAGUAR LAND ROVER SOUTH AFRICA (PTY) LTD

(Registration Number 2001/027269/07)

Annual Financial Statements for the year ended 31 March 2020

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(Registration Number 2001/027269/07)

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GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Acting as principal in the sale and marketing of vehicles, parts and accessories and the provision of related services
DIRECTORS	<p>Brian John Hastie (Resigned 29 February 2020)</p> <p>Liaan Etienne Kretzschmar (Appointed 24 January 2014)</p> <p>Sharnie Malan (Appointed 1 February 2017)</p> <p>Richard Gouverneur (Appointed 1 August 2014)</p> <p>Lisa Karryn Mallett (Appointed 1 March 2014)</p> <p>Nigel William Clarke (Appointed 17 August 2012)</p>
REGISTERED OFFICE	<p>28 Victoria Link Route 21 Corporate Park Nellmapius Drive Irene X30 0184</p>
POSTAL ADDRESS	<p>Private Bag X2 Pierre van Ryneveld 0045 0184</p>
BANKERS	Standard Bank of South Africa
AUDITORS	<p>KPMG Inc. Registered Auditors</p>
COMPANY SECRETARY	Vacant
HOLDING COMPANY	Jaguar Land Rover (South Africa) Holdings Limited incorporated in the United Kingdom

JAGUAR LAND ROVER SOUTH AFRICA (PTY) LTD

(Registration Number 2001/027269/07)

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Directors' Responsibilities and Approval

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.


The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The annual financial statements support the viability of the company.

The annual financial statements have been audited by the independent auditing firm, KPMG Inc., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on pages 6 to 7.

The annual financial statements as set out on pages 8 to 41 were approved by the board on 3 July 2020 and were signed on their behalf by:


Richard Gouverneur


Liaan Etienne Kretzschmar

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Directors' Report

The directors present their report for the year ended 31 March 2020.

1. Review of activities

Main business and operations

The principal activity of the company is acting as principal in the sale and marketing of vehicles, parts and accessories and the provision of related services and there were no major changes herein during the year.

The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern and Covid-19 impact

The COVID-19 pandemic is rapidly spreading throughout the world, including South Africa. The Company is monitoring the situation closely taking into account directives from the Government.

Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic in the preparation of the financial statements including the assessment of net realizable values of inventories, trade receivables and other assets and the recoverable values of its property, plant and equipment.

The company is affected by the COVID-19 pandemic in line with the impact on the South African economy and is expecting a decline in demand for its products and thus will negatively impact revenue and profits. Due to the dynamic development of the COVID-19 pandemic and its related effects, a precise evaluation of the financial effects future is currently difficult to determine. The company currently has sufficient inventory reserves to fulfil market demand and is currently not facing any major supply shortages. At date of the approval of the financial statements, most retail partners in the industry have resumed their activities in line with the government regulation.

The impact assessment of COVID-19 and the resultant restrictions will be a continuing process given the uncertainties associated with its nature and duration and, accordingly, the impact may be different from that estimated as at the date of approval of these financial statements.

Across all business units and functions, the entity is responding to the crisis triggered by the COVID-19 pandemic with specific measures. Jaguar Land Rover South Africa (Pty) Ltd's senior management meets on a regular basis to define the company's response to the crisis with a particular focus on business continuity. A number of support measures for retail partners have been implemented during this time to support them with the process of stimulating demand in the market. Additionally, senior management meet regularly to monitor liquidity position and manage costs, working capital as well as capital expenditure.

As at the date of this report, the directors made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company continues to monitor any material changes to future economic conditions, but do not consider this to have a material uncertainty on going concern:

No other matters of significance occurred up to the date of approval of the annual financial statement, which may have affected the financial results at that date.

3. Events after reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

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Directors' Report

4. Directors' interest in contracts

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

5. Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

6. Borrowing limitations

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

7. Dividends

Dividends of R 100 000 000 (2019: R 292 000 000) were paid to the shareholder.

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Annual Financial Statements for the year ended 31 March 2020

Directors' Report

8. Directors

The directors of the company during the year and to the date of this report are as follows:

Nigel William Clarke

Liaan Etienne Kretzschmar

Richard Gouverneur

Lisa Karryn Mallet

Sharnie Malan

Brian John Hastie (Resigned 29 February 2020)

9. Secretary

The company's designated secretary is Vacant.

10. Shareholder

There has been no changes in ownership and the shareholder remains:

Jaguar Land Rover (South Africa) Holdings Limited	100%
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11. Independent Auditors

KPMG Inc. were the independent auditors for the year under review.



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Independent Auditor's Report

To the Shareholder Jaguar Land Rover South Africa (Pty) Ltd

Opinion

We have audited the financial statements of Jaguar Land Rover South Africa (Pty) Ltd (the company) set out on pages 8 to 41, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income for the year, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jaguar Land Rover South Africa (Pty) Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "JAGUAR LAND ROVER SOUTH AFRICA (PTY) LTD Annual Financial Statements, Audited, for the year ended 31 March 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the or to cease operations, or have no realistic alternative but to do so.

KPMG Incorporated is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Incorporated is a Registered Auditor, in public practice, in terms of the Auditing Profession Act 26 of 2005.

Registration number 1999/021543/21

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Chairman: Prof W Nkuhlu
Chief Executive: I Sehcole
Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown.



Auditor's 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 auditor's 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 ISAs 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 ISAs, 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 control.
- Obtain an understanding of internal control 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 auditor's 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 auditor's 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 control that we identify during our audit.

KPMG Inc

A handwritten signature in black ink, appearing to read 'W Pretorius', written over a horizontal line.

Per W Pretorius
Chartered Accountant (SA)
Registered Auditor
Director

3 July 2020

JAGUAR LAND ROVER SOUTH AFRICA (PTY) LTD

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Financial Statements as at 31 March 2020

Statement of Financial Position

Figures in R `000	Note(s)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	6	68,666	37,745
Deferred taxation assets	15	183,942	178,627
		252,608	216,372
Current Assets			
Inventories	7	706,278	1,258,727
Current taxation asset	25	9,737	23,106
Related party receivables	18	78,065	63,150
Trade and other receivables	8	185,253	158,391
Cash and cash equivalents	9	456,129	234,150
		1,435,462	1,737,524
Total Assets		1,688,070	1,953,896
Equity and Liabilities			
Equity			
Share capital	10	1	1
Retained earnings		246,253	154,002
		246,254	154,003
Non-Current Liabilities			
Long-term lease liability	11	35,560	-
Provisions	16	263,015	258,966
Long-term employee benefit obligations	13	1,793	1,793
Deferred revenue	14	352,496	365,589
		652,864	626,348
Current Liabilities			
Provisions	16	177,933	174,770
Trade and other payables	17	417,913	577,590
Related party payables	18	28,294	249,869
Deferred revenue	14	164,812	171,316
		788,952	1,173,545
Total Liabilities		1,441,816	1,799,893
Total Equity and Liabilities		1,688,070	1,953,896

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Financial Statements for the year ended 31 March 2020

Statement of Comprehensive Income for the year

Figures in R `000	Note(s)	2020	2019
Revenue	20	4,203,684	4,863,867
Cost of sales		(3,656,658)	(4,412,725)
Gross profit		<u>547,026</u>	<u>451,142</u>
Other gains/(losses)	21	(1,198)	(498)
Marketing expenses		(165,961)	(194,133)
Administration expenses		(125,057)	(199,918)
Operating profit	22	<u>254,810</u>	<u>56,593</u>
Finance income	23	29,068	20,730
Finance costs	24	(6,594)	(1,268)
Profit before taxation		<u>277,284</u>	<u>76,055</u>
Taxation expense	25	(87,062)	(15,771)
Profit for the year		<u>190,222</u>	<u>60,284</u>

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Financial Statements for the year ended 31 March 2020

Statement of Changes in Equity

Figures in R `000	Share capital	Retained earnings	Total
Balance at 1 April 2018	1	385,718	385,719
Total comprehensive income for the year			
Profit for the year		60,284	60,284
Total comprehensive income for the year	-	60,284	60,284
Dividends paid		(292,000)	(292,000)
Balance at 1 April 2019	1	154,002	154,003
Balance at 1 April 2019	1	154,002	154,003
Total comprehensive income for the year			
Profit for the year		190,222	190,222
Total comprehensive income for the year	-	190,222	190,222
Dividends paid		(100,000)	(100,000)
Retained Income - opening balance adjustment including IFRS 16		2,029	2,029
Balance at 31 March 2020	1	246,253	246,254

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Statement of Cash Flows

Figures in R `000	Note(s)	2020	2019
Cash flows from operating activities			
Profit for the year		190,222	60,284
<i>Adjustments for:</i>			
Finance costs	24.	6,594	1,268
Income tax expense recognised in profit and loss	25.	87,062	15,771
Depreciation of Tangible assets		10,881	3,334
Finance income		(29,068)	(20,730)
Deferred revenue released during the period - non-cash flow		(168,830)	(195,919)
Increase/(Decrease) in expected credit loss		(4,348)	12,562
Increase/(Decrease) in provision for impairment and obsolescence of vehicles, parts and accessories		(1,232)	(5,458)
Increase in provisions - non-cash flow		221,333	274,290
Decrease in current and long-term employee benefits		-	(108)
Operating cash flow before working capital changes		312,614	145,294
<i>Working capital changes</i>			
(Decrease)/increase in provisions		(214,121)	(260,225)
Decrease/(increase) in deferred revenue		149,233	174,231
Decrease/(increase) in inventories		553,681	(43,652)
(Increase)/decrease in trade and other receivables		(22,514)	31,646
Decrease/(increase) in related party balances		(236,490)	30,359
(Decrease)/increase in trade and other payables		(158,924)	173,659
Cash generated by operating activities		383,479	251,312
Finance income		28,584	19,097
Interest paid	24.	(5,621)	(348)
Income tax paid		(79,008)	(26,432)
Net cash from operating activities		327,434	243,629
Cash flows from investing activities			
Property, plant and equipment acquired	6.	(2,217)	(20,543)
Net cash utilised in investing activities		(2,217)	(20,543)
Cash flows from financing activities			
Capital payments of leased assets		(3,238)	-
Dividends paid	19.	(100,000)	(292,000)
Net cash utilised in financing activities		(103,238)	(292,000)
Increase/(decrease) in cash and cash equivalents		221,979	(68,914)
Cash and cash equivalents at beginning of the year		234,150	303,064
Cash and cash equivalents at end of the year	9	456,129	234,150

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Notes for the year ended 31 March 2020

Accounting Policies

1. General information

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, and the requirements of the Companies Act of South Africa of 2008. A summary of significant accounting policies is set out in note 4.

2. Basis of preparation

The financial statements have been prepared under the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

This is the first set of financial statements in which IFRS 16: Leases have been applied.

Changes to significant account policies are described in note 4.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

3. Presentation of the financial statements

All financial statements are presented in South African Rands, which is the company's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise stated.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Changes in accounting policies and disclosures

Adoption of new and revised pronouncements

In the current year, the company has adopted all applicable new and revised IFRSs as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2019.

Each of the relevant new accounting pronouncements has been assessed below and appropriate changes made to the financial statements where necessary. Disclosure has been included in the financial statements of this assessment and the impact on the results and disclosures.

At the date of authorisation of these financial statements for the year ended 31 March 2020, the following IFRSs were adopted:

IFRS / IFRIC	Title and details	Effective
IFRS 16	Leases-Original issue	Annual periods beginning on or after 1 January 2019

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Notes for the year ended 31 March 2020

Accounting Policies

Summary of significant accounting policies continued...

Application of IFRS 16: Leases

The Company has applied IFRS 16 from 1 April 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed below in note 4.4. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. At inception of a contract, the Company now assesses whether a contract is or contains a lease based on the definition of a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - o The Company has the right to operate the asset; or
 - o The Company designed the asset in a way that predetermines how and for what purposes it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is allocated, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Companies' incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as a discount rate. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company associates the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

This policy is applied to all contracts entered into, or changed, on or after 1 April 2019.

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Accounting Policies

Summary of significant accounting policies continued...

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a Lessee

As a lessee, the Company leases many assets including property, equipment and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Companies' incremental borrowing rate.

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Right of Use Asset - Building	R 34 145 873
Right of Use Asset - IT Equipment	R 5 438 513
Lease Liability	(R 36 677 572)
Retained Earnings	R 2 029 814

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Notes for the year ended 31 March 2020

Accounting Policies

Summary of significant accounting policies continued...

4.2 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is stated at cost less depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the property, plant and equipment to their residual values at the end of their useful lives.

The major categories of property, plant and equipment are depreciated over the following useful lives:

Computer equipment	10 years
Office furniture and fixtures	3 - 12.5 years
Office machines	12.5 years
Computer software	3 years
Marketing equipment	5 years
Leasehold improvements	As per the lease term

The carrying amounts of the company's tangible assets are reviewed at each year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the greater of its fair value less cost to sell and its value in use.

4.3 Leases

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

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

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Summary of significant accounting policies continued...

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

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

The Company is applying the modified retrospective approach on transition under which the comparative financial statements will not be restated. The cumulative impact of the first-time application of IFRS 16 is recognised as an adjustment to opening retained earnings as at 1 April 2019.

4.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the weighted average cost formula for parts and accessories and specific identification of vehicles. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.5 Financial instruments

Recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. Any gain or loss arising on derecognition is recognised in profit or loss.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or has expired.

Initial measurement

Initially, a financial instrument is recognised at its fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognised in determining the carrying amount, if it is not classified as at fair value through profit or loss. Transaction costs of financial instruments carried at fair value through profit or loss are expensed in profit or loss.

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Accounting Policies

Summary of significant accounting policies continued...

Subsequently, financial instruments are measured according to the category in which they are classified.

Classification and measurement - financial assets

Classification of financial assets is based on the business model in which the instruments are held as well as the characteristics of their contractual cash flows. The business model is based on management's intentions and past pattern of transactions. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets are classified into three categories:

Financial assets at amortised cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest and which are held with the intention of collecting those contractual cash flows. Subsequently, these are measured at amortised cost using the effective interest method less impairment losses, if any. These include cash and cash equivalents, trade and other receivables and related party receivables.

Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest and which are held with the intention of collecting those contractual cash flows as well as to sell the financial asset. Subsequently, these are measured at fair value, with unrealised gains or losses being recognised in other comprehensive income apart from any expected credit losses or foreign exchange gains or losses, which are recognised in profit or loss. This category can also include financial assets that are equity instruments which have been irrevocably designated at initial recognition as fair value through other comprehensive income. For these assets, there is no expected credit loss recognised in profit or loss.

Financial assets at fair value through profit or loss are financial assets with contractual cash flows that do not consist solely of payments of principal and interest. This category includes derivatives, embedded derivatives separated from the host contract, or investments in certain convertible loan notes. Subsequently, these are measured at fair value, with unrealised gains or losses being recognised in profit or loss, with the exception of derivative instruments designated in a hedging relationship, for which hedge accounting is applied.

Classification and measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost unless they meet the specific criteria to be recognised at fair value through profit or loss.

Trade and other payables and related party payables are measured at amortised cost using the effective interest method.

Impairment

The Company recognises a loss allowance in profit or loss for expected credit losses on financial assets held at amortised cost.

Lifetime expected credit losses are calculated for assets that were deemed credit impaired at initial recognition or have subsequently become credit impaired as well as those where credit risk has increased significantly since initial recognition.

The Company adopts the simplified approach permitted in IFRS 9 to apply lifetime expected credit losses to trade receivables and related party receivables, thereby eliminating the need to assess changes in credit risk for those assets. Where credit risk is deemed low at the reporting date or to have not increased significantly, credit losses for the next 12 months are not calculated.

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Summary of significant accounting policies continued...

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of the interest income reverts to the gross basis.

Objective evidence for a significant increase in credit risk includes where payment is overdue by 90 or more days as well as other information about significant financial difficulties of the borrower.

Credit risk has increased significantly when the probability of default has increased significantly. Such increases are relative and assessment includes external ratings (where available) or other information such as past due payments. Historic data and forward looking information are also considered.

Expected credit losses are forward looking and are measured in a way that is unbiased and represents a probability weighted amount, takes into account the time value of money (values are discounted back using the applicable effective interest rate) and uses reasonable and supportable information.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account when pricing the asset or liability at the measurement date. Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method and other valuation models.

Trade and other receivables and related party receivables

The Company has undertaken an assessment of the expected credit losses with regards to trade receivables and has applied the simplified approach under the standard. For all principal customers, the Company operates with major financial institutions who take on the principal risks of the majority of sales to customers and consequently the Company receive full payment for these receivables between 0–30 days.

Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

None of the Company's cash equivalents, including term deposits with banks, are past due or impaired.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are initially measured at fair value and, subsequently, at amortised cost.

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Accounting Policies

Summary of significant accounting policies continued...

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.

4.6 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The company provides post-employment benefits through a defined contribution plan.

Defined contribution plans

The company pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the company has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

Bonus plans

The company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

A liability is recognised for the amount expected to be paid under short term bonuses in the company as the company has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.7 Income taxation

Current taxation

Income taxation for the year includes current taxation and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss, except to the extent that the taxation arises from a transaction or event which is recognised directly in equity.

Current taxation liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted at the reporting date.

Deferred taxation

Deferred taxation assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation assets also arise from unused taxation losses and unused taxation credits.

A deferred taxation liability is recognised for all taxable temporary differences, except to the extent that the deferred taxation liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit / (taxable loss).

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Summary of significant accounting policies continued...

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred taxation asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit / (taxable loss).

At each reporting date, the company reviews and assesses the recognised and unrecognised deferred taxation assets and the future taxable profit to determine whether any recognised deferred taxation assets should be derecognised and any unrecognised deferred taxation assets should be recognised.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date. Deferred taxation assets and liabilities are not discounted.

4.8 Revenue recognition

Revenue comprises the consideration earned by the Company in respect of the output of its ordinary activities. It is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties, and net of settlement discounts, bonuses, rebates, and sales incentives. The Company considers its primary customers from the sale of vehicles, parts and accessories (its primary revenue-generating streams) are generally retailers, fleet and corporate customers, and other third-party distributors. The Company recognises revenue when it transfers control of a good or service to a customer, thus evidencing the satisfaction of the associated performance obligation under that contract.

The sale of vehicles also can include additional services provided to the customer at the point of sale, for which the individual vehicle and services are accounted for as separate performance obligations, as they are considered separately identifiable. The contract transaction price is allocated among the identified performance obligations based on their stand-alone selling prices. Where the stand-alone selling price is not readily available and observable, it is estimated using an appropriate alternative approach.

Vehicles, parts and accessories (and other goods)

The Company recognises revenue on the sale of vehicles, parts, and accessories at the point of 'wholesale', which is determined by the underlying terms and conditions of the contract with the customer as to when control transfers to them. The overall principle of control under IFRS 15 considers which party has the ability to direct the use of an asset and to obtain substantially all of the remaining economic benefits.

Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including:

- The point at which the risks and rewards of ownership pass to the customer;
- The point at which the customer takes physical possession of the good or product;
- The point at which the customer accepts the good or product;
- The point at which the Company has a present right to payment for the sale of the good or product, and;
- The point at which legal title to The good or product transfers to The customer.

In the vast majority of cases, the sale of the relevant good is recognised at the point of dispatch (at release to the carrier responsible for transportation to the customer), or the point of delivery to the customer, which coincides with the invoicing point. In some instances, revenue may be recognised on a bill-and-hold basis where vehicles, for example, are sold to the customer but are retained in the Company's possession at a vehicle holding compound on behalf of the customer ahead of being physically transferred to them at a future time. Such arrangements meet the criteria for bill-and-hold arrangements under IFRS 15 to ensure that the customer has obtained the ultimate control of the product when revenue is recognised.

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Accounting Policies

Summary of significant accounting policies continued...

The Company operates with financing partners who provide wholesale financing arrangements to the retail network for vehicle sales, which enables cash settlement to occur immediately (usually within 2 working days) for purchases from the Company. For the sale of parts and accessories, the Company typically receives payment in line with the invoice payment terms stipulated and agreed with its customers, which are usually 30 days.

Sales incentives

In accordance with IFRS 15, the costs associated with providing sales support and incentives are considered to be variable components of consideration, thus reducing the amount of revenue recognised by the Company. Under IFRS 15, the Company ensures that variable consideration is recognised to the extent of the amount of consideration to which it ultimately expects to be entitled.

To meet this principle, the Company constrains its estimate of variable consideration to include amounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with such variability is subsequently resolved.

The Company considers that the variable consideration received for contracts with multiple performance obligations is allocated to all such obligations only when applicable. In the vast majority of instances, the Company considers that variable components of consideration are allocated only to the relevant and applicable performance obligations. For example, with the sale of a vehicle, the cost of the incentive provided is allocated entirely to the vehicle as its purpose is to incentivise the sale of the vehicle.

Scheduled maintenance contracts

Scheduled maintenance contracts sold with a vehicle provide the end customer with the benefit of bringing their vehicle to a dealership for the routine servicing and maintenance required to ensure the safe and uninterrupted operation of the vehicle at all times.

The Company typically receives payment relating to the scheduled maintenance contract at the same time as the proceeds from the vehicle sale, at which point the amount related to the maintenance contract is separately recognised as a contract liability on the stand alone selling price.

Revenue for scheduled maintenance contracts is recognised over the period which the performance of services is expected to occur, starting from the point of a vehicle being retailed to an end customer. The amount of revenue so recognised is aligned to the costs expected to be incurred to fulfill these services.

Warranty considerations as a service

Vehicles and parts sold by the Company include a standard warranty to guarantee the vehicle complies with agreed-upon specifications for a defined period of time.

Where the warranty offering to the customer exceeds the standard market expectation for similar products, or is considered to provide a service to the customer in excess of simply providing assurance that the agreed-upon specification is met, the Company considers the additional warranty to constitute a service to the customer and therefore a separate performance obligation.

Revenue is only recognised in the period to which the warranty service relates, up to which point it is recognised as a contract liability.

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Accounting Policies

Summary of significant accounting policies continued...

4.9 Interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.10 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.11 Warranty

The company offers warranty cover in respect of manufacturing defects, which become apparent within one to five years after purchase. 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 a maximum of five years from retail sale of the product.

The provisions are presented at the present value, using the risk-free rate and the related interest is eliminated to the statement of profit and loss.

5. Critical accounting judgements and key sources of estimation uncertainty

The company's management makes assumptions, estimates and judgements in the process of applying the company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with IFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

5.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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Accounting Policies

Critical accounting judgements and key sources of estimation uncertainty continued...

5.1.1 Deferred revenue

If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the relevant service period. Amounts are normally recognised as income by reference to the pattern of related expenditure.

Deferred revenue for comprehensive maintenance plans is derived on a cost plus margin basis and includes a risk adjustment for the uncertainty in future costs.

5.1.2 Warranty Provisions

The provisions are presented at present value, using the risk free rate and the related interest is excreted to the statement of profit and loss.

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6. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Motor vehicles	582	-	582	-	-	-
Furniture and fittings	13,519	8,282	5,237	13,519	7,753	5,766
Corporate Identity	7,991	6,033	1,958	7,991	5,939	2,052
Equipment	12,622	4,820	7,802	12,297	3,547	8,750
IT equipment	3,243	2,134	1,109	2,993	2,013	980
Computer software	1,041	1,041	-	1,041	1,041	-
Brand Experience Center	21,258	3,189	18,069	20,197	-	20,197
	60,256	25,499	34,757	58,038	20,293	37,745
<i>Capitalised leased assets</i>						
Land and buildings	34,146	3,968	30,178	-	-	-
IT equipment	5,439	1,708	3,731	-	-	-
	39,585	5,676	33,909	-	-	-
Total Owned & Leased Assets	99,841	31,175	68,666	58,038	20,293	37,745

The carrying amounts of property, plant and equipment can be reconciled as follows:

2020 Reconciliation	Carrying value at beginning of the year				Depreciation	Carrying value at the end of the year
	Carrying value at beginning of the year	Additions	Disposals	Depreciation		
<i>Owned assets</i>						
Motor vehicles	-	582	-	-	-	582
Furniture and fittings	5,766	-	-	(529)	(529)	5,237
Corporate Identity	2,052	-	-	(94)	(94)	1,958
Equipment	8,750	324	-	(1,272)	(1,272)	7,802
IT equipment	980	250	-	(121)	(121)	1,109
Computer software	-	-	-	-	-	-
Brand Experience Center	20,197	1,061	-	(3,189)	(3,189)	18,069
	37,745	2,217	-	(5,205)	(5,205)	34,757

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Property, plant and equipment continued...

2019 Reconciliation	Carrying value at beginning of the year	Additions	Disposals	Depreciation	Carrying value at the end of the year
<i>Owned assets</i>					
Furniture and fittings	7,494	1	-	(1,729)	5,766
Corporate Identity	2,145	1	-	(94)	2,052
Equipment	9,818	344	-	(1,412)	8,750
IT equipment	1,079	-	-	(99)	980
Computer software	-	-	-	-	-
Brand Experience Centre	-	20,197	-	-	20,197
	<u>20,536</u>	<u>20,543</u>	<u>-</u>	<u>(3,334)</u>	<u>37,745</u>
	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at the end of the year
<i>Capitalised leased assets</i>					
Land and buildings	34,146	-	-	(3,968)	30,178
IT equipment	5,439	-	-	(1,708)	3,731
	<u>39,585</u>	<u>-</u>	<u>-</u>	<u>(5,676)</u>	<u>33,909</u>

7. Inventories

Inventories comprise:

Finished goods - Vehicles	406,090	1,028,232
Finished goods - Parts and accessories	174,852	174,354
Goods in transit - Vehicles	92,983	38,265
Goods in transit - Parts and accessories	45,539	32,294
	<u>719,464</u>	<u>1,273,145</u>
Provision for impairment and obsolescence of vehicles, parts and accessories	(13,186)	(14,418)
	<u>706,278</u>	<u>1,258,727</u>

Inventories are held at the lower of cost or net realisable value.

The cost of inventories recognised as an expense, includes an amount of R 300 000 in respect of reversals of write-downs of slow moving products to net realisable value.

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8. Trade and other receivables

Trade debtors	151,185	147,874
Sundry debtors	18,226	21,883
Export rebate receivable	5,934	6,703
Deposits	16,538	-
Value Added Tax	7,091	-
	<u>198,974</u>	<u>176,460</u>
Expected credit loss	(13,721)	(18,069)
	<u>185,253</u>	<u>158,391</u>

The carrying amount of trade and other receivables approximates their fair value.

The following are the major debtors included in the trade receivables at year end:

Wesbank, a division of First Rand Limited	7,395	-
Barloworld	3,828	14,456
Parts and accessory trade accounts	118,039	114,314
Land Rover Gabarone	1,888	3,611
	<u>131,150</u>	<u>132,381</u>

Analysis of the expected credit loss stages is set out below:

At 31 March 2020

		Expected Credit Loss	Total Receivables
Stage 1	expected loss rate of 1%	(1,740)	158,155
Stage 2	expected loss rate of 2%	(526)	26,325
Stage 3	expected loss rate of 79%	(11,455)	14,494
Total		<u>(13,721)</u>	<u>198,974</u>

At 31 March 2019

		Expected Credit Loss	Total Receivables
Stage 1	expected loss rate of 3%	(3,467)	110,574
Stage 2	expected loss rate of 1%	(404)	50,504
Stage 3	expected loss rate of 92%	(14,198)	15,382
Total		<u>(18,069)</u>	<u>176,460</u>

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	15,405	45,219
2 months past due	22,682	1,462
3 months past due	6,158	14,900

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9. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in bank and investments in money market instruments. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Favourable cash balances

Cash and bank balances	456,129	234,150
Guarantees exist as follows:		
- Performance Guarantee - given	6,755	11,575
- Open Trading Facility	1,400	1,400
- Fleet Management Facility	550	550
- Credit Card Facility	550	550
- Vehicle and Asset Finance Facility	380	-
	9,635	14,075

The carrying amount of these assets approximates their fair value. Interest at variable rates linked to the prime lending rate is earned on these balances.

10. Share capital

Authorised

1,000 Ordinary shares of R1 each	1	1
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Issued

2 Ordinary shares of R1 each	1	1
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Any modification to the Company's share capital requires the prior approval of the Shareholders by means of a Special Resolution. No changes were approved or made to the authorised or issued share capital of the company during the year under review.

11. Long term lease liability

Long term portion of IFRS 16 lease liability for capitalised leased assets	35,560	-
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12. Commitments under operating leases

The entity rents three premises under operating leases. The leases are for an average period of five years, with fixed rentals over the same period.

Minimum lease payments under operating leases recognised as an expense during the year	-	7,238
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At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:

Within one year	-	13,414
Later than one year but within five years	-	57,996
Later than five years	-	161,252
	-	<u>232,662</u>

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

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

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

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13. Long-term employee benefit obligations

The liabilities recognised for pensions and other employee remuneration in the statement of financial position consist of the following amounts:

Non-current:

Defined contribution plans

1,793	1,793
<u>1,793</u>	<u>1,793</u>

The Company operate a post-employment health care benefit scheme. Only members of the designated scheme who joined the Group on or before 1 January 1996 are eligible for a post-employment health care subsidy, there are currently 3 qualifying employees. The liability is actuarially valued using a projected unit credit method.

The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 July 2018 by NMG Consultants and Actuaries. The Present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The defined benefit obligation for the reporting periods under review are as follows:

Opening defined benefit obligation	1,793	1,901
Actuarial (gains) / losses		(108)
Defined benefit obligation at the end of the period	<u>1,793</u>	<u>1,793</u>

For determination of the pension obligation, the following actuarial assumptions were used:

Discount rate	9.23%	9.23%
Consumer price inflation	6.63%	6.63%
Real discount rate	1.02%	1.02%
Medical cost trend rates	8.13%	8.13%
Fully-accrued age	60 years	60 years
Spouse age difference	Actual	Actual
Continuation at retirement	100 %	100 %
Proportion married at retirement	Actual	Actual

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Company's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist especially in regards to medical cost trends, which may vary significantly in future appraisals of the Company's defined benefit obligations.

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14. Deferred revenue

Total Deferred revenue	<u>(517,308)</u>	<u>(536,905)</u>
Current	(164,812)	(171,316)
Non-current	<u>(352,496)</u>	<u>(365,589)</u>
	<u>(517,308)</u>	<u>(536,905)</u>

Deferred revenue movement:

Balance at 1 April	(536,905)	(558,593)
Revenue deferred during the period	(149,233)	(174,231)
Revenue released during the period	168,830	195,919
Balance at 31 March	<u>(517,308)</u>	<u>(536,905)</u>

Deferred revenue arises from the advance receipt of service revenue related to Care Plan sales. This revenue is deferred at point of receipt and then recognised as revenue over the life of the service period, with reference to the pattern of the related expenditure incurred.

15. Deferred taxation

Balance at beginning of year	178,627	172,750
<i>Movements consisting of:</i>		
Temporary differences	5,315	5,877
Balance at end of year	<u>183,942</u>	<u>178,627</u>

The deferred taxation asset arises from the following temporary differences:

Property, plant and equipment	(1,836)	3,304
Provisions	159,841	301,482
Deferred revenue	146,970	(1,109)
Allowance for future expenditure	<u>(121,033)</u>	<u>(125,050)</u>
	<u>183,942</u>	<u>178,627</u>

Deferred tax asset	<u>183,942</u>	<u>178,627</u>
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A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At each balance sheet date, the company reviews and assesses the recognised and unrecognised deferred taxation assets as well as the projections of future taxable profit to determine whether any recognised deferred taxation assets should be derecognised and any unrecognised deferred taxation assets should be recognised.

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16. Provisions

Non-current provisions	263,015	258,966
Total non-current provisions	263,015	258,966
Non-current	263,015	258,966
Current	177,933	174,770
	440,948	433,736

Analysis of total provisions

	Legal fees R'000	Warranties R'000	Total R'000
Balance at 1 April 2018	2,540	417,844	420,384
Additional provisions recognised	1,538	272,752	274,290
Reductions arising from payments	(2,708)	(257,517)	(260,225)
Interest expenses	-	(713)	(713)
Balance at 31 March 2019	1,370	432,366	433,736
Balance at 1 April 2019	1,370	432,366	433,736
Additional provisions recognised	738	220,595	221,333
Reductions arising from payments	(773)	(212,375)	(213,148)
Interest expenses	-	(973)	(973)
Balance at 31 March 2020	1,335	439,613	440,948

The provision for legal fees relates to the estimated cost of legal fees for litigation cases identified prior to year end.

The company offers warranty cover in respect of manufacturing defects, which become apparent within one to five years after purchase. 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 as follows:

2020	- 5.30%
2021	- 5.30%
2022	- 5.30%
2023	- 5.30%
2024	- 5.30%

The timing of outflows will vary as and when a warranty claim will arise, being typically up to five years.

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17. Trade and other payables

Accrued liabilities	357,413	530,053
Current portion of lease liabilities	3,693	-
Sundry creditors	(413)	3,625
Trade creditors	57,220	17,873
Value Added Tax	-	26,039
	<u>417,913</u>	<u>577,590</u>

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days and no interest is charged on balances exceeding 60 days. The carrying amounts approximate fair value.

All amounts are short term.

The carrying amount of these assets approximates their fair value.

18. Related party (payables) / receivables

Amounts owing to Jaguar Land Rover Limited - Ultimate Holding Company	(20,491)	(241,186)
Amounts owing from Jaguar Land Rover (South Africa) Holdings Limited - Holding Company	78,065	63,150
Amounts owing to Spark44 (Pty) Ltd - Fellow Subsidiary	(7,803)	(8,683)
	<u>49,771</u>	<u>(186,719)</u>
Current assets	78,065	63,150
Current liabilities	(28,294)	(249,869)
	<u>49,771</u>	<u>(186,719)</u>

The amounts outstanding are unsecured, with fixed 60 days repayment terms and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the current or prior periods as an expected credit loss in respect of amounts owed by related parties. No interest is charged on these balances.

All amounts are short term. The carrying amount is considered by management to approximate their fair values.

19. Dividend

Dividends attributable to the current year

Dividend declared and paid :	(100,000)	(292,000)
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20. Revenue

The following disaggregate revenue by major source:

Vehicle sales	3,285,564	3,906,394
Care Plan sales	168,831	189,680
Vehicle parts and accessory sales	749,289	767,793
	<u>4,203,684</u>	<u>4,863,867</u>

The sale of vehicles includes a determinable amount for subsequent services (multiple-component contracts). The related revenues are deferred at receipt and recognised as revenue over the relevant service period. Care plan sales are recognised as income by reference to the pattern of related expenditure together with a reasonable profit on those services.

The fair value of revenue received in relation to care plan sales is estimated by management. These cost estimates are established using historical information on the nature, frequency and average cost of servicing claims and management estimates regarding possible future incidences based on service schedules. These cost estimates are then inflated by a risk factor, to represent the risk that management carry that actual service costs may vary from planned service costs, as well as a reasonable profit margin and then discounted to present value using a risk-free discount rate in order to determine the fair value of the revenue to be deferred.

The fair value of the revenue deferred is recognised as deferred revenue on the statement of financial position (refer to note 14) and is recognised as revenue by reference to the pattern of the related expenditure incurred over the life of the service period which is a five year period at present.

21. Other gains/(losses)

Other non-turnover items	(487)	73
Profit / (loss) of foreign exchange	(711)	(571)
	<u>(1,198)</u>	<u>(498)</u>

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22. Operating profit

Operating profit is arrived at after taking into account the following items:

Expenditure

Exchange rate losses on foreign exchange	711	571
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Depreciation

Owned assets

Furniture and fittings	(529)	(1,729)
Corporate Identity	(94)	(94)
Equipment	(1,272)	(1,412)
IT equipment	(121)	(99)
Brand Experience Centre	(3,189)	-
	<u>(5,205)</u>	<u>(3,334)</u>

Capitalised leased assets

Land and buildings	(3,968)	-
IT equipment	(1,708)	-
	<u>(5,676)</u>	<u>-</u>

Auditors' remuneration

Audit fees

- Current	856	606
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Operating lease charges

Premises	0	7,238
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23. Investment income

Interest income

Bank deposits	26,324	15,687
Staff loans	2,260	3,410
SARS	484	-
Warranty provision	-	1,633
	<u>29,068</u>	<u>20,730</u>

24. Finance costs

Other interest expenses	375	348
Leases	5,246	-
Warranty provision	973	920
	<u>6,594</u>	<u>1,268</u>

Leases refer to the new IFRS 16 standard for leases.

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25. Income taxation expense

Current taxation	89,434	19,203
Underprovision/(overprovision) in prior year	2,943	2,445
Deferred taxation		
Current year temporary differences	(8,536)	(2,987)
Underprovision/overprovision) in prior year	3,221	(2,890)
Income taxation for the year	<u>87,062</u>	<u>15,771</u>

Income taxation expense can be reconciled to accounting profit as follows:

Profit before tax	<u>277,284</u>	<u>76,055</u>
South African normal taxation rate @ 28%	<u>77,640</u>	<u>21,295</u>
<i>Adjusted for:</i>		
Permanent differences	3,258	(5,079)
Prior year adjustments	6,164	(445)
Net reduction	<u>9,422</u>	<u>(5,524)</u>
Income tax expense recognised in profit or loss	<u>87,062</u>	<u>15,771</u>

South African Receiver of Revenue

Opening balance	23,106	18,322
Current tax expense	(89,434)	(19,203)
(Underprovision)/Overprovision prior year	(2,943)	(2,445)
Provisional payments made	94,885	26,432
Refund received for 2018 year	(15,877)	-
South African Receiver of Revenue (Payable)/Receivable	<u>9,737</u>	<u>23,106</u>

Current taxation balances are presented on the face of the statement of financial position as follows:

Current taxation asset	<u>9,737</u>	<u>23,106</u>
South African Receiver of Revenue Net Payment Due	<u>9,737</u>	<u>23,106</u>

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26. Directors' emoluments

Directors emoluments were paid as follows in the current financial period.

Name	Fees paid to director for services	Salary	Bonuses and performance related payments	Expense allowance	Medical aid contributions	Provident fund contributions	Other/ Housing Allowance
B Hastie	-	1,219	67	104	59	179	781
N Clarke	-	1,255	65	88	40	187	-
L Kretzschmar	-	1,460	76	197	84	209	-
R Gouverneur	-	3,511	-	125	133	307	1,688
L Mallett	-	1,203	77	104	56	179	-
S Malan	-	1,179	72	122	78	176	-
	-	9,827	357	740	450	1,237	2,469

Directors emoluments were paid as follows in the prior financial period.

Name	Fees paid to director for services	Salary	Bonuses and performance related payments	Expense allowance	Medical aid contributions	Provident fund contributions	Other/ Housing Allowance
B Hastie	-	1,233	138	83	58	185	-
N Clarke	-	1,190	138	103	59	178	-
L Kretzschmar	-	1,384	769	124	76	208	-
R Gouverneur	-	3,469	-	79	117	-	3,386
L Mallett	-	1,126	150	83	45	169	-
S Malan	-	1,058	97	110	70	159	-
M Howie	-	1,094	93	95	32	164	524
	-	10,554	1,385	677	457	1,063	3,910

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27. Loans and guarantees to officers

Particulars of loans and guarantee to the officers, all being directors, disclosed pursuant to the Companies Act of South Africa are as follows:

Loans to officers

Name of officer	Balance at 31 March 2020	Balance at 31 March 2019
B Hastie	-	1,347
N Clarke	2,214	1,256
S Malan	956	1,543
L Kretzschmar	968	648
R Gouverneur	1,716	2,551
L Mallet	1,608	1,519

The loans to officers are secured, interest bearing at the official rate of interest. Interest to the value of R 698,358 (2019: R 783,331) was charged during the year.

28. Related party transactions

The holding company of Jaguar Land Rover (South Africa) Holdings Limited is Jaguar Land Rover Limited (UK). Spark 44 is a fellow subsidiary in the group. During the year the company entered into the following trading transactions with related parties.

Name	Relationship	Transactions	2020	2019
Jaguar Land Rover Limited	Ultimate Holding company	Purchase of goods	1,861,345	2,441,891
Jaguar Land Rover Limited	Ultimate Holding company	Trade Mark Fees	261,037	330,298
Jaguar Land Rover Limited	Ultimate Holding company	Other	-	(435,805)
Spark 44 (Pty) Ltd	Subsidiary	Services	26,365	22,853

Purchases were made at the approved transfer prices between the related parties.

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29. Financial instruments

The company has classified its financial assets in the following categories:

	Amortised Cost (IFRS 9)	Total
2020		
Intra-group loans (note 18)	78,065	78,065
Trade and other receivables (note 8)	178,162	178,162
Cash and cash equivalents (note 9)	456,129	456,129
2019		
Intra-group loans (note 18)	63,150	63,150
Trade and other receivables (note 8)	158,391	158,391
Cash and cash equivalents (note 9)	234,150	234,150

The company has classified its financial liabilities in the following categories

	Financial liabilities amortised cost	Total
2020		
Trade and other payables (note 17)	417,913	417,913
Intra-group loans (note 18)	28,294	28,294
2019		
Trade and other payables (note 17)	555,173	555,173
Intra-group loans (note 18)	249,869	249,869

The company is exposed to credit risk and liquidity risk arising in the normal course of its business and financial instruments. The company's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

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Financial instruments continued...

29.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The majority of the Company's credit risk pertains to the risk of financial loss arising from counterparty default on cash investments.

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments of the Company result in material concentrations of credit risks.

To a lesser extent the Company has an exposure to counterparties on trade receivables and other financial assets. The Company will seek to mitigate credit risk on sales to third parties through the use of payment at the point of delivery and credit limits.

Summary quantitative data

Trade and other receivables (note 8)	178,162	158,391
Deposits with banks (note 9)	456,129	234,150

At 31 March 2020, the company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

29.2 Liquidity risk

The company is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining an adequate level of cash and cash equivalents required to meet its continuous operational needs. In addition to the day-to-day cash requirements of the business, the company also holds an additional amount of cash and cash equivalents to make allowance for unexpected cash requirements arising in the normal course of business. Various banking facilities and credit lines have also been arranged with different banks in order to fund any emergency liquidity requirements.

Summary quantitative data

	Less than 1 year	Between 1 and 5 years	Over 5 years	Undated
2020				
Trade and other payables (note 17)	417,913	-	-	-
Long term portion of Lease liability (note 11)		17,770	17,790	
Inter-group loans (note 18)	28,294	-	-	-
2019				
Trade and other payables (note 17)	555,173	-	-	-
Inter-group loans (note 18)	249,869	-	-	-

29.3 Fair value of financial instruments

The fair value of financial instruments approximates their carrying value because of the short term nature and normal trade terms thereof.

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Financial instruments continued...

29.4 Interest rate risk

The company's exposure on interest rate risk mainly arises from its provisions.

Sensitivity analysis

Should the interest rate for cash and cash equivalents increase by 1% then the following movements can be expected on the interest charges (The opposite would apply if the rate decreases.):

Cash and cash equivalents (note 9) - increase	4,562	2,342
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The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual balance sheet date.

The analysis presented for the comparative period was prepared on the same basis at the time of preparation of the comparative period financial statements.

29.5 Currency risk

The group is exposed to the risk of fluctuations in foreign currencies, as a result of anticipated future transactions in foreign currencies and with foreign companies. The group makes use of forward exchange contracts to manage this risk at a group level and the company does not hedge the risk locally at an aggregate group level.

The risk of foreign currency rate fluctuations is carried on an aggregate basis by the Group parent company to which the company belongs. Therefore, there are no significant transactions and balances denominated in a foreign currency. In the event of any significant fluctuation - expected or unexpected - the minimal foreign currency transactions and balances which the company carries would be monitored and controlled.

In respect of sales and receivables, the company only transacts in South African Rands.

28.6 Fair value Measurements

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3: Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

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30. Going concern and Covid-19 impact

The COVID-19 pandemic is rapidly spreading throughout the world, including South Africa. The Company is monitoring the situation closely taking into account directives from the Government.

Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic in the preparation of the financial statements including the assessment of net realizable values of inventories, trade receivables and other assets and the recoverable values of its property, plant and equipment.

The company is affected by the COVID-19 pandemic in line with the impact on the South African economy and is expecting a decline in demand for its products and thus will negatively impact revenue and profits. Due to the dynamic development of the COVID-19 pandemic and its related effects, a precise evaluation of the financial effects future is currently difficult to determine. The company currently has sufficient inventory reserves to fulfil market demand and is currently not facing any major supply shortages. At date of the approval of the financial statements, most retail partners in the industry have resumed their activities in line with the government regulation.

The impact assessment of COVID-19 and the resultant restrictions will be a continuing process given the uncertainties associated with its nature and duration and, accordingly, the impact may be different from that estimated as at the date of approval of these financial statements.

Across all business units and functions, the entity is responding to the crisis triggered by the COVID-19 pandemic with specific measures. Jaguar Land Rover South Africa (Pty) Ltd's senior management meets on a regular basis to define the company's response to the crisis with a particular focus on business continuity. A number of support measures for retail partners have been implemented during this time to support them with the process of stimulating demand in the market. Additionally, senior management meet regularly to monitor liquidity position and manage costs, working capital as well as capital expenditure.

As at the date of this report, the directors made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company continues to monitor any material changes to future economic conditions, but do not consider this to have a material uncertainty on going concern.

No other matters of significance occurred up to the date of approval of the annual financial statement, which may have affected the financial results at that date.

31. Events after the reporting period

There were no events that took place after the reporting period which required an adjustment to the assessments, estimations and/or carrying value of amounts presented in these financial statements.