

# **Jaguar Land Rover Limited**

ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number: 01672070

For the year ended 31 March 2019

## **Directors**

F. Brautigam  
I. J. Harnett  
H. Kirner  
A. J. Mardell  
G. A. McPherson  
N. M. Rogers  
Prof Sir Ralf D Speth  
H. B. B. Sorensen

## **Company secretaries**

A. J. Beaton  
K. J. Benjamin  
A. L. Rees-Browne

## **Registered office**

Abbey Road  
Whitley  
Coventry  
CV3 4LF  
United Kingdom

## **Auditor**

KPMG LLP  
Statutory Auditor  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

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## STRATEGIC REPORT

The directors present their strategic report for Jaguar Land Rover Limited (the company) for the year ended 31 March 2019.

### Principal activity

The company's principal activity during the year was the design, development, manufacture and marketing of high performance luxury saloons, specialist sports cars, four wheel drive off-road vehicles and related components and services. The product range is constantly being improved and updated as part of the company's commitment to provide technically advanced and competitively priced luxury vehicles.

### Review of business and future developments

#### Fiscal 2019 performance and product portfolio

The company has seen an increase in its turnover to £20,870 million (2018: £21,945 million). Profit before tax has decreased to a loss of £(3,872) million (2018: £628 million profit).

Principal products for 2019 were:

- XE
- XJ
- XF
- F-PACE
- F-TYPE
- E-PACE
- I-PACE
- Discovery
- Discovery Sport
- Range Rover
- Range Rover Sport
- Range Rover Evoque
- Range Rover Velar

#### Key performance indicators

The key performance indicators (KPIs) used are set out below:

KPI	Commentary	2019	2018
Turnover	Decrease due to lower wholesales, primarily in China.	£20,870 million	£21,945 million
(Loss)/profit before tax	Decrease primarily driven by the exceptional £3.1 billion write-down to the carrying value of previously capitalised investments in Q3 and a £136 million exceptional charge in relation to a redundancy programme in Q4.	£(3,872) million	£628 million
Net assets	Decrease in net assets due to loss in the year, unfavourable movement in derivative financial instruments and unfavourable remeasurement of pension liability.	£5,151 million	£9,061 million
Headcount (average)	Increases to support product development and growth have been offset by the impact of the redundancy programme in Q4.	38,199 Employees	38,333 Employees



## STRATEGIC REPORT (CONTINUED)

### Our Products, Our Business

#### *Jaguar*

Jaguar's heritage of elegant design, innovative engineering and groundbreaking technology has excited and delighted the world for over 80 years.

Today's world-class Jaguar family comprises the award winning XE, XF and XJ saloons, the dramatic F-TYPE sports car, the F-PACE performance crossover – the fastest-selling Jaguar ever – the E-PACE compact SUV and now I-PACE, the all-electric SUV putting Jaguar at the forefront of the electric vehicle revolution.

#### *Industry-leading technology*

Our first all-electric model, the Jaguar I-PACE, was chosen by an expert panel of 86 prominent global motoring journalists to be the 2019 World Car of the Year, World Car Design of the Year and World Green Car – an unprecedented treble. To date, the I-PACE has won more than 60 awards. Designed to take full advantage of its electrified powertrain and bespoke aluminium architecture, the I-PACE combines SUV practicality with sports car performance.

In Fiscal 2018/19, we introduced intuitive technology, the latest convenience systems and enhanced connectivity to the Jaguar XE. Smart Settings technology uses artificial intelligence to learn the preferences of individual drivers and adjusts seat, mirror, audio and climate settings automatically

#### *Decades of sporting heritage*

Since the reveal of the XK120 in 1948, sports cars have been integral to Jaguar's heritage, with the F-TYPE being the culmination of this rich lineage. To celebrate 70 years of Jaguar sports cars, we introduced the F-TYPE Chequered Flag Limited Edition. Based on the F-TYPE R-Dynamic Coupé and Convertible, and available with powerful four- and six-cylinder engines, the Chequered Flag features a range of subtle visual enhancements to the exterior and to the driver-focused "1+1" cabin.

Jaguar also commemorated 50 years of its flagship XJ luxury saloon by creating a once-in-a-lifetime drive of all eight XJ generations from the Jaguar Castle Bromwich Assembly Plant to the Paris Motor Show, where the model made its world premiere in 1968. The journey was completed by 26 global media, covered 521 miles and took in significant locations such as Jaguar Classic, Goodwood Motor Circuit and Le Mans.

#### *Design, luxury and refinement*

The Jaguar E-PACE is the latest model to feature Adaptive Dynamics to improve ride comfort, handling response and body control. This technology monitors vehicle movements every 2 milliseconds and calculates the required damping force every 10 milliseconds to respond instantly to the driver's inputs and road surface changes.

In Fiscal 2018/19, we revealed the new Chequered Flag editions of the XF Saloon and XF Sportbrake, with design elements including special side-vent badging, Gloss Black alloy wheels, R-Sport seats and Dark Hex aluminium instrument panelling. The 300 SPORT and Chequered Flag special editions have also been added to the World Car of the Year- and World Car Design of the Year-winning F-PACE range.

#### *The award-winning Jaguar I-PACE*

The Jaguar I-PACE is one of the safest and most innovative vehicles on the road today. It offers an engaging drive, everyday usability and a unique balance of agility, refinement and comfort.

The model embodies the innovation that puts Jaguar Land Rover at the forefront of the electric vehicle revolution. In April 2019, the I-PACE became World Car of the Year at the New York International Auto Show, also taking the World Car Design of the Year and World Green Car titles.

The Jaguar I-PACE's 90kWh lithium-ion battery and two light, compact and efficient electric motors deliver sports car performance of 0–60mph in 4.5 seconds and a range of up to 292 miles (WLTP). It charges from 0–80 per cent in just 40 minutes using 100kW rapid charging. Extensive energy efficiency technologies including regenerative braking and battery pre-conditioning help make the most of each charge. I-PACE fleets are already in operation as taxis in Munich, where their capability is being tested around the clock. Vehicle data from every journey is logged, and this wealth of information on real-world use is helping our engineers to develop even more efficient future electrified vehicles.

## STRATEGIC REPORT (CONTINUED)

The navigation system takes account of topography and driving style to plot the most energy-efficient route, while the Smart Climate feature can heat or cool just the area around each occupant to minimise energy consumption. In Fiscal 2018/19, we launched Go I-PACE, an app that helps customers to calculate potential cost savings and battery use and includes functionality for finding charging points.

The I-PACE's design has sustainability at its core. The vehicle's lightweight aluminium body with integrated battery frame delivers the highest torsional rigidity of any Jaguar yet. As we develop our recycling capability through our REALITY research and development collaboration, we will incorporate into new vehicles increasing amounts of recycled material from existing Jaguar and Land Rover vehicles, including pre-production I-PACE prototypes.

Highlights of the body design include industry-first use of aluminium forgings and Jaguar-first applications of post-form heat treatment to increase the strength of the aluminium alloys used in crash-critical areas.

The Jaguar I-PACE has achieved the maximum five-star Euro NCAP rating and offers leading-edge safety technologies include Adaptive Cruise Control with Steering Assist, Autonomous Emergency Braking with Pedestrian and Cyclist Detection and a 360° Parking Aid. A unique Audible Vehicle Alert System also warns vulnerable road users when the vehicle is approaching – a system that was tested in conjunction with UK charity The Guide Dogs for the Blind Association. Pedestrian safety is further enhanced by a deployable bonnet system.

With InControl technology, drivers can enjoy secure 4G connectivity, while the vehicle's hundreds of intelligent sensors improve the driving experience by learning about user preferences. Software-over-the-air updates ensure that the Jaguar I-PACE continuously improves over time and provides drivers with updates to their infotainment system, telematics unit and battery charging capability

### *Jaguar XE: Innovative and extraordinary*

With all-LED exterior lights and a new bumper profile, the XE's contemporary design lends it an even more assertive stance. At the same time, larger front apertures, bold graphics and muscular forms allude to the vehicle's advanced aerodynamics.

The new Jaguar XE's lightweight aluminium-intensive body construction, with double wishbone front and integral link rear suspension, delivers agile handling, precise steering and excellent safety. Rear-wheel-drive powertrains deliver trademark Jaguar handling, feel and balance, while the advanced all-wheel drive system with Intelligent Driveline Dynamics automatically distributes torque between the front and rear axles depending on the driving style and conditions. Three clean and efficient Ingenium engines are available, including powerful 300PS and 250PS petrol engines and a 180PS 2.0-litre diesel engine that returns up to 57.6mpg. The diesel is also compliant with the stringent RDE2 standards.

The beautifully crafted all-new interior features extensive use of soft-touch materials, premium veneers and door trims that improve usability and practicality. The Jaguar XE's Touch Pro Duo infotainment system, shared with the I-PACE, provides instinctive control over key vehicle functions. Wireless device charging and clever Smart Settings technology also make their first appearance in the XE alongside the first-in-segment ClearSight interior rear view mirror. Unhindered by poor light or rain, the system provides a high-definition video feed to the frameless rear view mirror

### **Land Rover**

#### *Greater choice of power*

Advanced design and technology have made the world's finest SUVs even more efficient. Alongside the Range Rover and Range Rover Sport plug-in hybrid electric vehicles (PHEVs) that went on sale last year, we have introduced a mild hybrid electric system (MHEV) combined with an all-new Ingenium in-line six-cylinder engine. The 48-volt hybrid system ensures efficiency, with the beautifully balanced straight-six format delivering peerless refinement. Effortless power comes from combining electric superchargers with turbochargers, with the electric power filling in the torque curve for immediate response. This new addition is at the cutting edge of powertrain technologies and shows the flexibility of our modular Ingenium family.

The new powertrain debuts in the Range Rover Sport HST, in 400PS guise, with customer deliveries imminent. And from 1 May 2019, the order books opened for the Range Rover 3.0-litre in-line six-cylinder Ingenium petrol engine.

## STRATEGIC REPORT (CONTINUED)

Further additions to the Ingenium family will arrive later in 2019, with the addition of a three-cylinder format that will power the new Range Rover Evoque and Land Rover Discovery Sport. The new Premium Transverse Architecture (PTA) that underpins the vehicles has been engineered to make the most of the new compact and lightweight powertrain. The three-cylinder will also be available as a plug-in hybrid, making it one of the first three-cylinder PHEVs in the segment.

### *Luxury and performance*

Building on the Range Rover Velar's elegant modern design, the SVAutobiography Dynamic Edition heightens the luxury and comfort of the world's most beautiful mid-size SUV. The supercharged 5.0-litre V8 petrol engine delivers 550PS, while enhanced SV brakes have outstanding stopping power. The special edition offers optimised aerodynamics and cooling and optional diamond-turned finish wheels.

SVAutobiography Dynamic Edition retains the all-terrain capability, traditional refinement and comfort customers expect from a Range Rover, with an even more rewarding and engaging driving experience.

### *Premium capability*

The latest updates strengthen the Land Rover Discovery's status as the ultimate family SUV. The 3.0-litre diesel engine offers excellent performance and efficiency. New Clear Exit Detection safety technologies protect occupants and other road users, helping occupants to exit the vehicle safely when there is oncoming traffic or other hazards. Customers love the world's most versatile compact "5+2" SUV, the Discovery Sport, for its combination of unrivalled all-terrain capability, flexibility and versatility for up to seven people with 24 possible seat configurations.

The new Discovery Sport has been updated with the latest user-friendly technology and more efficient, electrified engines offering "go anywhere" enhancements. The innovative Terrain Response 2 technology ensures you can wade rivers, climb mountains and explore places other SUVs cannot reach, while the new PTA delivers greater comfort and surpasses the most stringent global safety requirements.

### *Next-generation refinement*

The second-generation Range Rover Evoque, revealed in November 2018, is also based on our new PTA. Under the skin, the vehicle is a technology revolution, setting new standards in the segment for refinement, capability and sustainability. The recognisable design has evolved. A modernist exterior is combined with a luxurious technology-rich interior, with new materials crafted from eucalyptus, wool and recycled plastics.

### *Land Rover: an iconic brand turns 70*

First debuting at the Amsterdam Motor Show in 1948, Land Rover is the story of the utility vehicle that defined the world's favourite 4x4 and pushed the boundaries of exploration. The brand connects people who have a passion for adventure with the purposeful innovation that characterises our family of vehicles.

Today's models trace their roots directly back to the original Series I Land Rover conceived by the Wilks brothers. 70 years have equipped us to deliver the finest off-road and all-terrain capability. Land Rovers have become some of the world's most iconic vehicles – carrying essential relief in emergencies and disasters and being at the heart of epic adventures.

Land Rover vehicles are designed for adventure – and few expeditions are more adventurous than the Dakar Rally. So, it was appropriate that the first car home in the inaugural Paris–Dakar Rally, back in 1979, was a Range Rover. Since inception, our vehicles have combined rugged strength, performance and go-anywhere capability, making them the first choice on countless journeys to some of the world's harshest environments.

To launch the celebrations, an outline of a Land Rover Defender was imprinted 2,700m up in the French Alps. This was tribute to the moment when the engineering director of Rover, Maurice Wilks, first sketched the shape of the original Land Rover in the sand of Red Wharf Bay. This original drawing has stood the test of time, continuing to be recognised as the Defender from then until today.

Events took place around the world, showcasing the extraordinary work our vehicles perform, including:

- Streets of Solidarity, Red Cross, Milan: Helping the homeless by carrying supplies and acting as mobile consulting rooms, Land Rovers are used by the volunteers of Milan Red Cross to provide support to those who need it most.
- The Land of Land Rovers, West Bengal, India: Dating from 1957, 42 Land Rovers provide vital transportation for the people in the remote settlement of Sandakphu, highlighting the lasting capability of our vehicles.

## STRATEGIC REPORT (CONTINUED)

A weekend-long festival in Solihull, UK saw thousands of employees, neighbours, community partners and brand enthusiasts coming together to honour 70 years of Land Rover.

Sixteen iconic Land Rovers from the past seven decades drove in procession to kick off the weekend. Among the vehicles on show was the Red Cross Land Rover Discovery, built as a disaster relief command centre, displaying the innovative technology that helps to save lives worldwide.

Within the crowds was 97-year-old Fred Bostock, who was reunited with two historic vehicles he worked on: the Series I HUE 166 and the famous missing prototype 7.

### *Range Rover Evoque: sophisticated evolution*

Combining all-terrain capability with on-road composure, the new Evoque delivers improved performance, safety and stability. The Evoque is based on our new mixed metal PTA platform, which offers front- and all-wheel drive setups and also handles petrol, diesel, MHEV and PHEV powertrains.

The new Range Rover Evoque was created from the outset around electrification. Its smooth and efficient four-cylinder Ingenium diesel and petrol engines feature 48-volt mild hybrid systems, with an even more efficient three-cylinder Ingenium petrol plug-in hybrid joining the range later this year.

Intelligent sensors on the new Evoque continuously monitor road conditions, adjusting dampers to give a composed ride regardless of terrain or surface, while Driveline Disconnect disengages drive to the rear wheels when cruising to reduce frictional losses and improve fuel economy.

In a world first, cameras in the front grille and door mirrors project to the central touchscreen, giving a virtual 180-degree view in front of and underneath the vehicle. The ClearSight Ground View helps navigate difficult urban or rough terrain, while the new smart interior rear view mirror can also transform into a high-definition screen, offering better visibility.

The first Range Rover with Smart Settings artificial intelligence, the vehicle remembers and predicts the driver's preferred temperature, media settings and commonly dialled numbers according to the time or day of the week. The vehicle also has native integration with Apple CarPlay and Android Auto.

The way we make our vehicles and the materials that go into them is of vital importance to everyone at Jaguar Land Rover. The use of recycled and natural materials in the new Evoque along with the addition of hybrid powertrains not only enhances its appeal but also underpins our approach to sustainable luxury.

Jaguar Land Rover is Carbon Neutral certified for our UK manufacturing, and we have put sustainability at the heart of the new Evoque. The Evoque is built with up to 33kg of natural recycled material from post-consumer or post-industrial sources, such as a durable wool blend by Danish experts Kvadrat, and Dinamica® suedecloth, created from recycled plastic.

Finishes also include our first plant-based textile, Eucalyptus Melange, which is sustainably sourced and less water-intensive than similar natural fibres. In addition, the Evoque features our first technical performance material, Ultrafabrics™ polyurethane, which is 50 per cent lighter than leather and has anti-microbial and -odour properties.

### **Special Vehicles and Classic**

Based at SV Technical Centre in Warwickshire, UK, a team of 500 work across 40 engineering bays to deliver stunning, tailor-made and bespoke-designed vehicles, including limited-run collectors' editions.

The Jaguar Land Rover Classic team is dedicated to preserving and restoring our motoring heritage. Historic car specialists offer vehicles, services, genuine parts and knowledge to customers worldwide, as well as the best possible restoration facilities located at Classic Works, a 14,000m<sup>2</sup> hub including space for 480 vehicles at any one time.

We also draw on our history to create stunning vehicles, including Reborn restorations, the ground-breaking electrified Jaguar E-type Zero concept, all-new Continuation Jaguar D-types and the Land Rover Defender Works V8 70th Edition.

## STRATEGIC REPORT (CONTINUED)

### *Jaguar XE SV Project 8*

Our tradition of pushing the boundaries of design, engineering and craftsmanship continues with the new Jaguar XE SV Project 8.

The 600PS supercharged V8-powered saloon is the most powerful road-legal Jaguar ever made and holds fastest production saloon records at circuits worldwide, including the Nürburgring Nordschleife, Laguna Seca, Portimão and Dubai Autodrome. The Project 8 is the second Collectors' Edition, produced in a maximum run of 300.

### *Range Rover Velar SVAutobiography Dynamic Edition*

The Velar SVA Dynamic Edition is the newest addition to the SV lineup. Building upon the world's most beautiful mid-size SUV, this vehicle gains more performance, luxury and exclusivity.

With a 550PS 5.0-litre V8 supercharged engine, the vehicle is capable of accelerating from 0–100km/h in 4.4 seconds (0–60mph in 4.2 seconds) and reaching 274km/h (170mph), without compromising on traditional Range Rover refinement and comfort.

The vehicle has a range of design enhancements, optimised aerodynamics and improved cooling performance. Up-rated brakes and suspension sit alongside bespoke calibrations for everything including the transmission, steering, powertrain and safety settings.

### *Jaguar F-PACE SVR*

The Jaguar F-PACE has been critically acclaimed across the world and our performance SUV has more than 70 international awards to its name.

The F-PACE SVR joined the F-PACE line-up for the 2019 model year, featuring a 550PS, 680Nm 5.0-litre V8 supercharged petrol engine and capable of 0–100km/h in 4.3 seconds (0–60mph in 4.1 seconds), with a top speed of 283km/h (176mph).

The F-PACE SVR features bespoke suspension, aerodynamic enhancements and new lightweight 21- and 22-inch alloy wheels to accommodate up-rated brakes.

A Variable Valve Active Exhaust system ensures the supercharged V8 engine delivers a soundtrack to match its performance.

Inside, the Jaguar F-PACE SVR offers slim line sports seats featuring the SVR logo, while the Sport Shift Selector underlines the SUV's sports car-influenced character.

### The road to Destination Zero

Our ambition is to make our societies safer and healthier, and our environment cleaner. We call our vision for tomorrow's mobility Destination Zero.

#### *Zero emissions*

In 2018, battery electric vehicles accounted for only 1.3 per cent of all passenger vehicle sales in Europe. It is government incentives and policies and advances in electrification technologies that will drive consumer take-up of zero emissions vehicles. However, 100 per cent emissions-free mobility requires the decarbonisation of the entire energy production process. Modern clean, efficient combustion engines have significantly reduced emissions and will continue to play a role as we transition to a future world of electric mobility.

#### *Zero accidents*

Every year globally 1.3 million people die in car accidents, equivalent to eight jumbo jet crashes per day. Autonomous technologies can prevent these deaths.

#### *Zero congestion*

Transport infrastructure across many countries is reaching its limits. Take central London, where the average speed of traffic is 7.4mph. Intelligent, networked transport systems offer the solution, with a future generation of system-level innovation.

## STRATEGIC REPORT (CONTINUED)

### *Our self-driving future*

We have built a reputation for world firsts and breakthrough innovations throughout the long histories of our two iconic brands. This gives us a competitive advantage in understanding the needs and requirements for autonomous vehicles.

Jaguar, the creator of the world's first disc brake in 1953, is an industry leader in aluminium lightweighting and closed-loop recycling.

Land Rover is streets ahead of the competition, with 70 years of off-roading experience supported by extensive know-how and patented technologies, such as Dynamic Stability Control and the industry-leading Terrain Response.

Through the UK Autodrive collaboration, we are trialling next-stage self-driving technologies, both on the test track and on complex, busy routes in UK cities. Prototype self-driving Range Rovers can already communicate with traffic lights, handle vehicle hazards and park themselves while protecting pedestrians and other road users.

Working in partnership with cognitive psychologists, we have researched and tested "virtual eye pods" that indicate to pedestrians that their presence has been detected and beam intent information onto the road, to evidence turning, slowing or accelerating. This research looks into the trust in autonomy for our self-driving future.

We are testing the Green Light Optimal Speed Advisory (GLOSA) system, a new vehicle-to-everything (V2X) technology designed to communicate with traffic lights to find the optimum driving speed that minimises the need for vehicles to stop at junctions. Reducing harsh acceleration and sudden braking brings positive environmental benefits, improving air quality

Through our long-term strategic partnership with Waymo, we exchange learning and expertise about autonomy and are integrating Waymo self-driving technology into Jaguar I-PACE vehicles. Currently being tested in San Francisco, CA, an initial 20,000 I-PACEs will join Waymo's driverless fleet and serve a potential 1 million trips daily.

### *Environmental advances in materials science*

In the world envisaged by Destination Zero, future vehicles will be constructed with sustainable self-repairing new materials, stronger and lighter than ever before. At Jaguar Land Rover, we take a "whole systems thinking" approach in the design, sourcing, manufacturing and recycling of our vehicles, balancing aesthetics with ethics to deliver the industry-leading benchmark for future sustainable materials.

We use natural fibres and premium recycled materials to reduce the environmental impact of our processes. The new Range Rover Evoque interior features eucalyptus textile made from 30 per cent natural wool fibres alongside polyurethane fabric, providing a durable yet lightweight sustainable material.

### *Creating a tranquil sanctuary inside our vehicles*

Smart and connected technologies within our vehicle cabins can improve our customers' wellbeing. We offer configurable ambient interior lighting and Driver Condition Monitors, providing early warnings for drivers to take a break. We are exploring a range of wellbeing features, including the use of ultraviolet (UV-C) light technology to help stop the spread of bacteria and harmful viruses, a prerequisite for a world in which customers will increasingly use shared modes of transport.

Over 70 per cent of travellers suffer from motion sickness. Jaguar Land Rover engineers are creating technologies that can react and adapt for optimal passenger wellness, particularly relevant to travelling in a self-driving vehicle. An algorithm-generated "wellness score" calculates susceptibility to motion sickness, enabling the system to recommend how the vehicle should be driven, as well as adjusting settings within the cabin, reducing car sickness by up to 60 per cent. We have already collected 15,000 miles of motion sickness data, which has helped us develop a baseline of requirements for self-driving vehicles.

### *Understanding our customers' needs*

Our goal is to meet the ever-changing demands of our customers. Increasingly, connected technologies generate data that can be mined for the benefit of our customers, whether advising to reroute through traffic or detecting potholes. We take the safety of personal data seriously. We carry out extensive research to understand the needs, routines and habits of all of our customers. Our intelligent Go I-PACE app uses artificial intelligence to help customers understand how the electric Jaguar I-PACE would fit into their lifestyle.

## STRATEGIC REPORT (CONTINUED)

### *The Midlands: The new valley of mobility*

We are a key stakeholder in the UK Faraday Challenge, established to make the UK a centre of excellence for the research, development and scale-up of future battery technologies. The new Battery Industrialisation Centre, to be located close to our headquarters in Coventry, will lead the scale-up activities, providing the opportunity to trial advanced battery manufacturing processes.

The West Midlands will be the UK's first multi-city testbed for 5G high-speed connectivity, vastly improving access to information.

The National Automotive Innovation Centre (NAIC) is creating a collaborative environment for innovative research. We are also testing predictive algorithms for the future of autonomy in the new Smart City Mobility Centre, located at Warwick University.

### Experiences people love, for life

We put our customers first. Our commitment to excellence sits at the heart of everything we do to deliver outstanding vehicles and services.

### *Listening to customers at every opportunity*

At Jaguar Land Rover, customer involvement begins at the earliest stages of vehicle conception:

- Our customer insights team collects and analyses feedback from our customers, which our designers, engineers and product managers use to inform decisions and improvements. New high-level insights are shared Company-wide on a weekly basis.
- We talk with our customers through Customer Advisory Boards and private online communities.
- We gather customer service insights from our retailers in 143 markets. We also visit customers at home and at work to learn about who they are, how they live and the role their vehicles play in their lives.

Thanks to the creativity of our customers, we often co-create ideas with them. Examples include:

- Larger and smarter stowage, including door bins, hidden compartments and compartmentalised console storage;
- Accessories for dog owners;
- Larger screens; and
- Retention of switches, buttons and dials for customers who want physical controls

### *A premium retail experience*

Our ARCH retail corporate identity is designed to excite our customers and create memorable experiences of our businesses and brands.

Encompassing the entire retail space, ARCH:

- Offers crisp, modern, beautifully presented design language that enhances Jaguar and Land Rover;
- Builds brand awareness and recognition;
- Is scalable enough to support small facilities through to statement sites; and
- Uses an internal layout that supports sales, aftersales and service processes.

## STRATEGIC REPORT (CONTINUED)

### *Focus on quality*

Jaguar Land Rover is committed to delivering superior vehicles and services.

Product quality and customer service transformation are key components of our Accelerate transformation programme, designed to deliver long-term operating efficiencies and enhance customer satisfaction.

Working with teams across the company, we have developed a new vision and purpose for quality at Jaguar Land Rover. The vision identifies strategic imperatives for achieving the highest quality throughout the product life cycle and for maximising satisfaction and loyalty at every single customer touchpoint.

We have made significant investments into issue detection and the speed of resolution, including:

- Warranty transformation: using predictive analytics technology to detect customer issues faster;
- Complex issues analysis: opening a new Diagnosis Centre within MIRA;
- Escalation of priority issues: gaining insights from “Voice of Market” reports issued by our Customer Service department; and
- Faster resolution: establishing engineering support presence in key markets. These measures have enabled Jaguar Land Rover to meet Real Driving Emissions (RDE2) standards ahead of time for several of our vehicles.

### *Applying customer first inside our business*

Our employees are our customers too, so we have adopted our Customer First Principles as business behaviours throughout Jaguar Land Rover. These principles are the following:

- Transparent
- Personalised
- Make me feel special
- Easy to do business with
- Dependable

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Jaguar Land Rover group, of which the company is part, are included in the Jaguar Land Rover Automotive plc Annual Report 2018/19. The principal risks and uncertainties are considered at a group level and are considered to be similar to those of the company. Within the context of the wider Jaguar Land Rover group, the principal risks and uncertainties facing the company include, but are not limited to, the following:

#### ***Credit risk***

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is specified within individual agreements.

#### ***Liquidity risk***

The company maintains receivable based financing that is designed to ensure the company has sufficient available funds for operations.

Lower consumer demand for vehicles and a tightening of conditions in the credit markets, may adversely affect both consumer demand and the cost and availability of finance to the company.

## STRATEGIC REPORT (CONTINUED)

### ***Interest rate cash flow risk***

The company has both interest bearing assets (including cash and short-term deposits) and interest bearing liabilities, a proportion of which are at variable rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### ***Currency risk***

The company's operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates and certain commodity prices.

### ***Financial risk management***

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate risk and currency risk. The company has in place a risk management programme that sets out specific guidelines to manage these risks and the circumstances where it would be appropriate to use financial instruments to manage these.

Approved by the Board of Directors and signed on behalf of the Board of Directors,



K. J. Benjamin  
Company Secretary  
30 October 2019

**Registered Address**  
Abbey Road  
Whitley  
Coventry  
CV3 4LF  
United Kingdom

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the company for the year ended 31 March 2019.

### Results and dividends

The income statement shows a loss after tax for the financial year of £(3,464) million (2018: £526 million profit after tax).

The directors do not recommend payment of a dividend in respect of the financial results for the year ended 31 March 2019 (2018: £nil).

### Directors

The directors who held office during the year and subsequently to the date of this report unless otherwise stated are as follows:

F. Brautigam (appointed 1 April 2018)  
K. D. M. Gregor (resigned 1 June 2019)  
I. J. Harnett  
H. Kirner  
A. J. Mardell (appointed 1 June 2019)  
G. A. McPherson (appointed 30 June 2018)  
N. M. Rogers  
H. B. B. Sorensen (appointed 26 July 2019)  
Prof. Dr. R. D. Speth  
W. Stadler (resigned 30 June 2018)

A. J. Beaton  
R. M. A. Bielby (resigned 21 September 2018 as Company Secretary)  
K. J. Benjamin (appointed 19 October 2018 as Company Secretary)  
S. L. Pearson (resigned 31 March 2019 as Company Secretary)  
A. L. Rees-Browne (appointed 19 October 2018 as Company Secretary)

### Directors' indemnities

The company's intermediate parent, Jaguar Land Rover Automotive plc, maintained directors' liability insurance for all directors during the financial year and subsequently.

### Branches

The company has three branches which exist and operate outside of the UK based in the United Arab Emirates.

### Going concern

The following statement is given in the context of the company's position within the Jaguar Land Rover group, headed by Jaguar Land Rover Automotive plc. Jaguar Land Rover Automotive plc obtains borrowings from external lenders and shares this funding across the group, including with the company. The consolidated group financial statements of Jaguar Land Rover Automotive plc have concluded that the going concern assumption is appropriate.

The directors have taken action to ensure that appropriate long-term cash resources are in place at the date of signing the financial statements to fund company operations. The directors have reviewed the financial covenant linked to the borrowings in place and believe these will not be breached at any point and that all debt repayments will be met.

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

The company is a joint guarantor to the external borrowings held by Jaguar Land Rover Automotive plc.

### Business review and future developments

A business review and future developments impacting the company are disclosed in the strategic report on pages 1 to 10.

## **DIRECTORS' REPORT (CONTINUED)**

### **Financial instruments**

The disclosures required in relation to the use of financial instruments by the company, together with details of the company's treasury policy and management are set out in note 34 to the financial statements on pages 74 to 86.

### **Research and development**

The company has incurred £1,997 million (2018: £2,016 million) of research and development costs during the financial year. The company is committed to a continuing programme of major expenditure on research and development. Further information is included in the strategic report.

### **Employee involvement**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazines. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### **Employee information**

The average number of employees of the company is disclosed in note 6 to the financial statements.

The company is committed to a workplace that is inclusive and values diversity. It is the policy of the company that the training, career development and promotion opportunities for disabled people should be identical to that of other employees. The company actively encourages a diversity of applicants for all job vacancies.

In the event of members of staff becoming disabled every reasonable effort is made by the company to ensure that they can continue to contribute fully within the organisation.

Apart from determining that an individual has the ability to carry out a particular role, the company does not discriminate in any way. It endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the company. The company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

### **Political involvement and contributions**

The company respects an employee's right to use their own time and resources to participate as individual citizens in political and governmental activities of their choice. The company itself operates under legal limitations on its ability to engage in political activities, and even where there are no legal restrictions, the company does not typically make contributions to political candidates or political parties or permit campaigning on its property by political candidates (including those who work for the company) or persons working on their behalf. There have not been any political donations in any of the periods covered by these financial statements.

### **Slavery and human trafficking statement**

Pursuant to Section 54 of the Modern Slavery Act 2015, the company has published a Slavery and Human Trafficking Statement for the year ended 31 March 2019. The Statement sets out the steps that the company has taken to address the risk of slavery and human trafficking occurring within its own operations and its supply chains. This statement can be found on the company's corporate website.

### **Events after the balance sheet date**

Full details of significant events since the balance sheet date are disclosed in note 40 to the financial statements on page 91.

## **DIRECTORS' REPORT (CONTINUED)**

### **Independent auditor**

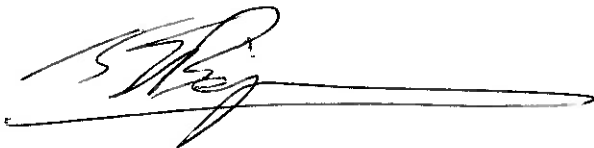
In accordance with Section 487 of the Companies Act 2006, the company has elected to dispense with laying financial statements before the general meeting, holding annual general meetings and the annual appointment of the auditor. With such an election in force the company's auditor shall be deemed to be re-appointed for each succeeding financial year in accordance with Section 485 of the Act.

### **Statement of disclosure of information to auditor**

In the case of each of the persons who are directors at the time when the report is approved under Section 418 of the Companies Act, 2006 the following applies:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken necessary actions in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The report was approved by the Board of Directors and signed on its behalf by:



K. J. Benjamin  
Company Secretary  
30 October 2019

### **Registered Address**

Abbey Road  
Whitley  
Coventry  
CV3 4LF  
United Kingdom

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law and as permitted by Luxembourg market rules the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGUAR LAND ROVER LIMITED**

### **Opinion**

We have audited the financial statements of Jaguar Land Rover Limited ("the company") for the year ended 31 March 2019 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of certain assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict unknowable factors or future implication for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGUAR LAND ROVER LIMITED (CONTINUED)**

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

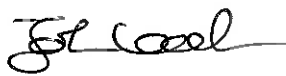
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGUAR LAND ROVER LIMITED (CONTINUED)**

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**John Leech (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom  
31 October 2019



## INCOME STATEMENT

Year ended 31 March (£ millions)	Note	2019	2018 restated*
<b>Revenue</b>	4	<b>20,870</b>	<b>21,945</b>
Material and other cost of sales	5	(14,038)	(14,622)
Employee costs	6	(2,488)	(2,457)
Other expenses	9	(4,549)	(4,498)
Exceptional items	3	(3,242)	437
Engineering costs capitalised	10	1,576	1,610
Other income		112	246
Depreciation and amortisation	16, 17	(2,099)	(2,033)
Foreign exchange loss and fair value adjustments		(65)	(76)
Finance income	11	176	166
Finance expense (net)	11	(125)	(90)
<b>(Loss)/profit before tax</b>		<b>(3,872)</b>	<b>628</b>
Income tax credit/(expense)	13	408	(102)
<b>(Loss)/profit for the year</b>		<b>(3,464)</b>	<b>526</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

All the activities of the company are from continuing operations.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March (£ millions)	Note	2019	2018 restated*
<b>(Loss)/profit for the year</b>		<b>(3,464)</b>	<b>526</b>
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Remeasurement of defined benefit obligation	31	(268)	545
Loss on effective cash flow hedges of inventory		(197)	-
Income tax related to items that will not be reclassified	18	74	(91)
		<b>(391)</b>	<b>454</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Gain on cash flow hedges (net)		93	2,413
Income tax related to items that may be reclassified	18	(18)	(457)
		<b>75</b>	<b>1,956</b>
<b>Other comprehensive (expense)/income net of tax</b>		<b>(316)</b>	<b>2,410</b>
<b>Total comprehensive (expense)/income attributable to shareholder</b>		<b>(3,780)</b>	<b>2,936</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

## BALANCE SHEET

As at 31 March (£ millions)	Note	2019	2018 restated*
<b>Non-current assets</b>			
Investments	14	1,079	809
Other financial assets	15	159	405
Property, plant & equipment	16	5,537	6,386
Intangible assets	17	5,440	6,859
Deferred tax asset	18	69	-
Other non-current assets	22	83	80
<b>Total non-current assets</b>		<b>12,367</b>	<b>14,539</b>
<b>Current assets</b>			
Cash and cash equivalents	19	2,465	2,087
Short-term deposits and other investments		1,028	2,011
Trade receivables		2,168	2,269
Other financial assets	15	1,629	1,746
Inventories	21	1,818	1,778
Other current assets	22	360	411
<b>Total current assets</b>		<b>9,468</b>	<b>10,302</b>
<b>Total assets</b>		<b>21,835</b>	<b>24,841</b>
<b>Current liabilities</b>			
Accounts payable	23	5,413	5,692
Short-term borrowings	24	3,631	2,967
Other financial liabilities	25	925	1,089
Provisions	26	868	649
Other current liabilities	27	153	119
<b>Total current liabilities</b>		<b>10,990</b>	<b>10,516</b>
<b>Non-current liabilities</b>			
Long-term borrowings	24	3,599	3,060
Other financial liabilities	25	283	260
Provisions	26	1,008	924
Retirement benefit obligation	31	640	415
Other non-current liabilities	27	164	145
Deferred tax liabilities	18	-	460
<b>Total non-current liabilities</b>		<b>5,694</b>	<b>5,264</b>
<b>Total liabilities</b>		<b>16,684</b>	<b>15,780</b>
<b>Equity attributable to shareholder</b>			
Ordinary share capital	28	3,561	3,561
Other reserves	29	1,590	5,500
<b>Equity attributable to shareholder</b>		<b>5,151</b>	<b>9,061</b>
<b>Total liabilities and equity</b>		<b>21,835</b>	<b>24,841</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

These financial statements were approved by the Board of Directors and authorised for issue on 30 October 2019. They were signed on its behalf by:



A. Mardell  
Director  
Company registered number: 01672070

## STATEMENT OF CHANGES IN EQUITY

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
<b>Balance at 1 April 2018 restated*</b>	3,561	5,500	9,061
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	(31)	(31)
<b>Adjusted balance at 1 April 2018</b>	<b>3,561</b>	<b>5,469</b>	<b>9,030</b>
Loss for the year	-	(3,464)	(3,464)
Other comprehensive expense for the year	-	(316)	(316)
<b>Total comprehensive expense</b>	<b>-</b>	<b>(3,780)</b>	<b>(3,780)</b>
Amounts removed from hedge reserve and recognised in inventory	-	(122)	(122)
Income tax related to amounts removed from hedge reserve and recognised in inventory	-	23	23
<b>Balance at 31 March 2019</b>	<b>3,561</b>	<b>1,590</b>	<b>5,151</b>

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
<b>Balance at 1 April 2017</b>	3,561	2,564	6,125
Profit for the year restated*	-	526	526
Other comprehensive income for the year restated*	-	2,410	2,410
<b>Total comprehensive income</b>	<b>-</b>	<b>2,936</b>	<b>2,936</b>
<b>Balance at 31 March 2018</b>	<b>3,561</b>	<b>5,500</b>	<b>9,061</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

## CASH FLOW STATEMENT

Year ended 31 March (£ millions)	Note	2019	2018
<b>Cash flows generated from operating activities</b>			
Cash generated from operations	37	1,544	2,051
Income tax paid		(14)	(17)
<b>Net cash generated from operating activities</b>		<b>1,530</b>	<b>2,034</b>
<b>Cash flows used in investing activities</b>			
Investment in subsidiaries and equity accounted investments		(6)	(261)
Investment in other restricted deposits		(28)	-
Redemption of other restricted deposits		27	-
Movements in other restricted deposits		(1)	-
Investment in short-term deposits and other investments		(2,437)	(5,473)
Redemption of short-term deposits and other investments		3,491	6,016
Movements in short-term deposits and other investments		1,054	543
Purchases of property, plant and equipment		(1,236)	(1,544)
Proceeds from sale of property, plant and equipment		-	1
Net cash outflow relating to intangible asset expenditure		(1,777)	(1,631)
Issue of short-term loans to group undertakings		-	(500)
Finance income received		46	26
Dividends received		11	132
<b>Net cash used in investing activities</b>		<b>(1,909)</b>	<b>(3,234)</b>
<b>Cash flow generated from financing activities</b>			
Finance expenses and fees paid		(220)	(159)
Proceeds from issuance of short-term borrowings		2,179	2,096
Repayment of short-term borrowings		(1,840)	(1,206)
Proceeds from issuance of long-term borrowings		1,214	373
Repayment of long-term borrowings		(547)	-
Payment of lease obligations		(2)	(1)
<b>Net cash generated from financing activities</b>		<b>784</b>	<b>1,103</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>405</b>	<b>(97)</b>
Cash and cash equivalents at beginning of year		2,087	2,195
Effect of foreign exchange on cash and cash equivalents		(27)	(11)
<b>Cash and cash equivalents at end of year</b>		<b>2,465</b>	<b>2,087</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 BACKGROUND AND OPERATIONS**

The company's principal activity during the year was the design, development, manufacture and marketing of high performance luxury saloons, specialist sports cars, four-wheel drive off-road vehicles and related components.

The company is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Abbey Road, Whitley, Coventry, CV3 4LF, United Kingdom. The company is an indirect subsidiary of Tata Motors Limited, India ('Tata Motors Limited').

These financial statements have been prepared in Pound Sterling (GBP) and rounded to the nearest million (£ million) unless otherwise stated.

### **2 ACCOUNTING POLICIES**

#### **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretation Committee interpretations as adopted by the European Union (EU) and the requirements of the United Kingdom Companies Act 2006 applicable to companies reporting under IFRS.

The company is exempt from preparing consolidated group financial statements under Section 400 of the Companies Act 2006 and therefore these financial statements contain information about the company and not its group. The company is included in the consolidated financial statements of Jaguar Land Rover Automotive plc which are available from the company's registered office.

#### **BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

#### **GOING CONCERN**

The following statement is given in the context of the company's position within the Jaguar Land Rover group, headed by Jaguar Land Rover Automotive plc. Jaguar Land Rover Automotive plc obtains borrowings from external lenders and shares this funding across the group, including with the company. The consolidated group financial statements of Jaguar Land Rover Automotive plc for the year ended 31 March 2019 have concluded that the going concern assumption is appropriate.

The directors have taken action to ensure that appropriate long-term cash resources are in place at the date of signing the financial statements to fund company operations. The directors have reviewed the financial covenants linked to the borrowings in place and believe these will not be breached at any point and that all debt repayments will be met.

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

#### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Those which are significant to the company are discussed separately below:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### *Revenue recognition*

Vehicle revenue, as the primary source of income for the company, is recognised when control of the vehicle passes to the customer, which the company has assessed is when the vehicle is either despatched or held on behalf of the customer but depends on the underlying terms of the customer contract. Control of an asset refers to having the ability to direct the use of the asset and obtain substantially all of the remaining economic benefit.

The transfer of control depends on the consideration of a number of facts and circumstances surrounding the relevant transaction, such as the transfer of risks and rewards of ownership, transfer of legal title, transfer of physical possession, customer acceptance and whether or not an entity has a present right to payment. The company determines the transfer of control with reference to those factors, thus ultimately driving revenue recognition.

In some instances, the company recognises revenue on a bill-and-hold basis where control of the vehicle has been transferred to the customer but physical possession is retained by the company (for example, within a vehicle holding compound) until a future point in time. Revenue is recognised on the meeting of bill-and-hold criteria, which are considered to be met as the reason for the bill-and-hold is substantive (as the customer requests JLR to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line) and the company does not have the ability to use the vehicle or direct it elsewhere.

#### *Capitalisation of product engineering costs*

The company undertakes significant levels of research and development activity, and for each vehicle programme a periodic review is undertaken. The company applies judgement in determining at what point in a vehicle programme's life cycle the recognition criteria under IAS 38 are satisfied and estimates the proportion of central overhead allocated. If a later point had been used then this would have had the impact of reducing the amounts capitalised as product engineering costs. If central overheads had not been allocated it would have reduced the amount capitalised by £146 million.

#### *Deferred tax asset recognition*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

#### Estimates and assumptions

The areas where assumptions and estimates are significant to the financial statements are as described below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### *Impairment of intangible and tangible fixed assets*

The company tests annually whether indefinite lived intangible fixed assets have suffered any impairment. The recoverable amount of the cash-generating unit is based on the higher of value in use and the fair value less cost of disposal. Value in use is calculated from cash flow projections generally over five years using data from the company's latest internal forecasts, and extrapolated beyond five years using estimated long-term growth rates. Key assumptions and sensitivities for impairment are disclosed in note 17.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### *Product warranties*

The company provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Refer to note 26.

The company also has back-to-back contractual arrangements with its suppliers in the event that a vehicle fault is proven to be a supplier's fault. Estimates are made of the expected reimbursement claims based upon historical levels of recoveries by supplier, adjusted for inflation and applied to the population of vehicles under warranty at the balance sheet date. Supplier reimbursement claims are presented as separate assets in note 15.

##### *Retirement benefit obligation*

The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate, inflation and mortality assumptions. Any changes in these assumptions will impact upon the carrying amount of post-employment benefit obligations. Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 31.

##### *Variable marketing expense*

The company accrues for the estimated incentives required to be paid to dealers to retail vehicles previously wholesaled. Estimates are revised on a monthly basis and reflect both historical experience, competitor pricing, ageing of vehicles and local market conditions.

#### 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 distributors, including its fellow subsidiaries of the Jaguar Land Rover Automotive plc group. 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.

As described in note 36, the Company operates with a single automotive reporting segment, principally generating revenue from the sales of vehicles, parts and accessories.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Vehicles, parts, and accessories (and other goods)	<p>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:</p> <ul style="list-style-type: none"> <li>• The point at which the risks and rewards of ownership pass to the customer;</li> <li>• The point at which the customer takes physical possession of the good or product;</li> <li>• The point at which the customer accepts the good or product;</li> <li>• The point at which the Company has a present right to payment for the sale of the good or product; and</li> <li>• The point at which legal title to the good or product transfers to the customer.</li> </ul> <p>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. The reason for the bill-and-hold is substantive (as the customer requests JLR to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line) and the Company does not have the ability to use the vehicle or direct it elsewhere.</p> <p>The Company operates with a financing partner that provides wholesale financing arrangements to the retail network for vehicle sales, which enables cash settlement to occur immediately (usually within two 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.</p>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Sales incentives	<p>In accordance with IFRS 15, the costs associated with providing sales support and incentives (variable marketing expense) 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 to which it ultimately expects to be entitled.</p> <p>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.</p> <p>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.</p>
Service arrangements	<p>The Company's primary service arrangements relate to scheduled maintenance contracts and telematics services. As separately identifiable performance obligations, a standalone selling price is estimated using an appropriate method (i.e. using observable market prices or a suitable alternative method, for example, cost-plus margin), with revenue recognised in line with an appropriate cost pattern.</p>
Warranty considerations as a service	<p>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.</p> <p>Where the warranty offering to the end customer exceeds the standard market expectation for similar products, or is considered to provide a service to the end customer in excess of simply providing assurance that the agreed-upon specification is met, the Company consider the additional warranty to constitute a service to the end customer and therefore a separate performance obligation.</p> <p>Revenue is only recognised in the period to which the warranty service relates, up to which point it is recognised as a contract liability.</p>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Repurchase arrangements	<p>Some contracts with customers include an option or obligation for the Company to repurchase the product sold (including repurchasing a product originally sold as part of an amended product).</p> <p>Such instances are common in the Company's arrangements with third-party fleet customers or in contract manufacturing arrangements that the Company is party to, for example.</p> <p>The Company does not recognise revenue on the original sale, as in such cases it is considered to retain ultimate control of that product. The related inventory therefore continues to be recognised on the Company's balance sheet and the consideration received from the customer is treated as a liability. Nuances in the accounting treatment occur depending on whether the contractual repurchase price is less than, more than or equal to the original sale price, and this ultimately results in the arrangement being treated as a lease or a financing arrangement.</p> <p>If considered to be a lease arrangement, where the repurchase price is lower than the original sale price, the difference between the proceeds received and the repurchase amount is recognised as income over the contractual term on a straight-line basis. Revenue recognised under such arrangements is outside of the scope of IFRS 15 and instead is recognised in line with IAS 17 Leases.</p> <p>Revenue is recognised only when the relevant good or product is sold by the Company with no repurchase obligation or option attached.</p>
Returns obligations, refunds and similar obligations	<p>Vehicle sales do not typically include allowances for returns or refunds, although in some markets there is legislative requirement for Jaguar Land Rover as an automotive manufacturer to repurchase or reacquire a vehicle if quality issues arise that have been remedied a number of times and where the owner no longer wishes to own the vehicle as a result.</p> <p>With regards to the sale of other goods, where rights of return may be prevalent, the Company estimates the level of returns based on the historical data for specific products, adjusted as necessary to estimate returns for new products. In line with the requirements of IFRS 15, a sale is not recognised for expected returns, and instead the Company recognises a refund liability and asset where required.</p>
Non-cash consideration	<p>In some instances, the Company engages in transactions that involve non-cash consideration, where a customer provides consideration in a form other than cash. This is most often demonstrated in marketing and sponsorship arrangements that the Company enters into, with an exchange of goods and/or services with its customers. Such non-cash consideration is measured at its fair value, which is determined by assessing the selling price value of the goods or services received as consideration. If this cannot be reasonably estimated, then the Company measures such consideration indirectly with reference to the standalone selling price of the goods or services promised to the customer.</p>

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 ACCOUNTING POLICIES (CONTINUED)**

#### **COST RECOGNITION**

Costs and expenses are recognised when incurred and are classified according to their nature.

Expenditures are capitalised, where appropriate, in accordance with the policy for internally generated intangible assets and represent employee costs, stores and other manufacturing supplies, and other expenses incurred for product development undertaken by the company.

Material and other cost of sales are reported in the income statement is presented net of the impact of the realised foreign exchange relating to derivative hedging cost exposures

#### **GOVERNMENT GRANTS AND INCENTIVES**

Government grants are recognised when there is reasonable assurance that the company will comply with the relevant conditions and the grant will be received.

Government grants are recognised in the income statement, either on a systematic basis when the company recognises, as expenses, the related costs that the grants are intended to compensate or, immediately, if the costs have already been incurred.

Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset. Government grants related to income are presented as an offset against the related expenditure, and government grants that are awarded as incentives with no ongoing performance obligations to the company are recognised as other income in the period in which the grant is received.

Sales tax incentives received from governments are recognised in the income statement at the reduced tax rate, and revenue is reported net of these sales tax incentives.

#### **FOREIGN CURRENCY**

The company has a functional and presentation currency of GBP.

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are remeasured into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences are recognised in the income statement as 'Foreign exchange loss and fair value adjustments'.

#### **INCOME TAXES**

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity, whereby tax is also recognised outside profit or loss).

Current income taxes are determined based on respective taxable income of each taxable entity and tax rules applicable for respective tax jurisdictions.

Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilised business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilised.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost of acquisition or construction less accumulated depreciation less accumulated impairment, if any. Land is not depreciated.

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

Interest cost incurred for constructed assets is capitalised up to the date the asset is ready for its intended use, based on borrowings incurred specifically for financing the asset or the weighted average rate of all other borrowings, if no specific borrowings have been incurred for the asset.

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

<b>Class of property, plant and equipment</b>	<b>Estimated useful life (years)</b>
Buildings and leased assets	20 to 40
Plant and equipment	3 to 30
Vehicles	3 to 10
Computers	3 to 6
Furniture and fixtures	3 to 20

The depreciation for property, plant and equipment with finite useful lives is reviewed at least at each year end. Changes in expected useful lives are treated as changes in accounting estimates.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Freehold land is measured at cost and is not depreciated. Heritage assets are not depreciated as they are considered to have a residual value in excess of cost. Residual values are re-assessed on an annual basis.

Depreciation is not recorded on assets under construction until construction and installation are complete and the asset is ready for its intended use. Assets under construction include capital advances. Depreciation is not recorded on heritage assets as the company considers their residual value to approximate cost.

#### INTANGIBLE ASSETS

##### Acquired intangible assets

Intangible assets purchased, including those acquired in business combinations, are measured at acquisition cost which is the fair value on the date of acquisition, where applicable, less accumulated amortisation and accumulated impairment, if any. Intangible assets with indefinite lives are reviewed annually to determine whether an indefinite-life assessment continues to be supportable. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

For intangible assets with definite lives, amortisation is provided on a straight-line basis over the estimated useful lives of the acquired intangible assets as per the amortisation periods below:

<b>Class of intangible asset</b>	<b>Estimated amortisation period (years)</b>
Software	2 to 8
Goodwill	Indefinite life
Intellectual property rights and other intangibles	Indefinite life

The amortisation for intangible assets with finite useful lives is reviewed at least at each year end. Changes in expected useful lives are treated as changes in accounting estimates.

Capital work-in-progress includes capital advances. Customer-related intangibles acquired in a business combination consist of dealer networks. Intellectual property rights and other intangibles mainly consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### INTANGIBLE ASSETS (CONTINUED)

##### Internally generated intangible assets

Product engineering costs incurred on new vehicle platforms, engines, transmissions and new products are recognised as intangible assets – when feasibility has been established, the company has committed technical, financial and other resources to complete the development and it is probable that the asset will generate future economic benefits.

The costs capitalised include the cost of materials, direct labour and directly attributable overhead expenditure incurred up to the date the asset is available for use.

Interest cost incurred is capitalised up to the date the asset is ready for its intended use, based on borrowings incurred specifically for financing the asset or the weighted average rate of all other borrowings, if no specific borrowings have been incurred for the asset.

Product engineering cost is amortised over the life of the related product being a period of between two and ten years.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment loss, if any.

Amortisation is not recorded on product engineering in progress until development is complete.

#### IMPAIRMENT

##### Property, plant and equipment and other intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, or earlier if there is an indication that the asset may be impaired.

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

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

An annual impairment review for heritage assets is performed as the assets are held at cost and not depreciated and any impairment in the carrying value is recognised immediately in the income statement.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments with an original maturity of up to three months that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials and consumables are ascertained on a first-in first-out basis. Costs, including fixed and variable production overheads, are allocated to work-in-progress and finished goods determined on a full absorption cost basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

Inventories include vehicles sold subject to repurchase arrangements. These vehicles are carried at cost to the company and are amortised in changes in stocks and work-in-progress to their residual values (i.e. estimated second hand sale value) over the term of the arrangement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### PROVISIONS

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are held for product warranty, legal and product liabilities, other employee benefit obligations, restructuring and environmental risks as detailed in note 26 to the financial statements.

Supplier reimbursements are recognised as separate assets within other financial assets. See note 15.

#### LONG-TERM INCENTIVE PLAN ('LTIP')

The company operated a share-based payment LTIP arrangement for certain employees which made its final payment during the year ended 31 March 2019. The scheme provided a cash payment to the employee based on a specific number of phantom shares at grant date and the share price of Tata Motors Limited at the vesting date, subject to profitability and employment conditions. These were accounted for as cash-settled arrangements, whereby a liability was recognised at fair value at the date of grant, using a Black-Scholes model. At each balance sheet date until the liability is settled, the fair value of the liability was remeasured, with any changes in fair value recognised in the income statement.

#### LEASES

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

##### Assets taken on finance lease

A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### Assets taken on operating lease

Leases other than finance leases are operating leases, and the leased assets are not recognised on the company's balance sheet. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease in 'Other expenses'.

#### EMPLOYEE BENEFITS

##### Pension plans

The company operates three defined benefit pension schemes, the UK defined benefit schemes were previously contracted out of the second state pension scheme until 5 April 2016. The assets of the plans are held in separate trustee administered funds. The plans provide for a monthly pension after retirement based on salary and service as set out in the rules of each scheme.

Contributions to the plans by the company take into consideration the results of actuarial valuations. The plans with a surplus position at the balance sheet date have been limited to the maximum economic benefit available from unconditional rights to refund from the scheme or reduction in future contributions. Where the company is considered to have a contractual obligation to fund the pension plan above the accounting value of the liabilities, an onerous obligation is recognised.

The UK defined benefit schemes were closed to new joiners in April 2010.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial revaluations being carried out at the end of each reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### EMPLOYEE BENEFITS (CONTINUED)

##### Pension plans (continued)

Defined benefit costs are split into three categories:

- Current service cost, past-service cost and gains and losses on curtailments and settlements;
- Net interest cost; and
- Remeasurement.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost, including curtailment gains and losses, is generally recognised in the income statement in the period of scheme amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

The company presents these defined benefit costs within 'Employee costs' in the income statement (see note 6).

Separate defined contribution schemes are available to all other employees of JLR. Costs in respect of these schemes are charged to the income statement as incurred.

##### Actuarial gains and losses

Actuarial gains and losses relating to retirement benefit plans are recognised in other comprehensive income in the year in which they arise. Actuarial gains and losses relating to long-term employee benefits are recognised in the income statement in the year in which they arise.

##### Measurement date

The measurement date of all retirement plans is 31 March.

#### 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 balance sheet 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 expire 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. When a financial instrument is derecognised, the cumulative gain or loss in equity (if any) is transferred to the income statement unless it was an equity instrument electively held at fair value through other comprehensive income. In this case, any cumulative gain or loss in equity is transferred to retained earnings.

Financial assets are written off when there is no reasonable expectation of recovery. The company reviews the facts and circumstances around each asset before making a determination. Financial assets that are written off could still be subject to enforcement activities.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

##### 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.

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, contract assets, finance receivables and other financial assets.

*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 and 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 classified as subsequently measured at amortised cost unless they meet the specific criteria to be recognised at fair value through profit or loss.

*Other financial liabilities* are measured at amortised cost using the effective interest method.

*Financial liabilities at fair value through profit or loss* include derivatives and embedded derivatives separated from the host contract as well as financial liabilities held for trading. Subsequent to initial recognition, these are measured at fair value with gains or losses being recognised in profit or loss.

Embedded derivatives relating to prepayment options on senior notes are not considered as closely related and are separately accounted unless the exercise price of these options is approximately equal on each exercise date to either the amortised cost of the senior notes or the present value of the lost interest for the remaining term of the senior notes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

##### Impairment

The company recognises a loss allowance in profit or loss for expected credit losses on financial assets held at amortised cost or at fair value through other comprehensive income. 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.

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 contract assets, 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 calculated.

Objective evidence for a significant increase in credit risk may include 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 may include external ratings (where available) or other information such as past due payments. Historic data and forward-looking information are both considered.

##### Equity instruments

An equity instrument is any contract that evidences residual interests in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Investments in equity instruments are measured at fair value; however, where a quoted market price in an active market is not available, equity instruments are measured at cost (investments in equity instruments that are not held for trading). The company has not elected to account for these investments at fair value through other comprehensive income.

##### 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 the characteristics of the asset or liability if market participants would take those characteristics 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 the discounted cash flow method and other valuation models.

##### Hedge accounting

The company uses foreign currency forward contracts, foreign currency options and borrowings denominated in foreign currency to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The company designates these foreign currency forward contracts, foreign currency options and borrowings denominated in foreign currency in a cash flow hedging relationship by applying hedge accounting principles under IFRS 9.

The company uses cross-currency interest rate swaps to convert some of its issued debt from foreign denominated fixed-rate debt to GBP floating-rate debt. Hedge accounting is applied using both fair value and cash flow hedging relationships. The designated risks are foreign currency and interest rate risks.

Derivative contracts are stated at fair value on the balance sheet at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

##### Hedge accounting (continued)

At inception of the hedge relationship, the company documents the economic relationship between the hedging instrument and the hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The company documents its risk management objective and strategy for undertaking its hedging transactions.

The company designates only the intrinsic value of foreign exchange options in the hedging relationship. The company designates amounts excluding foreign currency basis spread in the hedging relationship for both foreign exchange forward contracts and cross-currency interest rate swaps.

Changes in the fair value of the derivative contracts that are designated and effective as hedges of future cash flows are recognised in the cash flow hedge reserve within other comprehensive income (net of tax), and any ineffective portion is recognised immediately in the income statement.

Changes in both the time value of foreign exchange options and foreign currency basis spread of foreign exchange forwards and cross-currency interest rate swaps are recognised in other comprehensive income (net of tax) in the cost of hedging reserve to the extent that they relate to the hedged item (the "aligned" value).

Changes in the fair value of contracts that are designated in a fair value hedge are taken to the income statement. They offset the change in fair value, attributable to the hedged risks, of the borrowings designated as the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Amounts accumulated in equity are reclassified to the income statement in the periods in which the forecast transactions affect profit or loss or as an adjustment to a non-financial item (e.g. inventory) when that item is recognised on the balance sheet. These deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of goods sold).

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss in equity, including deferred costs of hedging, is immediately transferred and recognised in the income statement.

##### Accounting policies applied until 31 March 2018

The company has applied IFRS 9 from 1 April 2018. The company has noted that there is not a material impact on the financial statements for the classification and measurement of financial instruments. As a result, the comparative information provided for the year ended 31 March 2018 continues to be accounted for in accordance with the company's previous accounting policy for classification and measurement of financial instruments.

#### NEW ACCOUNTING PRONOUNCEMENTS

##### (a) Standards, revisions and amendments to standards and interpretations significant to the company and applied for the first time in the year ending 31 March 2019

*IFRS 9 Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets and new rules for hedge accounting. The company has undertaken an assessment of classification and measurement on transition and has not identified a material impact on the financial statements. The impact on the categorisation of financial assets and liabilities within scope of IFRS 9 is summarised in the table on the following page:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

	IAS 39 category	IFRS 9 category	IAS 39 carrying amount (31 March 2018) £ millions	IFRS 9 carrying amount (31 March 2018) £ millions
<b>Financial assets</b>				
Trade receivables	Loans and receivables	Amortised cost	2,269	2,269
Cash and cash equivalents	Loans and receivables	Amortised cost	2,087	2,087
Short-term deposits and other investments	Held to maturity	Amortised cost	36	36
Short-term deposits and other investments	Loans and receivables	Amortised cost	1,975	1,975
Restricted cash	Loans and receivables	Amortised cost	9	9
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss - mandatorily measured	550	550
Accrued income	Loans and receivables	Amortised cost	35	35
Other	Loans and receivables	Amortised cost	1,343	1,343
<b>Financial liabilities</b>				
Accounts payable	Other financial liabilities	Amortised cost	5,692	5,692
Borrowings	Other financial liabilities	Amortised cost	6,027	6,027
Accrued interest	Other financial liabilities	Amortised cost	32	32
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss - mandatorily measured	925	925
Other	Other financial liabilities	Amortised cost	3	3

The company has undertaken an assessment of the impairment provisions, especially with regard to trade receivables, and has applied the simplified approach under the standard. For all principal markets, the company operates with major financial institutions that take on the principal risks of sales to customers outside the group, and consequently the company receives full payment for these receivables within 30 days. Therefore, the company has concluded that there is no material impact under the standard for remeasurement of impairment provisions, and no transition adjustments have been made.

The company has undertaken an assessment of its hedge relationships and has concluded that the company's current hedge relationships qualified as continuing hedges upon the adoption of IFRS 9. The company has identified a change with respect to the treatment of the cost of hedging, specifically the time value of the foreign exchange options and foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps. The time value of foreign exchange options and the foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps is now recorded in a separate component of the statement of other comprehensive income. Amounts accumulated in equity for hedges of non-financial items will now be recognised as an adjustment to that non-financial item (i.e. inventory) when recorded on the balance sheet, and this adjustment has been made on a prospective basis from 1 April 2018. As such, the company had a £27 million reduction in net assets on transition to IFRS 9.

As required under the transition rules of IFRS 9, comparative periods have been restated only for the retrospective application of the cost of hedging approach for the time value of the foreign exchange options and also the company's voluntary application of foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps as a cost of hedging. Accordingly, the information presented for prior periods is not wholly comparable to the information presented for the current year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Further, under the published change issued by the IASB in February 2018 regarding the modification of financial liabilities, an additional charge of £5 million has been recognised for the financial year ended 31 March 2018, representing the loss recognised on the modification of the company's undrawn revolving credit facility.

#### Impact of retrospective application

The following tables show the impact on the income statement and statement of comprehensive income/(expense) for the year ended 31 March 2018 and on the balance sheet as at 31 March 2018.

#### Income statement

Year ended 31 March (£ millions)	2018 as previously reported	Restatement	2018 restated
Foreign exchange loss and fair value adjustments	(57)	(19)	(76)
Finance expense (net)	(85)	(5)	(90)
Other income statement captions	794	-	794
<b>Profit before tax</b>	<b>652</b>	<b>(24)</b>	<b>628</b>
Income tax expense	(107)	5	(102)
<b>Profit for the year</b>	<b>545</b>	<b>(19)</b>	<b>526</b>

#### Statement of comprehensive income/(expense)

Year ended 31 March (£ millions)	2018 as previously reported	Restatement	2018 restated
Profit for the year	545	(19)	526
Total items that will not be reclassified subsequently to profit or loss	454	-	454
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Gain on cash flow hedges (net)	2,394	19	2,413
Income tax related to items that may be reclassified	(453)	(4)	(457)
	<b>1,941</b>	<b>15</b>	<b>1,956</b>
<b>Other comprehensive income/(expense) net of tax</b>	<b>2,395</b>	<b>15</b>	<b>2,410</b>
<b>Total comprehensive income/(expense) attributable to shareholders</b>	<b>2,940</b>	<b>(4)</b>	<b>2,936</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

##### Balance sheet

As at 31 March (£ millions)	2018 as previously reported	Restatement	2018 restated
<b>Assets</b>			
Other non-current assets	85	(5)	80
Other asset captions	24,761	-	24,761
<b>Total assets</b>	<b>24,846</b>	<b>(5)</b>	<b>24,841</b>
<b>Liabilities</b>			
Deferred tax liabilities	461	(1)	460
Other liability captions	15,320	-	15,320
<b>Total liabilities</b>	<b>15,781</b>	<b>(1)</b>	<b>15,780</b>
<b>Equity attributable to shareholder</b>			
Other reserves	5,504	(4)	5,500
Other equity captions	3,561	-	3,561
<b>Total equity</b>	<b>9,065</b>	<b>(4)</b>	<b>9,061</b>
<b>Total liabilities and equity</b>	<b>24,846</b>	<b>(5)</b>	<b>24,841</b>

*IFRS 15 Revenue from Contracts with Customers* was adopted by the company with a date of initial application of 1 April 2018. The new standard replaces the requirements under IAS 18 *Revenue* and IAS 11 *Construction Contracts*, as well as the related interpretations. The primary purpose of the new standard is to specify a set of consistently applicable underlying revenue recognition principles across all sectors, industries and types of arrangements. As a result, the company has amended its accounting policy for revenue recognition as described on the following pages and in note 4.

In accordance with the transitional provisions of the standard, the company has applied IFRS 15 on the modified retrospective basis. This allows the company to recognise the cumulative effect of applying the new standard at the date of application with no restatement of the comparative periods, which remain under the previously existing accounting principles. However, in using this method, the company is required to present the current fiscal year's financial statements on a line-by-line basis under both IFRS 15 and the previously existing accounting principles to demonstrate the impact of applying the new standard.

As a result, the company has recognised a £4 million reduction in net assets on transition to IFRS 15. The impact on the opening balance sheet for the year ended 31 March 2019 is given in the table below:

£ millions	Opening balance at 1 April 2018	Adjustment on initial application of IFRS 15	Adjusted opening balance
Other current liabilities	119	5	124
Other non-current liabilities	145	12	157
Provisions (current)	649	(3)	646
Provisions (non-current)	924	(10)	914
Other reserves	5,500	(4)	5,496

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 15 describes a comprehensive, logical five-step model for determining revenue recognition, including the amount and timing upon which revenue is recognised. It requires the company:

1. To identify the contract with a customer;
2. To identify the related performance obligations and distinct promises made by the company to the customer within the contract;
3. To determine the transaction price, representing the amount of consideration that the company expects to be entitled to under the contract;
4. To allocate that contractual transaction price to each performance obligation on a stand-alone selling price basis (or a valid, reasonable alternative if the stand-alone selling price is not available); and
5. To recognise revenue at a point in time or over time depending on the satisfaction of each performance obligation. This coincides with when the underlying control of a good or service is transferred to the customer.

The implementation of IFRS 15 has no impact on the timing of revenue recognition associated to the sale of the physical vehicles, parts and accessories, being the company's core revenue-generating streams, and ultimately remains in a manner consistent with prior years.

The company considers that the primary impact of IFRS 15 on the accounting treatment for its operations is as follows:

- **Sales with multiple performance obligations:** Previously, the company accounted for separately identifiable components of sales in accordance with IAS 18. Under IFRS 15, the company considers additional performance obligations that are required to be accounted for appropriately on a stand-alone selling price basis, for example, additional obligations of the company when selling vehicles to its customers, including transportation.

This has further resulted in considerations of whether the company is a principal or an agent in fulfilling these performance obligations, given the focus on whether or not it controls the good or service being transferred to the customer. As a principal, the company itself considers that it is ultimately responsible for fulfilling that obligation to the customer, and as an agent, the company considers that it arranges for an obligation on behalf of its customer. The difference in accounting treatment is to present revenues and costs on a gross basis as a principal and on a net basis as an agent. The impact of this for the year ending 31 March 2019 is a reclassification of £234 million of costs from 'Other expenses' to 'Revenue'.

- **Consideration payable to customers:** The company supports its global retail network (being customers of the company) through various marketing, training and development initiatives. This results in disbursements made either directly to its customers or to third parties on behalf of its customers. The company has considered whether a distinct service that can be fair valued is received in exchange for making such disbursements, in which case an expense continues to be recognised as under the previous accounting policy. If not, then such amounts are treated as reductions to revenue as part of the overall customer relationship, as they ultimately reduce the amount of consideration that the company is entitled to as part of the customer contract. The impact of this for the year ending 31 March 2019 is a reclassification of £50 million of costs from 'Other expenses' to 'Revenue'.

- **Classification of "Revenue" versus "Other income":** Previously the company's policy was to recognise non-core company income within 'Other income' in the financial statements. Under IFRS 15, the company has reassessed its income streams with regard to their scope under the standard. As a result, the company now records income within 'Revenue' that was previously recognised within 'Other income' (primarily being royalty income and other retailer-related income). This arises from the interpretation of the definition of 'Revenue' within IFRS 15, particularly focusing on what is considered an output of the "ordinary activities" of the company. The impact of this for the year ending 31 March 2019 is a reclassification of £90 million from 'Other income' to 'Revenue'.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

• **Estimation considerations:** IFRS 15 requires the company to consider the application of its revenue recognition principles and to ensure that revenue is depicted in a way that reflects the amount of consideration that it expects to be entitled to. With reference to the estimation of variable consideration, JLR has enhanced its approach to ensure that revenue is constrained appropriately such that it is not highly probable that a significant reversal in the amount of revenue recognised will occur when any related uncertainty is subsequently resolved.

• **Warranty:** Previously, the company accounted for all warranty as a cost provision in accordance with IAS 37. Under IFRS 15, the company has assessed whether the warranty provided includes a service element (i.e. going beyond simply providing an assurance that a good continues to meet its agreed-upon specification) and accounts for these services as performance obligations associated with the sale of the vehicle. The company now accounts for a proportion of service-type obligations as a contract liability on a stand-alone selling price basis instead of as a warranty provision. This contract liability will be unwound over the period the services are available and provided to the customer. The associated costs are expensed as incurred. The impact of this for the year ending 31 March 2019 is an overall reduction in net assets of £4 million, with a corresponding reclassification between the warranty provision (at a cost value) and contract liabilities (at a cost-plus-margin value).

The following table summarise the impacts of adopting IFRS 15 on the company's financial statements in conjunction with the above explanation.

Year ended 31 March 2019 (£ millions)	Balances without adoption of IFRS 15	Effect of change	As reported
Revenue	21,064	(194)	20,870
Other expenses	(4,833)	284	(4,549)
Other income	202	(90)	112

The company has applied IFRS 15 from 1 April 2018 using the modified retrospective method, meaning that comparative information for the year ending 31 March 2018 has not been restated. As a result, the comparative information provided for those fiscal periods continues to be accounted for in accordance with the company's previous revenue recognition accounting policies under IAS 18 *Revenue*.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** is effective for accounting periods commencing on or after 1 January 2018 and addresses the treatment of payments made in advance or consideration received in advance for transactions denominated in a foreign currency transactions. Where a corresponding non-monetary asset or liability is recognised, the exchange rate prevailing at the date of transaction should prevail. If there are multiple payments or advance receipts, a date of transaction is established for each payment or receipt. This situation is relevant to the company and the nature of its operations, but the application of this interpretation does not have a material impact to the company.

The amendment to **IFRS 2 Share-Based Payments** is effective for accounting periods beginning on or after 1 January 2018. It clarifies how to account for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendment in relation to accounting for cash-settled share-based payment transactions when a performance condition is in place is intended to give further guidance in applying the standard. The company is currently in compliance with those clarifications. The remaining amendments to the standard are not applicable to the company's operations at this time.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

**(b) Financial reporting pronouncements, issued by the IASB and endorsed by the EU, that are considered significant to the company but are not yet adopted:**

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

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

The company 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 at 1 April 2019.

The company has elected to use the following practical expedients permitted by the standard:

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

The financial impact assessment made by the company is preliminary as not all transaction work requirements have been finalised. As at the date of initial application, it is expected that the impact on net assets will not be material.

**IFRIC 23 Uncertainty over Income Tax Treatments** is effective for accounting periods commencing on or after 1 January 2019. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a company and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The application of IFRIC 23 is not considered to have a material impact on the company's profitability, liquidity and capital resources or financial position as the existing accounting policy applied by the company is consistent with IFRIC 2.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

**(c) Financial reporting pronouncements issued by the IASB but not yet endorsed by the EU and/or not yet effective and so not yet adopted by the company:**

**IFRS 17 *Insurance Contracts*** will replace IFRS 4, the existing accounting standard for insurance contracts, with an effective date for accounting periods commencing on or after 1 January 2021. However, this has not yet been adopted for use in the EU.

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The requirements are designed to achieve the goal of a consistent principle-based accounting for insurance contracts. The new standard is not expected to have a material impact on the company at this time, as certain "insurance-type" offerings common to the automotive industry (such as vehicle warranties issued by Jaguar Land Rover as an original equipment manufacturer) are treated outside of the scope of IFRS 17, instead under alternative standards such as IFRS 15 *Revenue from Contracts with Customers* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. A formal impact assessment of IFRS 17 will be performed prior to the effective date and adoption of the standard by the company. While early application of IFRS 17 is permitted, the company does not plan to do so.

Amendments to **IAS 19 *Employee Benefits*** were announced to clarify the accounting for plan amendments, curtailments and settlements and are effective for accounting periods commencing on or after 1 January 2019. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The company continues to evaluate the impact of adopting the amendments.

Other standards and interpretations that have been approved but not discussed above are not considered to have a material impact on the company financial statements, and therefore no specific disclosure has been made.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 EXCEPTIONAL ITEMS

The exceptional items recognised in the year ended 31 March 2019 comprise:

- An impairment charge of £3,089 million for the year ended 31 March 2019 following an impairment exercise undertaken in accordance with IAS 36. Further details are given in note 17;
- Restructuring costs of £136 million relating to a company restructuring programme announced and carried out during the year ended 31 March 2019; and
- A past service cost of £17 million following a High Court ruling in October 2018 that pension schemes are required to equalise male and female members' benefits for the inequalities within guaranteed minimum pension ("GMP") earned between 17 May 1990 and 5 April 1997. The company historically made no assumptions for GMP and therefore considered the change to be a plan amendment. Further details are given in note 31.

The exceptional items recognised in the year ended 31 March 2018 comprise:

- A past service credit of £437 million following an amendment to the defined benefit pension schemes' rules that, among other changes, meant that future retirement benefits would be calculated each year and revalued until retirement in line with a prescribed rate rather than based upon a member's final salary at retirement. Further details are given in note 31.

The tables below set out the exceptional items recorded in the years ended 31 March 2019 and 2018 and the impact on the income statement if these items were not disclosed separately as exceptional items.

Year ended 31 March 2019 (£ millions)	Note	Employee costs	Other expenses
<b>As reported</b>		<b>2,488</b>	<b>4,549</b>
<i>Impact of:</i>			
Impairment	16, 17	-	3,089
Restructuring costs		131	5
Pension past service cost	31	17	-
<b>Including exceptional items</b>		<b>2,636</b>	<b>7,643</b>

Year ended 31 March 2018 (£ millions)	Note	Employee costs
<b>As reported</b>		<b>2,457</b>
<i>Impact of:</i>		
Pension past service credit	31	(437)
<b>Including exceptional items</b>		<b>2,020</b>

### 4 REVENUE

The company's revenues are summarised as follows:

Year ended 31 March (£ millions)	2019	2018
Revenue recognised for sales of goods	20,682	21,908
Revenue recognised for services transferred	102	65
Revenue - other	956	1,337
<b>Total revenue from contracts with customers</b>	<b>21,740</b>	<b>23,310</b>
Realised revenue hedges	(870)	(1,365)
<b>Total revenue</b>	<b>20,870</b>	<b>21,945</b>

"Revenue – other" includes sales of goods other than vehicles, parts and accessories as well as revenue recognised outside the scope of IFRS 15, primarily being lease instalments recognised from assets sold with a repurchase commitment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 REVENUE (CONTINUED)

#### Revenue disaggregation

The following table presents the company's revenue, disaggregated by primary geographical market, timing of revenue recognition and major product categories. All revenue is generated from the company's single automotive operating segment.

Year ended 31 March 2019 (£ millions)	UK	US	China	Rest of Europe	Rest of World	Total Revenue
Revenue recognised for sales of goods	2,303	6,016	3,202	5,291	3,870	20,682
Revenue recognised for services transferred	22	-	80	-	-	102
Revenue - other	908	-	2	-	46	956
<b>Total revenue from contracts with customers</b>	<b>3,233</b>	<b>6,016</b>	<b>3,284</b>	<b>5,291</b>	<b>3,916</b>	<b>21,740</b>
Realised revenue hedges	-	(437)	(352)	-	(81)	(870)
<b>Total revenue</b>	<b>3,233</b>	<b>5,579</b>	<b>2,932</b>	<b>5,291</b>	<b>3,835</b>	<b>20,870</b>

#### Contract liabilities

Year ended 31 March (£ millions)	2019
Ongoing service obligations	272
Liabilities for advances received	33
<b>Total contract liabilities</b>	<b>305</b>

Revenue that is expected to be recognised within five years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to £305 million at 31 March 2019.

'Ongoing service obligations' mainly relate to long-term service and maintenance contracts, extended warranties and telematics services. 'Liabilities for advances received' primarily relate to consideration received in advance from customers for products not yet wholesaled, at which point the revenue will be recognised. 'Ongoing service obligations' and 'Liabilities for advances received' are both presented within 'Other liabilities' in the balance sheet.

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less. This is because revenue resulting from those sales will be recognised in a short-term period. The services included with the vehicle sale are to be recognised as revenues in subsequent years but represent an insignificant portion of expected revenues in comparison.

The movement in contract liabilities relates solely to revenue recognised from balances held at the beginning of the year of £109 million and increases due to cash received for performance obligations unsatisfied at the year end of £166 million.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 MATERIAL AND OTHER COST OF SALES

Year ended 31 March (£ millions)	2019	2018
Changes in inventories of finished goods and work-in-progress	(4)	(26)
Purchase of products for sale	1,039	1,083
Raw materials and consumables used	13,150	13,747
Realised purchase hedges	(147)	(182)
<b>Total material and other cost of sales</b>	<b>14,038</b>	<b>14,622</b>

### 6 EMPLOYEE NUMBERS AND COST

Year ended 31 March (£ millions)	2019	2018
Wages and salaries - employee costs	1,663	1,604
Wages and salaries - agency costs	270	257
<b>Total wages and salaries</b>	<b>1,933</b>	<b>1,861</b>
Social security costs and benefits	291	277
Pension costs	264	319
<b>Total employee costs</b>	<b>2,488</b>	<b>2,457</b>

Average employee numbers for the year ended 31 March 2019	Non-agency	Agency	Total
Manufacturing	17,768	1,848	19,616
Research and development	8,151	2,393	10,544
Other	7,020	1,019	8,039
<b>Total employee numbers</b>	<b>32,939</b>	<b>5,260</b>	<b>38,199</b>

Average employee for the numbers year ended 31 March 2018	Non-agency	Agency	Total
Manufacturing	18,098	2,834	20,932
Research and development	7,226	2,937	10,163
Other	5,933	1,305	7,238
<b>Total employee numbers</b>	<b>31,257</b>	<b>7,076</b>	<b>38,333</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 DIRECTORS' EMOLUMENTS

Year ended 31 March (£)	2019	2018
Directors' emoluments	7,380,795	7,871,596
Amounts receivable under long-term incentive scheme	(278,025)	(6,730)
Post-employment benefits	596,763	461,173
Compensation for loss of office	-	1,051,188

The aggregate of emoluments and amounts receivable under the long-term incentive plan ('LTIP') of the highest paid director was £2,946,676 (2018: £3,709,532), together with a cash allowance in lieu of pension benefits of £520,763 (2018: £393,673). During the year, the value of LTIP awards accrued has decreased by £98,010 (2018: decrease of £14,128) which will become payable in future periods.

The highest paid director's emoluments are paid by Jaguar Land Rover Automotive plc, an intermediate parent, that makes recharges to the company.

Year ended 31 March (number)	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	1	1

### 8 LONG-TERM INCENTIVE PLAN ('LTIP')

During the year ended 31 March 2016, the company issued the final share-based payment LTIP arrangement based on the share price of Tata Motors Limited. The scheme provided a cash payment to the employee based on a specific number of phantom shares at the grant date and the share price of Tata Motors Limited at the vesting date. The cash payment is dependent upon continued employment for the duration of the three-year vesting period.

Year ended 31 March (number)	2019	2018
Outstanding at the beginning of the year	1,929,391	4,115,221
Granted during the year	-	-
Vested in the year	(1,764,566)	(1,918,331)
Forfeited in the year	(164,825)	(267,499)
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>1,929,391</b>

The weighted average share price of the 1,764,566 phantom share awards vested in the year was £3.20 (2018: £4.33).

The weighted average remaining contractual life of the outstanding phantom share payment awards is nil years (2018: 0.3 years).

No phantom shares were exercisable as at 31 March 2019 (2018: nil).

During the year ended 31 March 2019, £1 million was recognised as a credit to 'Employee costs' in the income statement in relation to the share-based payment LTIP (2018: credit of £1 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8 LONG-TERM INCENTIVE PLAN ('LTIP') (CONTINUED)

The fair value of the balance sheet liability in respect of phantom share awards outstanding at the year end was £nil (2018: £7 million) and is included in 'Provisions'.

The fair value of the awards was calculated using a Black-Scholes model at the grant date. The fair value is updated at each reporting date as the awards are accounted for as cash-settled under IFRS 2 *Share-based Payment*. The inputs into the model are based on Tata Motors Limited historical data and the risk-free rate is calculated on government bond rates. The significant inputs used are:

As at 31 March	2019	2018
Risk-free rate (%)	n/a	0.87
Dividend yield (%)	n/a	0.00
Weighted average fair value per phantom share	n/a	£3.32

During the year ended 31 March 2017, the company announced a new LTIP to replace the previous share-based payment LTIP. The new LTIP, effective from June 2016, provides a cash payment to certain employees based on the company's performance against long-term business metrics related to performance and strategic priorities (over a period of three years). This new LTIP benefit scheme has been accounted for in accordance with IAS 19 *Employee Benefits*.

### 9 OTHER EXPENSES

Year ended 31 March (£ millions)	2019	2018
Stores, spare parts and tools	187	174
Freight cost	586	831
Works, operations and other costs	2,449	2,419
Repairs	28	33
Power and fuel	90	77
Rent, rates and other taxes	29	27
Insurance	23	22
Impairment of investments	-	6
Write-down of intangible assets	-	46
Write-down of property, plant and equipment	18	18
Product warranty	792	507
Publicity	347	338
<b>Total other expenses</b>	<b>4,549</b>	<b>4,498</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10 RESEARCH AND DEVELOPMENT

Year ended 31 March (£ millions)	2019	2018
Total research and development costs incurred	1,997	2,016
Research and development expensed	(421)	(406)
<b>Engineering costs capitalised</b>	<b>1,576</b>	<b>1,610</b>
Interest capitalised	99	88
Research and development grants capitalised	(97)	(105)
<b>Total internally developed intangible additions</b>	<b>1,578</b>	<b>1,593</b>

Engineering costs capitalised of £1,576 million (2018: £1,610 million) comprises £672 million (2018: £556 million) included in 'Employee costs' and £904 million (2018: £1,054 million) included in 'Other expenses' in the income statement.

During the year ended 31 March 2019, £135 million (2018: £147 million) was recognised as a Research and Development Expenditure Credit ('RDEC') incentive on qualifying expenditure. During the year ended 31 March 2019, £91 million (2018: £102 million) of the RDEC – the proportion relating to capitalised product development expenditure and other intangible assets – has been offset against the cost of the respective assets. The remaining £44 million (2018: £45 million) of the RDEC has been recognised in 'Other income'.

### 11 FINANCE INCOME AND EXPENSE

Year ended 31 March (£ millions)	2019	2018 restated*
Finance income	47	27
Dividends received	129	139
<b>Total finance income</b>	<b>176</b>	<b>166</b>
Total interest on financial liabilities measured at amortised cost	(218)	(174)
Interest income on derivatives designated as a fair value hedge of financial liabilities	4	3
Unwind of discount on provisions	(21)	(13)
Interest capitalised	110	94
<b>Total interest expense</b>	<b>(125)</b>	<b>(90)</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.1 per cent (2018: 4.1 per cent).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 (LOSS)/PROFIT BEFORE TAX

Expense/(income) included in (loss)/profit before tax for the year are as follows:

Year ended 31 March (£ millions)	2019	2018 restated*
Foreign exchange loss/(gain) and fair value adjustments on loans	91	(109)
Foreign exchange loss/(gain) on economic hedges of loans	18	(11)
Foreign exchange loss/(gain) on derivatives	31	(102)
Unrealised loss on commodities	34	2
Depreciation of property, plant and equipment	1,031	987
Amortisation of intangible assets (excluding internally generated development costs)	103	96
Amortisation of internally generated development costs	965	950
Operating lease rentals in respect of plant, property and equipment	58	58
Loss on disposal of property, plant and equipment and software	58	21
Exceptional items	(3,242)	(437)
Auditor remuneration	3	3

\*See note 2 for details of the restatement due to changes in accounting policies.

The following table sets out the auditor remuneration for the year (rounded to the nearest 0.1 million):

Year ended 31 March (£ millions)	2019	2018
Fees payable to the company's auditor for the audit of the company's annual accounts	3.2	2.3
Fees payable to the company's auditor for amounts incurred on behalf of other group companies	0.2	0.2
<b>Total audit fees</b>	<b>3.4</b>	<b>2.5</b>
Audit related assurance services	-	-
Other assurance services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>-</b>
<b>Total audit and related fees</b>	<b>3.4</b>	<b>2.5</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 TAXATION

#### Recognised in the income statement

Year ended 31 March (£ millions)	2019	2018 restated*
<b>Current tax expense</b>		
Current year	37	44
Prior year	(1)	2
<b>Current tax expense</b>	<b>36</b>	<b>46</b>
<b>Deferred tax (credit)/expense</b>		
Origination and reversal of temporary differences	(486)	76
Adjustments for prior years	(4)	(28)
Rate change	46	8
<b>Deferred tax (credit)/expense</b>	<b>(444)</b>	<b>56</b>
<b>Total income tax (credit)/expense</b>	<b>(408)</b>	<b>102</b>

\* See note 2 for details of the restatement due to changes in accounting policies.

Prior year adjustments relate to differences between prior year estimates of tax position and current revised estimates or submission of tax computations.

#### Recognised in the statement of comprehensive income

Year ended 31 March (£ millions)	2019	2018 restated*
Deferred tax (credit)/expense on actuarial gains on retirement benefits	(51)	104
Deferred tax (credit)/expense on change in fair value of cash flow hedges	(20)	459
Deferred tax expense/(credit) on rate change	15	(15)
<b>Total tax (credit)/expense</b>	<b>(56)</b>	<b>548</b>

#### Reconciliation of effective tax rate

Year ended 31 March (£ millions)	2019	2018 restated*
(Loss)/profit for the year	(3,464)	526
Total income tax (credit)/expense	(408)	102
<b>(Loss)/profit before tax</b>	<b>(3,872)</b>	<b>628</b>
Income tax expense using the tax rates applicable to individual entities of 2019: 19% (2018: 19%)	(736)	119
Non-deductible expenses	79	29
Non-taxable income	(48)	(45)
Changes in tax rate	46	8
Withholding taxes suffered	10	17
Deferred tax assets written-down	245	-
Prior period adjustments	(4)	(26)
<b>Total income tax (credit)/expense</b>	<b>(408)</b>	<b>102</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

Included within prior period adjustments for the year ended 31 March 2019 is £4 million credit relating to revisions of prior year estimates of the company's tax position to bring them in line with the latest estimates and currently filed tax positions.

The UK Finance Act 2016 was enacted during the year ended 31 March 2017 which included provisions for a further reduction in the UK corporation tax rate to 17 per cent with effect from 1 April 2020.

Accordingly, UK deferred tax has been provided at blended rates of 17.5 per cent on assets (2018: 17.8 per cent) and 17.3 per cent on liabilities (2018: 17.6 per cent).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS

Investments consist of the following:

As at 31 March (£ millions)	2019	2018
Unquoted equity investments	1,079	809

During the year ended 31 March 2019, the company invested £2 million for 100 per cent of the share capital of Jaguar Land Rover Classic Deutschland GmbH, 100 per cent of the share capital of Jaguar Land Rover Hungary KFT and 100 per cent of the share capital of Jaguar Land Rover Classic USA LLC. The company also invested an additional £261 million in Jaguar Land Rover Slovakia s.r.o and £6 million in CloudCar Inc.

On 31 August 2017, the company acquired a further 10,000 'B' shares in Spark44 (JV) Limited for consideration of £1 million, increasing its share of the voting rights of Spark44 (JV) Limited from 50% to 50.5%. In addition, Spark44 (JV) Limited's Articles of Association together with the Shareholder Agreement were amended to give Jaguar Land Rover Limited control of Spark44 (JV) Limited as the majority shareholder. Prior to this, Jaguar Land Rover Limited had joint control over Spark44 (JV) Limited. Spark44 (JV) Limited is not publicly listed.

During the year ended 31 March 2018, the company invested £1 million for 100 per cent of the share capital of Jaguar Land Rover Taiwan Company Limited and 100 per cent of the share capital of Jaguar Land Rover Ireland (Services) Limited. The company also invested an additional £253 million in Jaguar Land Rover Slovakia s.r.o.

Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited acquired 100% of the share capital of GDV Imports México, S.A.P.I. de C.V. and Servicios GDV México, S.A. de C.V. during the year ended 31 March 2018 for a consideration of £6 million.

Details of the direct and indirect subsidiary undertakings are as follows, each being a 100 per cent interest in the ordinary share capital of the company unless otherwise stated:

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar e Land Rover Brasil Indústria e Comércio de Veículos LTDA	Brazil	Avenida Ibirapuera 2332, Torre I - 10º andar- Moema 04028-002, São Paulo-SP-Brazil
Jaguar Land Rover (South Africa) (Pty) Ltd	South Africa	28 Victoria Link, Route 21 Corporate Park, Nellmapius Drive, Irene X30, Centurion, Tshwane, Gauteng, South Africa
Jaguar Land Rover Australia Pty Limited	Australia	Level 1, 189 O'Riordon Street, Mascot, 2020, NSW, Australia
Jaguar Land Rover Austria GmbH	Austria	Siezenheimer Strasse 39a, 5020 Salzburg Austria
Jaguar Land Rover Belux N.V.	Belgium	Generaal Lemanstraat 47, 2018 Antwerpen, Belgium

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Registered office address</b>
Jaguar Land Rover Canada, ULC	Canada	75 Courtneypark Drive West, Unit 3 Mississauga, ON L5W 0E3, Canada
Jaguar Land Rover Deutschland GmbH	Germany	Am Kronberger Hang 2a, 65824 Schwalbach/Ts, Germany
Jaguar Land Rover Espana SL	Spain	Torre Picasso, Plaza Pablo Ruiz Picasso, 1 – Planta 42, 28020 Madrid, Spain
Jaguar Land Rover France SAS	France	Z.A. Kleber – Batiment Ellington, 165 Boulevard de Valmy, 92706 Colombes, Cedex, France
Jaguar Land Rover India Limited	India	Nanavati Mahalaya, 3rd floor, 18, Homi Mody Street, Mumbai, Maharashtra, India 400001
Jaguar Land Rover Italia SpA	Italy	Via Alessandro Marchetti, 105 - 00148, Roma, Italy
Jaguar Land Rover Japan Limited	Japan	Garden City Shinagawa Gotenyama Bldg. 9F, 6-7-29 Kita-Shinagawa, Shinagawa-ku, Tokyo 141-0001, Japan
Jaguar Land Rover Korea Co. Ltd.	Korea	25F West Mirae Asset Center 1 Building 67 Suha-dong, Jung-gu Seoul 100-210, Korea
Jaguar Land Rover Nederland BV	Holland	PO Box 40, Stationsweg 8, 4153 RD Beesd, Netherlands
Jaguar Land Rover North America, LLC	USA	100 Jaguar Land Rover Way, Mahwah, NJ 07495, USA
Jaguar Land Rover Portugal Veiculos e Pecas, Lda	Portugal	Edificio Escritorios do Tejo, Rua do Polo Sul, Lote 1.10.1.1 – 3.º B-3, Parish of Santa Maria dos Olivais, Municipality of Lisboa, Portugal
Jaguar Land Rover (South Africa) Holdings Ltd	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
JLR Nominee Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Land Rover Ireland Limited	Ireland	c/o LK Shields Solicitors 39/40 Upper Mount Street Dublin 2, Ireland
Daimler Transport Vehicles Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Cars South Africa (Pty) Ltd	South Africa	Simon Vermooten Road, Silverton, Pretoria 0184 South Africa
Jaguar Cars Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Registered office address</b>
Land Rover Exports Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
S. S. Cars Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
The Daimler Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
The Lanchester Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Land Rover Pension Trustees Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Land Rover Slovakia s.r.o.	Slovakia	Vysoka 2/B, 811 06 Bratislava, Slovakia
Jaguar Land Rover Singapore Pte. Ltd	Singapore	138 Market Street, CapitaGreen, Singapore
Jaguar Racing Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 1 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 2 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 3 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 4 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Land Rover Colombia SAS	Colombia	CL 67735 OFE, 1204 Bogotan, Cundinamarca 1 3192 900 Colombia
Jaguar Land Rover México, S.A.P.I. de C.V.	Mexico	Av. Javier Barros Sierra No.540 Piso 7 Oficina 703, Col. Santa Fe la Fe Del., Alvaro Obregón, México, D.F. C.P. 01210
Jaguar Land Rover Servicios México, S.A. de C.V.	Mexico	Av. Javier Barros Sierra No.540 Piso 7 Oficina 703, Col. Santa Fe la Fe Del., Alvaro Obregón, México, D.F. C.P. 01210
Jaguar Land Rover Taiwan Company Ltd	Taiwan	12F, No. 40, Sec. 1, Chengde Road, Datong Dist., Taipei City 103, Taiwan (R.O.C.)
Land Rover Ireland Services Limited	Ireland	c/o 40 Upper Mount Street, Dublin 2, Ireland
Jaguar Land Rover Classic USA LLC	USA	251 Little Falls Drive, Wilmington, Delaware, USA
Jaguar Land Rover Classic Deutschland GmbH	Germany	Ringstraße 38, 45219 Essen, Germany

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Registered office address</b>
Hungary Jaguar Land Rover Hungary KFT	Hungary	1062 Budapest, Andrásy út 100, Hungary
Jaguar Land Rover Ventures Limited	England and Wales	Abbey Road, Whitley ,Coventry, CV3 4LF England
Spark44 (JV) Ltd.	England and Wales	Abbey Road, Whitley ,Coventry, CV3 4LF England
Spark44 Limited	England and Wales	The White Collar Factory, 1 Old Street Yard, London EC1Y 8AF England
Spark44 Pty Ltd	Australia	Level 5, 65 Berry Street, North Sydney , NSW 2060, Australia
Spark44 GmbH	Germany	Querstr. 7, 60322 Frankfurt am Main, Germany
Spark44 LLC	USA	5870 W. Jefferson Blvd, Studio H, Los Angeles, CA 90016, USA
Spark44 Limited	China	Rooms 6401,6402,6501,6502, No.436 Ju Men Road, Huang Pu District, Shanghai
Spark44 DMCC	UAE	Unit No: 1401 &1404, Swiss Tower, Plot No: JLT-PH2-Y3A Jumeirah Lakes Towers, Dubai, UAE
Spark44 Demand Creation Partners Pte Ltd	India	Block A, Level 1, Shiv Sagar Estate, Dr. Annie Besent Road, Worli, Mumbai – 400018
Spark44 Singapore Pte Ltd	Singapore	138 Market Street 36-01/02 CapitaGreen, Singapore 048946
Spark44 Comunicacions S.L.	Spain	Prim 19, 4th floor, 28004 Madrid
Spark44 s.r.l	Italy	Via Marcella, 4/6- 00153 Rome
Spark44 Seoul Limited	South Korea	F12, 11 Cheonggyecheon-ro, Jongno-gu, Seoul, Korea
Spark44 Japan K. K.	Japan	2-23-1-806, Akasaka, Minato-ku, Tokyo, 153-0042, Japan
Spark44 Canada Inc	Canada	1059 Spadina Road, Toronto, ON MSN 2M7, Canada
Spark44 South Africa (Pty) Limited	South Africa	21 Forssman Close, Barbeque Downs, Kyalami, South Africa
Spark44 Taiwan Limited	Taiwan	18F., No.460, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Spark44 Colombia S.A.S	Colombia	Cl 72 # 10 07 oficina 401, Bogota, Colombia

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

The company has the following investments in joint ventures, associates and trade investments at 31 March 2019:

Name of investment	Proportion of voting rights	Principal place of business and country of incorporation	Principal activity	Registered office address
Chery Jaguar Land Rover Automotive Co. Ltd.	25.00%	China	Manufacture and assembly of vehicles	Room 1102, Binjiang, International Plaza, No 88 Tonggang Road, Changshu Economic and Technical, Development Zone, Suzhou City, Jiangsu Province, China
Jaguar Cars Finance Limited	49.90%	England & Wales	Non-trading	280 Bishopsgate, London, EC2M 4RB, England
Synaptiv Limited	33.30%	England & Wales	Business and domestic software development	84 Kirkland Avenue, Ilford, Essex, England, IG5 0TN
CloudCar Inc.	33.30%	USA	Automotive software development	2191 E Bayshore Rd 200, Palo Alto, CA 94303, USA
Driveclubservice Pte. Limited	25.08%	Singapore	Holding company and mobility application owner/licensor	22 Sin Ming Lane, #06-76, Midview City, Singapore 573969
Driveclub Limited	25.83%	Hong Kong	Vehicle leasing	Unit A, 9/F, D2 Place ONE, 9 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong
ARC Vehicle Limited	29.20%	England & Wales	Manufacture and development of electrified vehicle	The Priory Barn Priory Road, Wolston, Coventry, United Kingdom, CV8 3FX
<b>Trading investments</b>				
Jaguar Land Rover Schweiz AG	10.00%	Switzerland	Sale of automotive vehicles and parts	Badenerstrasse 600, 8048 Zurich, Switzerland

Except for CloudCar Inc. and Driveclub Limited, the proportion of voting rights disclosed in the table above is the same as the company's interest in the ordinary share capital of each undertaking.

Chery Jaguar Land Rover Automotive Co. Ltd. is a limited liability company whose legal form confirms separation between the parties to the joint arrangement. There is no contractual arrangement or any other facts or circumstances that indicate that the parties to the joint control of the arrangement have rights to the assets or obligations for the liabilities relating to the arrangement. Accordingly, Chery Jaguar Land Rover Automotive Co. Ltd. is classified as a joint venture. Chery Jaguar Land Rover Automotive Co. Ltd is not publicly listed.

During the year ended 31 March 2019, a dividend of £11 million was received from Chery Jaguar Land Rover Automotive Co. Ltd. (2018: £103 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

During the year ended 31 March 2018, the company purchased 25.08% of the share capital of Driveclubservice Pte. Limited for £0.2 million. In addition, the company also purchased 1 per cent of the share capital of Driveclub Limited, the wholly owned subsidiary of Driveclubservice Pte. Limited. However, the company has 25.83% of the voting rights, being the 1 per cent of share capital held and the indirect shareholding held through Driveclubservice Pte. Limited.

During the year ended 31 March 2018, the company's proportion of the ordinary share capital in CloudCar Inc. was diluted to 26 per cent of the ordinary share capital. However, the company has 33 per cent of the voting rights since a number of ordinary shares are in the form of options either available for issue or assigned to the employees of CloudCar Inc.

The company has no additional rights or influence over Jaguar Cars Finance Limited other than the voting rights attached to the ordinary share capital.

### 15 OTHER FINANCIAL ASSETS

As at 31 March (£ millions)	2019	2018
<b>Non-current</b>		
Warranty reimbursement and other receivables	104	116
Restricted cash held as security	1	1
Derivative financial instruments	54	286
Other	-	2
<b>Total non-current other financial assets</b>	<b>159</b>	<b>405</b>
<b>Current</b>		
Warranty reimbursement and other receivables	88	98
Restricted cash held as security	9	8
Derivative financial instruments	133	264
Accrued income	44	35
Amounts owed by group undertakings	1,348	1,337
Other	7	4
<b>Total current other financial assets</b>	<b>1,629</b>	<b>1,746</b>

Amounts owed by group undertakings are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 PROPERTY, PLANT AND EQUIPMENT

(£ millions)	Land and buildings	Plant and equipment	Vehicles	Computers	Fixtures & fittings	Leased assets	Heritage vehicles	Under construction	Total
<b>Cost</b>									
Balance at 1 April 2017	1,042	6,432	4	86	67	43	52	880	8,606
Additions	-	-	-	17	7	-	-	1,841	1,865
Transfers	333	1,545	-	-	-	-	-	(1,878)	-
Disposals	(1)	(287)	(1)	(2)	-	(35)	(1)	-	(327)
Asset write-downs	-	-	-	-	-	-	-	(5)	(5)
<b>Balance at 31 March 2018</b>	<b>1,374</b>	<b>7,690</b>	<b>3</b>	<b>101</b>	<b>74</b>	<b>8</b>	<b>51</b>	<b>838</b>	<b>10,139</b>
Additions	-	-	-	32	7	-	3	1,295	1,337
Transfers	291	1,162	-	-	-	-	-	(1,453)	-
Disposals	(1)	(525)	-	(7)	(1)	-	-	-	(534)
Impairment	-	-	-	-	-	-	-	(143)	(143)
<b>Balance at 31 March 2019</b>	<b>1,664</b>	<b>8,327</b>	<b>3</b>	<b>126</b>	<b>80</b>	<b>8</b>	<b>54</b>	<b>537</b>	<b>10,799</b>
<b>Depreciation and impairment</b>									
Balance at 1 April 2017	141	2,831	2	23	23	38	-	-	3,058
Depreciation charge for the year	54	911	-	12	9	1	-	-	987
Disposals	-	(267)	(1)	(2)	-	(35)	-	-	(305)
Asset write-downs	-	-	-	-	-	-	13	-	13
<b>Balance at 31 March 2018</b>	<b>195</b>	<b>3,475</b>	<b>1</b>	<b>33</b>	<b>32</b>	<b>4</b>	<b>13</b>	<b>-</b>	<b>3,753</b>
Depreciation charge for the year	64	947	1	13	6	-	-	-	1,031
Disposals	(1)	(479)	-	(5)	-	-	-	-	(485)
Asset write-downs	-	-	-	-	-	-	18	-	18
Impairment	-	917	-	18	9	1	-	-	945
<b>Balance at 31 March 2019</b>	<b>258</b>	<b>4,860</b>	<b>2</b>	<b>59</b>	<b>47</b>	<b>5</b>	<b>31</b>	<b>-</b>	<b>5,262</b>
<b>Net Book Value</b>									
At 1 April 2017	901	3,601	2	63	44	5	52	880	5,548
At 31 March 2018	1,179	4,215	2	68	42	4	38	838	6,386
<b>At 31 March 2019</b>	<b>1,406</b>	<b>3,467</b>	<b>1</b>	<b>67</b>	<b>33</b>	<b>3</b>	<b>23</b>	<b>537</b>	<b>5,537</b>

As part of the company's review of the carrying value of property, plant and equipment, £18 million (2018: £18 million) of heritage vehicles and assets under construction have been written down, and this has been recognised as an expense within 'Other expenses'.

The carrying value of 'Plant and equipment' held under finance leases at 31 March 2019 was £3 million (2018: £4 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 INTANGIBLE ASSETS

(£ millions)	Goodwill	Software	Intellectual property rights and other intangibles	Product development in progress	Capitalised product development	Total
<b>Cost</b>						
<b>Balance at 1 April 2017</b>	382	573	410	2,158	5,279	8,802
Additions - externally purchased	-	79	6	-	-	85
Additions - internally developed	-	-	-	1,593	-	1,593
Capitalised product development - internally developed	-	-	-	(1,668)	1,668	-
Disposals	-	(25)	-	-	(131)	(156)
Asset write-downs - assets under construction	-	(9)	-	(24)	-	(33)
<b>Balance at 31 March 2018</b>	382	618	416	2,059	6,816	10,291
Additions - externally purchased	-	77	3	-	-	80
Additions - internally developed	-	-	-	1,579	-	1,579
Capitalised product development - internally developed	-	-	-	(1,084)	1,084	-
Disposals	-	(31)	-	-	(844)	(875)
Impairment	-	-	-	(562)	-	(562)
<b>Balance at 31 March 2019</b>	382	664	419	1,992	7,056	10,513
<b>Amortisation and impairment</b>						
<b>Balance at 1 April 2017</b>	-	182	-	-	2,347	2,529
Amortisation for the year	-	94	2	-	950	1,046
Disposals	-	(25)	-	-	(131)	(156)
Asset write-downs	-	13	-	-	-	13
<b>Balance at 31 March 2018</b>	-	264	2	-	3,166	3,432
Amortisation for the year	-	100	3	-	965	1,068
Disposals	-	(23)	-	-	(843)	(866)
Impairment	382	66	88	-	903	1,439
<b>Balance at 31 March 2019</b>	382	407	93	-	4,191	5,073
<b>Net Book Value</b>						
At 1 April 2017	382	391	410	2,158	2,932	6,273
At 31 March 2018	382	354	414	2,059	3,650	6,859
<b>At 31 March 2019</b>	-	257	326	1,992	2,865	5,440

During the year ended 31 March 2018, £46 million of costs were identified as being written down and recognised as an expense within 'Other expenses'.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 INTANGIBLE ASSETS (CONTINUED)

#### IMPAIRMENT TESTING

The intellectual property rights of the company are deemed to have an indefinite useful life on the basis of the expected longevity of the brand names. The assets of Jaguar Land Rover Limited are considered for the risk of impairment annually and the recoverable amounts of indefinite life assets, comprising intellectual property rights and goodwill, and intangible assets not yet available for use have been measured in accordance with IAS 36.

Management performed an impairment assessment on the smallest CGU that contains the assets of the company as at 31 March 2019. The recoverable value of the CGU was determined based on value in use ('VIU'), which was marginally higher than the fair value less cost of disposal of the relevant assets of the CGU. The recoverable amount was lower than the carrying value of the CGU, and this resulted in an impairment charge of £3,089 million being recognised in the financial statements of Jaguar Land Rover Limited as at 31 March 2019. The impairment loss has been allocated initially against goodwill of £382 million and thereafter the residual amount has been allocated on a pro-rated basis. This has resulted in £1,088 million allocated against tangible assets and £2,001 million allocated against intangible assets.

The directors' approach and key (unobservable) assumptions used to determine the group's CGU VIU were as follows:

As at 31 March	2019	2018
Growth rate applied beyond approved forecast period	1.9%	2.0%
Pre-tax discount rate	11.8%	8.7%

The group considered it appropriate to undertake the impairment assessment with reference to the latest business plan, which includes a five-year cash flow forecast as approved by the Board of Directors. The growth rates used in the VIU calculation reflect those inherent within the company's business plan as approved by the Board of Directors, which is primarily a function of the group's cycle plan assumptions, past performance and management's expectation of future market developments through to 2023/24. The future cash flows consider potential risks given the current economic environment and key assumptions such as sales volume forecasts and margins. The group assessed the potential impacts of changes, if any, in tax and treaty arrangements globally, including Brexit and the US tariffs. The potential impact of reasonably possible outcomes of these events has been included in the VIU calculations.

The cash flows for the year 2023/24 are extrapolated into perpetuity assuming a long-term growth rate as stated above, which is set with reference to weighted-average GDP growth of the countries in which the company operates.

#### SENSITIVITY TO KEY AND OTHER ASSUMPTIONS

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase to the aggregate group impairment loss recognised as at 31 March 2019 (although it should be noted that these sensitivities do not take account of potential mitigating actions). This would increase the impairment loss allocated to assets of the company accordingly.

	£m
Increase in post-tax discount rate by 1%	1,114
Decrease in long-term growth rate applied beyond approved forecast period by 0.5%	483
Decrease in projected volumes by 5%	4,288
Decrease in projected gross margin by 0.5%	2,088

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance restated*	Adjustment on initial application of IFRS 9	Adjusted opening balance	Recognised in profit or loss restated*	Recognised in other comprehensive income restated*	Reclassified from other equity reserves	Closing balance restated*
<b>Year ended 31 March 2019</b>							
<b>Deferred tax assets</b>							
Property, plant & equipment	6	-	6	506	-	-	512
Derivative financial instruments	80	6	86	6	19	23	134
Compensated absences and retirement benefits	85	-	85	(6)	37	-	116
Tax loss	345	-	345	(292)	-	-	53
R&D expenditure credit	97	-	97	26	-	-	123
<b>Total deferred tax asset</b>	<b>613</b>	<b>6</b>	<b>619</b>	<b>240</b>	<b>56</b>	<b>23</b>	<b>938</b>
<b>Deferred tax liabilities</b>							
Intangible assets	(1,072)	-	(1,072)	208	-	-	(864)
Provisions, allowances for doubtful receivables	(1)	-	(1)	(4)	-	-	(5)
<b>Total deferred tax liability</b>	<b>(1,073)</b>	<b>-</b>	<b>(1,073)</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>(869)</b>
<b>Net deferred tax (liability)/asset</b>	<b>(460)</b>	<b>6</b>	<b>(454)</b>	<b>444</b>	<b>56</b>	<b>23</b>	<b>69</b>
<b>Year ended 31 March 2018</b>							
<b>Deferred tax assets</b>							
Property, plant & equipment	37	-	37	(31)	-	-	6
Derivative financial instruments	547	-	547	(10)	(457)	-	80
Compensated absences and retirement benefits	248	-	248	(72)	(91)	-	85
Tax loss	213	-	213	132	-	-	345
R&D expenditure credit	69	-	69	28	-	-	97
<b>Total deferred tax asset</b>	<b>1,114</b>	<b>-</b>	<b>1,114</b>	<b>47</b>	<b>(548)</b>	<b>-</b>	<b>613</b>
<b>Deferred tax liabilities</b>							
Intangible assets	(969)	-	(969)	(103)	-	-	(1,072)
Provisions, allowances for doubtful receivables	(1)	-	(1)	-	-	-	(1)
<b>Total deferred tax liability</b>	<b>(970)</b>	<b>-</b>	<b>(970)</b>	<b>(103)</b>	<b>-</b>	<b>-</b>	<b>(1,073)</b>
<b>Net deferred tax asset/(liability)* restated</b>	<b>144</b>	<b>-</b>	<b>144</b>	<b>(56)</b>	<b>(548)</b>	<b>-</b>	<b>(460)</b>

\*Comparative financial information has been restated as explained in note 2.

At 31 March 2019, the company had unused tax losses and other temporary differences amounting to £1,441m (2018: £nil) for which no deferred tax asset has been provided. As at 31 March 2019 £nil (2018: £nil) of those tax losses are subject to expiry in future periods. All deferred tax assets and deferred tax liabilities at 31 March 2019 and 31 March 2018 are presented as non-current.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	2,465	2,087

### 20 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

Changes in the allowances for trade and other receivables are as follows:

<b>Year ended 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
At beginning of year	47	55
Charged during the year	3	3
Utilised during the year	(40)	(2)
Unused amounts reversed	-	(1)
Foreign currency translation	(3)	(8)
<b>At end of year</b>	<b>7</b>	<b>47</b>

### 21 INVENTORIES

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Raw materials and consumables	115	71
Work in progress	363	330
Finished goods	1,348	1,377
Inventory basis adjustment	(8)	-
<b>Total inventories</b>	<b>1,818</b>	<b>1,778</b>

Inventories of finished goods include £370 million (2018: £343 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

The cost of inventories (including cost of purchased products) recognised as an expense during the year amounted to £15,996 million (2018: £16,712 million).

During the year, the company recorded an inventory write-down expense of £52 million (2018: £55 million). The write-down is included in 'Material and other cost of sales'.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22 OTHER ASSETS

As at 31 March (£ millions)	2019	2018 restated*
<b>Non-current assets</b>		
Prepaid expenses	83	80
<b>Total non-current other assets</b>	<b>83</b>	<b>80</b>
<b>Current assets</b>		
Recoverable VAT	156	182
Prepaid expenses	86	109
Research and development credit	113	114
Other	5	6
<b>Total current other assets</b>	<b>360</b>	<b>411</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

### 23 ACCOUNTS PAYABLE

As at 31 March (£ millions)	2019	2018
Trade payables	4,130	4,308
Liabilities for expenses	483	523
Capital creditors	708	745
Liabilities to employees	92	116
<b>Total accounts payable</b>	<b>5,413</b>	<b>5,692</b>

### 24 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March (£ millions)	2019	2018
<b>Short-term borrowings</b>		
Loans	3,631	2,967
<b>Short-term borrowings</b>	<b>3,631</b>	<b>2,967</b>
<b>Long-term borrowings</b>		
Loans	3,599	3,060
<b>Long-term borrowings</b>	<b>3,599</b>	<b>3,060</b>
Finance lease obligations	-	2
<b>Total borrowings</b>	<b>7,230</b>	<b>6,029</b>

Included within short-term borrowings are external bank loans of £114 million (2018: £149 million). All other short-term and long-term borrowings are intercompany loans.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The contractual cash flows of interest bearing debt and borrowings as of 31 March 2019 and 31 March 2018 are set out below, including estimated interest payments and assuming the debt will be repaid at the maturity date.

As at 31 March (£ millions)	2019	2018
<b>Due in</b>		
1 year or less	4,588	3,110
2nd and 3rd years	1,011	1,228
4th and 5th years	1,696	1,305
More than 5 years	1,559	1,008
<b>Total contractual cash flows</b>	<b>8,854</b>	<b>6,651</b>

### 25 OTHER FINANCIAL LIABILITIES

As at 31 March (£ millions)	2019	2018
<b>Current</b>		
Interest accrued	35	32
Derivative financial instruments	523	668
Liability for vehicles sold under a repurchase arrangement	363	387
Finance lease obligations	-	2
Other payables	4	-
<b>Total current other financial liabilities</b>	<b>925</b>	<b>1,089</b>
<b>Non-current</b>		
Derivative financial instruments	281	257
Other payables	2	3
<b>Total non-current other financial liabilities</b>	<b>283</b>	<b>260</b>

### 26 PROVISIONS

Year ended 31 March (£ millions)	2019	2018
<b>Current</b>		
Product warranty	610	531
Legal and product liability	136	100
Provisions for environmental liability	14	10
Other employee benefits obligations	13	8
Restructuring	95	-
<b>Total current provisions</b>	<b>868</b>	<b>649</b>
<b>Non-current</b>		
Product warranty	950	881
Legal and product liability	43	24
Provisions for environmental liability	15	16
Other employee benefits obligations	-	3
<b>Total non-current provisions</b>	<b>1,008</b>	<b>924</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26 PROVISIONS (CONTINUED)

Year ended 31 March (£ millions)	Product warranty	Legal and product liability	Environmental liability	Other employee benefits obligations	Restructuring	Total
Opening balance	1,412	124	26	11	-	1,573
Adjustment on initial application of IFRS 15*	(13)	-	-	-	-	(13)
<b>Adjusted opening balance</b>	<b>1,399</b>	<b>124</b>	<b>26</b>	<b>11</b>	<b>-</b>	<b>1,560</b>
Provision made during the year	779	185	16	19	95	1,094
Provision used during the year	(639)	(97)	(9)	(8)	-	(753)
Unused amount released in the year	-	(35)	(4)	(9)	-	(48)
Impact of unwind of discounting	21	-	-	-	-	21
Foreign currency translation	-	2	-	-	-	2
<b>Closing balance</b>	<b>1,560</b>	<b>179</b>	<b>29</b>	<b>13</b>	<b>95</b>	<b>1,876</b>

#### PRODUCT WARRANTY PROVISION

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

#### LEGAL AND PRODUCT LIABILITY PROVISION

A legal and product liability provision is maintained in respect of compliance with regulations and known litigations which impact the company. The provision primarily relates to motor accident claims, consumer complaints, dealer terminations, employment cases, personal injury claims and compliance with regulations. The timing of outflows will vary as and when claims are received and settled, which is not known with certainty.

#### ENVIRONMENTAL LIABILITY PROVISION

This provision relates to various environmental remediation costs such as asbestos removal and land clean up. The timing of when these costs will be incurred is not known with certainty.

#### OTHER EMPLOYEE BENEFITS OBLIGATIONS

This provision relates to the LTIP scheme for certain employees (see note 8).

#### RESTRUCTURING

This provision relates to amounts payable to employees under the company restructuring programme announced and carried out during the year ended 31 March 2019.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27 OTHER LIABILITIES

As at 31 March (£ millions)	2019	2018
<b>Current</b>		
Liabilities for advances received	33	7
Ongoing service obligations	109	100
VAT	5	-
Other	6	12
<b>Total current other liabilities</b>	<b>153</b>	<b>119</b>
<b>Non-current</b>		
Ongoing service obligations	163	141
Other	1	4
<b>Total non-current other liabilities</b>	<b>164</b>	<b>145</b>

### 28 CAPITAL AND RESERVES

As at 31 March (£ millions)	2019	2018
Allotted, called up and fully paid 3,560,542,073 (2018: 3,560,542,073) ordinary shares of £1 each	3,561	3,561
<b>Total ordinary share capital</b>	<b>3,561</b>	<b>3,561</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 29 OTHER RESERVES

The movement of other reserves is as follows:

(£ millions)	Hedging reserve	Cost of hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2018 restated*	(282)	(46)	5,828	5,500
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	(29)	2	(4)	(31)
<b>Adjusted balance at 1 April 2018</b>	<b>(311)</b>	<b>(44)</b>	<b>5,824</b>	<b>5,469</b>
Loss for the year	-	-	(3,464)	(3,464)
Remeasurement of defined benefit obligation	-	-	(268)	(268)
(Loss)/gain on effective cash flow hedges	(812)	24	-	(788)
Loss on effective cash flow hedges of inventory	(161)	(36)	-	(197)
Income tax related to items recognised in other comprehensive income	184	2	37	223
Cash flow hedges reclassified to foreign exchange in profit or loss	874	7	-	881
Income tax related to items reclassified to profit or loss	(166)	(1)	-	(167)
Amounts removed from hedge reserve and recognised in inventory	(141)	19	-	(122)
Income tax related to amounts removed from hedge reserve and recognised in inventory	27	(4)	-	23
<b>Balance as at 31 March 2019</b>	<b>(506)</b>	<b>(33)</b>	<b>2,129</b>	<b>1,590</b>

(£ millions)	Hedging reserve restated*	Cost of hedging reserve restated*	Retained earnings restated*	Total reserves restated*
Balance as at 1 April 2017	(2,209)	(75)	4,848	2,564
Profit for the year	-	-	526	526
Remeasurement of defined benefit obligation	-	-	545	545
Gain on effective cash flow hedges	1,211	25	-	1,236
Cash flow hedges reclassified to foreign exchange in profit or loss	1,166	11	-	1,177
Income tax related to items recognised in other comprehensive income	(229)	(5)	(91)	(325)
Income tax related to items reclassified to profit or loss	(221)	(2)	-	(223)
<b>Balance as at 31 March 2018</b>	<b>(282)</b>	<b>(46)</b>	<b>5,828</b>	<b>5,500</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 DIVIDENDS

No dividends were paid in the year ended 31 March 2019 (2018: £nil).

### 31 EMPLOYEE BENEFITS

The company operates defined benefit schemes for qualifying employees. The defined benefit schemes are administered by a trustee that is legally separated from the company. The trustee of the pension schemes is required by law to act in the interest of the fund and of all relevant stakeholders in the schemes, is responsible for the investment policy with regard to the assets of the schemes and all other governance matters. The board of the trustee must be composed of representatives of the company and scheme participants in accordance with each scheme's regulations.

Under the schemes, the employees are entitled to post-retirement benefits based on their length of service and salary.

Through its defined benefit pension schemes the company is exposed to a number of risks, the most significant of which are detailed below:

#### **Asset volatility**

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform these corporate bonds, this will create or increase a deficit. The defined benefit schemes hold a significant proportion of equity type assets, which are expected to outperform corporate bonds in the long term although introducing volatility and risk in the short term.

The schemes hold a substantial level of index-linked gilts, gilts and other inflation and interest rate hedging instruments in order to reduce the volatility of assets compared to the liability value. Although these will lead to asset value volatility.

As the schemes mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

However, the company believes that due to the long-term nature of the scheme liabilities and the strength of the supporting company, a level of continuing equity type investments is an appropriate element of the company's long-term strategy to manage the schemes efficiently.

#### **Changes in bond yields**

A decrease in corporate bond yields will increase scheme liabilities, although this is expected to be partially offset by an increase in the value of the schemes' bond holdings and interest rate hedging instruments.

#### **Inflation risk**

Some of the company's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). The schemes hold a significant proportion of assets in index linked gilts, together with other inflation hedging instruments and also assets which are more loosely correlated with inflation. However, an increase in inflation will also increase the deficit to some degree.

#### **Life expectancy**

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the scheme's liabilities. This is particularly where inflationary increases result in higher sensitivity to changes in life expectancy.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

The following tables set out the disclosures pertaining to the retirement benefit amounts recognised in the financial statements prepared in accordance with IAS 19:

#### Change in present value of defined benefit obligation

Year ended 31 March (£ millions)	2019	2018
Defined benefit obligation beginning of the year	8,285	9,912
Current service cost	155	214
Past service cost/(credit)	42	(437)
Interest expense	215	239
Actuarial (gains)/losses arising from:		
Changes in demographic assumptions	(49)	(211)
Changes in financial assumptions	541	(351)
Experience adjustments	32	(99)
Member contributions	1	4
Benefits paid	(615)	(986)
<b>Defined benefit obligation at end of year</b>	<b>8,607</b>	<b>8,285</b>

#### Change in fair value of plan assets

Year ended 31 March (£ millions)	2019	2018
Fair value of plan assets at beginning of the year	7,870	8,474
Interest income	207	218
Remeasurement gain/(loss) on the return of plan assets, excluding amounts included in interest income	256	(116)
Administrative expenses	(13)	(9)
Employer contributions	261	285
Members contributions	1	4
Benefits paid	(615)	(986)
<b>Fair value of plan assets at end of year</b>	<b>7,967</b>	<b>7,870</b>

The actual return on plan assets for the year was £463 million (2018: £102 million).

Amounts recognised in the income statement consist of:

Year ended 31 March (£ millions)	2019	2018
Current service cost	155	214
Past service cost/(credit)	42	(437)
Administrative expenses	13	9
Net interest cost (including onerous obligations)	8	21
<b>Components of defined benefit cost recognised in the income statement</b>	<b>218</b>	<b>(193)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised in the statement of comprehensive income consist of:

<b>Year ended 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Actuarial (loss)/gain arising from:		
Changes in demographic assumptions	49	211
Changes in financial assumptions	(541)	351
Experience adjustments	(32)	99
Remeasurement gain/(loss) on the return of plan assets, excluding amounts included in interest income	256	(116)
<b>Remeasurement (loss)/gain of defined benefit obligation</b>	<b>(268)</b>	<b>545</b>

Amounts recognised in the balance sheet consist of:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Present value of funded defined benefit obligations	(8,607)	(8,285)
Fair value of plan assets	7,967	7,870
<b>Net retirement benefit obligation</b>	<b>(640)</b>	<b>(415)</b>
Presented as non-current liability	(640)	(415)

The most recent valuations of the defined benefit schemes for accounting purposes were carried out at 31 March 2018 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method. The asset valuations are taken from the asset custodian for each scheme.

The principal assumptions used in accounting for the pension plans are set out below:

<b>Year ended 31 March (%)</b>	<b>2019</b>	<b>2018</b>
Discount rate	2.4	2.7
Expected rate of increase in compensation level of covered employees	2.4	2.3
Inflation increase	3.2	3.1

For the valuation at 31 March 2019, the mortality assumptions used are the SAPS base table, in particular S2PxA tables and the Light table for members of the Jaguar Executive Pension Plan.

For the Jaguar Pension Plan, scaling factors of 112 per cent to 118 per cent have been used for male members and scaling factors of 101 per cent to 112 per cent have been used for female members.

For the Land Rover Pension Scheme, scaling factors of 107 per cent to 112 per cent have been used for male members and scaling factors of 101 per cent to 109 per cent have been used for female members.

For the Jaguar Executive Pension Plan, an average scaling factor of 94 per cent has been used for male members and an average scaling factor of 84 per cent has been used for female members.

For the valuation at 31 March 2018, the mortality assumptions used are the SAPS base table, in particular S2PxA tables and the Light table for members of the Jaguar Executive Pension Plan.

For the Jaguar Pension Plan, scaling factors of 113 per cent to 119 per cent have been used for male members and scaling factors of 102 per cent to 114 per cent have been used for female members.

For the Land Rover Pension Scheme, scaling factors of 108 per cent to 113 per cent have been used for male members and scaling factors of 102 per cent to 111 per cent have been used for female members.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

For the Jaguar Executive Pension Plan, an average scaling factor of 95 per cent has been used for male members and an average scaling factor of 85 per cent has been used for female members.

There is an allowance for future improvements in line with the CMI (2018) projections and an allowance for long-term improvements of 1.25 per cent per annum (2018: CMI (2017) projections with 1.25 per cent per annum improvements).

The assumed life expectations on retirement at age 65 are:

Valuation at 31 March (years)	2019	2018
Retiring today:		
Males	21.0	21.3
Females	23.2	23.4
Retiring in 20 years:		
Males	22.4	22.5
Females	25.1	25.1

A past service cost of £42 million has been recognised in the year ended 31 March 2019. This reflects a plan amendment for certain members as part of the company's restructuring programme (see note 3) and a past service cost following a High Court ruling in October 2018. As a result of the ruling, pension schemes are required to equalise male and female members' benefits for the inequalities within guaranteed minimum pension earned between 17 May 1990 and 5 April 1997. The company historically made no assumptions for guaranteed minimum pension and therefore has considered the change to be a plan amendment.

A past service credit of £437 million has been recognised in the year ended 31 March 2018 after the company approved and communicated to its defined benefit schemes' members that the defined benefit schemes' rules were to be amended with effect from 6 April 2017. As a result, among other changes, future retirement benefits would be calculated each year and revalued until retirement in line with a prescribed rate rather than based upon a member's final salary at retirement.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

Assumption	Change in assumption	Impact on scheme liabilities	Impact on service cost
Discount rate	Increase / decrease by 0.25%	Decrease/increase by c.£430 million	Decrease/increase by c.£8 million
Inflation rate	Increase / decrease by 0.25%	Increase/decrease by c.£370 million	Increase/decrease by c.£8 million
Mortality	Increase / decrease by 1 year	Increase/decrease by c.£310 million	Increase/decrease by c.£5 million

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

The fair value of plan assets is represented by the following major categories:

As at 31 March (£ millions)	2019				2018			
	Quoted*	Unquoted	Total	%	Quoted*	Unquoted	Total	%
<b>Equity instruments</b>								
Information technology	79	-	79	1%	131	-	131	2%
Energy	34	-	34	-	56	-	56	1%
Manufacturing	58	-	58	1%	96	-	96	1%
Financials	91	-	91	1%	151	-	151	2%
Other	251	-	251	3%	417	-	417	5%
	<b>513</b>	<b>-</b>	<b>513</b>	<b>6%</b>	<b>851</b>	<b>-</b>	<b>851</b>	<b>11%</b>
<b>Debt instruments</b>								
Government	2,504	-	2,504	32%	2,521	-	2,521	32%
Corporate Bonds (investment grade)	149	1,691	1,840	23%	20	1,834	1,854	24%
Corporate bonds (Non investment grade)	-	612	612	8%	-	583	583	7%
	<b>2,653</b>	<b>2,303</b>	<b>4,956</b>	<b>63%</b>	<b>2,541</b>	<b>2,417</b>	<b>4,958</b>	<b>63%</b>
<b>Property funds</b>								
UK	-	244	244	3%	-	164	164	2%
Other	-	229	229	3%	-	160	160	2%
	-	<b>473</b>	<b>473</b>	<b>6%</b>	-	<b>324</b>	<b>324</b>	<b>4%</b>
<b>Cash and cash equivalents</b>	<b>210</b>	<b>-</b>	<b>210</b>	<b>3%</b>	<b>217</b>	<b>-</b>	<b>217</b>	<b>3%</b>
<b>Other</b>								
Hedge Funds	-	309	309	4%	-	355	355	4%
Private Markets	4	335	339	4%	2	251	253	3%
Alternatives	15	808	823	10%	469	214	683	9%
	<b>19</b>	<b>1,452</b>	<b>1,471</b>	<b>18%</b>	<b>471</b>	<b>820</b>	<b>1,291</b>	<b>16%</b>
<b>Derivatives</b>								
Foreign exchange contracts	-	16	16	-	-	1	1	-
Interest rate and inflations	-	328	328	4%	-	228	228	3%
	-	<b>344</b>	<b>344</b>	<b>4%</b>	-	<b>229</b>	<b>229</b>	<b>3%</b>
<b>Total</b>	<b>3,395</b>	<b>4,572</b>	<b>7,967</b>	<b>100%</b>	<b>4,080</b>	<b>3,790</b>	<b>7,870</b>	<b>100%</b>

\*Quoted prices for identical assets or liabilities in active markets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

As at 31 March 2019, the schemes held Gilt Repos, the net value of these transactions is included in the value of government bonds. The value of the funding obligation for the Repo transactions is £1,528 million (2018: £1,287 million).

The split of Level 1 assets is 62 per cent (2018: 71 per cent), Level 2 assets 24 per cent (2018: 20 per cent) and Level 3 assets 14 per cent (2018: 9 per cent). Private market holdings are classified as Level 3 instruments. For this purpose, each element of the Repo transactions is included separately.

Jaguar Land Rover contributes towards the UK defined benefit schemes. The 5 April 2018 valuations were completed in December 2018. As a result of these valuations it is intended to eliminate the pension scheme funding deficits over the 10 years to 31 March 2028. There is currently no additional liability over the projected benefit obligation (based on current legal advice the company will not be required to recognise an additional obligation in the future). In line with the schedule of contributions agreed following the 2018 statutory valuation, the current ongoing company contribution rate for defined benefit accrual has reduced to c.22 per cent of pensionable salaries in the UK reflecting the 2017 benefit restructure. Deficit contributions are paid in line with the updated schedule of contributions at a rate of £60 million per year until 31 March 2024 followed by £25 million per year until 31 March 2028.

The average duration of the benefit obligations at 31 March 2019 is 19.0 years (2018: 20.4 years).

The expected net periodic pension cost for the year ended 31 March 2020 is £166 million. The company expects to pay £223 million to its defined benefit schemes, in total, for the year ended 31 March 2020.

### DEFINED CONTRIBUTION SCHEMES

The company's contribution to defined contribution schemes for the year ended 31 March 2019 was £88 million (2018: £75 million).

### 32 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the company faces claims and assertions by various parties. The company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. The company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the company provides disclosure in its financial statements but does not record a liability unless the loss becomes probable. Such potential losses may be of an uncertain timing and/or amount.

The following is a description of claims and contingencies where a potential loss is possible, but not probable. Management believes that none of the contingencies described below, either individually or in aggregate, would have a material adverse effect on the company's financial condition, results of operations or cash flows.

#### LITIGATION AND PRODUCT RELATED MATTERS

The company is involved in legal proceedings, both as plaintiff and as defendant. There are claims and potential claims of £7 million (2018: £5 million) against the company which management has not recognised, as settlement is not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiency in the services by the company or its dealers.

The company has provided for the estimated cost of repair following the passenger safety airbag issue in the United States, China, Canada, Korea, Australia and Japan. The company recognises that there is a potential risk of further recalls in the future, however, the company is unable at this point in time to reliably estimate the amount and timing of any potential future costs associated with this warranty issue.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 32 COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

The company has entered into various contracts with vendors and contractors for the acquisition of plant and machinery, equipment and various civil contracts of capital nature aggregating to £1,006 million (2018: £593 million) and £20 million (2018: £15 million) relating to the acquisition of intangible assets.

Commitments and contingencies also includes other contingent liabilities of £211 million (2018: £138 million). These mainly relate to government body investigations with regards to legislation and regulation compliance, support provided to the dealer network, termination clauses and supply chain arrangements. The timing of any outflow will vary as and when claims are received and settled, which is not known with certainty.

The remaining financial commitments, in particular the purchase commitments and guarantees, are of a magnitude typical for the industry.

Inventory of £nil (2018: £nil) and trade receivables with a carrying amount of £114 million (2018: £149 million) and property, plant and equipment with a carrying amount of £nil (2018: £nil) and restricted cash with a carrying amount of £nil (2018: £nil) are pledged as collateral/security against the borrowings and commitments.

Commitments related to leases are set out in note 35.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Co. Ltd. is a commitment for the company to contribute a total of CNY 1,750 million of capital, of which CNY 1,438 million has been contributed as at 31 March 2019. The outstanding commitment of CNY 312 million translates to £36 million at the year end exchange rate.

Any litigations and claims against Jaguar Land Rover Limited are considered to be the responsibility of the company which settle these as appropriate. No amounts were recharged by the company for the years ended 31 March 2019 and 31 March 2018.

The company provides certain guarantees for financing and other arrangements where the likelihood of demand on the guarantee is deemed remote. The financing arrangements covered by such guarantees include:

The company's intermediate parent, Jaguar Land Rover Automotive plc, has issued Senior Notes that are listed on the Luxembourg Stock Exchange multilateral trading facility ('EURO MTF') market. The company is a guarantor with Jaguar Land Rover Holdings Limited of certain of these Senior Notes. The tranches of Senior Notes outstanding at 31 March 2019 are as follows:

- £400 million Senior Notes due 2022 at a coupon of 5.000% per annum
- \$500 million Senior Notes due 2019 at a coupon of 4.250% per annum
- £400 million Senior Notes due 2023 at a coupon of 3.875% per annum
- \$500 million Senior Notes due 2020 at a coupon of 3.500% per annum
- €650 million Senior Notes due 2024 at a coupon of 2.200% per annum
- £300 million Senior Notes due 2021 at a coupon of 2.750% per annum
- \$500 million Senior Notes due 2027 at a coupon of 4.500% per annum
- €500 million Senior Notes due 2026 at a coupon of 4.500% per annum

The company is a guarantor with Jaguar Land Rover Holdings Limited, Jaguar Land Rover North America LLC, Land Rover Exports Limited and JLR Nominee Company Limited of \$500 million Senior Notes due 2023 at a coupon of 5.625% per annum.

The company is a guarantor of a \$1 billion syndicate loan with a coupon rate of LIBOR + 1.900 per cent per annum, issued in October 2018 and due in the following tranches:

- \$200 million due October 2022
- \$800 million due January 2025

In addition, the company is a guarantor with Jaguar Land Rover Holdings Limited of the £1,935 million revolving credit facility held by the intermediate parent company, Jaguar Land Rover Automotive plc. As at 31 March 2019 this facility was fully undrawn.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33 CAPITAL MANAGEMENT

The company's objectives when managing capital are to ensure the going concern operation of all subsidiary companies and to maintain an efficient capital structure to support ongoing and future operations of the group and to meet shareholder expectations.

The company issues debt, primarily in the form of loans to other group companies, to meet anticipated funding requirements and maintain sufficient liquidity. The company also maintains certain undrawn committed credit facilities to provide additional liquidity. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries as required. Surplus cash in subsidiaries is pooled (where practicable) and invested to satisfy security, liquidity and yield requirements.

The capital structure and funding requirements are regularly monitored by the Board to ensure sufficient liquidity is maintained by the company. All debt issuance and capital distributions are approved by the Board. In addition, the covenant related to the financing arrangements is regularly monitored and compliance is certified annually.

The following table summarises the capital of the company:

Year ended 31 March (£ millions)	2019	2018 restated*
Short-term debt	3,631	2,969
Long-term debt	3,599	3,060
<b>Total debt**</b>	<b>7,230</b>	<b>6,029</b>
Equity	5,151	9,061
<b>Total capital</b>	<b>12,381</b>	<b>15,090</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

\*\* Total debt includes finance lease obligations of £nil (2018: £2 million).

### 34 FINANCIAL INSTRUMENTS

This section gives an overview of the significance of financial instruments for the company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

#### (A) FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2019 under IFRS 9:

(£ millions)	Amortised cost and other financial liabilities	Fair value through profit and loss		Total carrying value	Total fair value
		Derivatives and other financial instruments in cash flow hedging relationship	Derivatives other than in hedging relationship		
Short-term deposits and other investments	1,028	-	-	1,028	1,028
Other financial assets - current	1,496	102	31	1,629	1,629
Other financial assets - non-current	105	43	11	159	159
<b>Total financial assets</b>	<b>2,629</b>	<b>145</b>	<b>42</b>	<b>2,816</b>	<b>2,816</b>
Short-term borrowings	2,863	768	-	3,631	3,627
Long-term borrowings*	3,599	-	-	3,599	3,245
Other financial liabilities - current	402	426	97	925	925
Other financial liabilities - non-current	2	266	15	283	283
<b>Total financial liabilities</b>	<b>6,866</b>	<b>1,460</b>	<b>112</b>	<b>8,438</b>	<b>8,080</b>

\*Included in the long-term borrowings shown in other financial liabilities is £813 million that is designated as the hedged item in a fair value hedge relationship. Included within this figure is £5 million of fair value adjustments as a result of the hedge relationship.

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2018 under IAS 39.

(£ millions)	Held to maturity	Loans and receivables and other financial liabilities	Derivatives and other financial instruments in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Short-term deposits and other investments	-	1,482	185	79	1,746	1,746
Other financial assets - non-current	-	119	266	20	405	405
<b>Total financial assets</b>	<b>36</b>	<b>3,576</b>	<b>451</b>	<b>99</b>	<b>4,162</b>	<b>4,162</b>
Short-term borrowings	-	2,967	498	-	3,465	3,470
Long-term borrowings*	-	1,850	712	-	2,562	2,590
Other financial liabilities - current	-	421	585	83	1,089	1,089
Other financial liabilities - non-current	-	3	250	7	260	260
<b>Total financial liabilities</b>	<b>-</b>	<b>5,241</b>	<b>2,045</b>	<b>90</b>	<b>7,376</b>	<b>7,409</b>

\*Included in the long-term borrowings shown in other financial liabilities is £342 million that is designated as the hedged item in a fair value hedge relationship. Included within this figure is £10 million of fair value adjustments as a result of the hedge relationship.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The 2018 comparative balances have been represented, in order to fully reflect the maturity of borrowings designated in a hedging relationship.

#### Offsetting

Certain financial assets and financial liabilities are subject to offsetting where there is currently a legally enforceable right to set off recognised amounts and the company intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial assets and financial liabilities are subject to master netting arrangements whereby in the case of insolvency, derivative financial assets and financial liabilities can be settled on a net basis.

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2019:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
<b>Financial assets</b>						
Derivative financial assets	187	-	187	(187)	-	-
Cash and cash equivalents	2,893	(428)	2,465	-	-	2,465
	<b>3,080</b>	<b>(428)</b>	<b>2,652</b>	<b>(187)</b>	-	<b>2,465</b>
<b>Financial liabilities</b>						
Derivative financial liabilities	804	-	804	(187)	-	617
Short-term borrowings	4,059	(428)	3,631	-	-	3,631
	<b>4,863</b>	<b>(428)</b>	<b>4,435</b>	<b>(187)</b>	-	<b>4,248</b>

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2018:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
<b>Financial assets</b>						
Derivative financial assets	550	-	550	(531)	-	19
Cash and cash equivalents	2,267	(180)	2,087	-	-	2,087
	<b>2,817</b>	<b>(180)</b>	<b>2,637</b>	<b>(531)</b>	-	<b>2,106</b>
<b>Financial liabilities</b>						
Derivative financial liabilities	925	-	925	(531)	-	394
Short-term borrowings	3,147	(180)	2,967	-	-	2,967
	<b>4,072</b>	<b>(180)</b>	<b>3,892</b>	<b>(531)</b>	-	<b>3,361</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy

Financial instruments held at fair value are required to be measured by reference to the following levels:

- Quoted prices in an active market (Level 1): this level of hierarchy includes financial instruments that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Valuation techniques with observable inputs (Level 2): this level of hierarchy includes financial assets and liabilities measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Valuation techniques with significant unobservable inputs (Level 3): this level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There has been no change in the valuation techniques adopted or any transfers between fair value levels in either current or prior financial periods as presented.

The financial instruments that are measured subsequent to initial recognition at fair value are classified as Level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices that are observable. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Fair value of forward derivative financial assets and liabilities are estimated by discounting expected future contractual cash flows using prevailing market interest rate curves from Reuters. Commodity swap contracts are similarly fair valued by discounting expected future contractual cash flows. Option contracts on foreign currency are entered into on a zero cost collar basis and fair value estimates are calculated from standard Black-Scholes options pricing methodology, using prevailing market interest rates and volatilities. The estimate of fair value for cross currency swaps is calculated using discounted estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates ('LIBOR').

Additionally, a credit valuation adjustment/debit value adjustment is taken on derivative financial assets and liabilities and is calculated by discounting the fair value gain or loss on the financial derivative using credit default swap ('CDS') prices quoted for the counterparty or Jaguar Land Rover respectively. CDS prices are obtained from Reuters.

Intercompany loans are held at amortised cost. The fair value for disclosure purposes is determined either using Level 1 valuation techniques, based on the closing price as at 31 March 2019 of equivalent bonds on the Luxembourg Stock Exchange multilateral trading facility (EURO MTF) market, or Level 2 valuation techniques.

Fair values of cash and cash equivalents, short-term deposits, trade receivables and payables, short-term borrowings and other financial assets and liabilities (current and non-current excluding derivatives) are assumed to approximate to cost due to the short-term maturing of the instruments and as the impact of discounting is not significant.

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the company could have realised in a sales transaction as of the respective dates. The estimated fair value amounts as at 31 March 2019 and 2018 have been measured as at the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

#### (B) FINANCIAL RISK MANAGEMENT

The company is exposed to foreign currency exchange rate, commodity price, interest rate, liquidity and credit risks. The company has a risk management framework in place which monitors all of these risks as discussed below. This framework is approved by the Board of Directors.

#### Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rates may have a potential impact on the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than GBP.

Considering the countries and economic environment in which the company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar, Chinese Yuan and Euro against the functional currency of the company.

Foreign exchange risk on future transactions is mitigated through the use of derivative contracts. In addition to the derivatives designated in hedging relationships as detailed in (C), the company enters into foreign currency contracts as economic hedges of recognised foreign currency debt.

The company is also exposed to fluctuations in exchange rates which impact the valuation of foreign currency denominated assets and liabilities on its balance sheet at each reporting period end.

The following table sets forth information relating to foreign currency exposure as at 31 March 2019:

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	*Others
Financial assets	2,640	1,910	104	455
Financial liabilities	(3,534)	(3,415)	(1,012)	(216)
<b>Net exposure (liability)/asset</b>	<b>(894)</b>	<b>(1,505)</b>	<b>(908)</b>	<b>239</b>
10% appreciation/depreciation of the currency would result in additional (loss)/gain:				
In other comprehensive income	(76)/76	-	-	n/a
In the income statement	(13)/13	(151)/151	(91)/91	n/a

The following table sets forth information relating to foreign currency exposure as at 31 March 2018:

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	*Others
Financial assets	1,640	1,820	174	592
Financial liabilities	(3,175)	(3,704)	(731)	(196)
<b>Net exposure (liability)/asset</b>	<b>(1,535)</b>	<b>(1,884)</b>	<b>(557)</b>	<b>396</b>
10% appreciation/depreciation of the currency would result in additional (loss)/gain:				
In other comprehensive income	(117)/117	-	-	n/a
In the income statement	(4)/4	(188)/188	(56)/56	n/a

#### Commodity price risk

The company is exposed to commodity price risk arising from the purchase of certain raw materials such as aluminium, copper, platinum and palladium. This risk is mitigated through the use of derivative contracts and fixed price contracts with suppliers. The derivative contracts are not hedge accounted under IFRS 9 but are instead measured at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The total fair value gain on commodities of £9 million (2018: £28 million) has been recognised in “Other income” in the income statement. The amounts reported do not reflect the purchasing benefits received by the company (which are included within “Material and other cost of sales”).

A 10 per cent appreciation/depreciation of all commodity prices underlying such contracts would have resulted in a gain/loss of £53 million (2018: £50 million).

#### Interest rate risk

Interest rate risk is the risk that changes in market interest rates will lead to changes in interest income and expense for the company.

In addition to issuing long-term fixed-rate loans, the company has other facilities in place which are primarily used to finance working capital that are subject to variable interest rates. When undertaking a new debt issuance the Board of Directors will consider the fixed/floating interest rate mix of the company, the outlook for future interest rates and the appetite for certainty of funding costs.

The company uses cross-currency interest rate swaps to convert some of its issued debt from foreign denominated fixed-rate debt to GBP floating-rate debt. The derivative instruments and the foreign currency fixed-rate debt are designated in fair value and cash flow hedging relationships. As at 31 March 2019, the carrying amount of these derivative instruments was a liability of £4 million (2018: £29 million). Further detail is given in section (C) below.

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The year end balances are not necessarily representative of the average debt outstanding during the year.

As of 31 March 2019 net financial liabilities of £3,619 million (2018: £2,447 million) were subject to the variable interest rate. An increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of £36 million (2018: £24 million) in the income statement and £nil (2018: £nil) in other comprehensive income.

The company’s sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate debt instruments.

#### Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company’s policy on liquidity risk is to maintain sufficient liquidity in the form of cash to meet the company’s operating requirements with an appropriate level of headroom.

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

As at 31 March 2019 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
<b>Financial liabilities</b>						
Long-term borrowings	3,599	5,186	946	449	2,232	1,559
Short-term borrowings	3,631	3,631	3,631	-	-	-
Other financial liabilities	404	441	413	13	15	-
Accounts payable	5,413	5,413	5,413	-	-	-
Derivative financial liabilities	804	1,076	592	313	144	27
<b>Total contractual maturities</b>	<b>13,851</b>	<b>15,747</b>	<b>10,995</b>	<b>775</b>	<b>2,391</b>	<b>1,586</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2018 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
<b>Financial liabilities</b>						
Long-term borrowings	3,060	3,638	120	824	1,686	1,008
Short-term borrowings	2,967	2,967	2,967	-	-	-
Finance lease liabilities	2	2	2	-	-	-
Other financial liabilities	422	451	427	9	15	-
Accounts payable	5,692	5,692	5,692	-	-	-
Derivative financial liabilities	925	1,207	748	322	124	13
<b>Total contractual maturities</b>	<b>13,068</b>	<b>13,957</b>	<b>9,956</b>	<b>1,155</b>	<b>1,825</b>	<b>1,021</b>

#### 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.

All company cash is invested according to strict credit criteria and actively monitored by company Treasury in conjunction with the current market valuation of derivative contracts. To support this, the Board of Directors has implemented an investment policy which places limits on the maximum cash investment that can be made with any single counterparty depending on their published external credit rating.

To a lesser extent the company has an exposure to counterparties on trade receivables and other financial assets. The company seeks to mitigate credit risk on sales to third parties through the use of payment at the point of delivery, credit insurance and letters of credit from banks which meet internal rating criteria.

#### Financial assets

None of the company's cash equivalents, including term deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2019 or 31 March 2018 that defaults in payment obligations will occur.

The company has reviewed trade and other receivables not yet due and not impaired and no material issues have been identified. Trade and other receivables past due and impaired are set out below:

As at 31 March (£ millions)	2019 Gross	2019 Impairment	2018 Gross	2018 Impairment
Not yet due	3,198	-	3,405	1
Overdue < 3 months	282	-	158	-
Overdue > 3 < 6 months	12	-	3	-
Overdue > 6 months	38	7	103	46
<b>Total</b>	<b>3,530</b>	<b>7</b>	<b>3,669</b>	<b>47</b>

Included within trade receivables is £114 million (2018: £149 million) of receivables that are part of a debt factoring arrangement. These assets do not qualify for derecognition due to the recourse arrangements in place. The related liability of £114 million (2018: £149 million) is in short-term borrowings. The asset and associated liability are classified in amortised cost and other financial liabilities respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

#### (C) DERIVATIVES AND HEDGE ACCOUNTING

The company's operations give rise to revenue, raw material purchases and borrowings in currencies other than the company's functional and presentation currency of GBP. The company forecasts these transactions over the medium term and enters into derivative contracts to mitigate the resulting foreign currency exchange risk, interest rate risk and commodity price risk. The company's risk management strategy allows for hedge accounting when the derivatives meet the hedge accounting criteria as set out in IFRS 9 as well as the company's risk management objectives.

Commodity derivatives are not hedge accounted. Foreign currency forward contracts, foreign currency options and foreign currency denominated borrowings may be designated as hedging instruments in a cash flow hedge relationship against forecast foreign currency transactions to mitigate foreign currency exchange risk associated with those transactions. In addition, the company uses cross-currency interest rate swaps to hedge its foreign currency exchange risk associated with recognised long-term borrowings. These instruments are designated in both cash flow and fair value hedging relationships.

In all cases the company uses a hedge ratio of 1:1. The critical terms of the derivative contracts are aligned with those of the hedged item. The company allows a maximum hedging term of five years for forecast transactions. The company's risk management policy allows for decreasing levels of hedging as the forecasting horizon increases.

A 10 per cent depreciation/appreciation in Sterling against the foreign currency underlying contracts within the company's derivative portfolio that are sensitive to changes in foreign exchange rates (excluding US Dollar bonds designated in a cash flow hedging relationship) would have resulted in the approximate additional (loss)/gain shown in the following table:

As at 31 March (£ millions)	2019	2018 restated*
10% depreciation in Sterling against the foreign currency:		
In other comprehensive income	(273)	(908)
In the income statement	109	116
10% appreciation in Sterling against the foreign currency:		
In other comprehensive income	244	773
In the income statement	(75)	(95)

\* See note 2 for details of the restatement due to changes in accounting policies

The following table sets out the change in the company's exposure to interest rate risk as a result of cross-currency interest rate swaps:

Outstanding contracts	Foreign currency average interest rate		Reporting currency average interest rate	
	2019 %	2018 %	2019 %	2018 %
<b>Cross-currency interest rate swaps</b>				
Less than one year	-	-	-	-
Between one and five years	-	-	-	-
More than five years	4.500	4.500	LIBOR + 3.235	LIBOR + 2.033

The following table shows the impact that would result from an increase/decrease of 100 basis points in interest rates at the balance sheet date:

As at 31 March (£ millions)	2019	2018
10% depreciation in interest rates:		
In the income statement	(5)	-
10% appreciation in interest rates:		
In the income statement	19	1

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges

The company uses foreign currency options, foreign currency forward contracts and recognised foreign currency borrowings as the hedging instrument in cash flow hedge relationships of hedged sales and purchases. The time value of options and the foreign currency basis spread of foreign exchange forward contracts are excluded from the hedge relationship and are recognised in other comprehensive income as a cost of hedging to the extent they relate to the hedged item (the aligned value). Additionally, the company uses cross-currency interest rate swaps as the hedging instrument of the foreign exchange risk of recognised foreign currency borrowings.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective cash flow hedge, are recognised in the statement of comprehensive income, and the ineffective portion of the fair value change is recognised in the income statement. There is not generally expected to be significant ineffectiveness from cash flow hedges.

It is anticipated that the hedged sales will take place over the next one to five years, at which time the amount deferred in equity will be reclassified to revenue in profit and loss.

It is anticipated that the hedged purchases will take place over the next one to five years, at which time the amount deferred in equity will be included in the carrying amount of the raw materials. On sale of the finished product, the amount previously deferred in equity and subsequently recognised in inventory will be reclassified to cost of goods sold in profit or loss.

The foreign currency borrowings designated as the hedged item mature in January 2026 and October 2027, at which time the amount deferred in equity will be reclassified to profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the timing profile of the hedge accounted derivatives:

As at 31 March	Average strike rate		Nominal amounts		Carrying value assets/(liabilities)	
	2019	2018	2019 £m	2018 £m	2019 £m	2018 £m
<b>Outstanding contracts</b>						
<b>Cash flow hedges of foreign exchange risk transactions</b>						
<b>Derivative instruments</b>						
Sell – USD	0.6756	0.6483	1,584	2,257	(187)	(178)
Less than one year	0.6989	0.6771	1,945	2,988	(114)	(55)
Between one and five years						
Sell – Chinese Yuan	0.1054	0.1018	2,132	2,984	(153)	(300)
Less than one year	0.1075	0.1051	1,299	2,582	(43)	(83)
Between one and five years						
Buy – Euro	0.8823	0.8521	3,609	2,568	14	140
Less than one year	0.9192	0.8994	4,030	4,490	(73)	143
Between one and five years						
Other currencies	0.0024	0.0020	1,800	1,748	2	(62)
Less than one year	0.0044	0.0033	882	1,560	11	40
Between one and five years						
			<b>17,281</b>	<b>21,177</b>	<b>(543)</b>	<b>(355)</b>
<b>Debt instruments</b>						
USD						
Less than one year	0.7358	0.6727	736	471	(768)	(498)
Between one and five years	-	0.7358	-	736	-	(712)
			<b>736</b>	<b>1,207</b>	<b>(768)</b>	<b>(1,210)</b>
<b>Hedges of foreign exchange risk on recognised debt</b>						
<b>Cross-currency interest rate swaps</b>						
USD						
More than 5 years	0.7592	0.7592	380	380	11	(29)
EUR						
More than 5 years	0.8912	-	446	-	(15)	-
			<b>826</b>	<b>380</b>	<b>(4)</b>	<b>(29)</b>

The USD debt instrument used as a hedging instrument shown in the less than one year category above hedges some periods that are between one and five years. As the instrument itself matures within one year, the total amount has been shown in less than one year. The amounts hedging revenue between one and five years are £359 million (2018: £204 million).

The line items in the balance sheet that include the above derivative instruments are “Other financial assets” and “Other financial liabilities”. The US denominated debt designated as a hedging instrument is included in “Borrowings”.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the effect of the company's cash flow hedges on the financial position of the company:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Loss accumulated in the Hedging reserve relating to exposure on anticipated future revenue transactions	(580)	(636)
(Loss)/gain accumulated in the Hedging reserve relating to exposure on anticipated future purchase transactions	(43)	294
Loss accumulated in the Hedging reserve relating to exposure on debt	-	(4)
<b>Loss accumulated in Hedging reserve</b>	<b>(623)</b>	<b>(346)</b>
Of which:		
Loss relating to continuing hedges	(575)	(307)
Loss relating to hedges where hedge accounting is no longer applied	(48)	(39)
Loss accumulated in the Cost of hedging reserve relating to exposure on anticipated future revenue transactions	(16)	(48)
Loss accumulated in the Cost of hedging reserve relating to exposure on anticipated future purchase transactions	(26)	(12)
Gain accumulated in the Cost of hedging reserve relating to exposure on debt	2	3
<b>Loss accumulated in the Cost of hedging reserve</b>	<b>(40)</b>	<b>(57)</b>
Of which:		
Loss relating to continuing hedges	(41)	(53)
Gain/(loss) relating to hedges where hedge accounting is no longer applied	1	(4)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the effect of the company's cash flow hedges on the financial performance of the company:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018 restated*</b>
Fair value (loss)/gain of foreign currency derivative contracts recognised in Hedging reserve	(876)	1,070
Fair value (loss)/gain of foreign currency bonds recognised in Hedging reserve	(103)	145
Fair value gain/(loss) of derivatives hedging foreign currency bonds recognised in Hedging reserve	5	(4)
<b>(Loss)/gain recognised in Other comprehensive income in the year</b>	<b>(974)</b>	<b>1,211</b>
Fair value (loss)/gain of foreign currency derivative contracts recognised in the Cost of hedging reserve	(11)	22
Fair value (loss)/gain of derivatives hedging foreign currency bonds recognised in the Cost of hedging reserve	(1)	3
<b>(Loss)/gain recognised in Other comprehensive income in the year</b>	<b>(12)</b>	<b>25</b>
Net (loss)/gain in the hedged item used for assessing hedge effectiveness	(202)	2,166
(Loss)/gain released from the Hedging reserve relating to forecast transactions that are no longer expected to occur	(12)	7
Gain released from the Cost of hedging reserve relating to forecast transactions that are no longer expected to occur	1	-
Loss on derivatives not hedge accounted, recognised in "Foreign exchange loss and fair value adjustments" in the income statement	(18)	(4)

\*See note 2 for details of the restatement due to changes in accounting policies.

No ineffectiveness was recognised in the income statement in the years ended 31 March 2019 or 2018 in respect of cash flow hedges.

#### Fair value hedges

The company uses cross-currency interest rate swaps as the hedging instrument in a fair value hedge of foreign exchange and interest rate risks of foreign currency denominated debt. The derivatives convert foreign currency USD fixed-rate borrowings to GBP floating-rate debt.

Changes in the fair value of foreign currency contracts that are designated in fair value hedging relationships are recognised in the income statement. Changes in the fair value of the underlying hedged item (long-term borrowings) for the hedged risks are recognised in the same income statement line.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the cross-currency interest rate swaps included in "Derivatives and other financial instruments in hedging relationship" in section (A) are as follows:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Other financial assets – non-current	11	-
<b>Total financial assets</b>	<b>11</b>	<b>-</b>
Other financial liabilities – non-current	(15)	(29)
<b>Total financial liabilities</b>	<b>(15)</b>	<b>(29)</b>

The following amounts have been recognised in the income statement in the years ended 31 March 2019 and 2018:

<b>During year ended 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Net change in the hedged item used for assessing hedge effectiveness, taken to the income statement in "Foreign exchange loss and fair value adjustments"	(29)	34
Fair value changes in the derivative instruments used in assessing hedge effectiveness, taken to the income statement in "Foreign exchange loss and fair value adjustments"	22	(27)
<b>Ineffectiveness recognised in the income statement in "Foreign exchange loss and fair value adjustments"</b>	<b>(7)</b>	<b>7</b>

### 35 LEASES

#### LEASES AS LESSEE

Non-cancellable finance lease rentals are payable as follows:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Less than one year	-	2
Between one and five years	-	-
More than five years	-	-
<b>Total lease payments</b>	<b>-</b>	<b>2</b>

The above leases relate to amounts payable under the minimum lease payments on plant and machinery. The company leased certain of its manufacturing equipment under finance lease that matured during 2018.

Non-cancellable operating lease rentals are payable as follows:

<b>As at 31 March (£ millions)</b>	<b>2019</b>	<b>2018</b>
Less than one year	67	59
Between one and five years	143	118
More than five years	93	66
<b>Total lease payments</b>	<b>303</b>	<b>243</b>

The company leases a number of buildings, plant and machinery, IT hardware and software under operating leases, certain of which have a renewal and/or purchase option in the normal course of business.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35 LEASES (CONTINUED)

#### LEASES AS LESSOR

The future minimum lease receipts under non-cancellable operating leases are as follows:

As at 31 March (£ millions)	2019	2018
Less than one year	3	3
Between one and five years	1	1
More than five years	9	9
<b>Total lease payments</b>	<b>13</b>	<b>13</b>

### 36 SEGMENT REPORTING

Operating segments are defined as components of the company about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

The company operates in the automotive segment. The automotive segment includes all activities relating to development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories from which the company derives its revenues. The company has only one operating segment, so no separate segment report is given. The company's non-current assets are situated in the UK.

The geographic spread of sales by customer location is as disclosed below:

(£ millions)	UK	US	China	Rest of Europe	Rest of World	Total
<b>31 March 2019</b>						
Revenue	3,233	5,579	2,932	5,291	3,835	20,870
<b>31 March 2018</b>						
Revenue	5,114	4,162	3,667	5,117	3,885	21,945

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 37 NOTES TO THE CASH FLOW STATEMENT

#### (A) RECONCILIATION OF (LOSS)/PROFIT FOR THE YEAR TO CASH GENERATED FROM OPERATIONS

Year ended 31 March (£ millions)	2019	2018 restated*
<b>(Loss)/profit for the year</b>	<b>(3,464)</b>	<b>526</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	2,099	2,033
Write-down of tangible assets	18	18
Write-down of intangible assets	-	46
Write-down of investments	-	6
Loss on sale of assets	58	21
Income tax expense	(408)	102
Foreign exchange and fair value gain on loans	91	(109)
Foreign exchange loss/(gain) on natural hedges of loans	18	(11)
Foreign exchange loss/(gain) on derivatives	31	(102)
Unrealised loss on commodities	34	2
Matured revenue hedges	43	-
Foreign exchange (gain)/loss on short-term deposits	(71)	55
Foreign exchange loss on cash and cash equivalents	27	11
Finance expense (net)	125	90
Finance income	(176)	(166)
Exceptional items	3,242	(437)
<b>Cash flows generated from operating activities before changes in assets and liabilities</b>	<b>1,667</b>	<b>2,085</b>
Trade receivables	100	(202)
Other financial assets	(182)	(440)
Other current assets	145	56
Inventories	(40)	7
Other non-current assets	(29)	(34)
Accounts payable	(244)	306
Other current liabilities	34	35
Other financial liabilities	(15)	78
Other non-current liabilities and retirement benefit obligations	(69)	(33)
Provisions	177	193
<b>Cash generated from operations</b>	<b>1,544</b>	<b>2,051</b>

\*See note 2 for details of the restatement due to changes in accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 37 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

#### (B) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

(£ millions)	Short-term borrowings	Long-term borrowings	Finance lease obligations	Total
<b>Balance at 1 April 2017</b>	<b>1,481</b>	<b>3,395</b>	<b>3</b>	<b>4,879</b>
Proceeds from issue of financing	2,096	373	-	2,469
Repayment of financing	(1,206)	-	(1)	(1,207)
Reclassification of long-term debt	518	(518)	-	-
Foreign exchange	(82)	(39)	-	(121)
Arrangement fees paid	-	(4)	-	(4)
Fee amortisation	-	6	-	6
Reclassification of long-term debt fees	(2)	2	-	-
Long-term borrowings revaluation in hedge reserve	-	(145)	-	(145)
Other non-cash movements in loans to subsidiaries	162	-	-	162
Fair value adjustment on loans	-	(10)	-	(10)
<b>Balance at 31 March 2018</b>	<b>2,967</b>	<b>3,060</b>	<b>2</b>	<b>6,029</b>
Proceeds from issue of financing	2,179	1,214	-	3,393
Repayment of financing	(2,387)	-	(2)	(2,389)
Reclassification of long-term debt	768	(768)	-	-
Foreign exchange	109	15	-	124
Arrangement fees paid	-	(18)	-	(18)
Fee amortisation	1	7	-	8
Reclassification of long-term debt fees	(1)	1	-	-
Long-term borrowings revaluation in hedge reserve	-	103	-	103
Other non-cash movements in loans to subsidiaries	(5)	-	-	(5)
Fair value adjustment on loans	-	(15)	-	(15)
<b>Balance at 31 March 2019</b>	<b>3,631</b>	<b>3,599</b>	<b>-</b>	<b>7,230</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 38 RELATED PARTY TRANSACTIONS

The company's related parties principally consist of Tata Sons Ltd, subsidiaries and joint ventures of Tata Sons Ltd which includes Tata Motors Limited (the ultimate parent company), subsidiaries, joint ventures and associates of Tata Motors Limited. The company routinely enters into transactions with these related parties in the ordinary course of business including transactions for sale and purchase of products with its joint ventures and associates.

The following table summarises related party transactions and balances not eliminated in the company financial statements. All related party transactions are conducted under normal terms of business. All amounts outstanding are unsecured and will be settled in cash.

(£ millions)	With subsidiaries of the company	With joint ventures of the company	With associates of the company	With Tata Sons Limited and its subsidiaries and joint ventures	With immediate or ultimate parent and its subsidiaries, joint ventures and associates
<b>31 March 2019</b>					
Sale of products	13,701	305	-	3	76
Purchase of products	-	-	-	-	-
Services received	-	-	-	157	85
Services rendered	-	757	2	-	1
Interest income	18	-	-	-	-
Interest expense	208	-	-	-	-
Trade and other receivables	1,164	7	-	1	15
Accounts payable	176	-	-	35	17
Loans receivable	1,348	-	-	-	-
Loans payable	7,181	-	-	-	-
<b>31 March 2018</b>					
Sale of products	15,081	695	-	4	77
Purchase of products	-	-	-	-	-
Services received	-	33	547	146	86
Services rendered	-	117	-	-	1
Interest income	6	-	-	-	-
Interest expense	162	-	-	-	-
Trade and other receivables	999	96	-	2	47
Accounts payable	156	-	-	26	23
Loans receivable	1,337	-	-	-	-
Loans payable	5,879	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 38 RELATED PARTY TRANSACTIONS (CONTINUED)

#### Compensation of key management personnel

Year ended 31 March (£ millions)	2019	2018
Short-term benefits	10	12
Post-employment benefits	1	1
Share-based payments	-	-
Other long-term employee benefits	-	-
Compensation for loss of office	-	1
<b>Total compensation of key management personnel</b>	<b>11</b>	<b>14</b>

In addition to the compensation noted above, a loan of £0.7 million was granted to a member of key management personnel in the year ended 31 March 2014. This loan is for a term of seven years and is interest bearing at the HMRC official rate.

Refer to note 31 for information on transactions with post-employment benefit plans.

### 39 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The immediate parent undertaking is Jaguar Land Rover Holdings Limited and ultimate parent undertaking and controlling party is Tata Motors Limited, India which is the parent of the largest group to consolidate these financial statements. The smallest group which consolidates these financial statements is Jaguar Land Rover Automotive plc.

Copies of the Tata Motors Limited, India consolidated financial statements can be obtained from the Group Secretary, Tata Motors Limited, Bombay House, 24, Homi Mody Street, Mumbai – 400001, India. Copies of the Jaguar Land Rover Automotive plc consolidated financial statements can be obtained from the company's registered office.

### 40 SUBSEQUENT EVENTS

In October 2019, the company became the guarantor of a £625 million loan to one of the company's intermediate parent companies, maturing in October 2024. In addition, the company entered into a new £100 million committed facility secured against the company's inventory that expires in December 2020.