Jaguar Land Rover Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number: 01672070

Year ended 31 March 2016

Directors and Advisors

Directors

W.K. Epple (resigned 31 May 2016)
A.P. Goss
K.D.M. Gregor
I. J. Harnett (appointed 7 June 2016)
P. Hodgkinson (resigned 7 June 2016)
H. Kirner (appointed 7 June 2016)
N. M. Rogers (appointed 7 June 2016)
Dr. R.D. Speth
W. Stadler
M.D. Wright (resigned 31 March 2016)

Company secretary

S.L. Pearson
A. J. Beaton
R.M.A. Bielby

Registered office

Abbey Road
Whitley
Coventry
CV3 4LF

Auditor

Deloitte LLP
Four Brindleyplace
Brindley Place
Birmingham
B1 2HZ

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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 2016.

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. 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 2016 performance and product portfolio

The Company has seen an increase in its turnover to £19,079 million (2015: £17,738 million). Profit before tax has decreased to £1,097 million (2015: £1,605 million).

Principal products for 2016 were:

- XE
- XJ
- XF
- F-PACE
- F-TYPE Coupé
- F-TYPE Convertible
- Defender
- Discovery
- Discovery Sport
- Range Rover
- Range Rover Sport
- Range Rover Evoque
- Evoque Convertible

Key performance indicators

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

KPI	Commentary	2016	2015
Turnover	Increase due to higher sales volumes in the UK partially offset by change in model mix.	£19,079 million	£17,738 million
Profit before tax	Continued challenging conditions in foreign exchange.	£1,097 million	£1,605 million
Net assets	Increase in net assets due to profits in 2016 as well as favorable remeasurement of pension obligations.	£6,657 million	£5,449 million
Headcount (average)	Increase in headcount due to manufacturing and product development to support the growth of the company.	32,479 employees	30,795 employees

Development of our product and service portfolio

Our philosophy

Jaguar Land Rover is at the cutting edge of automotive design, technology and innovation to create the world's best products and services for our customers.

New products

This has been one of our biggest launch years and we have continued to invest in our portfolio of products and services with breakthrough new vehicles and significant model year upgrades across our range, as well as the launch of Special Vehicle Operations and the most advanced and connected infotainment technologies. Our aim is to meet every customer need and to enable them to do more through our products and how we support them across our services. The transformation of our portfolio included the launch of two vehicles across both brands, increasing our offering and as a result creating new growth opportunities: the Range Rover Evoque Convertible – the most capable convertible ever and the Jaguar F-PACE – the ultimate practical sports car.

STRATEGIC REPORT (CONTINUED)

New services
Our connected car services, have enjoyed a year of rapid global growth. Now 80 per cent of our customer base benefits from services including the Remote App that allows you to see the status of your vehicle as well as pre-heat, cool or start the car from a smartphone or watch. Our InControl Secure service also offers a fully integrated stolen vehicle tracking system. Our customers can rest assured their cars are protected.

Our 2015 / 2016 focus
We know that the automotive industry stands on the precipice of revolutionary change. This year we have demonstrated that we are ready to face these challenges with a number of advanced research projects including:
• A remote control Range Rover Sport which can be operated through the user's smartphone, useful for getting our customers out of tight parking spaces;
• A steering wheel and seat that can detect the well-being and concentration levels of the driver, technology that could be used as the autonomy of vehicles increases; and
• The Evoque_e project, exploring all aspects of future hybrid and battery electric vehicle technology To maintain our position as leaders in technology and research this year, we also started construction on the £150 million National Automotive Innovation Centre which will become the hub for Jaguar Land Rover's global advanced research and engineering capability.

Environmental innovation
Our philosophy
Reducing emissions is one of the biggest challenges for the automotive industry today. As the UK's biggest investor in automotive R&D, we are developing a range of solutions to reduce the carbon footprint of our vehicles and improve air quality while maintaining the luxury, performance and refinement that our customers expect. Environmental innovation lies at the centre of our business vision. It is a wide-ranging plan that will see us dramatically reduce real-world emissions up to 2020 and beyond.

Our 2015 / 2016 focus
This year we have invested more than £3 billion in new products and facilities as part of the programme.

The electrification of powertrains is essential to reduce the carbon footprint of vehicles and meet future climate change mitigation targets. This is why over the last seven years we have been researching and developing a range of advanced plug-in hybrid (PHEV), mild hybrid (MHEV) and battery electric vehicle (BEV) propulsion systems.

The biggest single project is a £16.2 million collaborative research programme, part-funded by Innovate UK, called Evoque_e. This project looks beyond 2020 to explore all aspects of future hybrid and battery electric vehicle technology and has so far produced three Concept_e demonstrators.

Jaguar is also returning to the racetrack through Formula E. This is an exciting opportunity to support our extensive multi-billion pound hybrid and battery electric propulsion esearch and test bed activity.

As well as hybridisation and electrification, we are working to make our vehicles lighter while improving our internal combustion engines to make them cleaner and more energy efficient. Our highly efficient diesel Ingenium engine achieves just 109g / km CO_2 in our new Evoque. At the same time, the all-new Jaguar XE with just 99g / km of CO_2, is the most efficient Jaguar ever built. To enable us to include the Ingenium engine in even more new models, we are investing £450 million to double the size of our Engine Manufacturing Centre near Wolverhampton.

Our leadership in lightweight aluminium vehicle architecture has been extended to include the Jaguar XE, Jaguar F-PACE and all-new Jaguar XF, significantly reducing the weight of the body. Jaguar Land Rover is the largest user of sheet aluminium in the UK, and is a world leader in recycling this metal with our unique closed loop process, continuously developing new ways of cutting waste.

Recognising the importance of investing in skills and talent for the future, since 2008 we have doubled the number of powertrain engineers. In the last year alone, 1,480 of Jaguar Land Rover's 9,000 engineers and designers spent 293,550 hours at universities studying Masters level modules, including hybrid vehicles, sustainable design and lightweight vehicles. Today, we are collaborating with more than 30 leading universities working on in excess of 100 projects.

STRATEGIC REPORT (CONTINUED)

Environmental sustainability is not just about the final products but also how we make them. That's why we measure the environmental impact not just of our cars but also of their manufacture from weld to wheel. We continually assess every single aspect of our manufacturing processes – day by day – tirelessly seeking to improve them. It is this continuous aggregation of marginal gains which will have the biggest positive impact on our environment. It's not just about being a good global citizen – it's our planet too.

Key 2015 / 2016 successes

• Our UK manufacturing sites have achieved more than 38 per cent reduction in energy per car produced since 2007;

• 60 energy saving projects delivered, totalling £23 million and more than 57,000 tonnes of annualised CO_2 equivalent savings, thanks to a mix of measures including roof-mounted solar panels, LED lighting, combined heat and power and heat distribution optimisation, building management systems, voltage optimisation, insulation and energy mapping;

• Our life cycle assessment has contributed to significant improvements in our fleet average tailpipe CO_2 emissions since 2007;

• Our innovative Ingenium diesel engines already achieve just 99g / km CO_2 in the Jaguar XE; and

• XF is up to 190kg lighter than its predecessor.

Future plans

• By 2020, our environmental programme aims to achieve carbon neutral manufacturing operations, zero waste and to produce vehicles that will be amongst the leaders in their segments on tailpipe emissions;

• By 2020, we aim to use up to 75 per cent recycled aluminium materials in our cars and, as a result, improve the recycling efficiency of our manufacturing cycle; and

• By 2020 new technologies will help Jaguar Land Rover reduce its CO_2 emissions by a further 25 per cent.

<u>Engaging passionate people</u>

Jaguar Land Rover is a family which prizes every relationship in it. As the UK's largest automotive manufacturer, we have an obligation to advance the skills and capability of the industry, and in doing so, provide opportunities for passionate people to unleash their full potential. It is what drives us.

The Jaguar Land Rover Learning Academy – the first in Britain – offers lifelong learning to all our people throughout their careers. This is one of the reasons why we have been voted the best employer in the United Kingdom. We believe in developing and nurturing the skills we need to drive sustainable growth. With the £100 million a year invested in the Jaguar Land Rover Learning Academy we provide a life-long learning platform to tackle market challenges and support changing business requirements. Employees can achieve any level of learning through the Academy and develop their careers, from apprentices and graduates to more experienced employees and ex-military personnel. As the UK's largest investor in manufacturing research and development, we work with universities around the world to develop cutting edge innovation.

We know we need the next generation to help us. That is why our Inspiring Tomorrow's Engineers programme has engaged 900,000 young people in the UK since 2013 – and we aim to engage 3 million young people globally by 2020. Jaguar Land Rover has recruited around 2,500 young people into our graduate and apprentice programmes in the last five years and we continue to invest in early careers and talent, welcoming nearly 600 new graduates to the business in 2015. Our future talent pool is bright.

Key 2015 / 2016 successes

• Opened a new Education Business Partnership Centre at our Engine Manufacturing Centre near Wolverhampton, one of six centres in the UK which showcase cutting-edge manufacturing to inspire children from primary school age to 18+; and

• 77 per cent of volunteers supported Jaguar Land Rover's Inspiring Tomorrow's Engineers programme – 4,894 employees donated 102,280 hours.

Future plans

• We will create positive opportunities for millions of people; and

• 300,000 children in 375 schools in Bungoma, Kenya, will drink safe water over the next five years thanks to our LifeStraw water purifier project.

STRATEGIC REPORT (CONTINUED)

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 Fiscal 2016 Annual Report and Consolidated Financial statements of Jaguar Land Rover Automotive plc. 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 tightening conditions in the credit markets, may adversely affect both consumer demand and the cost and availability of finance to the company.

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,

S. L. Pearson
Secretary
10 August 2016

Registered Address
Abbey Road
Whitley
Coventry
CV3 4LF

DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements for the company for the year ended 31 March 2016.

Results and dividends

The income statement shows a profit after tax for the financial year of £891 million (2015: £1,276 million).

The directors recommend that a dividend of £150 million representing £0.06 per ordinary share of £1 should be proposed in respect of the financial results for year ended 31 March 2016 (2015: £150 million, representing £0.06 per ordinary share of £1).

Directors

The directors who held office during the year and subsequently are as follows:

W.K. Epple (resigned 31 May 2016)
A.P. Goss
K.D.M. Gregor
I. J. Harnett (appointed 7 June 2016)
P. Hodgkinson (resigned 7 June 2016)
H. Kirner (appointed 7 June 2016)
N. M. Rogers (appointed 7 June 2016)
Dr. R.D. Speth
W. Stadler
M.D. Wright (resigned 31 March 2016)

Directors' indemnities

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

Branches

The company has 4 branches which exist and operate outside of the UK, namely in Singapore and 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 Jaguar Land Rover Limited. The consolidated group financial statements of Jaguar Land Rover Automotive plc have concluded that the going concern assumption is appropriate.

The directors have considered the financial position of the company at 31 March 2016 (net assets of £6,657 million (2015: £5,449 million)) and the projected cash flows and financial performance of the company for at least 12 months from the date of approval of these financial statements as well as planned cost and cash improvement actions, and believe that the company will remain profitable.

The directors have taken action to ensure that appropriate long term cash resources are in place at the date of signing the accounts 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.

The company is a joint guarantor on loans by Jaguar Land Rover Automotive plc.

DIRECTORS' REPORT (CONTINUED)

Post balance sheet events

In May 2016, a passenger airbag safety recall was announced in the United States by the National Highway Traffic System Administration (NHTSA) in respect of airbags from a supplier (Takata). Certain front-passenger airbags from Takata are installed in vehicles sold by the company. The company has considered this to be an adjusting Post Balance Sheet event and has recognised an additional provision of £67 million for the estimated cost of repairs in the Income Statement for the year ended 31 March 2016. The provision is expected to be utilized between 1-4 years.

Research and development

The company is committed to a continuing programme of major expenditure on research and development. Further information is included in the Strategic report.

Environment

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.

Disabled employees

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 ensuring 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.

Charitable donations

Charitable donations in the year amounted to £178,000 (2015: £79,000), principally to national charities. There were no contributions to political parties (2015: £nil).

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 Jaguar Land Rover) 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, JLR has published a Slavery and Human Trafficking Statement for the year ended 31 March 2016. The Statement sets out the steps that JLR 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 JLR Corporate website.

DIRECTORS' REPORT (CONTINUED)

Independent auditors

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 auditors. 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 386 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(2) of the Companies Act 2006, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418.

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

S. L. Pearson
Secretary
10 August 2016

Registered Address
Abbey Road
Whitley
Coventry
CV3 4LF

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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.

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

We have audited the financial statements of Jaguar Land Rover Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRS as issued by the IASB

As explained in Note 2 to the financial statements, the company in addition to applying IFRS as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRS as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Jonathan Dodworth (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

INCOME STATEMENT

Year ended 31 March (£ millions)	Note	2016	2015
Revenue	**3**	**19,079**	**17,738**
Material and other cost of sales	4	(11,692)	(10,977)
Employee cost	5	(2,182)	(1,847)
Other expenses	8	(3,598)	(3,075)
Development costs capitalised	9	1,242	1,158
Other income		13	23
Depreciation and amortisation		(1,400)	(1,036)
Foreign exchange loss		(316)	(260)
Finance income	10	39	51
Finance expense (net)	10	(88)	(170)
Profit before tax	**11**	**1,097**	**1,605**
Income tax expense	12	(206)	(329)
Profit for the year		**891**	**1,276**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March (£ millions)	Note	2016	2015
Profit for the year		**891**	**1,276**
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement of defined benefit obligation	30	486	(348)
Income tax related to items that will not be reclassified	17	(89)	70
		397	**(278)**
Items that may be reclassified subsequently to profit and loss:			
Loss on effective cash flow hedges		(174)	(1,694)
Cash flow hedges reclassified to "Foreign exchange loss" in profit and loss		261	(44)
Income tax related to items that may be reclassified	17	(17)	347
		70	**(1,391)**
Other comprehensive income / (loss) net of tax		**467**	**(1,669)**
Total comprehensive income / (loss) attributable to shareholders		**1,358**	**(393)**

BALANCE SHEET

Year ended 31 March (£ millions)	Note	2016	2015
Non-current assets			
Investments	13	421	388
Other financial assets	14	160	28
Property, plant & equipment	15	4,984	4,423
Intangible assets	16	5,596	5,043
Deferred tax assets	17	464	-
Other non-current assets	21	43	26
Total Non-current assets		**11,668**	**9,908**
Current assets			
Cash and cash equivalents	18	2,871	2,666
Short-term deposits		1,252	1,055
Trade receivables		1,990	1,863
Other financial assets	14	250	216
Inventories	20	1,428	1,177
Other current assets	21	324	307
Total Current assets		**8,115**	**7,284**
Total assets		**19,783**	**17,192**
Current liabilities			
Accounts payable	22	4,264	4,018
Short-term borrowings	23	1,965	1,424
Other financial liabilities	24	1,052	1,074
Provisions	25	452	386
Other current liabilities	26	55	34
Total Current liabilities		**7,788**	**6,936**
Non-current liabilities			
Long-term debt	23	2,373	2,381
Other financial liabilities	24	815	844
Provisions	25	641	551
Retirement benefit obligation	30	547	866
Other non-current liabilities	26	101	53
Deferred tax liabilities	17	861	112
Total Non-current liabilities		**5,338**	**4,807**
Total liabilities		**13,126**	**11,743**
Equity attributable to shareholders			
Ordinary share capital	27	2,639	2,639
Other reserves	28	4,018	2,810
Equity attributable to shareholders		**6,657**	**5,449**
Total liabilities and equity		**19,783**	**17,192**

These financial statements were approved by the Board of Directors and authorised for issue on 10 August 2016. They were signed on its behalf by:

K. D. M. Gregor
Director

Company registered number: 01672070

STATEMENT OF CHANGES IN EQUITY

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2015	2,639	2,810	5,449
Profit for the year	-	891	891
Other comprehensive income for the year	-	467	467
Total comprehensive income	**2,639**	**4,168**	**6,807**
Dividend paid	-	(150)	(150)
Balance at 31 March 2016	**2,639**	**4,018**	**6,657**

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2014	1,607	3,418	5,025
Profit for the year	-	1,276	1,276
Other comprehensive loss for the year	-	(1,669)	(1,669)
Total comprehensive income	**1,607**	**3,025**	**4,632**
Increase in share capital	1,032	-	1,032
Dividend paid	-	(215)	(215)
Balance at 31 March 2015	**2,639**	**2,810**	**5,449**

CASH FLOW STATEMENT

Year ended 31 March (£ millions)	2016	2015
Cash flow from operating activities		
Profit after tax	891	1,276
Adjustments for:		
Depreciation and amortisation	1,400	1,036
Write-down of intangible assets	28	-
Write-down of investments	2	-
Loss on sale of assets	11	7
Income tax expense	206	329
Foreign exchange loss on loans	58	178
Foreign exchange (gain) / loss on derivatives	(54)	170
Unrealised loss on commodities*	59	30
Foreign exchange gain on short-term deposits	(11)	(51)
Finance expense (net)	88	170
Finance Income	(39)	(51)
Cash flows from operating activities before changes in assets and liabilities	**2,639**	**3,094**
Trade receivables	(127)	(534)
Other financial assets*	(147)	59
Other current assets	48	50
Inventories	(251)	(254)
Other non-current assets	(36)	(15)
Accounts payable	382	303
Other current liabilities	20	(1)
Other financial liabilities*	10	46
Other non-current liabilities and retirement benefit obligations	213	(112)
Provisions	150	141
Cash generated from operations	**2,901**	**2,777**
Income tax paid	(5)	(2)
Net cash generated from operating activities	**2,896**	**2,775**
Cash flows used in investing activities		
Investment in subsidiaries and joint ventures	(11)	(88)
Investment in short-term deposits	(4,147)	(2,852)
Redemption of short-term deposits	3,961	3,047
Movements in short-term deposits	(186)	195
Purchases of property, plant and equipment	(1,298)	(1,539)
Proceeds from sale of property, plant and equipment	-	3
Acquisition of intangible assets	(1,384)	(1,201)
Interest received	27	29
Dividends received	7	21
Net cash used in investing activities	**(2,845)**	**(2,580)**
Cash flow from financing activities		
Issue of share capital	-	1,031
Finance expenses and fees paid	(154)	(273)
Proceeds from issuance of short-term borrowings	1,120	-
Repayment of short-term borrowings	(599)	(232)
Proceeds from issuance of long-term borrowings	-	1,032
Repayment of long-term borrowings	(58)	(653)
Payment of lease obligations	(5)	(6)
Dividends paid	(150)	(150)
Net cash generated from financing activities	**154**	**749**
Net increase in cash and cash equivalents	**205**	**944**
Cash and cash equivalents at beginning of year	2,666	1,722
Cash and cash equivalents at end of year	**2,871**	**2,666**

* Included in ‘Net increase in cash and cash equivalents’ is an increase of £4 million (2015: £21 million) arising from the impact of foreign exchange rate changes on cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

1 BACKGROUND AND OPERATIONS

The company is an indirect subsidiary of Tata Motors Limited, India ('Tata Motors Limited'). 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 UK. The address of its registered office is Abbey Road, Whitley, Coventry, CV3 4LF, United Kingdom.

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

2 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as 'IFRS') and IFRS Interpretation Committee ('IFRS IC') 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 accounts 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 accounts 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 Jaguar Land Rover Limited. The consolidated group financial statements of Jaguar Land Rover Automotive plc have concluded that the going concern assumption is appropriate.

The directors have considered the financial position of the company at 31 March 2016 (net assets of £6,657 million (2015: £5,449 million)) and the projected cash flows and financial performance of the company for at least 12 months from the date of approval of these financial statements as well as planned cost and cash improvement actions, and believe that the company will remain profitable.

The directors have taken action to ensure that appropriate long term cash resources are in place at the date of signing the accounts 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 IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Note 15 – Property, plant and equipment – the company applies judgement in determining the estimated useful life of assets.

(ii) Note 16 – Intangible assets – management applies significant judgement in establishing the applicable criteria for capitalisation of appropriate product development costs and impairment of indefinite life intangible assets. The key judgements in the impairment assessment include the determination of cash generating units, value of cash flows and appropriateness of discount rates.

(iii) Note 17 – Deferred tax – management applies judgement in establishing the timing of the recognition of deferred tax assets relating to historic losses, assessing its recoverability and estimating taxes ultimately payable.

(iv) Note 25 – Provision for product warranty – it is necessary for the company to assess the provision for anticipated lifetime warranty and campaign costs. The valuation of warranty and campaign provisions requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs.

(v) Note 30 – Retirement benefit obligation – it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return upon scheme assets. The company engages a qualified actuary to assist with determining the assumptions to be made when evaluating these liabilities.

(vi) Note 33 – Financial instruments – the company enters into complex financial instruments and therefore appropriate accounting for these requires judgement around the valuations.

REVENUE RECOGNITION

Revenue comprises the amounts invoiced to customers outside the company and is measured at fair value of the consideration received or receivable, net of discounts, sales incentives, customer bonuses and rebates granted, which can be identified at the point of sale. Revenue is presented net of excise duty where applicable and other indirect taxes.

Revenue is recognised when the risks and rewards of ownership have been transferred to the customer and the amount of revenue can be reliable measured with it being probable that future economic benefits will flow to the company. The transfer of the significant risks and rewards are defined in the underlying agreements with the customer.

No sale is recognised where, following disposal of significant risks and rewards, the company retains a significant financial interest. The company's interest in these items is retained in inventory, with a creditor being recognised for the contracted buy-back price. Income under such agreements, measured as the difference between the initial sale price and the buyback price, is recognised on a straight-line basis over the term of the agreement. The corresponding costs are recognised over the term of the agreement based on the difference between the cost of the item cost, including estimated costs of resale, and the expected net realisable value.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

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 on a systematic basis when the company recognises, as expenses, the related costs that the grants are intended to compensate.

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 which are awarded as incentives with no ongoing performance obligations to the company are recognised as other income in the period 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’.

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), or where related to the initial accounting for a business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost of acquisition or construction less accumulated depreciation less accumulated impairment, if any.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

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

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 is complete and the asset is ready for its intended use. Assets under construction include capital prepayments.

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 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:

Class of intangible asset	Estimated amortisation period (years)
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 intangible acquired in a business combination consist of dealer networks.

Intellectual property rights and other intangibles consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

Internally generated intangible assets

Research costs are charged to the income statement in the year in which they are incurred.

Product development costs incurred on new vehicle platforms, engines, transmission 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 asset will generate probable 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 development cost is amortised over a period of between two and ten years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Amortisation is not recorded on product development 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 fair value less costs of disposal and value in use, In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

An annual impairment review for heritage assets is performed and any impairments in the carrying value is recognised immediately in the income statement.

Equity accounted investments: Joint ventures and associates

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the company's investments in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

Provisions are held for product warranties, legal and product liabilities and environmental risks as detailed in note 25 to the financial statements.

LONG-TERM INCENTIVE PLAN ('LTIP')

The company operates an LTIP arrangement for certain employees. The scheme provides 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 are accounted for as cash settled arrangements, whereby a liability is 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 is 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 several defined benefit pension plans, which were contracted out of the second state pension scheme until 5 April 2015. The assets of the plans are held in separate trustee administered funds. The plans provide for monthly pension after retirement based on salary and service year as set out in the rules of each plan.

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 retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations 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)

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 profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate at the beginning of the period to the net defined benefit liability.

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.

The company presents these defined benefit costs within ‘Employee costs’ in the income statement (see note 5).

A separate defined contribution plan is available to new employees of Jaguar Land Rover. Costs in respect of the plan 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

Classification, initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss (which can either be held for trading or designated as fair value options), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. No financial instruments have been designated as fair value through profit or loss using the fair value option or have been classified as held to maturity.

Financial instruments are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

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

Financial assets and financial liabilities at fair value through profit or loss – held for trading: Derivatives, including embedded derivatives separated from the host contract, are classified into this category. Financial assets and liabilities are measured at fair value with changes in fair value recognised in the income statement with the exception of those derivatives which are designated as cash flow hedging instruments and for which hedge accounting is applied.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale. Subsequently, these are measured at amortised cost using the effective interest method less any impairment losses. These include cash and cash equivalents, trade receivables, finance receivables and other financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Classification, initial recognition and measurement (continued)

Available-for-sale financial assets: Available-for-sale financial assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. Subsequently, these are measured at fair value and changes therein are recognised in other comprehensive income, net of applicable deferred income taxes, and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. The company does not hold any available-for-sale financial assets.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

Embedded derivative 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 the amortised cost of the senior notes.

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.

Other financial liabilities

These are measured at amortised cost using the effective interest method.

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 discounted cash flow method and other valuation models.

Derecognition of financial assets and financial liabilities

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

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

When a financial instrument is derecognised, the cumulative gain or loss in equity (if any) is transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Loans and receivables: Objective evidence of impairment includes default in payments with respect to amounts receivable from customers, significant financial difficulty of the customer or bankruptcy. Impairment loss in respect of loans and receivables is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognised in the income statement. If the amount of an impairment loss decreases in a subsequent year, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal is recognised in the income statement.

Equity investments: A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit and loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Hedge accounting

The company uses foreign currency forward contracts and options to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The company designates these forward contracts and options in a cash flow hedging relationships by applying the hedge accounting principles under IAS 39.

These forward contracts and options are stated at fair value on the balance sheet at each reporting date. Changes in the fair value of these forward contracts and options that are designated and effective as hedges of future cash flows are recognised in other comprehensive income (net of tax), and any ineffective portion is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods in which the forecasted transactions affect profit or loss.

For options, the time value is not a designated component of the hedge, and therefore all changes in fair value related to the time value of the instrument are recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. For forecast transactions, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction affects profit or loss.

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is immediately transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

In the current year, the company adopted the following standards, revisions and amendments to standards and interpretations:

IAS 19 Employee Benefits was amended in November 2013 to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendment did not have a material impact on the financial statements.

The following pronouncements, issued by the IASB and endorsed by the EU, are not yet effective and have not yet been adopted by the company. The company is evaluating the impact of these pronouncements on the financial statements:

IAS 16 Property, Plant and Equipment has been amended to prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortising intangible assets. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the financial statements.

IFRS 11 Joint Arrangements addresses how a joint operator should account for the interest in a joint operation in which the activity of the joint operation constitutes a business. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment does not have any impact on the financial statements.

IAS 16 Property, Plant and Equipment has been amended to include ‘bearer plants’ whilst the produce growing on bearer plants remains within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment does not have any impact on the financial statements.

IAS 1 Presentation of Financial Statements has been amended to support preparers in exercising their judgement in presenting their financial reports. This includes clarification that all information should have materiality considerations applied and additional examples on expected presentation of the financial statements. The amendment does not have any impact on the financial statements based upon the current disclosures given.

IAS 27 Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. This amendment does not have any impact on the financial statements.

In addition, as part of the IASB’s Annual Improvements, a number of minor amendments have been made to standards in the 2012–2014 cycles. These amendments are effective for annual periods beginning on or after 1 July 2016, with early application permitted. These amendments do not have a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The following pronouncements, issued by the IASB, have not yet been endorsed by the EU, are not yet effective and have not yet been adopted by the company. The company is evaluating the impact of these pronouncements on the consolidated financial statements:

IFRS 10 and IAS 28 have been amended to clarify the treatment of the transfer of assets or sale of equity from an investor to its associate or joint venture. The mandatory effective date for these amendments has been deferred indefinitely by the IASB. These amendments are not expected to have a material impact on the financial statements.

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. This standard is effective for annual periods beginning on or after January 2016 subject to EU endorsement. The amendment does not have any impact the financial statements.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The company is assessing the impact of IFRS 15 and expects it to have a significant impact on the financial statements.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and the hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for the risk management process. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The company is assessing the impact of IFRS 9, though expects it to have a significant impact on the financial statements.

The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) relate to investment entities. The amendment is effective for annual periods beginning on or after 1 January 2016 and earlier application is permitted subject to EU endorsement. JLR, its subsidiaries and its parent do not meet the definition of an 'investment entity' and therefore the amendment is not applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the adoption of IFRS 15. The company is assessing the impact of IFRS 16 and expects it to have a significant impact on the financial statements.

IAS 12 Income taxes has been amended to clarify the treatment of deferred tax on debt held at fair value and clarify details on recognition of deferred tax assets. The amendment is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments do not have any impact on the financial statements.

IAS 7 has been amended to require additional disclosure to help users evaluate changes in borrowings. The amendment is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The company expects to include a net debt reconciliation within its disclosures following the adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 REVENUE

Year ended 31 March (£ millions)	2016	2015
Sale of goods	19,079	17,738
Total revenues	**19,079**	**17,738**

4 MATERIAL AND OTHER COST OF SALES

Year ended 31 March (£ millions)	2016	2015
Changes in inventories of finished goods and work-in-progress	-	-
Purchase of products for sale	846	915
Raw materials and consumables	10,846	10,062
Total material and other cost of sales	**11,692**	**10,977**

5 EMPLOYEE NUMBERS AND COSTS

Year ended 31 March (£ millions)	2016	2015
Wages and salaries	1,626	1,390
Social security costs and benefits	250	222
Pension costs	306	235
Total employee costs	**2,182**	**1,847**

Average employee numbers year ended 31 March (including agency employees)	2016	2015
Manufacturing	21,057	18,192
Research and development	9,174	7,901
Other	2,248	4,702
Total employee numbers	**32,479**	**30,795**

Average employee numbers year ended 31 March 2016	Non-agency	Agency	Total
Manufacturing	16,951	4,106	21,057
Research and development	7,385	1,789	9,174
Other	1,150	1,098	2,248
Total employee numbers	**25,486**	**6,993**	**32,479**

Average employee numbers year ended 31 March 2015	Non-agency	Agency	Total
Manufacturing	14,504	3,688	18,192
Research and development	5,185	2,716	7,901
Other	3,881	820	4,702
Total employee numbers	**23,571**	**7,225**	**30,795**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 DIRECTORS' EMOLUMENTS

Year ended 31 March (£)	2016	2015
Directors' emoluments	7,987,208	8,475,814
Amounts receivable under long-term incentive schemes	720,028	1,928,537
Compensation for loss of office	-	884,048
	8,707,236	**11,288,399**

The aggregate of emoluments and amounts receivable under the LTIP of the highest paid director was £3,709,433 (2015: £2,824,297). In addition, for the highest paid director, pension benefits of £786,351 (2015: £1,475,732) have accrued in the year. During the year, the highest paid director has £197,782 LTIP awards receivable. No directors received any LTIP cash payments during the 12 months to 31 March 2016 or 31 March 2015. The highest paid director's emoluments are paid by Jaguar Land Rover Automotive plc, an intermediate parent, and fully recharged to this company.

Year ended 31 March (number)	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1

7 LONG-TERM INCENTIVE PLAN ('LTIP')

The company operates an LTIP arrangement for certain employees. The scheme provides a cash payment to the employee based on a specific number of phantom shares at grant 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 3 year vesting period. The cash payment has no exercise price and therefore the weighted average exercise price in all cases is £nil.

Year ended 31 March (number)	2016	2015
Outstanding at the beginning of the year	5,637,242	4,964,474
Granted during the year	2,317,710	2,153,072
Vested in the year	(1,690,151)	(1,540,212)
Forfeited in the year	(231,944)	(367,961)
Outstanding at the end of the year	**6,032,857**	**5,209,373**

The weighted average share price of the 1,690,151 phantom stock awards vested in the year was £5.84 (2015: £5.89).

The weighted average remaining contractual life of the outstanding awards is 1.4 years (2015: 1.3 years).

The amount charged in the year in relation to the long-term incentive plan was £3 million (2015: £14 million).

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at the year-end was £16 million (2015: £21 million).

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 the Tata Motors Limited historic data and the risk-free rate is calculated on government bond rates. The inputs used are:

As at 31 March	2016	2015
Risk-Free rate (%)	0.51	0.49
Dividend yield (%)	0.00	0.39
Weighted average fair value per phantom share	£4.12	£6.14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 OTHER EXPENSES

Year ended 31 March (£ millions)	2016	2015
Stores, spare parts and tools	149	123
Freight cost	701	530
Works operations and other costs	1,826	1,583
Repairs	27	28
Power and fuel	60	56
Rent, rates and other taxes	11	20
Insurance	25	19
Write-down of intangible assets	28	-
Warranty	457	412
Publicity	314	304
Total other expenses	**3,598**	**3,075**

Included within warranty expenses for the year ended 31 March 2016 is a charge of £67 million (2015: £nil) for a passenger airbag campaign (see note 39).

9 RESEARCH AND DEVELOPMENT

Year ended 31 March (£ millions)	2016	2015
Total research and development costs incurred	1,560	1,411
Research and development expensed	(318)	(253)
Development costs capitalised	**1,242**	**1,158**
Interest capitalised	73	114
Research and development expenditure credit	(88)	(69)
Total internally developed intangible additions	**1,227**	**1,203**

During the year ended 31 March 2014 legislation was enacted to allow UK companies to elect for the Research and Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the previous super-deduction rules. In the year ended 31 March 2016, as a result of this election, £66 million (2015: £66 million) of the RDEC, the proportion relating to capitalised product development expenditure, has been offset against the cost of the respective assets. The remaining £38 million (2015: £30 million) of the RDEC has been recognised as other income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 FINANCE INCOME AND EXPENSE

Year ended 31 March (£ millions)	2016	2015
Finance income	26	30
Dividends received	13	21
Total finance income	**39**	**51**
Total interest on financial liabilities measured at amortised cost	(156)	(277)
Unwind of discount on provisions	(6)	(9)
Interest capitalised	74	116
Total interest expense	**(88)**	**(170)**

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.6 per cent (2015: 5.8 per cent).

11 PROFIT BEFORE TAX

Expense / (income) included in profit before tax for the year are the following:

Year ended 31 March (£ millions)	2016	2015
Foreign exchange loss on loans	9	20
Foreign exchange (gain) / loss on derivatives	(83)	170
Unrealised loss on commodities	59	30
Depreciation of property, plant and equipment	626	456
Amortisation intangible assets (excluding internally generated development costs)	68	45
Amortisation of internally generated development costs	706	535
Operating lease rentals in respect of plant, property and equipment	41	38
Loss on disposal of property, plant and equipment and software	11	7
Auditors remuneration	5	3

11 PROFIT BEFORE TAX (CONTINUED)

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

Year ended 31 March (£ millions)	2016	2015
Fees payable to the company's auditor for the audit of the company's annual accounts	2.4	2.5
Fees payable to the company's auditor for amounts incurred on behalf of other group companies	0.2	0.2
Total audit fees	**2.6**	**2.7**
Audit related assurance services	1.8	-
Other assurance services	0.1	-
Total non-audit fees	**1.9**	**-**
Total audit and related fees	**4.5**	**2.7**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TAXATION

Recognised in the income statement

Year ended 31 March (£ millions)	2016	2015
Current tax expense		
Current year	26	22
Current tax expense	**26**	**22**
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	186	310
Adjustments for prior years	17	(3)
Rate change	(23)	-
Deferred tax expense	**180**	**307**
Total income tax expense	**206**	**329**

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)	2016	2015
Deferred tax expense / (credit) on actuarial gains on retirement benefits	92	(70)
Deferred tax expense / (credit) on change in fair value of cash flow hedges	17	(347)
Deferred tax credit on rate change	(3)	-
	106	**(417)**
Total tax expense	**312**	**88**

Reconciliation of effective tax rate

Year ended 31 March (£ millions)	2016	2015
Profit for the year	891	1,276
Total income tax expense	206	329
Profit before tax	**1,097**	**1,605**
Income tax expense using the tax rates applicable to individual entities of 2016: 20.0% (2015: 21.0%)	219	337
Differences between current and deferred tax rates applicable	(11)	(16)
Non-deductible expenses	30	12
Non-taxable income	(32)	(4)
Changes in tax rate	(23)	-
Withholding taxes suffered	6	3
Over provided in prior years	17	(3)
Total income tax expense	**206**	**329**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TAXATION (CONTINUED)

Included within 'Over provided in prior years' for the year ended 31 March 2016 of £17 million is £45 million relating to enhanced deductions under the UK Patent Box regime in respect of 2014 and 2015.

The UK Finance Act 2015 was enacted during the year ended 31 March 2016 which included provisions for a reduction in the UK corporation tax rate from 20 per cent to 19 per cent with effect from 1 April 2017 and to 18 per cent with effect from 1 April 2020. Accordingly, UK deferred tax has been provided at a blended rate of 18.3 per cent (2015: 20 per cent, 2014: 20 per cent), as the blended rate at which each class of timing difference is expected to reverse.

A further change to the UK corporation tax rate was announced in the Chancellor's Budget during the year ended 31 March 2016. The announcement included a reduction in the UK corporation tax rate to 17 per cent from 1 April 2020. As the change to 17 per cent had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

13 INVESTMENTS

Investments consist of the following:

As at 31 March (£ millions)	2016	2015
Unquoted equity investments, at cost	421	388

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:

Name of company	Principal place of business and country of incorporation	Principal activity
Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda (change of name from Jaguar e Land Rover Brasil Importacao e Comercia de Veiculos Ltda)	Brazil	Manufacturing, distribution and sales
Jaguar Land Rover (South Africa) (Pty) Limited	South Africa	Distribution and sales
Jaguar Land Rover Australia Pty Ltd	Australia	Distribution and sales
Jaguar Land Rover Austria GmbH	Austria	Distribution and sales
Jaguar Land Rover Belux N.V.	Belgium	Distribution and sales
Jaguar Land Rover Canada, ULC	Canada	Distribution and sales
Jaguar Land Rover Deutschland GmbH	Germany	Distribution and sales
Jaguar Land Rover Espana SL	Spain	Distribution and sales
Jaguar Land Rover France SAS	France	Distribution and sales
Jaguar Land Rover India Limited	India	Distribution and sales
Jaguar Land Rover Italia SpA	Italy	Distribution and sales
Jaguar Land Rover Japan Limited	Japan	Distribution and sales
Jaguar Land Rover Korea Co. Ltd.	Korea	Distribution and sales
Jaguar Land Rover Nederland BV	Holland	Distribution and sales
Jaguar Land Rover North America, LLC.	USA	Distribution and sales
Jaguar Land Rover Portugal-Veiculos e Pecas, Lda.	Portugal	Distribution and sales
Jaguar Land Rover (South Africa) Holdings Limited	England and Wales	Holding company
JLR Nominee Company Limited	England and Wales	Dormant
Land Rover Ireland Limited	Ireland	Non-trading

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Principal activity
JDHT Limited	England and Wales	Non-trading
Daimler Transport Vehicles Limited	England and Wales	Dormant
Jaguar Cars South Africa (Pty) Limited	South Africa	Dormant
Jaguar Cars Limited	England and Wales	Dormant
Land Rover Exports Limited	England and Wales	Dormant
S S Cars Limited	England and Wales	Dormant
The Daimler Motor Company Limited	England and Wales	Dormant
The Jaguar Collection Limited	England and Wales	Dormant
The Lanchester Motor Company Limited	England and Wales	Dormant
Jaguar Land Rover Pension Trustee Limited	England and Wales	Dormant
Jaguar Land Rover Slovakia s.r.o.	Slovakia	Manufacturing
Jaguar Land Rover Singapore Pte. – Ltd	Singapore	Distribution and sales
Jaguar Racing Limited	England and Wales	Race team management
InMotion Ventures Limited	England and Wales	Distribution and sales
Silkplan Limited	England and Wales	Non-trading

The company made investments in 100 per cent of the ordinary share capital of Jaguar Land Rover Slovakia s.r.o., Jaguar Land Rover Singapore Pte. – Ltd, Jaguar Racing Limited and InMotion Ventures Limited. Further, the company acquired 100 per cent of the share capital of Silkplan Limited (see note 35) during the year ended 31 March 2016.

The company has the following investments in joint ventures and trade investments at 31 March 2016:

Name of investment	Proportion of voting rights	Principal place of business and country of incorporation	Principal activity
Chery Jaguar Land Rover Automotive Co. Ltd	25.0%	China	Manufacture and assembly of vehicles
Spark44 (JV) Limited	50.0%	England & Wales	Provision of advertising services
Jaguar Cars Finance Limited	49.9%	England & Wales	Non-trading
Jaguar Land Rover Schweiz AG	10.0%	Switzerland	Sale of automotive vehicles and parts

Except for Spark44 (JV) Limited, the proportion of voting rights disclosed in the table above is the same as the interest in the ordinary share capital.

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.

During the year ended 31 March 2013, the company invested a 25 percent stake in Chery Jaguar Land Rover Auto Sales Co. Ltd. (change of name from Suzhou Chery Jaguar Land Rover Trading Co. Ltd.) for £500,000 and a 25 percent stake in Chery Jaguar Land Rover Automotive Co. Ltd. for £35 million. During the year-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

ended 31 March 2014, Chery Jaguar Land Rover Auto Sales Co. Ltd., previously a direct joint venture of the company, was acquired in full by Chery Jaguar Land Rover Automotive Co. Ltd. Therefore, the results shown of Chery Jaguar Land Rover Automotive Co. Ltd. are the consolidated results for that entity, which includes the results of Chery Jaguar Land Rover Auto Sales Co. Ltd.

During the year ended 31 March 2015, the company increased its investment in Chery Jaguar Land Rover Automotive Co. Ltd. by £62 million (2014: £46 million). No further increases to the investment were made during the year ended 31 March 2016.

Spark44 (JV) Limited's total ordinary share capital is divided into A and B ordinary shares with each class having 50 per cent voting rights and interest in returns (of which the company holds 100 per cent of the B shares). However, the company has an interest in 58 per cent of the allotted ordinary share capital, but only 50 per cent of the voting rights and interest in returns, since a number of A ordinary shares are held in trust. Therefore, Spark44 (JV) Limited is considered a joint venture.

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

14 OTHER FINANCIAL ASSETS

Year ended 31 March (£ millions)	2016	2015
Non-current		
Derivative financial instruments	154	22
Others	6	6
Total non-current other financial assets	**160**	**28**
Current		
Advances and other receivables recoverable in cash	162	31
Derivative financial instruments	73	176
Interest accrued on investments	3	4
Accrued income	12	5
Total current other financial assets	**250**	**216**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT

(£ millions)	Land and buildings	Plant and Equipment	Vehicles	Computers	Fixtures & fittings	Heritage Vehicles	Under construction	Total
Cost								
Balance at 1 April 2014	**510**	**3,183**	**3**	**19**	**30**	**-**	**702**	**4,447**
Additions	-	579	1	20	12	52	1,069	1,733
Transfers	277	733	-	-	-	-	(1,010)	-
Disposals	-	(50)	-	(1)	-	-	-	(51)
Balance at 31 March 2015	**787**	**4,445**	**4**	**38**	**42**	**52**	**761**	**6,129**
Additions	-	-	-	25	16	-	1,156	1,197
Transfers	157	1,270	-	-	-	-	(1,427)	-
Disposals	-	(46)	-	-	-	-	-	(46)
Balance at 31 March 2016	**944**	**5,669**	**4**	**63**	**58**	**52**	**490**	**7,280**
Depreciation								
Balance at 1 April 2014	**56**	**1,231**	**1**	**6**	**3**	**-**	**-**	**1,297**
Depreciation charge for the year	18	429	-	4	5	-	-	456
Disposals	-	(46)	-	(1)	-	-	-	(47)
Balance at 31 March 2015	**74**	**1,614**	**1**	**9**	**8**	**-**	**-**	**1,706**
Depreciation charge for the year	29	584	1	5	7	-	-	626
Disposals	-	(36)	-	-	-	-	-	(36)
Balance at 31 March 2016	**103**	**2,162**	**2**	**14**	**15**	**-**	**-**	**2,296**
Net Book Value								
At 31 March 2015	713	2,831	3	29	34	52	761	4,423
At 31 March 2016	**841**	**3,507**	**2**	**49**	**43**	**52**	**490**	**4,984**

The carrying value of ‘Plant and Equipment’ held under finance leases at 31 March 2016 was £9 million (2015: £13 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTANGIBLE ASSETS

(£ millions)	Goodwill	Software	Intellectual property rights and other intangibles	Capitalised product development	Total
Cost					
Balance at 1 April 2014	**382**	**353**	**396**	**4,264**	**5,395**
Additions	-	98	-	1,203	1,301
Disposals	-	(8)	-	(158)	(166)
Balance at 31 March 2015	**382**	**443**	**396**	**5,309**	**6,530**
Additions	-	134	-	1,222	1,356
Write-down of intangible assets		-	-	(28)	(28)
Disposals	-	(9)	-	(361)	(370)
Balance at 31 March 2016	**382**	**568**	**396**	**6,142**	**7,488**
Amortisation					
Balance at 1 April 2014	**-**	**82**	**-**	**985**	**1,067**
Amortisation for the year	-	45	-	535	580
Disposals	-	(2)	-	(158)	(160)
Balance at 31 March 2015	**-**	**125**	**-**	**1,362**	**1,487**
Amortisation for the year	-	68	-	706	774
Disposals	-	(8)	-	(361)	(369)
Balance at 31 March 2016	**-**	**185**	**-**	**1,707**	**1,892**
Net Book Value					
At 31 March 2015	382	318	396	3,947	5,043
At 31 March 2016	**382**	**383**	**396**	**4,435**	**5,596**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING

The Directors are of the view that the operations of the group, headed by Jaguar Land Rover Automotive plc, represent a single cash generating unit. Jaguar Land Rover Limited being a part of the group and its assets are considered for the risk of impairment at a group level. This is considered to sufficiently consider risk of impairment in Jaguar Land Rover Limited.

The intellectual property rights are deemed to have an indefinite useful life on the basis of the expected longevity of the brand names.

For the periods presented the recoverable amount of the cash generating unit has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

As at 31 March	2016	2015
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond approved forecast period	2.1%	2.2%
Pre-tax discount rate	11.2%	11.2%

The growth rates used in the value in use calculation reflect those inherent within the Board’s latest business plan which is primarily a function of the company’s cycle plan assumptions, past performance and management’s expectation of future market developments through to 2021 / 22. The cash flows are then extrapolated into perpetuity assuming a growth rate of 2.1 per cent (2015: 2.2 per cent).

No reasonably possible change in any of the key assumptions would cause the recoverable amount to be less than the carrying value of the assets of the cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
At 31 March 2016				
Deferred tax assets				
Property, plant & equipment	7	(48)	-	(41)
Provisions, allowances for doubtful receivables	6	1	-	7
Derivative financial instruments	261	(6)	(17)	238
Compensated absences and retirement benefits	182	13	(89)	106
Tax loss	216	(112)	-	104
R&D expenditure credit	34	16	-	50
Total deferred tax asset	**706**	**(136)**	**(106)**	**464**
Deferred tax liabilities				
Intangible assets	(818)	(43)	-	(861)
Derivative financial instruments	-	-	-	-
Total deferred tax liability	**(818)**	**(43)**	**-**	**(861)**
Net deferred tax asset / (liability)	**(112)**	**(179)**	**(106)**	**(397)**

(£ millions)	Opening balance	Recognised in profit or loss (restated)	Recognised in other comprehensive income (restated)	Closing balance
At 31 March 2015				
Deferred tax assets				
Property, plant & equipment	74	(67)	-	7
Provisions, allowances for doubtful receivables	4	2	-	6
Derivative financial instruments	-	-	261	261
Compensated absences and retirement benefits	132	(20)	70	182
Tax loss	365	(149)	-	216
R&D expenditure credit	14	20	-	34
Total deferred tax asset	**589**	**(214)**	**331**	**706**
Deferred tax liabilities				
Intangible assets	(678)	(140)	-	(818)
Derivative financial instruments	(133)	47	86	-
Total deferred tax liability	**(811)**	**(93)**	**86**	**(818)**
Net deferred tax asset / (liability)	**(222)**	**(307)**	**417**	**(112)**

The company recognises all deferred tax assets at 31 March 2016 and 31 March 2015 in view of the continued profitability of the company.
All deferred tax assets and deferred tax liabilities at 31 March 2016 and 31 March 2015 are presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Year ended 31 March (£ millions)	2016	2015
Cash and cash equivalents	2,871	2,666

Included within the cash and cash equivalents balance of £2,871 million (2015: £2,666 million) are amounts of £7 million (2015: £nil) which are not considered to be available for use by the company at the balance sheet date. The £7 million relates to amounts held by solicitors to settle a capital commitment.

19 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

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

Year ended 31 March (£ millions)	2016	2015
At beginning of year	8	6
Change in allowance during year	41	2
At end of year	**49**	**8**

20 INVENTORIES

Year ended 31 March (£ millions)	2016	2015
Raw materials and consumables	63	62
Work in progress	377	297
Finished goods	988	818
Total inventories	**1,428**	**1,177**

Inventories of finished goods include £218 million (2015: £176 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

Cost of inventories (including cost of purchased products) recognised as an expense during the year amounted to £13,536 million (2015: £12,567 million).

During the year, the company recorded inventory write-down expense of £21 million (2015: £24 million). The write-down is included in cost of sales. No previous write-downs have been reversed in any period.

21 OTHER ASSETS

Year ended 31 March (£ millions)	2016	2015
Non-current assets		
Prepaid expense	40	23
Others	3	3
Total other non-current assets	**43**	**26**
Current assets		
Prepaid expense	81	87
Income tax	12	12
Others	231	208
Total other current assets	**324**	**307**

22 ACCOUNTS PAYABLE

Year ended 31 March (£ millions)	2016	2015
Trade payables	3,834	3,665
Liabilities for expenses	42	37
Others	388	316
Total accounts payable	**4,264**	**4,018**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 INTEREST BEARING LOANS AND BORROWINGS

Year ended 31 March (£ millions)	2016	2015
Short-term borrowings		
Loans	1,965	1,424
Short-term borrowings	**1,965**	**1,424**
Long-term borrowings		-
Loans	2,373	2,381
Long-term borrowings	**2,373**	**2,381**
Finance lease obligations (see note 34)	8	13
Total borrowings	**4,346**	**3,818**

Included within short-term borrowings are external bank loans of £116 million (2015: £156 million). All other short-term and long-term borrowings are intercompany loans.

The contractual cash flows of interest bearing debt and borrowings as of 31 March 2016 and 31 March 2015 are set out below, including estimated interest payments and assumes the debt will be repaid at the maturity date.

Year ended 31 March (£ millions)	2016	2015
Due in		
1 year or less	2,080	1,544
2nd and 3rd years	717	240
4th and 5th years	857	1,403
More than 5 years	1,292	1,336
Total contractual cash flows	**4,946**	**4,523**

24 OTHER FINANCIAL LIABILITIES

Year ended 31 March (£ millions)	2016	2015
Current		
Interest accrued	22	24
Derivative financial instruments	666	697
Liability for vehicles sold under a repurchase arrangement	226	186
Liabilities to employees	134	163
Finance lease obligations	4	4
Total current other financial liabilities	**1,052**	**1,074**
Non-current		
Derivative financial instruments	809	832
Other payables	2	3
Finance lease obligations	4	9
Total non-current other financial liabilities	**815**	**844**

25 PROVISIONS

Year ended 31 March (£ millions)	2016	2015
Current		
Product warranty	360	342
Legal and product liability	85	39
Provisions for environmental liability	7	5
Total current provisions	**452**	**386**
Non-current		
Product warranty	610	513
Provisions for environmental liability	24	27
Other employee benefits obligations	7	11
Total non-current provisions	**641**	**551**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 PROVISIONS (CONTINUED)

Year ended 31 March (£ millions)	2016
Product warranty	
Opening balance	855
Provision made during the year	457
Provision used during the year	(348)
Impact of discounting	6
Closing balance	**970**
Legal and product liability	
Opening balance	39
Provision made during the year	47
Provision used during the year	(2)
Foreign exchange	1
Closing balance	**85**
Environmental liability	
Opening balance	32
Provision made during the year	(1)
Provision used during the year	-
Closing balance	**31**

PRODUCT WARRANTY PROVISION

The company offers warranty cover in respect of manufacturing defects, which become apparent within one 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 known litigation which impacts the company, but for which the amount and timing are uncertain. The provision primarily relates to motor accident claims, consumer complaints, dealer terminations, employment cases and personal injury claims.

ENVIRONMENTAL RISK 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.

26 OTHER LIABILITIES

Year ended 31 March (£ millions)	2016	2015
Current		
Other	55	34
Total current other liabilities	**55**	**34**
Non-current		
Other	101	53
Total non-current other liabilities	**101**	**53**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 CAPITAL AND RESERVES

Year ended 31 March (£ millions)	2016	2015
Allotted, called up and fully paid		
2,638,689,010 (2015: 2,638,689,010) ordinary shares of £1 each	2,639	2,639
Total capital presented as equity	**2,639**	**2,639**

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.

In the year ended 31 March 2016, the company issued nil (2015: 1,031,261,490) shares at their nominal value of £1 each.

28 OTHER RESERVES

The movement of other reserves is as follows:

(£ millions)	Hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2015	(930)	3,740	2,810
Profit for the year	-	891	891
Remeasurement of defined benefit obligation	-	486	486
Loss on effective cash flow hedges	(174)	-	(174)
Cash flow hedges reclassified to foreign exchange in profit or loss	261	-	261
Income tax related to items recognised in other comprehensive income	35	(89)	(54)
Income tax related to items reclassified to profit or loss	(52)	-	(52)
Dividend paid	-	(150)	(150)
Balance as at 31 March 2016	**(860)**	**4,878**	**4,018**

(£ millions)	Hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2014	461	2,957	3,418
Profit for the year	-	1,276	1,276
Remeasurement of defined benefit obligation	-	(348)	(348)
Loss on effective cash flow hedges	(1,694)	-	(1,694)
Cash flow hedges reclassified to foreign exchange in profit or loss	(44)	-	(44)
Income tax related to items recognised in other comprehensive income	339	70	409
Income tax related to items reclassified to profit or loss	8	-	8
Dividend paid	-	(215)	(215)
Balance as at 31 March 2015	**(930)**	**3,740**	**2,810**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 DIVIDENDS

Year ended 31 March (£ millions)	2016	2015
Dividend proposed for the previous year paid during the year of 6p (2015: 9p) per share	150	150
Dividend for the year paid during the year of £nil (2015: £65 million)	-	65
Amounts recognised as distributions to equity holders during the year	**150**	**215**
Proposed dividend for the year of 6p (2015: 6p) per share	150	150

During the year ended 31 March 2015, the company transferred its shareholding of £65 million in Limited Liability Company ‘Jaguar Land Rover’ (Russia) to Jaguar Land Rover Holdings Limited in the form of a dividend.

The proposed dividend of £150 million for the year ended 31 March 2016 was paid in full in June 2016.

30 EMPLOYEE BENEFITS

The company operates defined benefit schemes for qualifying employees of certain of its subsidiaries. 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.

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 significant in the UK defined benefit schemes, where inflationary increases result in higher sensitivity to changes in life expectancy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

The following tables set out the disclosures pertaining to the retirement benefit amounts recognised in the financial statements:

Change in present value of defined benefit obligation

Year ended 31 March (£ millions)	2016	2015
Defined benefit obligation beginning of the year	7,831	6,013
Current service cost	222	167
Interest expense	261	273
Actuarial (gains) / losses arising from:		
Changes in demographic assumptions	(36)	(20)
Changes in financial assumptions	(564)	1,441
Experience adjustments	63	101
Past service costs	1	1
Member contributions	2	2
Benefits paid	(163)	(147)
Defined benefit obligation at end of year	**7,617**	**7,831**

Change in fair value of plan assets

Year ended 31 March (£ millions)	2016	2015
Fair value of plan assets at beginning of the year	6,965	5,354
Interest income	232	245
Remeasurement (loss)/gain on the return of plan assets, excluding amounts included in interest income	(50)	174
Administrative expenses	(8)	(8)
Employer contributions	94	345
Members contributions	2	2
Benefits paid	(163)	(147)
Fair value of plan assets at end of year	**7,072**	**6,965**

The actual return on plan assets for the year was £175 million (2015: £1,419 million).

Amounts recognised in the income statement consist of:

Year ended 31 March (£ millions)	2016	2015
Current service cost	222	167
Past service cost	-	1
Administrative expenses	8	8
Net interest cost (including onerous obligations)	29	28
Components of defined benefit cost recognised in the income statement	**259**	**204**

Amounts recognised in the statement of comprehensive income of:

Year ended 31 March (£ millions)	2016	2015
Actuarial gain/(loss) arising from:		
Changes in demographic assumptions	36	20
Changes in financial assumptions	564	(1,441)
Experience adjustments	(63)	(101)
Remeasurement gain on the return of plan assets, excluding amounts included in interest income	(50)	1,174
Change in restriction of pension asset recognised (as per IFRIC 14)	1	-
Change in onerous obligation, excluding amounts included in interest expense	(2)	-
Remeasurement gain of defined benefit obligation	**486**	**(348)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised in the balance sheet consist of:

Year ended 31 March (£ millions)	2016	2015
Present value of funded defined benefit obligations	(7,617)	(7,831)
Fair value of plan assets	7,072	6,965
Onerous obligation	(2)	-
Net retirement benefit obligation	**(547)**	**(866)**
Presented as non-current liability	(547)	(866)

The most recent actuarial valuations of scheme assets and the present value of the defined benefit liability for accounting purposes were carried out at 31 March 2016 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 principal assumptions used in accounting for the pension plans are set out below:

Year ended 31 March (%)	2016	2015
Discount rate	3.6	3.4
Expected rate of increase in compensation level of covered employees	3.5	3.6
Inflation increase	3.0	3.1

For the valuation at 31 March 2016, the mortality assumptions used are the SAPS base table, in particular S2NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 120 per cent for males and 110 per cent for females has been used for the Jaguar Pension Plan, 115 per cent for males and 105 per cent for females for the Land Rover Pension Scheme, and 95 per cent for males and 85 per cent for females for Jaguar Executive Pension Plan.

For the valuation at 31 March 2015 and 2014, the mortality assumptions used are the SAPS base table, in particular S1NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 115 per cent has been used for the Jaguar Pension Plan, 110 per cent for the Land Rover Pension Scheme, and 105 per cent for males and 90 per cent for females for Jaguar Executive Pension Plan.

There is an allowance for future improvements in line with the CMI (2014) projections (2015: CMI (2014) projections) and an allowance for long term improvements of 1.25 per cent per annum.

The assumed life expectations on retirement at age 65 are:

Valuation at 31 March (years)	2016	2015
Retiring today:		
Males	21.5	21.4
Females	24.4	23.9
Retiring in 20 years:		
Males	23.2	23.1
Females	26.2	25.8

The sensitivity analyses below are 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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

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 £419 million	Decrease / increase by £13 million
Inflation rate	Increase / decrease by 0.25%	Increase / decrease by £373 million	Increase / decrease by £13 million
Mortality	Increase / decrease by 1 year	Increase / decrease by £207 million	Increase / decrease by £5 million

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

As at 31 March (£ millions)	2016 Quoted*	2016 Unquoted	2016 Total	2016 %	2015 Quoted*	2015 Unquoted	2015 Total	2015 %
Equity instruments								
Information technology	124	-	124	2%	117	-	117	1%
Energy	53	-	53	1%	70	-	70	1%
Manufacturing	98	-	98	1%	95	-	95	1%
Financials	178	-	178	3%	183	-	183	3%
Other	435	-	435	6%	416	-	416	6%
	888	**-**	**888**	**13%**	**881**	**-**	**881**	**12%**
Debt instruments								
Government	2,578	-	2,578	36%	2,687	10	2,697	39%
Corporate Bonds (investment grade)	157	1,454	1,611	23%	38	1,193	1,231	18%
Corporate bonds (Non investment grade)	164	278	442	6%	53	474	527	7%
	2,899	**1,732**	**4,631**	**65%**	**2,778**	**1,677**	**4,455**	**64%**
Property funds								
UK	67	114	181	3%	130	113	243	3%
Other	75	48	123	2%	52	17	69	1%
	142	**162**	**304**	**5%**	**182**	**130**	**312**	**4%**
Cash and cash equivalents	**169**	**-**	**169**	**2%**	**129**	**-**	**129**	**2%**
Other								
Hedge Funds	-	371	371	5%	-	390	390	6%
Private Markets	-	80	80	1%	-	56	56	1%
Alternatives	346	88	434	6%	169	145	314	5%
	346	**539**	**885**	**12%**	**169**	**591**	**760**	**12%**
Derivatives								
Foreign exchange contracts	-	(9)	(9)	-	-	(13)	(13)	-
Interest rate and inflations	-	204	204	3%	-	441	441	6%
	-	**195**	**195**	**3%**	**-**	**428**	**428**	**6%**
Total	**4,444**	**2,628**	**7,072**	**100%**	**4,139**	**2,826**	**6,965**	**100%**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

As at 31 March 2016 the schemes held Gilt Repos, the net value of these transactions is included in the value of Interest Rate and Inflation derivatives. The value of the funding obligation for the Repo transactions is £373 million at 31 March 2016. The schemes did not have any Gilt repos at 31 March 2015.

The split of level 1 assets is 63 per cent (2015: 59 per cent), level 2 assets 31 per cent (2015: 37 per cent) and level 3 assets 6 per cent (2015: 4 per cent).

JLR has agreed updated contributions towards the UK defined benefit schemes following the 5 April 2015 valuation. It is intended to eliminate the pension scheme funding deficits over the 10 years following the valuation date. The current agreed contribution rate for defined benefit accrual is 31 per cent of pensionable salaries in the UK. Deficit contribution levels remain in line with prior expectation for 2016-18 and then increase to £58 million per annum to March 2025.

The average duration of the benefit obligation at 31 March 2016 is 20.5 years (2015: 23.5 years).

The expected net periodic pension cost for the year ended 31 March 2017 is £224 million. In addition to advanced contributions of £69 million paid in March 2016 the company expects to pay £219 million to its defined benefit schemes in the year ended 31 March 2017.

DEFINED CONTRIBUTION FUND

The company's contribution to defined contribution plans for the year ended 31 March 2016 was £47 million (2015: £33 million).

31 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 on-going 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 the financial statements but does not record a liability in its accounts 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 assertions 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 and there are claims as at 31 March 2016 of £6 million (2015: £11 million) against the company which management have not recognised as they are not considered probable. These claims and potential claims pertain to motor accident claims, consumer complains, employment and dealership arrangements, replacement of parts of vehicles and / or compensation for deficiencies in the services by the company or its dealers.

As disclosed in note 39 (Subsequent events), the company has provided for the estimated costs of repair following the passenger safety airbag issue in the United States. The company recognises that there is a potential risk of further recalls in other countries in the future, however, the company is unable at this point in time to reliably estimate the amount and timings of any potential future costs associated with this warranty issue.

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 £768 million (2015: £810 million) and £12 million (2015: £nil) relating to the acquisition of intangible assets.

The company has entered into various contracts with vendors and contractors which include obligations aggregating £1,779 million (2015: £629 million) to purchase minimum or fixed quantities of material or other procurement commitments.

Commitments and contingencies also include other contingent liabilities of £22 million (2015: £2 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Inventory of £nil (2015: £nil) and trade receivables with a carrying amount of £116 million (2015: £156 million) and property, plant and equipment with a carrying amount of £nil (2015: £nil) are pledged as collateral / security against the borrowings and commitments.

There are guarantees provided in the ordinary course of business of £nil (2015: £nil).

Commitments related to leases are set out in note 34.

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 2016. The outstanding commitment of CNY 312 million translates to £34 million at 31 March 2016 exchange rate.

32 CAPITAL MANAGEMENT

The company's objectives when managing capital are to ensure the going concern operation of it and its subsidiaries and to maintain an efficient capital structure to reduce the cost of capital, support the corporate strategy and to meet shareholder expectations. The company borrows from its intermediate parent company, Jaguar Land Rover Automotive plc, which borrows from external parties on behalf of the Jaguar Land Rover group.

The policy of the group headed by Jaguar Land Rover Automotive plc is to borrow primarily through capital market issues to meet anticipated funding requirements and maintain sufficient liquidity. These borrowings, together with cash generated from operations, are loaned to the company or contributed as equity to the company as required.

The following table summarises the capital of the company:

Year ended 31 March (£ millions)	2016	2015
Short-term debt	1,969	1,428
Long-term debt	2,377	2,390
Total debt*	**4,346**	**3,818**
Equity	6,657	5,449
Total capital	**11,003**	**9,267**

* Total debt includes finance lease obligations of £8 million (2015: £13 million)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 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.

(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 2016:

Financial Assets

(£ millions)	Loans and receivables	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Cash and cash equivalents	2,871	-	-	2,871	2,871
Short-term deposits	1,252	-	-	1,252	1,252
Trade receivables	1,990	-	-	1,990	1,990
Other financial assets - current	177	53	20	250	250
Other financial assets - non-current	6	143	11	160	160
Total financial assets	**6,296**	**196**	**31**	**6,523**	**6,523**

Financial Liabilities

(£ millions)	Other financial liabilities	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Accounts payable	4,264	-	-	4,264	4,264
Short-term borrowings	1,965	-	-	1,965	1,965
Long-term borrowings	2,373	-	-	2,373	2,373
Other financial liabilities - current	386	558	108	1,052	1,052
Other financial liabilities - non-current	6	745	64	815	815
Total financial liabilities	**8,994**	**1,303**	**172**	**10,469**	**10,469**

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2015:

Financial Assets

(£ millions)	Loans and receivables	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Cash and cash equivalents	2,666	-	-	2,666	2,666
Short-term deposits	1,055	-	-	1,055	1,055
Trade receivables	1,863	-	-	1,863	1,863
Other financial assets - current	40	175	1	216	216
Other financial assets - non-current	6	20	2	28	28
Total financial assets	**5,630**	**195**	**3**	**5,828**	**5,828**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities

(£ millions)	Other financial liabilities	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Accounts payable	4,018	-	-	4,018	4,018
Short-term borrowings	1,424	-	-	1,424	1,424
Long-term borrowings	2,381	-	-	2,381	2,381
Other financial liabilities - current	377	663	34	1,074	1,074
Other financial liabilities - non-current	12	787	45	844	844
Total financial liabilities	**8,212**	**1,450**	**79**	**9,741**	**9,741**

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 will 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 2016:

£ 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
Financial assets						
Derivative financial assets	227	-	227	(227)	-	-
Cash and cash equivalents	2,979	(108)	2,871	-	-	2,871
	3,206	**(108)**	**3,098**	**(227)**	**-**	**2,871**
Financial liabilities						
Derivative financial liabilities	1,475	-	1,475	(227)	-	1,248
Short-term borrowings	2,073	(108)	1,965	-	-	1,965
	3,548	**(108)**	**3,440**	**(227)**	**-**	**3,213**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

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 2015:

£ 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
Financial assets						
Derivative financial assets	198	-	198	(198)	-	-
Cash and cash equivalents	2,759	(93)	2,666	-	-	2,666
	2,957	**(93)**	**2,864**	**(198)**	**-**	**2,666**
Financial liabilities						
Derivative financial liabilities	1,529	-	1,529	(198)	-	1,331
Short-term borrowings	1,517	(93)	1,424	-	-	1,424
	3,046	**(93)**	**2,953**	**(198)**	**-**	**2,755**

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).
- 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.

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-Sholes options pricing methodology, using prevailing market interest rates and volatilities.

Additionally, a Credit Valuation Adjustment (CVA) 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 JLR respectively. CDS prices are obtained from Bloomberg.

The long-term unsecured listed bonds are held at amortised cost. Its fair value for disclosure purposes is determined using Level 1 valuation techniques, based on the closing price at 31 March 2016 on the Euro MTF market.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of cash and cash equivalents, short-term deposits, trade receivables and payables, short-term borrowings, 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 respective dates. The estimated fair value amounts as of 31 March 2016 and 31 March 2015 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

(B) FINANCIAL RISK MANAGEMENT

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.

(C) FOREIGN CURRENCY EXCHANGE RATE RISK

The fluctuation in foreign currency exchange rates may have potential impact on the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement and the statement of changes in equity, 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.

1) Hedge accounting exposures

The company uses foreign currency contracts to hedge its risk associated with foreign currency fluctuations relating to highly probable forecast transactions. The fair value of such contracts as of 31 March 2016 was a net liability of £1,107 million (2015: net liability of £1,255 million).

Cash flow hedges are expected to be recognised in profit or loss during the years ending 31 March 2016 to 2021. The company also has a number of foreign currency options which are entered into as an economic hedge of the financial risks of the company. The time value of options is excluded from the hedge relationship and thus the change in time value is recognised immediately in the income statement.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective hedge, are recognised in the statement of other comprehensive income and the ineffective portion of the fair value change is recognised in the income statement. Accordingly, the fair value change of net loss of £174 million (2015: loss of £1,694 million) was recognised in other comprehensive income. The loss due to hedge ineffectiveness where forecast transactions are no longer expected to occur was £2 million (2015: loss of £5 million) which has been recognised in foreign exchange gain / (loss) in the income statement. The gain on derivative contracts not eligible for hedging was £85 million (2015: loss of £170 million) which has been recognised in 'Foreign exchange loss' in the income statement.

A 10 per cent depreciation / appreciation of the foreign currency underlying such contracts would have resulted in an approximate additional (loss) / gain of (£1,788) million / £1,653 million (2015: £1,251 million / (£1,382) million) in equity and a (loss) / gain of (£10) million / £56 million (2015: £165 million / (£91) million) in the income statement.

In addition to using derivative contracts to economically hedge future purchases in US dollars, the company's parent company issues bonds denominated in US dollars and loans these to the company to give a degree of natural hedging of future sales revenues.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

2) Balance sheet exposures

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

The following table sets forth information relating to foreign currency exposure as of 31 March 2016:

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	*Others	Total
Financial assets	633	399	368	47	1,447
Financial liabilities	(414)	(1,395)	(7)	(82)	(1,898)
Net exposure asset / (liability)	**219**	**(996)**	**361**	**(35)**	**(451)**

A 10 per cent appreciation / depreciation of the USD, Euro and Chinese Yuan would result in an increase / decrease in the company's net profit before tax and net assets by approximately £22 million, £100 million and £36 million respectively for the year ended 31 March 2016.

The following table sets forth information relating to foreign currency exposure as of 31 March 2015:

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	*Others	Total
Financial assets	1,132	646	368	372	2,440
Financial liabilities	(2,181)	(1,262)	(7)	(279)	(4,180)
Net exposure asset / (liability)	**(1,049)**	**(616)**	**361**	**93**	**(1,740)**

A 10 per cent appreciation / depreciation of the USD, Euro and Chinese Yuan would result in an increase / decrease in the company's net profit before tax and net assets by approximately £105 million, £62 million and £17 million respectively for the year ended 31 March 2015.

* Others include Japanese Yen, Russian Rouble, Singapore Dollar, Swiss Franc, Australian Dollar, South African Rand, Thai Baht, Korean Won etc.

(D) COMMODITY PRICE RISK

The company is exposed to commodity price risk arising from the purchase of certain raw materials. This risk is mitigated through the use of derivative contracts and fixed price contracts with suppliers. The derivative contracts do not qualify for hedge accounting as the commodity exposure does not meet the hedge accounting requirements of IAS 39.

The total fair value loss on commodities of £113 million (2015: loss of £38 million) has been recognised in 'Other income' in the income statement. The losses 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 £52 million (2014: £52 million).

(E) 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 March 2016 net financial liabilities of £1,965 million (2015: £1,424 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 £20 million (2015: £14 million) in the income statement and £nil (2015: £nil) in equity.

(F) 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 2016 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	2,373	2,935	107	107	1,429	1,292
Short-term borrowings	1,965	1,965	1,965	-	-	-
Finance lease liabilities	8	8	4	2	2	-
Other financial liabilities	384	410	369	13	28	-
Accounts payable	4,264	4,264	4,264	-	-	-
Derivative financial liabilities	1,475	1,882	725	698	459	-
Total contractual maturities	**10,469**	**11,464**	**7,434**	**820**	**1,918**	**1,292**

As at 31 March 2015 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	2,381	3,066	111	110	1,510	1,335
Short-term borrowings	1,424	1,424	1,424	-	-	-
Finance lease liabilities	13	15	6	5	4	-
Other financial liabilities	377	390	363	14	13	-
Accounts payable	4,018	4,018	4,018	-	-	-
Derivative financial liabilities	1,529	1,903	753	616	534	-
Total contractual maturities	**9,742**	**10,816**	**6,675**	**745**	**2,061**	**1,335**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(G) CREDIT RISK

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk principally consist of investments classified as loans and receivables and trade receivables. None of the financial instruments of the company result in material concentrations of credit risks. For trade receivables, the company considers counterparty creditworthiness by means of an internal rating process and its country risk. In this context, the historic financial performance and other relevant information on the counterparty such as payment history are used and assessed.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

Financial assets

None of the company's cash equivalents, including time 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 2016 or 31 March 2015 that defaults in payment obligations will occur.

Trade and other receivables past due and impaired are set out below:

As at 31 March (£ millions)	2016 Gross	2016 Impairment	2015 Gross	2015 Impairment
Not yet due	1,966	-	1,855	-
Overdue < 3 months	58	29	39	-
Overdue > 3 < 6 months	21	19	1	1
Overdue > 6 months	3	4	7	7
Total	**2,048**	**51**	**1,902**	**8**

Included within trade receivables is £116 million (2015: £156 million) of receivables which 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 £116 million (2015: £156 million) is in short-term borrowings. Both the asset and associated liability are stated at fair value.

34 LEASES

LEASES AS LESSEE

Non-cancellable finance lease rentals are payable as follows:

As at 31 March (£ millions)	2016	2015
Less than one year	4	4
Between one and five years	4	9
More than five years	-	-
Total lease payments	**8**	**13**

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 mature between 2016 and 2030. The company has options to purchase certain equipment for a nominal amount at the end of lease term.

Non-cancellable operating lease rentals are payable as follows:

As at 31 March (£ millions)	2016	2015
Less than one year	35	33
Between one and five years	38	36
More than five years	27	23
Total lease payments	**100**	**92**

The company leases a number of properties, plant and machinery, IT hardware and software under operating leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 LEASES (CONTINUED)

LEASES AS LESSOR

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

As at 31 March (£ millions)	2016	2015
Less than one year	1	2
Between one and five years	1	-
More than five years	10	-
Total lease payments	**12**	**2**

The above leases relate to amounts receivable in respect of land and buildings and fleet car sales. The average lease life is less than one year.

35 ACQUISITION OF SUBSIDIARY

On 16 April 2015, the company acquired 100 per cent of the share capital of Silkplan Limited, obtaining control of Silkplan Limited. The amounts recognised in respect of the assets acquired are set out in the table below:

(£ millions)	
Recognised amounts of assets acquired	
Property, plant and equipment	11
Total identifiable assets	**11**
Total consideration	**11**
Satisfied by:	
Cash	11
Total consideration transferred and cash outflow arising on acquisition	**11**

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 geographic spread of sales is as disclosed below:

(£ millions)	UK	US	China	Rest of Europe	Rest of World	Total
31 March 2016						
Revenue	4,543	3,787	3,316	3,880	3,553	19,079
31 March 2015						
Revenue	3,564	2,757	4,910	2,995	3,512	17,738

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 RELATED PARTY TRANSACTIONS

The company's related parties principally consist of Tata Sons Ltd., subsidiaries, associates and joint ventures of Tata Sons Ltd which includes Tata Motors Limited. (the ultimate parent company), subsidiaries, associates and joint ventures 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 associates and joint ventures.

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. The amounts outstanding are unsecured and will be settled in cash.

(£ millions)	With subsidiaries of the company	With joint ventures of the company	With Tata Sons Limited and its subsidiaries and joint ventures	With immediate or ultimate parent and its subsidiaries and joint ventures
31 March 2016				
Sale of products	11,954	315	2	48
Services received	-	52	143	99
Services rendered	-	42	-	1
Interest income	2	-	-	-
Interest expense	149	-	-	-
Trade and other receivables	1,239	59	1	27
Accounts payable	33	-	7	20
Loans given	130	-	-	-
Loans received	4,263	-	-	-
31 March 2015*				
Sale of products	13,964	149	-	65
Services received	-	32	141	102
Services rendered	-	14	-	3
Interest income	2	-	-	-
Interest expense	269	-	-	-
Trade and other receivables	932	45	-	26
Accounts payable	27	-	27	31
Loans given	11	-	-	-
Loans received	3,696	-	-	-

The 2015 comparative balances for transactions with joint ventures have been restated in order to fully reflect the transactions between all of the company's joint venture interests.

Compensation of key management personnel

Year ended 31 March (£ millions)	2016	2015
Short-term benefits	16	24
Post-employment benefits	1	2
Compensation for loss of office	2	1
Total compensation of key management personnel	**19**	**27**

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 eight years and is interest bearing at the HMRC official rate.

Refer to note 30 for information on transactions with post-employment benefit plans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 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.

39 SUBSEQUENT EVENTS

In May 2016, the company proposed an ordinary dividend of £150 million to its immediate parent Jaguar Land Rover Holdings Limited. This amount was paid in full in June 2016.

In May 2016, a passenger airbag safety recall was announced in the United States by National Highway Traffic System Administration (NHTSA) in respect of airbags from a supplier (Takata). Certain front-passenger airbags from Takata are installed in vehicles sold by the company. The company has considered this to be an adjusting Post Balance Sheet event and has recognised an additional provision of £67 million for the estimated cost of repairs in the Income Statement for the year ended 31 March 2016. The provision is expected to be utilised between 1-4 years.