

JAGUAR LAND ROVER SOUTH AFRICA

(Registration Number 2001/027269/07)

Audited Annual Financial Statements

for the year ended 31 March 2016

Preparation supervised by Liaan Kretzschmar (Finance Director)

JAGUAR LAND ROVER SOUTH AFRICA

(Registration Number 2001/027269/07)

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Acting as principal in the sale and marketing of vehicles, parts and accessories and the provision of related services
DIRECTORS	Brian John Hastie (Appointed 17 August 2012) Nigel William Clarke (Appointed 17 August 2012) Robin Van Rensburg (Appinted 1 June 2015) Rory Peter Beattie (Appointed 24 June 2013) Liaan Etienne Kretschmar (Appointed 24 January 2014) Richard Gouverneur (Appointed 1 August 2014) Lisa Karryn Mallett (Appointed 1 March 2015)
REGISTERED OFFICE	28 Victoria Link Route 21 Corporate Park Nellmapius Drive Irene X30 0184
POSTAL ADDRESS	Private Bag X2 Pierre van Ryneveld 0045 0184
BANKERS	Standard Bank of South Africa
AUDITORS	Deloitte & Touche Registered Auditors
COMPANY SECRETARY	Vacant
HOLDING COMPANY	Jaguar Land Rover (South Africa) Holdings Limited incorporated in the United Kingdom

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The financial statements have been audited by the independent auditing firm, Deloitte & Touche, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on page 4 to 5.

The annual financial statements as set out on pages 8 to 45 were approved by the board on 23 May 2016 and were signed on their behalf by:



Richard Gouvernuer



Liaan Etienne Kretzschmar



Deloitte & Touche
Registered Auditors
Audit - Gauteng
www.deloitte.com

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Gallo Manor 2052
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jaguar Land Rover South Africa Proprietary Limited

We have audited the annual financial statements of Jaguar Land Rover South Africa Proprietary Limited set out on pages 8 to 45, which comprise the statement of financial position as at 31 March 2016 and statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

National Executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
*N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy *MJ Comber Reputation & Risk
*TJ Brown Chairman of the Board
Office Managing Partner: *X Botha

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jaguar Land Rover South Africa Proprietary Limited as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on the report.

Deloitte & Touche

Deloitte & Touche

Registered Auditor

Per: M Osman

Partner

26 May 2016

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Annual Financial Statements for the year ended 31 March 2016

DIRECTORS' REPORT

The directors present their report for the year ended 31 March 2016.

1. Review of activities

Main business and operations

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

The company's profit for the year was R339.0 million (2015: R433.9 million) after taxation expense of R 129.09 million (2015: R 177.7 million).

2. Going concern

We draw attention to the fact that at 31 March 2016, The company had retained earnings of R339.01 (2015: R273.9 million) and the company's total assets exceeded its total liabilities by R 339.01 (2015: R 273.9 million)

Based on our current planning assumptions we expect operating cash flows in 2016/17 to be positive. We continue to face many risks and uncertainties related to the global economy, our industry in particular, and the credit environment which would materially impact our plan. We believe that the risk that could reasonably have a material impact on our going concern analysis is a significant decline in industry sales and volumes to levels substantially below our current planning assumptions.

We believe that we would not exceed our present available liquidity. Therefore we do not believe that these reasonable possible scenarios will cause substantial doubt about our ability to continue as a going concern for the next year.

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

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

4. Directors' interest in contracts

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

5. Dividends

A dividend of R273.9 million was declared and paid during the year (2015: R450.7 million)

6. Authorised and issued share capital

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

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DIRECTORS' REPORT

7. Directors

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

Brian John Hastie (Appointed 17 August 2012)

Nigel William Clarke (Appointed 17 August 2012)

Robin Van Rensburg (Appointed June 2015)

Rory Peter Beattie (Appointed 24 June 2013)

Liaan Etienne Kretzschmar (Appointed 24 January 2014)

Richard Gouverneur (Appointed 1 August 2014)

Lisa Karryn Mallett (Appointed 1 March 2015)

8. Shareholder

There has been no changes in ownership and shareholder remains:

Jaguar Land Rover (South Africa) Holdings Limited	100%
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9. Non-current assets

The company's major non- current assets relates to deferred taxation which arises primarily as a result of temporary differences on the company's warranty provisions.

10. Auditors

Deloitte and Touche were the auditors for the year under review.

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Annual Financial Statements as at 31 March 2016

Statement of Financial Position

Figures in R `000	Note(s)	2016	2015
Assets			
Property, plant and equipment	5	14,911	8,403
Deferred taxation assets	13	203,251	196,425
		218,162	204,828
Current Assets			
Inventories	6	1,218,764	956,227
Current taxation asset	23	-	10,127
Related party receivable	16	26,040	36,980
Trade and other receivables	7	271,271	209,584
Cash and cash equivalents	8	644,362	658,674
		2,160,437	1,871,592
		2,378,599	2,076,420
Total Assets			
Equity and Liabilities			
Equity			
Issued capital	9	1	1
Retained earnings		339,010	273,902
		339,011	273,903
Non-Current Liabilities			
Provisions	14	307,243	358,485
Long-term employee benefit obligations	11	1,901	1,941
Deferred revenue	12	419,986	435,156
		729,130	795,582
Current Liabilities			
Provisions	14	165,731	165,926
Trade and other payables	15	481,517	223,663
Current taxation liability	23	3,307	5,844
Related party payables	16	432,018	400,569
Deferred Revenue	12	227,885	210,933
		1,310,458	1,006,935
		2,039,588	1,802,517
Total Liabilities			
		2,378,599	2,076,420
Total Equity and Liabilities			

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Statement of Profit and Loss and other Comprehensive Income for the year

Figures in R `000	Note(s)	2016	2015
Revenue	18	5,703,071	4,941,544
Cost of sales		<u>(4,939,352)</u>	<u>(4,102,406)</u>
Gross profit		763,719	839,138
Other gains	19	652	3,213
Marketing expenses		(184,142)	(161,543)
Administration expenses		<u>(133,252)</u>	<u>(114,789)</u>
Operating profit	20	446,977	566,019
Investment revenue	21	36,163	62,541
Finance costs	22	<u>(15,039)</u>	<u>(16,923)</u>
Profit before taxation		468,101	611,637
Taxation expense	23	<u>(129,093)</u>	<u>(177,726)</u>
Profit for the year		339,008	433,911

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Statement of Changes in Equity

Figures in R `000	Share capital	Retained earnings	Total
Balance at 1 April 2014	1	290,691	290,692
Total comprehensive income for the year			
Profit for the year		433,911	433,911
Total comprehensive income for the year	-	433,911	433,911
Dividends paid		(450,700)	(450,700)
Balance at 1 April 2015	1	273,902	273,903
Balance at 1 April 2015	1	273,902	273,903
Total comprehensive income for the year			
Profit for the year		339,008	339,008
Total comprehensive income for the year	-	339,008	339,008
Dividends paid		(273,900)	(273,900)
Balance at 31 March 2016	1	339,010	339,011
Note	9		

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Statement of Cash Flows

Figures in R `000	Note(s)	2016	2015
Cash flows from operating activities			
Profit for the year		339,008	433,911
<i>Adjustments for:</i>			
Finance costs		15,039	16,923
Income tax expense recognised in profit and loss		129,093	177,726
Depreciation of Tangible assets		2,231	1,543
Investment income		(36,163)	(62,541)
Increase in current and long-term employee benefits payable		(40)	410
Operating cash flow before working capital changes		449,168	567,972
<i>Working capital changes</i>			
(Increase) in provisions		(51,437)	(15,004)
Decrease in deferred revenue		1,782	1,423
Increase in inventories		(262,537)	(69,949)
(Increase)/decrease in trade and other receivables		(61,687)	12,151
Increase in related party balances		42,389	93,624
Increase/(decrease) in trade and other payables		257,854	(94,675)
Cash generated by operating activities		375,532	495,542
Interest on warranty provision (non-cash item)		(14,972)	(15,942)
Interest paid		(67)	(981)
Income tax paid		(128,329)	(165,651)
Net cash from operating activities		232,164	312,968
Cash flows from investing activities			
Property, plant and equipment acquired	5	(8,739)	(632)
Proceeds on disposals of property, plant and equipment		-	68
Investment income		36,163	62,541
Net cash generated by investing activities		27,424	61,977
Cash flows from financing activities			
Dividends paid		(273,900)	(450,700)
Net cash utilised in financing activities		(273,900)	(450,700)
Decrease in cash and cash equivalents		(14,312)	(75,755)
Cash and cash equivalents at beginning of the year		658,674	734,429
Cash and cash equivalents at end of the year	8	644,362	658,674

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Accounting Policies

1. General information

The annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), which includes all applicable IFRSs, International Accounting Standards (IASs) and Interpretations issued by the IFRS Interpretations Committee. A summary of significant accounting policies is set out in note 3.

2. Basis of preparation

The annual financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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. Fair value measurement and/or disclosure purposes in these financial statements is determined on such basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS2.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 annual financial statements are disclosed in note 4.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only effects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Summary of significant accounting policies

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

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Accounting Policies

3.1 Changes in accounting policies and disclosures

Adoption of new and revised pronouncements

In the current year, the company has adopted all new and revised IFRSs as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2015. The adoption of these new and revised IFRSs has resulted in changes to the company's accounting policies.

At the date of authorisation of these financial statements for the year ended 31 March 2016, the following IFRSs were adopted:

IFRS / IFRIC	Title and details	Effective
IAS 16 (Amendment)	Property, plant and equipment (Annual Improvements to IFRSs 2009-2011 Cycle)	Annual periods commencing on or after 1 July 2014.
IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Annual periods commencing on or after 1 January 2015
IFRS 13	Fair value Measurement	Annual periods commencing on or after 1 January 2013
IAS 19 (as revised in 2011)	Employee Benefits	Annual periods commencing on or after 1 January 2013
IAS 38	Intangible Assets — Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	Annual periods beginning on or after 1 July 2014

New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the financial year beginning 1 April 2015 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The Board anticipates that the new standards, amendments and interpretations will be adopted in the company's consolidated financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

IFRS / IFRIC	Title and details	Effective
IFRS 1	— Amendments resulting from 2012-2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016

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Accounting Policies

IFRS 7	— Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IFRS 9	— Reissue of a complete standard with all the chapters incorporated	Annual periods beginning on or after 1 January 2018
IFRS 10	— Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IFRS 10	— Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IFRS 15	Original issue	Annual periods beginning on or after 1 January 2017
IFRS 15	— Amendment to defer the effective date to 1 January 2018	Annual periods beginning on or after 1 January 2018
IFRS 15:	Revenue from contracts with customers— Clarifications to IFRS 15	Annual periods beginning on or after 1 January 2018
IFRS 16	Leases-Original issue	Annual periods beginning on or after 1 January 2018
IAS 1	— Amendments arising under the Disclosure Initiative	Annual periods beginning on or after 1 January 2016
IAS 7	— Amendments as result of the Disclosure initiative	Annual periods beginning on or after 1 January 2017
IAS 12	— Amendments regarding the recognition of deferred tax assets for unrealised losses	Annual periods beginning on or after 1 January 2017
IAS 16	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after 1 January 2016
IAS 16	— Amendments to include 'bearer plants' within the scope of IAS 16 rather than IAS 41	Annual periods beginning on or after 1 January 2016
IAS 19	— Amendments resulting from 2012-2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IAS 27	— Amendments relating to equity method in separate financial statements	Annual periods beginning on or after 1 January 2016
IAS 38	Intangible Assets	Annual periods beginning on or after 1 July 2016

All applicable standards will be complied with in the financial statements of the period ending 31 March 2017. Compliance with these amendments; revisions and improvements require additional disclosure compared to that required in terms of existing IFRS. Management will perform an assessment of the impact of all applicable standards that will apply for the period ending 31 March 2017

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Accounting Policies

3.2 Critical accounting judgements and key sources of uncertainty

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only effects that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the notes. Refer to note 4.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the notes.

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

3.3 Property, Plant and Equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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

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Accounting Policies

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the property, plant and equipment to their residual values at the end of their useful lives. Items of property, plant and equipment are depreciated from the date that they are installed and available for use. Land is not depreciated as it is deemed to have an indefinite life. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

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

Computer equipment	10 years
Office furniture and fixtures	12.5 years
Office machines	12.5 years
Computer software	3 years
Marketing equipment	5 years

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

3.4 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the company. All other leases are classified as operating leases.

Leases of land and building

When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in the same way as leases of other assets.

Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Contingent rents are charged as an expense in the periods in which they are incurred.

3.5 Inventories

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

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

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Accounting Policies

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

3.6 Financial instruments

Financial assets

Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

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Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

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Assets classified as available for sale

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, 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 for available-for-sale financial assets, 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 or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the following receivables:

- Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any; and
- Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

At each reporting date, the company assesses whether there is any objective evidence that a receivable or company of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in reserves. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in the cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of the impaired available-for-sale equity security is recognised in other comprehensive income.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would consider otherwise, indications that a debtor or issuer will enter into bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for security.

The company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by comparing together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical trends if the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Deficits are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfer 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 reward 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

Trade and other payables

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share capital

Ordinary shares

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

3.7 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

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

Defined contribution plans

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

Short-term employee benefits

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

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

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

Bonus plans

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

3.8 Income taxation

Current taxation

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

Current taxation liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the balance sheet date. Current taxation is the amount of income tax payable or recoverable in respect of the taxable profit or loss for a period.

Deferred taxation

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

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

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

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

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

Dividends taxation

Dividends taxation on companies and other additional taxes arising from the distribution of dividends are recognised in the year dividends are declared.

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Accounting Policies

3.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and Value Added Taxation (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with.

Sales of goods

Revenue from the sales of motor vehicles, parts and accessories is recognised when all the following conditions have been satisfied:

- The company has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods;
- The amount of revenue can be measured reliably;
- Receipt of the future economic benefits is probable;
- Costs relating to the transaction can be measured reliably.

Revenue comprises net invoiced sales to customers excluding VAT and other non-operating income.

Rendering of Services

Revenue arising from Care Plan sales is accounted for when services are rendered.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the reference to the stage of completion of the transaction at the Statement of Financial Position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company;
- The stage of completion of the transaction at the reporting date can be measured reliably;
- The costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

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

3.10 Interest income

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

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Accounting Policies

3.11 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Rand (R), which is the company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other (losses)/gains – net'.

3.12 Provisions

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

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

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

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

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Accounting Policies

3.13 Warranty

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision policy affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

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

4.1.1 Useful lives of property, plant and equipment

As described above, the company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Board determined that the useful lives of certain items of equipment should be extended due to the current assets still being in use.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is not material to the presentation of the Annual Financial Statements.

4.1.2 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

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Accounting Policies

4.1.3 Provision for stock obsolescence

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Estimates of the net realisable value also take into consideration the purpose for which the inventory is held.

4.1.4 Provisions

Refer to accounting policy note 3.12 for detail of the judgements and estimates used by management in determining the value of these provisions.

4.1.5 Deferred revenue

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

Deferred revenue per care plan is derived on a cost plus margin basis and includes a risk adjustment for the uncertainty in future costs.

4.1.6 Revenue recognitions

Refer to accounting policy note 3.9 for disclosure of the significant assumptions made in relation to revenue recognition.

4.1.7 Warranty Provisions

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

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Figures in R `000

2016

2015

5. Property, plant and equipment

	Cost	Accumulated depreciation	2016 Carrying value	Cost	Accumulated depreciation	2015 Carrying value
<i>Owned assets</i>						
Furniture and fittings	9,165	2,562	6,603	4,553	1,537	3,016
Corporate Identity	7,991	5,275	2,716	7,920	4,273	3,647
Equipment	5,105	650	4,455	1,234	641	593
IT equipment	2,748	1,611	1,137	2,574	1,427	1,147
Computer software	1,041	1,041	-	1,041	1,041	-
	26,050	11,139	14,911	17,322	8,919	8,403

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2016 Carrying value at end of year
<i>Owned assets</i>					
Furniture and fittings	3,016	4,623	-	(1,036)	6,603
Corporate Identity	3,647	72	-	(1,003)	2,716
Equipment	593	3,870	-	(8)	4,455
IT equipment	1,147	174	-	(184)	1,137
	8,403	8,739	-	(2,231)	14,911

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2015 Carrying value at end of year
<i>Owned assets</i>					
Furniture and fittings	3,283	-	(68)	(199)	3,016
Corporate Identity	4,330	399	-	(1,082)	3,647
Equipment	491	232	-	(130)	593
IT equipment	1,278	1	-	(132)	1,147
	9,382	632	(68)	(1,543)	8,403

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Figures in R `000	2016	2015
6. Inventories		
Inventories comprise:		
Finished goods - Vehicles	899,533	451,137
Finished goods - Parts and accessories	138,568	138,117
Goods in transit - Vehicles	150,924	352,276
Goods in transit - Parts and accessories	35,844	33,903
	<u>1,224,869</u>	<u>975,433</u>
Provision for impairment of vehicles, parts and accessories	(6,105)	(19,206)
	<u>1,218,764</u>	<u>956,227</u>

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

The amount of inventories recognised as an expense during the year:

Carrying amount of inventories sold	R4 160 mil	R 3,423 mil
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7. Trade and other receivables

Trade debtors	250,587	178,484
Sundry debtors	11,200	16,134
Export rebate receivable	8,763	11,856
Value Added Tax	5,350	5,325
	<u>275,900</u>	<u>211,799</u>
Allowance for doubtful debts	(4,629)	(2,215)
	<u>271,271</u>	<u>209,584</u>

The average credit period is less than 60 days with no interest charged on late payment. The amounts presented above include amounts that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been significant change in the credit quality of the receivables and the amounts are considered to still be recoverable.

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

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

All amounts are short term. The carrying amount of the trade and other receivables is considered by management to approximate their fair values and is deemed as a Level 3, as defined by IFRS 13 Fair Value Measurements.

There were not transfers between Levels 1,2 and 3 during the current financial year.

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Figures in R `000	2016	2015
The following are the major debtors included in the trade receivables:		
Wesbank, a division of FirstRand Limited	104,738	36,596
Barloworld	27,146	39,289
Parts and accessory trade accounts	90,269	80,544
	<u>222,153</u>	<u>156,429</u>
There are no other customer who represent more than 5% of trade receivables.		
<u>Ageing of debtors past due but not impaired</u>		
31 - 60 days	119	6,078
61 - 90 days	2,108	5,654
> 90 days	12,267	12,874
Total	<u>14,494</u>	<u>24,606</u>
<u>Movement in allowance for doubtful debts</u>		
Balance at the beginning of the year	(2,215)	(955)
Allowances made during the year	(2,414)	(1,260)
Balance at the end of the year	<u>(4,629)</u>	<u>(2,215)</u>

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Figures in R `000	2016	2015
8. Cash and cash equivalents	2,016	2,015

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

Favourable cash balances		
Cash and bank balances	<u>644,362</u>	<u>658,674</u>
Guarantees exist as follows:		
- Transnet Ports Authority	2,500	2,500
- Transnet Port Terminals	2,000	2,000
- The AA of South Africa	320	320
- SA Chamber of Commerce and Industry	2,248	3,309
- Open Facility	1,061	-
- Open Forward exchange contract	844	-
- Open Trading Facility	2,200	-
- Fleet Management Facility	350	-
- Credit Card Facility	1,054	-
- Vehicle and Asset Finance Facility	745	-
	<u>2,571,146</u>	<u>8,129</u>

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

The carrying amount of Cash and Cash Equivalents is considered by management to approximate its fair value and is deemed as a level 1, as defined by IFRS 13 Fair Value Measurement. There were no transfers between levels 1,2 and 3 during the current financial year.

9. Share capital

Authorised

1,000 Ordinary shares of R1 each	<u>1</u>	<u>1</u>
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Issued

2 Ordinary shares of R1 each	<u>1</u>	<u>1</u>
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Any modification the the Company's share capital requires the prior approval of the Shareholders by means of a Special Resolution.

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10. Commitments under operating leases

The entity rents two office premises under operating leases. The leases are for an average period of three years, with fixed rentals over the same period. Both of the leases are currently being negotiated for renewal.

Minimum lease payments under operating leases recognised as an expense during the year	4,200	3,287
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At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:

Within one year	6,082	-
Later than one year but within five years	6,410	-
Later than five years	-	-
	<u>12,492</u>	<u>-</u>

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11. Long-term employee benefit obligations

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

Non-current:

Defined contribution plans	1,901	1,941
	<u>1,901</u>	<u>1,941</u>

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

The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by NMG Consultants and Actuaries. The Present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Opening defined benefit obligation	1,941	1,531
Current service cost	-	26
Interest cost	-	152
Actuarial (gains) / losses	-	272
Benefits paid	(40)	(40)
Defined benefit obligation 31 March 2016	<u>1,901</u>	<u>1,941</u>

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

Discount rate	9.03%	9.03%
Consumer price inflation	7.15%	7.15%
Real discount rate	0.35%	0.35%
Medical cost trend rates	8.65%	8.65%
Fully-accrued age	60 years	60 years
Spouse age difference	Actual	Actual
Continuation at retirement	100 %	100 %
Proportion married at retirement	Actual	Actual

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

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12. Deferred revenue		
Total Deferred revenue	<u>(647,871)</u>	<u>(646,089)</u>
Current	(227,885)	(210,933)
Non-current	<u>(419,986)</u>	<u>(435,156)</u>
	<u>(647,871)</u>	<u>(646,089)</u>
Deferred revenue movement:		
Balance at 1 April 2014		(644,666)
Revenue deferred during the period		(200,110)
Revenue released during the period		198,271
Other adjustments		416
Balance at 31 March 2015		<u>(646,089)</u>
Balance at 1 April 2015		(646,089)
Revenue deferred during the period		(221,281)
Revenue released during the period		219,499
Other adjustments		-
Balance at 31 March 2016		<u>(647,871)</u>

The deferred revenue balance arises as a result of the service revenue related to care plan sales being deferred and recognised as revenue over the life of the service period by reference to the pattern of the related expenditure incurred (refer to note 18.).

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13. Deferred taxation		
Balance at beginning of year	196,425	188,760
<i>Movements consisting of:</i>		
Temporary differences	6,826	7,665
Balance at end of year	<u>203,251</u>	<u>196,425</u>
The deferred taxation liability arises from the following temporary differences:		
Property, plant and equipment	(88)	63
Provisions	(164,237)	157,396
Deferred revenue	(181,404)	180,905
Allowance for future expenditure	142,194	(141,803)
Other	(284)	(136)
	<u>(203,819)</u>	<u>196,425</u>
Deferred tax asset	<u>203,251</u>	<u>196,425</u>

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At each balance sheet date, the company reviews and assesses the recognised and unrecognised deferred taxation assets and the future taxable profit to determine whether any recognised deferred taxation assets should be derecognised and any unrecognised deferred taxation assets should be recognised.

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Figures in R `000	2016	2015
14. Provisions		
Total Provisions	<u>(472,974)</u>	<u>(524,411)</u>
Current	(165,731)	(165,926)
Non-current	<u>(307,243)</u>	<u>(358,485)</u>
	<u>(472,974)</u>	<u>(524,411)</u>

Other provisions

	Legal fees	Warranties	Other provisions	Total
	R'000	R'000	R'000	R'000
Balance at 1 April 2014	3,733	512,390	23,292	539,415
Additional provisions recognised	(3,309)	140,351	8,648	145,690
Reductions arising from payments	-	(176,636)	-	(176,636)
Interest expenses	-	15,942	-	15,942
Balance at 31 March 2015	<u>424</u>	<u>492,047</u>	<u>31,940</u>	<u>524,411</u>
Balance at 1 April 2015	424	492,047	31,940	524,411
Additional provisions recognised	117	189,339	(31,984)	157,472
Reductions arising from payments	(150)	(223,731)	-	(223,881)
Interest expenses	-	14,972	-	14,972
Balance at 31 March 2016	<u>391</u>	<u>472,626</u>	<u>(44)</u>	<u>472,974</u>

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

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

Other provisions represent estimated costs to be realised encouraging the sale of vehicles, parts and accessories.

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15. Trade and other payables		
Accrued liabilities	384,915	206,373
Sundry creditors	5,985	591
Trade creditors	53,845	16,698
Value Added Tax	36,772	1
	<u>481,517</u>	<u>223,663</u>

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. The carrying amounts approximate fair value.

Employees' entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to Statement of financial position date.

All amounts are short term. The carrying amount of the trade and other payables is considered by management to approximate their fair values and is deemed as a Level 3, as defined by IFRS 13 Fair Value Measurements.

There were not transfers between Levels 1,2 and 3 during the current financial year.

16. Related party (payables) / receivables

Amounts owing to Jaguar Land Rover Limited	(432,018)	(400,569)
Amounts owing from Jaguar Land Rover (South Africa) Holdings Limited	26,040	36,980
	<u>(405,978)</u>	<u>(363,589)</u>
Current assets	26,040	36,980
Current liabilities	(432,018)	(400,569)
	<u>(405,978)</u>	<u>(363,589)</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the current or prior periods for bad or doubtful debts in respect of amounts owed by related parties. No interest is charged on these balances.

The carrying amount of Related Party payables and receivables is considered by management to approximate its fair value and is deemed as a level 3, as defined by IFRS 13 Fair Value Measurement. There were no transfers between levels 1,2 and 3 during the current financial year.

17. Dividend

Dividends attributable to the current year

Interim dividend declared and paid of :	(273,900)	(450,700)
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18. Revenue

An analysis of revenue is as follows:

Vehicle sales	4,797,315	4,166,688
Care Plan sales	219,499	198,271
Vehicle parts and accessory sales	686,257	572,874
Other revenue	-	3,711
	<u>5,703,071</u>	<u>4,941,544</u>

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

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

The fair value of the revenue deferred is recognised as deferred revenue on the statement of financial position (refer to note 12) and is recognised as revenue by reference to the pattern of the related expenditure incurred which is typically over a five year period.

19. Other gains

Other non-turnover items	1,186	4,772
Profit / (loss) of foreign exchange	(534)	(1,559)
	<u>652</u>	<u>3,213</u>

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20. Operating profit		
Operating profit is arrived at after taking into account the following items:		
<i>Expenditure</i>		
Exchange rate losses on foreign exchange	534	1,559
<i>Depreciation</i>		
<i>Owned assets</i>		
Furniture and fittings	(1,036)	(199)
Corporate Identity	(1,003)	(1,082)
Equipment	(8)	(130)
IT equipment	(184)	(132)
	<u>(2,231)</u>	<u>(1,543)</u>
Auditors' remuneration		
Audit fees		
-current	(290)	615
<i>Operating lease charges</i>		
Premises	3,398	3,287
Equipment	802	487
	<u>4,200</u>	<u>3,774</u>
21. Investment income		
Interest income		
Bank deposits	33,985	61,105
Staff loans	2,178	1,436
	<u>36,163</u>	<u>62,541</u>
22. Finance costs		
Other interest expenses	67	981
Warranty provision	14,972	15,942
	<u>15,039</u>	<u>16,923</u>

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23. Income taxation expense		
Current taxation	136,216	172,256
(Overprovision)/ underprovision in prior year	(297)	13,600
Deferred taxation		
Current year temporary differences	(6,437)	(984)
Overprovision in prior year	(389)	(7,146)
Income taxation for the year	<u>129,093</u>	<u>177,726</u>
Income taxation expense can be reconciled to accounting profit as follows:		
Profit before tax	<u>468,101</u>	<u>611,637</u>
South African normal taxation rate @ 28%	<u>131,068</u>	<u>171,258</u>
<i>Adjusted for:</i>		
Permanent differences	<u>(1,975)</u>	<u>6,468</u>
Net reduction	<u>(1,975)</u>	<u>6,468</u>
Income tax expense / (income) recognised in profit or loss	<u>129,093</u>	<u>177,726</u>
South African Receiver of Revenue		
Opening balance	4,283	24,018
Current tax expense	(136,216)	(172,256)
(Overprovision)/ underprovision in prior year	297	(13,600)
Prior year refunds received	(11,004)	-
Provisional payments made	132,152	165,704
Interest accrued	7,181	417
South African Receiver of Revenue Net Refund Due	<u>(3,307)</u>	<u>4,283</u>
Current taxation balances are presented on the face of the statement of financial position as follows:		
Current taxation asset	-	10,127
Current taxation liability	<u>(3,307)</u>	<u>(5,844)</u>
South African Receiver of Revenue Net Refund Due	<u>(3,307)</u>	<u>4,283</u>

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24. Directors' emoluments

Name	Fees paid to director for services	Salary	Bonuses and performance related payments	Fees paid in relation to loss of office	Expense allowance	Contributions paid under pension scheme	Pensions
Director A	-	998	461	-	35	44	150
Director B	-	979	553	-	66	44	147
Director C	-	893	532	-	69	49	134
Director D	-	5,366	-	-	69	88	-
Director E	-	1,008	576	-	73	72	151
Director F	-	909	217	-	68	53	136
Director G	-	824	208	-	53	27	124
	-	10,977	2,547	-	433	377	842

Director's emoluments of R 8,668,000 were paid in the prior financial period.

25. Loans and guarantees to officers

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

Loans to officers

Name of officer	Balance at 31 March 2016	Balance at 31 March 2015
Brian John Hastie	1,088	671
Nigel William Clarke	1,214	1,284
Peter Trevor Biven	-	444
Rory Peter Beattie	836	1,081
Liaan Etienne Kretzschmar	1,213	1,062
Richard Gouverneur	1,427	1,064
Lisa Karryn Mallet	1,373	667

The loans to officers are secured, interest bearing at the SARS interest rate and repayable on demand. Interest to the value of R 2 177 681 (2015: R 354,581) was charged during the year. The interest charged approximates the amount that would be charged under an arms length transaction.

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26. Related party transactions

The holding company of Jaguar Land Rover (South Africa) Holdings Limited is Jaguar Land Rover Limited (UK). During the year the company entered into the following trading transactions with related parties.

Name	Relationship	Transactions	2016	2015
Jaguar Land Rover Limited	Ultimate Holding company	Purchase of goods	3,007,942	2,529,057
Jaguar Land Rover Limited	Ultimate Holding company	Trade Mark Fees	399,617	316,570

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

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27. Financial instruments

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

	Fair value through profit loss (held for trading)	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
2016					
Intra-group loans (note 16.)	-	-	26,040	-	26,040
Trade and other receivables (note 7.)	-	-	265,921	-	265,921
Cash and cash equivalents (note 8.)	-	-	644,362	-	644,362
2015					
Intra-group loans (note 16.)	-	-	36,980	-	36,980
Trade and other receivables (note 7.)	-	-	209,584	-	209,584
Cash and cash equivalents (note 8.)	-	-	658,674	-	658,674

The company has classified its financial liabilities in the following categories

	Non- financial instruments	Financial liabilities amortised cost	Total
2016			
Trade and other payables (note 15.)	-	481,517	481,517
Intra-group loans (note 16.)	-	432,018	432,018
2015			
Trade and other payables (note 15.)	-	223,663	223,663
Intra-group loans (note 16.)	-	400,569	400,569

Financial instruments are carried at amounts not materially different from their fair values as at 31 March 2016 and 2015.

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

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27.1 Credit risk

The company is exposed to credit risk on financial assets, mainly attributable to trade and other receivables. It sets credit limits on each individual customer and prior approval is required for any transaction exceeding that limit. A customer with sound payment history would qualify for a higher credit limit. In addition, the overseas customers would normally be required to transact with the company by letter of credit in order to minimise the company's credit risk exposure.

Summary quantitative data

Trade and other receivables (note 7.)	265,921	204,259
Deposits with banks (note 8.)	644,362	658,674

At 31 March 2016, the company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

An analysis of the age of financial assets that are past due as at the reporting date but not impaired is included in note 7.

27.2 Liquidity risk

The company is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any emergency liquidity requirements.

Summary quantitative data

	Less than 1 year	Between 1 and 5 years	Over 5 years	Undated
2016				
Trade and other payables (note 15.)	481,517	-	-	-
Provisions (note 14.)	165,731	307,243	-	-
Deferred Revenue (note 12.)	227,885	419,986	-	-
Inter-group loans (note 16.)	432,018	-	-	-
2015				
Trade and other payables (note 15.)	223,663	-	-	-
Provisions (note 14.)	165,926	358,485	-	-
Deferred Revenue (note 12.)	210,933	435,156	-	-
Inter-group loans (note 16.)	400,569	-	-	-

27.3 Fair value of financial instrument

The estimated fair values of financial assets and financial liabilities as at 31 March 2016 have been determined using available market information and appropriate valuation methodologies. The fair value of almost all financial instruments equals their carrying value, either because of the short term nature and normal trade terms thereof, or the market-related interest rates attached to it.

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27.4 Interest rate risk

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

Sensitivity analysis

Should the interest rate used for the provisions vary by 1% then the following movements can be expected on the interest charges:

Provisions (note 14.)	3,356	3,721
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The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2015.

27.5 Currency risk

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

The company closely and continuously monitors the exposure on currency risk. Since the South African Rand is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances. Even though the South African Rand is not pegged to the Great British Pound, the risk of foreign exchange rate fluctuations is carried by the group. Thus, there are no significant transactions and balances denominated in a foreign currency. In case of any significant fluctuation expected, the foreign currency transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

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

27.6 Fair value Measurements

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

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

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

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

Some of the company's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, valuation technique(s) and input(s) used).

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Financial liabilities measured at fair value			
- Warranty provision	Level 3	472,626	492,047
- Trade and Other Payables	Level 3	481,517	223,663
- Intra Group Loans	Level 3	432,018	400,569
Financial assets measured at fair value			
- Trade and Other Receivables	Level 3	271,271	209,584
- Cash and Cash Equivalent	Level 1	644,362	658,674
- Intra Group Loans	Level 3	26,040	36,980
Available-for-sale financial assets classified in Level 3:			

During the year, the company had no significant transfers of instruments into or out of Levels 1,2 and 3.

28. Going Concern

The directors believe that the company will be a going concern in the year ahead. For this reason we continue to adopt the going concern basis in preparing the annual financial statements.

Based on our current planning assumptions we expect operating cash flows in 2016/17 to be positive. We continue to face many risks and uncertainties related to the global economy, our industry in particular, and the credit environment which could materially impact our plan. We believe that the risk that could reasonably have a material impact on our going concern analysis is a significant decline in industry sales volumes to levels substantially below our current planning assumptions.

We believe that we would not exceed our present available liquidity. Therefore, we do not believe that these reasonable possible scenarios will cause substantial doubt about our ability to continue as a going concern for the next year.