TML HOLDINGS PTE. LTD.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

(Incorporated in Singapore)
(Registration Number: 200802595C)

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31-Mar-18

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONTENTS **PAGE**

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018 (the "financial year").

In the opinion of the directors:

a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 11 to 82 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2018; and

b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Pathamadai Balachandran Balaji
Hoshang Keki Sethna
Noor Hasna D/O Jani
Kottamasu Venkateswara Rao

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of director	
Name of director and companies in which interests are held	**At beginning of of year**	**At end of year**
Tata Motors Limited (Ordinary shares of Indian Rupees 2 each)		
Pathamadai Balachandran Balaji	-	20,000
Hoshang Keki Sethna	5,189	5,189
Tata Motors Limited ("A" ordinary shares of Indian Rupees 2 each)		
Hoshang Keki Sethna	813	813

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

(c) Unissued shares under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 AUDITORS

At an Annual General Meeting held on 29 September 2017, KPMG LLP were appointed as the auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Hoshang Keki Sethna

....
K V Rao

Date: 20 September 2018

4 **SHARE OPTIONS**

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 **AUDITORS**

At an Annual General Meeting held on 29 September 2017, KPMG LLP were appointed as the auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Hoshang Sethna
....
Hoshang Keki Sethna

....
K V Rao

Date: 20 September 2018

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

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Independent auditors' report

Members of the Company
TML Holdings Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TML Holdings Pte. Ltd. ('the Company') and its subsidiary corporation ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 82.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Revenue deductions for incentives anticipated on vehicles sold (Refer to Note 22 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has to make its best estimate of the expected incentives due on each vehicle not yet retailed by the dealer. This requires the Group to consider the time expected for the vehicle to sell, the anticipated market conditions at the expected date of retail and therefore the level of incentive due.	**Control operation**: testing the management review control over the estimated revenue deductions, including: inspecting the internal and external factors taken into consideration in setting the expected level of incentive due in each territory, such as stock holdings by model, market share and competitor pricing; inspecting the company's retrospective review of the accuracy of previous revenue reductions made at 30 September 2017; We also assessed the control where the Company vouched the relevant data elements used to estimate the revenue deductions back to source documentation; **Our sector experience**: evaluating assumptions used, in particular those relating to forecast demand in the UK, USA, China and Germany; and **Test of detail**: recalculating the stock accrual for a sample of vehicle wholesales using approved sales campaign documentation at year end and challenging management on the expected incentives required to clear inventory held after the expiry of the approved sales campaign documentation.

KPMG

Valuation of long-life intangible assets (Refer to Note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group holds a significant amount of long-life intangibles assets on its balance sheet which are tested annually for impairment. The Group performs this assessment using certain assumptions including forecast cash flows, long-term growth rate and discount rate. There is a risk of an impairment due to optimistic expectations of future sales volumes and/or gross margins. Further, there is a risk that changing technology plans (e.g. electrification) and industry trends (e.g. reducing diesel sales) are not properly considered in the impairment calculations	**Control operation**: assessing the management review control over the cash flow forecasts including inspecting the internal and external factors taken into consideration in preparing the forecasts. We also assessed the control over the retrospective review of the accuracy of previous annual budgets which identifies areas for forecasting improvement. We also assessed the control where the company vouched the relevant data elements within the cash flow forecasts back to source documentation **Benchmarking assumptions**: comparing the Group's discount rate and long-term growth rate calculation to external benchmark data and comparator companies and reperformed the discount rate calculation using the CAPM model; **Sensitivity analysis**: performing a sensitivity analysis over the reasonably possible combination of changes in the forecasts and compare to the post year end results for FY2019; and **Comparing valuations**: reperforming the Group's reconciliation of the net present value of the discounted cash flows to market valuations;

KPMG

Completeness and accuracy of warranty provisions
(Refer to Note 17 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group provides a manufacturing warranty over new vehicles for which it makes an estimated provision at the point of sale. This estimate is based on historical claims data. The specific risks are that the Group fails to recognise a provision for a significant emerging warranty issue and its estimate for expected warranty on new models is inaccurate.	**Control operation**: testing the controls over the assumptions applied in arriving at the warranty provision, particularly, inspecting the Group's vouching of relevant data elements within provision calculation including cost per unit, volumes and unrealised profit in parts; validation of formulae used in the warranty spreadsheet; management review control of the relevant internal and external factors impacting the provision; and retrospective review control on new models assessing management bias in previous periods; **Re-performance:** recalculating the warranty provision at year end in order to validate the Group's model and appropriate application of Group methodology. Consider the sensitivity of key judgements required by the Group policy and relevant internal and external factors impacting the provision; and **Our sector experience:** inspecting recalls by competitors and other external data to search for unrecorded campaigns

KPMG

Valuation of pension liabilities (Refer to Note 19 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Small changes in the assumptions and estimates used to value the Group's pension obligation (before deducting scheme assets) would have a significant effect on the Group's net pension deficit. The risk is that these assumptions are inaccurate in the context of the respective macroeconomic environment and company-specific factors resulting in an inappropriate valuation of scheme liabilities	**Control operation:** testing the controls over the assumptions applied in the valuation including inspecting the Group's: annual validation of the assumptions used by its actuarial expert including discount rate, inflation rate, expected growth in earnings and mortality assumptions; selection and monitoring of its actuarial expert for competence and objectivity; and annual validation of the data sent to its actuarial expert, including member data, contributions and changes in scheme rules including benefits; **Benchmarking assumptions:** challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; **Test of detail:** vouching data sent data sent to the actuarial expert to source documents including payroll and HR sources; and **Assessing transparency:** considering the adequacy of the group's disclosures in respect of the sensitivity of the deficit to these assumptions.

KPMG

Other information

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

We have obtained Directors' statement prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

The financial statements for the year ended 31 March 2017 were audited by another firm of Certified Public Accountants whose report dated 25 September 2017 expressed an unqualified opinion on those financial statements.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Gerald Low Gin Cheng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 September 2018

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF FINANCIAL POSITION
As at 31 MARCH 2018

(£ millions)

		Group		Company	
	Note	**31-Mar-2018**	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
ASSETS					
Current assets					
Cash and cash equivalents	4	**2,859**	3,065	**145**	98
Short-term deposits		**2,032**	2,612	**-**	-
Trade receivables		**1,666**	1,338	**-**	-
Other financial assets	6	**511**	246	**9**	21
Inventories	7	**3,953**	3,639	**-**	-
Other current assets	8	**643**	528	**-** *	- *
Current income tax assets		**10**	4	**-** *	- *
Total current assets		**11,674**	11,432	**154**	119
Non-current assets					
Other financial assets	6	**419**	337	**1**	64
Loans to subsidiary corporations		**-**	-	**-** *	8
Property, plant and equipment	9	**7,559**	6,041	**-**	-
Intangible assets	10	**6,770**	6,178	**-**	-
Investment in equity accounted investees	11	**488**	474	**-**	-
Investment in subsidiary corporations	12	**-**	-	**1,916**	1,916
Other Investment		**29**	-	**-**	-
Other non-current assets	8	**86**	81	**-**	-
Deferred tax assets	13	**426**	525	**-**	-
Total non-current assets		**15,777**	13,636	**1,917**	1,988
Total assets		**27,451**	25,068	**2,071**	2,107
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	14	**725**	239	**-**	-
Accounts payable	15	**7,740**	6,645	**-** *	- *
Other financial liabilities	16	**1,205**	2,145	**12**	6
Provisions	17	**767**	658	**-**	-
Other current liabilities	18	**562**	501	**-**	-
Current income tax liabilities		**160**	154	**-**	- *
Total current liabilities		**11,159**	10,342	**12**	6
Non-current liabilities					
Long-term borrowings	14	**3,905**	4,305	**844**	908
Other financial liabilities	16	**289**	1,399	**8**	-
Provisions	17	**1,059**	988	**-**	-
Other non-current liabilities	18	**454**	362	**-**	-
Employee benefit obligations	19	**443**	1,467	**-**	-
Deferred tax liabilities	13	**584**	60	**-**	-
Total non-current liabilities		**6,734**	8,581	**852**	908
Total liabilities		**17,893**	18,923	**864**	914

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF FINANCIAL POSITION (cont'd)
As at 31 MARCH 2018

(£ millions)

	Note	Group		Company	
		31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Equity					
Share capital	20	**1,628**	1,422	**1,628**	1,422
Reserves		**7,928**	4,728	**(421)**	(229)
Equity attributable to owners of the Company		**9,556**	6,150	**1,207**	1,193
Non-controlling interests		**2**	(5)	**-**	-
Total equity		**9,558**	6,145	**1,207**	1,193
Total liabilities and equity		**27,451**	25,068	**2,071**	2,107

* Amount is less than £1 million.

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

			(£ millions)
		Group	
		Year ended March 31,	
	Note	**2018**	2017
Revenues	22	**26,382**	25,016
Change in inventories of finished goods and work-in-progress		**341**	751
Purchase of products for sale		**(1,291)**	(1,142)
Raw materials, components and consumables		**(15,765)**	(15,145)
Write back of provision for loss of inventory	23	**1**	100
Employee cost	24	**(2,825)**	(2,584)
Employee cost-pension past service credit		**437**	-
Depreciation and amortisation		**(2,094)**	(1,674)
Other expenses	25	**(5,889)**	(5,454)
Expenditure capitalised	26	**1,615**	1,431
Other income (net)		**380**	365
Foreign exchange gain/(loss) (net)		**54**	(255)
Interest income	27	**34**	34
Interest expense (net)	27	**(123)**	(90)
Share of profit from equity accounted investees	11	**252**	159
Profit before income tax		**1,509**	1,512
Income tax expense	28	**(409)**	(338)
Profit for the year	29	**1,100**	1,174

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2018

			(£ millions)
		Group	
	Note	**10-Jul-05**	9-Jul-05
Profit for the year		**1,100**	1,174
Items that will not be reclassified subsequently to profit or loss :			
Remeasurement of defined benefit obligation		**544**	(892)
Income tax related to items that will not be reclassified subsequently	13	**(88)**	142
		456	(750)
Items that may be reclassified subsequently to profit or loss :			
Gain/(loss) on effective cash flow hedges (net)		**1,223**	(3,037)
Cash flow hedges reclassified to profit or loss		**1,200**	1,271
Currency translation differences		**(20)**	65
Income tax relating to components of other comprehensive income that may be reclassified subsequently	13	**(458)**	329
		1,945	(1,372)
Other comprehensive income/(expense) for the year, net of tax		**2,401**	(2,122)
Total comprehensive income/(expense) for the year		**3,501**	(948)
Profit/(loss) attributable to:			
Owners of the Company		**1,099**	1,175
Non-controlling interests		**1**	(1)
		1,100	1,174
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**3,500**	(947)
Non-controlling interests		**1**	(1)
		3,501	(948)

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

(£ millions)

Group

		Reserves								
	Share capital	**Capital reserve on currency conversion**	**Capital reserve**	**Currency translation reserve**	**Hedging reserve**	**Other reserves**	**Retained earnings**	**Equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	(Note 20)	(Note 21)	(Note 21)							
Balance as at 1 April 2016	**1,422**	**-**	**(165)**	**(354)**	**(873)**	**25**	**7,098**	**7,153**	**(4)**	**7,149**
Total comprehensive income for the year										
-Profit for the period	-	-	-	-	-	-	1,175	1,175	(1)	**1,174**
-Other comprehensive income/(expense) for the period (net of tax)	-	-	-	65	(1,437)	-	(750)	(2,122)	-	**(2,122)**
Total comprehensive income/(loss)	-	-	-	65	(1,437)	-	425	(947)	(1)	**(948)**
Transactions with owner recognised directly in equity										
Dividends (Note 31)	-	-	-	-	-	-	(56)	(56)	-	**(56)**
Balance as at 31 March 2017	**1,422**	**-**	**(165)**	**(289)**	**(2,310)**	**25**	**7,467**	**6,150**	**(5)**	**6,145**
Total comprehensive income/(expense) for the year										
-Profit for the year	-	-	-	-	-	-	1,099	1,099	1	**1,100**
-Transfer to other reserves	-	-	-	-	-	2	(2)	-	-	**-**
-Other comprehensive income/(expense) for the year (net of tax)	-	-	-	(20)	1,965	-	456	2,401	-	**2,401**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(20)**	**1,965**	**2**	**1,553**	**3,500**	**1**	**3,501**
Transactions with owners recognised directly in equity										
Conversion of equity share capital from USD to GBP currency	206	(206)								
Dividends (Note 31)	-		-	-	-	-	(94)	(94)	-	**(94)**
Other changes in non-controlling interest										
Acquisition of non-controlling interest	-	-	-	-	-	-	**-**	-	10	**10**
Distribution to non controlling interest	-	-	-	-	-	-	**-**	-	(4)	**(4)**
Total contributions by and distribution to owners	**206**	**(206)**	**-**	**-**	**-**	**-**	**(94)**	**(94)**	**6**	**(88)**
Balance as at 31 March 2018	**1,628**	**(206)**	**(165)**	**(309)**	**(345)**	**27**	**8,926**	**9,556**	**2**	**9,558**

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

Company **(£ millions)**

		Reserve			
	Share capital	**Capital reserve on Equity Currency Conversion**	**Capital reserve**	**Accumulated losses**	**Total equity**
	(Note 20)		(Note 21)		
Balance as at 1 April 2016	**1,422**	**-**	**(20)**	**(210)**	**1,192**
Profit for the period, representing total comprehensive income for the period	-	-	-	57	**57**
Transactions with owner recognised directly in equity					
Dividends (Note 31)	-	-	-	(56)	**(56)**
Balance as at 31 March 2017	**1,422**	**-**	**(20)**	**(209)**	**1,193**
Profit for the period, representing total comprehensive income for the period	-	-	-	108	**108**
Transactions with owner recognised directly in equity					**-**
Conversion of equity Capital from USD currency to GBP Currency	206	(206)	-	-	**-**
Dividends (Note 31)	-	-	-	(94) #	**(94)**
Total contributions by and distribution to owners	206	(206)	-	14	14
Balance as at 31 March 2018	**1,628**	**(206)**	**(20)**	**(195)**	**1,207**

Whilst the Company has accumulated losses, dividends were paid out of the profits for each of the respective financial periods.
The board has recommended final dividend of GBP 13 million to be paid out of FY 17-18 profits, subject to the approval in AGM/EGM.

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	(£ millions)	
	Group	
	10-Jul-05	9-Jul-05
Cash flow from operating activities		
Profit before tax for the year	**1,509**	1,512
Adjustments for:		
Depreciation and amortisation	**2,094**	1,674
Loss on sale of assets	**23**	15
Write down of tangible assets	**18**	12
Write down of intangible assets	**46**	-
Loss from diminution in the valuation of inventories	**-**	5
Write back of provision for loss of inventory	**(1)**	(100)
Provision made for doubtful trade and other receivables	**6**	13
Finance expense (net)	**123**	90
Finance income	**(34)**	(34)
Foreign exchange loss on loans	**(88)**	116
Foreign exchange loss/(gain) on derivatives	**(91)**	(136)
Foreign exchange loss/(gain) on other items	**111**	(133)
Pension past service credit	**(437)**	-
Share of profit from equity accounted investees	**(252)**	(159)
Cash flows before movements in working capital	**3,027**	2,875
Trade receivables	**(307)**	(233)
Other financial assets	**(265)**	20
Other current assets	**(26)**	(38)
Inventories	**(312)**	(608)
Other non-current assets	**(5)**	(25)
Accounts payable	**593**	722
Other current liabilities	**37**	64
Other financial liabilities	**136**	79
Other non-current liabilities	**52**	158
Provisions	**164**	338
Cash generated from operations	**3,094**	3,352
Income tax paid	**(313)**	(211)
Net cash generated from operating activities	**2,781**	3,141
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(2,144)**	(1,597)
Purchase of other investment	**(25)**	(1)
Proceeds from sale of property, plant and equipment	**-**	4
Cash paid for intangible assets	**(1,615)**	(1,474)
Investment in equity accounted investees	**-**	(12)
Investment in short-term deposits	**(5,518)**	(5,098)
Redemption of short-term deposits	**6,043**	3,797
Movement in restricted cash	**(6)**	31
Acquisition of Subsidiary (net of cash acquired)	**6**	-
Dividends received	**206**	68
Interest received	**34**	36
Net cash used in investing activities	**(3,019)**	(4,246)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE YEAR ENDED 31 MARCH 2018

	(£ millions)	
	Group	
	10-Jul-05	2017
Cash flows used in financing activities		
Finance expense and fees paid	**(183)**	(191)
Proceeds from issuance of long-term debt	**1,004**	862
Proceeds from issuance of short-term debt	**609**	525
Repayment of short-term debt	**(601)**	(506)
Payment of lease liabilities	**(4)**	(4)
Repayment of long-term debt	**(630)**	(58)
Distribution to non-controlling interest	**(5)**	-
Dividends paid	**(94)**	(56)
Net cash from/(used in) financing activities	**96**	572
Net (decrease)/increase in cash and cash equivalents	**(142)**	(533)
Cash and cash equivalents at beginning of period	**3,065**	3,487
Effect of foreign exchange on cash and cash equivalents	**(64)**	111
Cash and cash equivalents at end of the year	**2,859**	3,065

See accompanying notes to financial statements.

1 General

TML Holdings Pte. Ltd. ("the Company") and its subsidiary corporations are collectively referred to as ("the Group"). The Company (Registration No.200802595C) is incorporated in Singapore with its principal place of business and the registered office at 9 Battery Road, # 15-01, MYP Centre, Singapore 049910. The financial statements are expressed in Pound Sterling (GBP or £) and rounded to the nearest million GBP (£ million) unless otherwise stated.

The principal activity of the Company is that of investment holding. The subsidiary corporations held by the Company include Jaguar Land Rover Automotive plc since date of incorporation and Tata Daewoo Commercial Vehicle Co. Ltd, Tata Motors (Thailand) Ltd, Tata Motors (SA) (Proprietary) Ltd and PT Tata Motors Indonesia which were acquired from its holding Company, Tata Motors Limited during 2014 and 2015. In 2016, the Company has subscribed to 99% shareholding of TMNL Motors Nigeria Ltd.

The principal activities of joint ventures, associates and subsidiary corporations are disclosed in Notes 11 and 12 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 20 September 2018.

2 Summary of significant accounting policies

a. Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are measured at fair value, and are drawn up in accordance with the Singapore Financial Reporting (FRSs).

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

Measurement of fair values

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 a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of *SFRS(I) 2 Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-*17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-*2 Inventories* or value in use in SFRS(I) 1-*36 Impairment of Assets*.

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 quoted prices in an active market includes financial instruments that are measured by reference to quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2 valuation techniques with observable inputs hierarchy includes financial assets and liabilities measured using input other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 valuation techniques with significant unobservable inputs includes financial assets and liabilities measured using inputs that are not based on observable market data.

Use of estimates and judgements

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

(i) Judgements

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

Revenue from multiple element arrangements: Where a contractual arrangement consists of two or more separate elements that have value to a customer on a stand-alone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements. Sales of bundled offers generally involve service plans and data connectivity contracts with the vehicle. For offers that cannot be separated into identifiable components, revenues are recognised in full over the life of the contract. The Group makes judgements on what components can be separated and the appropriate margin used to defer that component (cost plus basis). Refer to note 22.

Assessment of cash-generating units: The Group has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets. Refer to note 9.

Capitalisation of product engineering costs: The Group undertakes significant levels of research and development activity and for each vehicle program a periodic review is undertaken. The Group applies judgement in determining at what point in a vehicle program's life cycle the recognition criteria under FRS 38 are satisfied and estimates the proportion of central overhead allocated.

(ii) Estimates and assumptions

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

Impairment of intangible and tangible fixed assets: The Group tests annually whether indefinite lived intangible fixed assets have suffered any impairment. The recoverable amount of the cash-generating unit is based on the higher of value in use and the fair value less cost of disposal. Value in use is calculated from cash flow projections generally over five years using data from the Group's latest internal forecasts, and extrapolated beyond five years using estimated long-term growth rates. Key assumptions and sensitivities for impairment are disclosed in note 10. The Group has considered it appropriate to include additional sensitivities for the year ended 31 March 2018 for further transparency.

Product warranties: The Group provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Refer to note 17. The Group also has back-to-back contractual arrangements with its suppliers in the event that a vehicle fault is proven to be a supplier's fault. Estimates are made of the expected reimbursement claims based upon historical levels of recoveries by supplier, adjusted for inflation and applied to the population of vehicles under warranty at the reporting date. Supplier reimbursement claims are presented as separate assets in note 17.

Retirement benefit obligation: The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate, inflation and mortality assumptions. Any changes in these assumptions will impact upon the carrying amount of post-employment benefit obligations, key assumptions and sensitivities. For post-employment benefit obligations are disclosed in note 19.

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

Uncertain tax provisions: Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is dependent on management's expectations of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house experts, professional firms and previous experience.

Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Applicable to 2019 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 March 2019 will be prepared in accordance with SFRS(I), and IFRS issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by

the IASB in September 2016;

- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 –*Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The estimated impact may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 1

When the Group adopts SFRS(I) in 2019, the Group will apply SFRS(I) 1 with 1 April 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2019, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 March 2019, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2019 financial statements will be restated.

The Group has assessed the impact on the statement of financial position of adopting SFRS(I) 15 and it is not expected to have a significant impact on the Group's profitability, liquidity and capital resources or financial position.

The anticipated primary impact on the Group refers to consideration payable to customers, which the Standard defines as discounts, rebates, refunds or other forms of disbursement to customers (such as retailers) or end customers (as part of the overall distribution chain), where a service is not received in return and, if a service is received in return, where it cannot be fair-valued. The treatment of such items is a reclassification of marketing expenses to revenue reductions and this totalled £112 million for the year ended 31 March 2018 and £106 million for the year ended 31 March 2017.

Other specific impacts on the Group will occur in particular with regard to the treatment of associated vehicle sale performance obligations, and the assessment of principal versus agent in providing or arranging for storage, freight and in-transit insurance alongside the sale of a vehicle. These transport arrangements are made when delivering vehicles to retailers across the global network.

In accordance with SFRS(I) 15, the Group has determined that it is an agent in providing these services, and therefore will amend the presentation of these amounts from a gross basis (i.e. revenues and costs separately) to a net basis (where consideration received will be presented net of associated costs in the profit or loss). The financial impact of this change is a reclassification of costs against revenue of £329 million for the year ended 31 March 2018 and £290 million for the year ended 31 March 2017.

The Group will reclassified royalty income and incremental income from customers from Other income to Revenue and this totals £133 million for the year ended 31 March 2018 and £106 million for the year ended 31 March 2017.

The result of the changes discussed above will not materially impact profit before tax as previously reported. The anticipated impact to the Group's EBIT is an increase of 0.1% for each of the financial years.

The introduction of the Standard will give rise to new financial statement categories in the statement of financial position, being 'contract assets' and 'contract liabilities'. These items can arise through advance payment or advance delivery at the contract level. In addition, disclosure requirements are extended.

The financial impact assessment made by the Group is preliminary as not all transaction work requirements have been finalised and therefore may be subject to adjustment.

SFRS(I) 9

SFRS(I) 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. SFRS(I) 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The Group has undertaken an assessment of classification and measurement and the Group does not expect a material impact on the financial statements given that equity investments which are not equity accounted are valued at fair value through profit or loss at 31 March 2018.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under FRS 39. The Group has undertaken an assessment of the impairment provisions, especially with regards to trade receivables and has applied the simplified approach under the standard. For all principal markets, the Group operates with major financial institutions who take on the principal risks of sales to customers and consequently the Group receive full payment for these receivables between 0–30 days. Therefore the Group has concluded that there will be no material impact under the standard for remeasurement of impairment provisions under the standard.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has undertaken an assessment of their FRS 39 hedge relationships against the requirements of SFRS(I) 9 and has concluded that the Group's current hedge relationships will qualify as continuing hedges upon the adoption of SFRS(I) 9. Due to the materiality of the Group's hedge book, a full transition project has occurred during FY2018 which has resulted in substantial modifications to existing treasury processes and systems.

The Group has identified a change with respect to the treatment of the cost of hedging, specifically the time value of the foreign exchange options and foreign currency basis included in the foreign exchange forwards and cross-currency interest rate swaps. The time value of foreign exchange options and the foreign currency basis included in the foreign exchange forwards and cross-currency interest rate swaps will now be recorded in a separate component of the statement of comprehensive income and consequently it is expected that there will be a reduction in the volatility of amounts reported in the profit or loss. Foreign exchange gains/losses for non-financial items will now be recognised as an adjustment to that non-financial item (i.e. inventory) when recorded on the statement of financial position and this adjustment will be made on a prospective basis from 1 April 2018.

Furthermore, it is expected this it will be possible in the future to apply hedge accounting rules to the majority of commodity hedging instruments.

Under the transition rules of SFRS (I) 9, the Group will restate comparative financial information for accounting for the time value of options and has voluntarily chosen to apply retrospectively accounting for cross-currency basis. The financial impact of this change is as follows:

Consolidated statement of financial position item	**Change as at 31 March 2016 as a result of adoption of SFRS(I) 9**	**Change as at 31 March 2017 as a result of adoption of SFRS(I) 9**	**Change as at 31 March 2018 as a result of adoption of SFRS(I) 9**	**Reason for change**
Retained earnings	£33.5m	£(3.8)m	£(22.2)m	Time value of options recognised in Cost of Hedge Reserve as per SFRS(I) 9
Hedging reserve	£8.8m	£96.1m	£79.4m	Basis spread adjustment recognised as a separate component of OCI
Cost of hedge reserve	£(42.2)m	£(92.3)m	£(52.7)m	Time value of options and basis spread adjustment recognised as a separate component of OCI

The financial impact assessment made by the Group is preliminary as not all transaction work requirements have been finalised and therefore may be subject to adjustment.

Applicable to financial statements for the year 2020 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2020 financial statements
- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Applicable to 2022 financial statements
- SFRS(I) 17 Insurance Contracts

Mandatory effective date deferred
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I), amendments to and interpretations of SFRS(I) on the financial statements. The Group's preliminary assessment of SFRS(I) 16 is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2020 and has continued with its SFRS(I) 16 project during the financial year though as the compilation and assessment of contracts has yet to be concluded, a reliable quantitative measurement cannot be made. The Group will, however, apply the available exceptions regarding the recognition of short-term leases and low value leasing assets.

Changes in accounting policies

Disclosure Initiative (Amendment to FRS 7)

From 1 April 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financial activities for the year ended 31 March 2018. Comparative information has not been presented (see note 30).

b. Basis of consolidation

Subsidiary corporations

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, is exposed or has rights to variable return from its involvement with the investee, and has the ability to use its power to affect its returns. In assessing control, potential voting rights that currently are exercisable are taken into account, as well as other contractual arrangements that may influence control.

Inter-company transaction and balances including unrealised profits are eliminated in full on consolidation. The results of subsidiary corporations acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary corporations to bring their accounting policies in line with those used by other members of the Group.

Joint ventures and associates (equity-accounted investees)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for decisions about the relevant activities of the entity, being those activities that significantly affect the Group's returns. Associates are those entities in which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee and is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of the investee.

Joint ventures and associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses, other comprehensive income, and equity movements of equity accounted investments, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When the Group transacts with an associate or joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in its associate or joint venture.

Dividends received are recognized when the right to receive payment is established.

Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

Business combinations

Acquisitions of subsidiary corporations and businesses other than those under common control are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS *39 Financial Instruments: Recognition and Measurement*, or FRS *37 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are acquiree's at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are acquiree's and measured in accordance with SFRS(I) 1-*12 Income Taxes* and SFRS(I) 1-*19 Employee Benefits* respectively

- liabilities or equity instruments related to share-based payment transactions of the acquiree's or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) *2 Share-based Payment* at the acquisition date; and

- assets (or disposal Groups) that are classified as held for sale in accordance with SFRS(I) *5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are acquiree's, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Non-controlling interests in the net assets (including goodwill) of consolidated subsidiary corporations are identified separately from the Group's equity. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

c. Common control transactions

In 2014 and 2015, Tata Motors Limited, the ultimate holding Company had substantially completed the process of transferring all of its shares of some of its direct foreign subsidiary corporations to the Company.

During the year ended 31 March 2014, Tata Motors Limited transferred all of its shares in Tata Daewoo Commercial Co. Ltd, Korea ("TDCV"), Tata Motors (Thailand) Limited ("TMTL") and Tata Motors (SA) (Proprietary) Limited ("TMSA") to the Company. During the 18 months period ended 30 September 2015, Tata Motors Limited transferred its shares in PT Tata Motors Indonesia ("PTTMI") to the Company. The transfer of TDCV, TMTL, TMSA and PTTMI to the Company from Tata Motors Limited represented a combination of entities under common control. Transactions between entities under common control are outside the scope of *FRS 103 Business Combinations (Revised)* and accordingly, the financial statements of the Company and these subsidiary corporations had been prepared using the principles of merger accounting.

d. **Revenue recognition**

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

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

The Group also engages in bill-and- hold arrangements. These are contractual arrangements with customers where the Group retains physical possession of the goods until they are later transferred to the customer. This is typically when vehicles are wholesaled to the Group's retailers but are retained within vehicle holding compounds until the retailer requires for the vehicle to be called to their premises.

To comply with FRS 18, it must be demonstrated that the customer has taken title, that it is probable that delivery will be made, that the goods are on hand, identified and ready for delivery, that the customer has acknowledged the deferral of delivery and that usual payment terms apply.

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

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

Revenue as reported in the profit or loss is presented net of the impact of realised foreign exchange relating to derivatives hedging revenue exposures.

e. Cost recognition

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

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

Material and other cost of sales as reported in the profit or loss is presented net of the impact of realised foreign exchange relating to derivatives hedging cost exposures.

f. Provisions

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

The 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 a provision are expected to be recovered from a third party, the 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.

(i) Product warranty provision

The Group offers warranty cover in respect of manufacturing defects, which become apparent one to five years after purchase, dependent on the market in which the purchase occurred and the vehicle purchased. The estimated liability for product warranty is recognised when products are sold or when new warranty programmes are initiated. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future warranty claims, customer goodwill and recall complaints. 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.

(ii) Residual risk provision

In certain markets, the Group is responsible for the residual risk arising on vehicles sold by retailers on leasing arrangements. The provision is based on the latest available market expectations of future residual value trends. The timing of the outflows will be at the end of the lease arrangements being typically up to three years.

(iii) Legal and product liability provision

A legal and product liability provision is maintained in respect of compliance with regulations and known litigations that impact the Group. The provision primarily relates to motor accident claims, consumer complaints, dealer terminations, employment cases, personal injury claims and compliance with regulations. The timing of outflows will be at the end of the lease arrangements, being typically up to three years.

(iv) Environmental risk provision

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

g. Foreign currency transactions and translation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Pound Sterling (GBP or £), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies other than the entity's functional currency are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange differences are recognised in the profit or loss except to the extent, exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings, are capitalised as part of borrowing costs.

For the purpose of consolidation, the assets and liabilities of the Company's foreign operations are translated to Pound Sterling at the exchange rate prevailing at the end of the reporting period, and the income and expenses at the average rate of exchange for the respective months. Exchange differences arising are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

h. Income taxes

Income tax expense comprises of current tax payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiary corporations operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiary corporations and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

i. Inventories

Inventories (other than those recognised consequent to the sale of vehicles subject to repurchase arrangements) are valued at the lower of cost and net realisable value. Cost of raw materials, components and consumables are ascertained on a first-in-first-out basis. Cost, including fixed and variable production overheads, are allocated to work-in-progress and finished goods determined on a full absorption cost basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

Inventories include vehicles sold subject to repurchase arrangements. These vehicles are carried at cost to the Group and are amortised in changes in inventories of finished goods to their residual values (i.e. estimated second hand sale value) over the term of the arrangement.

j. Property, plant and equipment

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

Freehold land is measured at cost and is not depreciated.

Heritage assets, comprising antique vehicles purchased by the Group, are not depreciated as they are considered to have a residual value in excess of cost. Residual values are re-assessed on an annual basis.

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is not recorded on assets under construction until construction and installation are complete and the asset is ready for its intended use. Assets under construction includes capital prepayments.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

k. Intangible assets

Acquired intangible assets

Intangible assets purchased including acquired in business combination, are measured at cost or fair value as of the date of acquisition where applicable less accumulated amortisation and accumulated impairment, if any.

Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be supportable. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Amortisation is provided on a straight-line basis over estimated useful lives of the intangible assets as per details below:

	Estimated amortisation period
Patents and technological know-how	2 to 12 years
Customer related - Dealer network	20 years
Software	2 to 8 years
Intellectual property rights and other intangible	3 years to indefinite

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

Customer related intangible consists of dealer network. Certain intellectual property rights and other intangibles mainly consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

Internally generated intangible assets

Research costs are charged to the profit or loss in the period in which they are incurred.

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

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

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

Product development cost is amortised over a period between 2 and 10 years. Amortisation is not recorded on product development in progress until development is complete.

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

l. Leases

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

Assets taken on finance lease

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

Assets taken on operating lease

Leases other than finance leases are operating leases, and the leased assets are not recognised on the statement of financial position. Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

m. Impairment of intangible and tangible non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that any tangible and intangible assets with finite lives may be impaired. If any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

n. Government grants and incentives

Government grants are recognised when there is reasonable assurance that the Group will comply with the relevant conditions and the grant will be received. Government grants are recognised as income either on a systematic basis when the Group recognises, as expenses, the related costs that the grants are intended to compensate or, immediately, if the costs have already been incurred.

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

Sales tax incentives received from Governments are recognised in the profit or loss at the reduced tax rate and revenue is reported net of these sales tax incentives.

o. Employee benefits

i) Pension plans

The Jaguar Land Rover subsidiary corporations operate several defined benefit pension schemes, the UK defined benefit schemes were previously contracted out of the second state pension scheme until 5 April 2016. The assets of the plan are generally held in separate trustee administered funds. The plans provide for monthly pension after retirement based on salary and service as set out in rules of each scheme.

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

value of the liabilities, an onerous obligation is recognised. The UK defined benefit scheme were closed to the new joiners in April 2010.
For defined benefit schemes. The cost of providing benefits is determined using the projected unit credit method, with actual revaluations being carried out at the end of each reporting period.

Defined benefit costs are split into three categories:

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

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

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

A separate defined contribution plan is available to employees of Jaguar Land Rover. Costs in respect of this plan are charged to the profit or loss as incurred.

ii) Severance indemnity

Tata Daewoo Commercial Vehicle Company Limited ("TDCV"), a subsidiary corporation incorporated in Korea has an obligation towards severance indemnity, a defined benefit retirement plan, covering eligible employees. The plan provides for a lump sum payment to all employees with more than one year of employment equivalent to 30 days' salary payable for each completed year of service. Liability for severance indemnity is accounted based on an annual actuarial valuation.

iii) Post-retirement Medicare scheme

Under this unfunded scheme, employees of some of its subsidiary corporations receive medical benefits subject to certain limits of amount, periods after retirement and types of benefits, depending on their grade and location at the time of retirement. Employees separated from these subsidiary corporations as part of an Early Separation Scheme, on medical grounds or due to permanent disablement are also covered under the scheme. The applicable subsidiary corporations account for the liability for post-retirement medical scheme based on an annual actuarial valuation.

Actuarial gains and losses

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

Measurement date

The measurement date of retirement plans is 31 March.

p. Financial instruments

i) Classification, initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss (which can either be held for trading or designated as fair value options), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Where the Group has received from third parties consideration in the form of convertible loan notes, these are designated as fair value through profit or loss using the fair value option.

Financial instruments are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

Share capital: 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.

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

These include trade receivables, other receivables, finance receivables, loan to subsidiary corporations, balances with banks, short-term deposits with banks, other financial assets and investments with fixed or determinable payments.

Held-to-maturity Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the intention and ability to hold to maturity and that are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale and do not meet the criteria for loans and receivables. Subsequently, these are measured at amortised cost using the effective interest method less impairment losses, if any

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

Investments in equity instruments are recognised at fair value, however, where a quoted market price in an active market is not available, equity instruments are measured at cost.
Embedded derivatives relating to prepayment options on senior notes are not considered as closely related and are separately accounted unless the exercise price of these options is approximately equal on each exercise date to either the amortised cost of the senior notes or the present value of the lost interest for the remaining term of the senior notes.

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

ii) Determination of fair value:

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

iii) Derecognition of financial assets and financial liabilities:

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

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

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

iv) Impairment of financial assets:

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

Loans and receivables

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

Joint ventures and associates

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

q. Hedge accounting*:*

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

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

These derivative contracts are stated at fair value on the consolidated balance sheet at each reporting date. Changes in the fair value of these contracts that are designated in a fair value hedge are taken to the consolidated income statement. They offset the change in fair value, attributable to the hedged risks, of the borrowings designated as the hedge item. Changes in the fair value of the derivative contracts that are designated and effective as hedges of future cash flows are recognised in other comprehensive income (net of tax), and any ineffective portion is recognised immediately in the consolidated profit or loss. Amounts accumulated in other comprehensive income are reclassified to the consolidated profit or loss in the periods in which the forecast transactions affect profit or loss.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. For forecast or committed transactions, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction impacts profit or loss.
If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is immediately transferred and recognised in the profit or loss.

r. Cash and cash equivalents

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

s. Long Term Incentive Plan ("LTIP")

The Group operates a share based payment LTIP arrangement for certain employees. The scheme provides a cash payment to the employee based on a specific number of phantom shares at grant date and the share price of Tata Motors Limited at the vesting date, subject to profitability and employment conditions. These are accounted for as cash settled arrangements, whereby a liability is recognised at fair value at the date of grant, using a Black Scholes model. At each balance sheet date until the liability is settled, the fair value of the liability is remeasured, with any corresponding changes in fair value recognised in profit or loss.

t. Finance income and finance costs

Interest income is recognised as it accrues in profit or loss, using the effective interest method.
Finance costs comprise interest expense on borrowings.

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

u. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3 Holding company and related party transactions

The Company is a wholly-owned subsidiary of Tata Motors Limited, incorporated in India, which is also the Company's ultimate holding company. Related parties in these financial statements refer to members of the holding company's Group of companies.

Some of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in the financial statements. The intercompany balances are unsecured, interest-free and repayable on demand, unless stated otherwise.

(£ millions)

Significant transactions and balances with related parties during the year :

	2018			2017		
	With joint ventures of the Group	**With fellow subsidiaries and associates**	**With ultimate parent company**	**With joint ventures of the Group**	**With fellow subsidiaries and associates**	**With ultimate parent company**
Sale of products	**(703)**	**-**	**(77)**	(568)	-	(50)
Purchase of products	**-**	**-**	**180**	2	-	102
Services received	**64**	**-**	**100**	124	4	109
Services rendered	**(142)**	**(1)**	**(3)**	(88)	-	(4)
Sale of property, plant and equipment	**-**	**-**	**-**	-	-	(3)
Trade and other receivables	**112**	**-**	**49**	70	-	35
Accounts payable	**-**	**-**	**(80)**	(3)	-	(44)
Dividends (received)/paid	**(206)**	**-**	**94**	(68)	-	56

Compensation of key management personnel

	2018	2017
Short-term benefits	**12**	14
Post-employment benefits	**1**	1
Share based payments	**-**	3
Other long term employee benefits	**-**	1
Compensation for loss of office	**1**	1
Total compensation of key management personnel	**14**	20

(£ millions)

4 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Cash and cash equivalents	**2,859**	3,065	**145**	98

All cash held by the Group can be utilised across the Group's manufacturing and sales operations.

5 Allowance for trade receivables

	Group	
	31-Mar-2018	31-Mar-2017
Changes in allowances for trade and other receivables as follows:		
At beginning of the year	**74**	61
Provision made during the year	**6**	13
Written off	**(3)**	(15)
Foreign exchange translation differences	**(9)**	15
At end of ther year	**68**	74

6 Other financial assets

Other financial assets consist of the following :

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Derivative financial instruments	**264**	174	**-**	5
Warranty reimbursement and other receivables	**105**	12	**-**	-
Restricted bank deposits	**22**	18	**9**	15
Accrued income	**35**	19	**-**	-
Others	**85**	23	**-**	1
Total other current financial assets	**511**	246	**9**	21
Restricted cash held as security	**8**	6	**-**	-
Derivative financial instruments	**287**	319	**1**	64
Warranty reimbursement and other receivables	**116**	-	**-**	-
Others	**8**	12	**-** *	- *
Total other non-current financial assets	**419**	337	**1**	64

* Amount is less than £1 million.

As of 31 March 2018, £5 million (2017: £4 million) of the non-current restricted cash is held as a financial deposit in relation to ongoing legal cases.

(£ millions)

7 Inventories

Inventories consist of the following :

	Group	
	31-Mar-2018	31-Mar-2017
Raw materials and consumables	**178**	201
Work-in-progress	**351**	345
Finished goods	**3,424**	3,093
Total	**3,953**	3,639

Inventories of finished goods include £436 million (2017: £326 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

During the year ended 31 March 2018, the Group recorded an inventory write-down expense of £51 million (2017: £22 million), excluding a reversal of a write-down recorded in a previous period in relation to the Tianjin incident of £1 million (2017: £100 million). The write-down excluding this reversal is included in 'Raw materials, components and consumables' in the consolidated statement of profit or loss and other comprehensive income.

8 Other assets

Other assets consist of the following :

	Group		Company	
	31-Mar-18	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Recoverable VAT, deposits	**340**	249	- *	- *
Prepaid expenses	**179**	168	- *	- *
Research and development credit	**114**	97	-	-
Others	**10**	14	- *	- *
Total other current assets	**643**	528	- *	- *
Prepaid expenses	**86**	77	-	-
Others	**-**	4	-	-
Total other non-current assets	**86**	81	-	-

* Amount is less than £1 million.

(£ millions)

9 Property, Plant and equipment

Group

	Land and buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Heritage assets	Total
Cost as at 1 April 2017	**1,283**	**6,727**	**11**	**113**	**103**	**52**	**8,289**
Additions/transfers	388	1,580	1	24	19	-	2,012
Currency translation differences	(7)	(10)	-	(1)	(1)	-	(19)
Disposal	(1)	(325)	(1)	(3)	(4)	(1)	(335)
Cost as at 31 March 2018	**1,663**	**7,972**	**11**	**133**	**117**	**51**	**9,947**
Accumulated depreciation as at 1 April 2017	172	3,008	5	40	45	-	**3,270**
Depreciation charge for the year	62	933	2	15	13	-	**1,025**
Currency translation differences	(1)	(8)	-	-	-	-	**(9)**
Assets write-down	-	-	-	-	-	13	**13**
Disposal	(1)	(303)	(1)	(3)	(4)	-	**(312)**
Accumulated depreciation as at 31 March 2018	**232**	**3,630**	**6**	**52**	**54**	**13**	**3,987**
Net carrying amount as at 31 March 2018	**1,431**	**4,342**	**5**	**81**	**63**	**38**	**5,960**
Capital work-in-progress							1,599
Total							**7,559**
Cost as at 1 April 2016	**1,159**	**5,867**	**9**	**85**	**91**	**52**	7,263
Additions/transfers	117	865	3	28	14	**-**	1,027
Currency translation differences	17	27	-	1	1	-	46
Disposal	(10)	(32)	(1)	(1)	(3)	-	(47)
Cost as at 31 March 2017	**1,283**	**6,727**	**11**	**113**	**103**	**52**	**8,289**
Accumulated depreciation as at 1 April 2017	129	2,268	4	26	35	-	**2,462**
Depreciation charge for the year	46	729	2	12	12	-	**801**
Currency translation differences	3	18	-	2	-	-	**23**
Assets write-down	-	12	-	-	-	-	**12**
Disposal	(6)	(19)	(1)	-	(2)	-	**(28)**
Accumulated depreciation as at 31 March 2017	**172**	**3,008**	**5**	**40**	**45**	**-**	**3,270**
Net carrying amount as at 31 March 2017	**1,111**	**3,719**	**6**	**73**	**58**	**52**	**5,019**
Capital work-in-progress							1,022
Total							**6,041**

As part of the Group's review of the carrying value of property, plant and equipment, £18 million of heritage vehicles and capital work in progress have been written-down and this has been recognised as an expense within 'Other expenses' during the year ended 31 March 2018. During the year ended 31 March 2017, £12 million of plant and equipment was written-down.

(£ millions)

10 Intangible assets

Group

	Software	Patents and technological know how	Customer related - dealer network	Intellectual property rights and other intangibles	Capitalised product development	Total
Cost as at 1 April 2017	**570**	**147**	**61**	**659**	**5,200**	**6,637**
Other additions	80	-	-	12	1,668	1,760
Currency translation differences	1	-	-	(2)	-	(1)
Disposal/write-off	(25)	-	-	-	(132)	(157)
Cost as at 31 March 2018	**626**	**147**	**61**	**669**	**6,736**	**8,239**
Accumulated amortisation as at 1 April 2017	**205**	**127**	**27**	**19**	**2,269**	**2,647**
Amortisation charge for the year	100	14	9	3	943	1,069
Disposal/write-off	(12)	-	-	-	(132)	(144)
Accumulated amortisation as at 31 March 2018	**293**	**141**	**36**	**22**	**3,080**	**3,572**
Net carrying amount at 31 March 2018	**333**	**6**	**25**	**647**	**3,656**	**4,667**
Capital work-in-progress*						2,103
Total						**6,770**
Cost as at 1 April 2016	**548**	**147**	**61**	**639**	**4,528**	**5,923**
Other additions	105	-	-	15	809	929
Currency translation differences	1	-	-	5	1	7
Disposal/write-off	(84)	-	-	-	(138)	(222)
Cost as at 31 March 2017	**570**	**147**	**61**	**659**	**5,200**	**6,637**
Accumulated amortisation as at 1 April 2016	**204**	**113**	**24**	**13**	**1,637**	**1,991**
Amortisation charge for the year	84	14	3	3	769	873
Currency translation differences	-	-	-	3	1	4
Disposal/write-off	(83)	-	-	-	(138)	(221)
Accumulated amortisation as at 31 March 2017	**205**	**127**	**27**	**19**	**2,269**	**2,647**
Net carrying amount at 31 March 2017	**365**	**20**	**34**	**640**	**2,931**	**3,990**
Capital work-in-progress*						2,188
Total						**6,178**

* Following a review of all product development in progress, £46 million of costs were identified as being written-down and recognised as an expense within ‘Other expenses’ in the year ended 31 March 2018 (2017: nil).
For the year ended March 31, 2018, additions to capital work in progress was £1607 million and asset write down was £ 24 million.

10 Intangible assets (continued)

Impairment Testing

The directors are of the view that the operations of that subsidiary corporation represent a single cash-generating unit. The intellectual property rights are deemed to have indefinite useful life on the basis of the expected longevity of the brand names.

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

	Group	
	31-Mar-2018	31-Mar-2017
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**2.0%**	1.9%
Pre-tax discount rate	**8.7%**	10.9%

The growth rates used in the value in use calculation reflect those inherent within the subsidiary business plan as approved by the board, which is primarily a function of the subsidiary corporation's cycle plan assumptions, past performance and management's expectation of future market developments through to 2022/23. The business plan also considers other key assumptions, such as volume forecasts, exchange rates, commodity prices, production capacity and costs, fixed costs and tax rates. The cash flows are then extrapolated into perpetuity assuming a growth rate as stated above and is set with reference to projected GDP growth of the countries in which the subsidiary corporation operates.

Sensitivity to Key and other assumptions

The sensitivity analysis below has been presented in the interests of transparency only. It is not believed that any reasonably possible movement in key and other assumptions will lead to an impairment.

Sensitivity analysis has been completed on each key assumption in isolation. This indicates that the value in use calculation will be equal to its carrying value with an increase in the pre-tax discount rate of 4.0 per cent (2017: 4.5 per cent) or a reduction in the growth rates used to extrapolate cash flows beyond the five-year period of the subsuduary business plan of 5.3 per cent (2017: 4.0 per cent). In addition, a reduction in EBIT margin of 3.5 per cent in the terminal year (2017: 3.2 per cent) will result in the value in use calculation being equal to its carrying amount.

One of the subsidiary corporation of the Group considers the key assumptions in the cash flow forecasts to be sales volumes, exchange rates, commodity rates, production capacity and costs and capital expenditure. It continues to monitor on a periodic basis the impact of certain future strategic (implications of Brexit, increasing tariffs), operational (diesel uncertainty), legal and compliance (environmental regulations and compliance) and financial risks (competitive business efficiency, exchange rate fluctuations) in order to assess whether an impairment trigger has occurred. In particular, certain Brexit scenarios and tariff scenarios could lead to an impairment trigger, although none has been identified as at 31 March 2018.

One of the subsidiary corporation of the Group continues to assess the potential impacts of Brexit for one of its subsidiary. Until the Brexit negotiations are sufficiently concluded, it is not possible to determine with certainty the full financial impact to the subsidiary corporation and impact on the value in use calculation, if any.

11 Investment in equity accounted investees

The Group has the following investments in equity accounted investees as at March 31, 2018:

Name of investment	Proportion of voting rights		Principal place of business and country of incorporation	Principal activity
	31-Mar-18	31-Mar-17		
Chery Jaguar Land Rover Automotive Co. Limited	50.0%	50.0%	People's Republic of China	Manufacture and assembly of vehicles
Jaguar Cars Finance Limited	49.9%	49.9%	England and Wales	Non-trading
Synaptiv Limited	33.3%	33.3%	England and Wales	Business and domestic software development
CloudCar Inc	33.3%	42.6%	United States of America	Automotive software development
Driveclubservice Pte Ltd	25.1%	-	Singapore	Holding company and mobility application owner/licencor
Driveclub Limited	25.8%	-	Hong Kong	Vehicle leasing

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

Individually material joint ventures

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

During the year ended 31 March 2018, a dividend of £206 million was received from Chery Jaguar Land Rover Automotive Co. Ltd. (2017 : £68 million).

The following table sets out the summarised financial information of the Group's individually material equity accounted investees, Chery Jaguar Land Rover Automotive Co. Limited after adjusting for material differences in accounting policies:

	As at	
	31-Mar-2018	31-Mar-2017
Current assets	**892**	940
Current liabilities	**(1,076)**	(934)
Non-current assets	**1,324**	1,094
Non-current liabilities	**(154)**	(176)
Equity attributable to shareholders	**986**	924

	2018	2017
Revenue	**2,773**	2,163
Profit for the year	**504**	312
Total comprehensive income	**504**	312

Included within the summarised financial information above are the following amounts:

	As at	
	31-Mar-2018	31-Mar-2017
Cash and cash equivalents	**439**	621
Other current assets	**453**	320
Financial liabilities - current (excluding trade and other payables and provisions)	**(42)**	-
Financial liabilities - non-current (excluding trade and other payables and provisions)	**(152)**	(175)
Depreciation and amortisation	**(139)**	(105)
Interest income	**27**	11
Interest expense	**(7)**	(8)
Income tax expense	**(136)**	(103)

11 Investment in equity accounted investees (cont'd)

Individually immaterial joint ventures

On 31 August 2017, one of the subsidiary, Jaguar Land Rover Limited acquired a further 10,000 ‘B’ shares in Spark44 (JV) Limited, increasing its share of the voting rights of Spark44 (JV) Limited from 50% to 50.5%. In addition, Spark44 (JV) Limited’s Articles of Association together with the Shareholder Agreement were amended to give Jaguar Land Rover Limited control of Spark44 (JV) Limited as the majority shareholder. Spark44 (JV) Limited is not publicly listed.

The following table sets out the Group’s share of profit and other comprehensive income and the carrying amount of the Group’s equity accounted investment in Spark44 (JV) Limited. The information for 2018 presented in this table includes the results of Spark44 (JV) Limited for the period from 1 April 2017 to 31 August 2017 prior to acquisition as a subsidiary.

		(£ millions)
	As at	
	31-Mar-2018	31-Mar-2017
Group's share of profit for the year	**2**	3
Group's share of other comprehensive income	**-**	-
Group's share of total comprehensive income	**2**	3
Disposal as part of step acquisition	**(10)**	-
Carrying amount of the Group's interest	-	8

Associates

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

During the year ended 31 March 2018, the Group purchased 25.08 per cent of the share capital of Driveclubservice Pte. Ltd. for £0.2 million. In addition, the Group also purchased 1 per cent of the share capital of Driveclub Limited, the wholly owned subsidiary of Driveclubservice Pte. Ltd. However, the Group has 25.83 per cent of the voting rights, being the 1 per cent of share capital held and the indirect shareholding held through Driveclubservice Pte. Ltd. Both Driveclubservice Pte. Ltd. and Driveclub Limited are therefore accounted for as equity accounted investments as the Group has significant influence over the companies.

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

During the year ended 31 March 2017, the Group purchased 32 per cent of the ordinary share capital of CloudCar Inc. for £12 million.

During the year ended 31 March 2017, the Group purchased 33 per cent of the ordinary share capital of Synaptiv Limited for £0.2 million.

No dividend was received in the year ended 31 March 2018 (2017: no dividend) from any of the individually immaterial equity accounted investments.

(£ millions)

11 Investment in equity accounted investees (cont'd)

The following reconciles the carrying amount of the Group's interests in equity accounted investees:

	As at	
	31-Mar-2018	31-Mar-2017
Net assets of material joint venture	**986**	924
Share of net assets of:		
Material joint venture	**493**	462
Individually immaterial equity accounted investments	**6**	20
Other	**(11)** [1]	(8) [1]
Carrying amount of the Group's interests in equity accounted investees	**488**	474

[1] As at 31 March 2018, an adjustment of £11 million (2017: £8 million) has been made to derecognise profit that has not yet been realised on goods sold by the Group to Chery Jaguar Land Rover Automotive Co. Ltd.

The following reconciles the Group's share of total comprehensive income from equity accounted investees:

	10-Jul-1905	9-Jul-1905
Total profit of material joint venture	**504**	312
Share of profit of:		
Material joint venture	**252**	156
Individually immaterial joint ventures	**-**	3
Share of profit from equity accounted investees	**252**	159
Currency translation differences	**14**	33
Share of total comprehensive income from equity accounted investees	**266**	192

The Group’s share of capital commitments of its joint ventures at 31 March 2018 is £159 million (2017: £171 million), and commitments relating to the Group’s interests in its joint ventures are disclosed in note 31. The contingent liabilities of its joint ventures as at 31 March 2018 is £3 million (2017: £3 million).

The information above reflects the amounts presented in the financial statements of the equity accounted investments adjusted for differences in accounting policies between the Group and its equity accounted investments. All joint ventures are accounted for using the equity method and are private companies and there are no quoted market prices available for their shares.

12 Investment in subsidiary corporations

(£ millions)

	Company	
	31-Mar-2018	31-Mar-2017
Unquoted equity shares at cost	**1,993**	1,984
Advance towards investments	**7** *	3
Less : Provision for impairment	**(84)**	(71)
	1,916	1,916

The following details the subsidiary corporations held by the Company:

Name of the Company	**Principal activities / Principal place of business and country of incorporation**	**Proportion of ownership and voting power held (%)**	
		31-Mar-2018	31-Mar-2017
Jaguar Land Rover Automotive Plc	Investment holding company / United Kingdom	**100**	100
Tata Daewoo Commercial Vehicle Co. Ltd	Manufacturing & selling of commercial vehicle / Republic of Korea	**100**	100
Tata Motors (Thailand) Ltd	Manufacturing & assembling of vehicle / Thailand	**95.49**	95.49
Tata Motors (SA) (Proprietary) Ltd	Manufacturing & assembling of commercial vehicle / South Africa	**60**	60
PT Tata Motors Indonesia	Manufacturing & assembling of commercial vehicle / Indonesia	**100**	100
TMNL Motors Services Nigeria Ltd	Importing, assembling and distribution of vehicles / Nigeria	**99**	99

The advances to subsidiary corporation are for equity investments, for which share certificates are yet to be issued.

(£ millions)

13 Deferred tax assets and liabilities

Following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior periods.

31 March 2018	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange differences	Closing balance
Deferred tax assets					
Property, plant and equipment	13	(3)	-	(1)	9
Provision, allowances for doubtful receivables	226	35	-	(17)	244
Derivative financial instruments	547	(9)	(458)	-	80
Retirement benefits	252	(86)	(88)	(1)	77
Unrealised profit in inventory	192	(36)	-	-	156
Tax loss	208	159	-	(1)	366
Others	83	26	-	-	109
Total deferred tax assets	1,521	86	(546)	(20)	1,041
Deferred tax liabilities					
Intangible assets	995	105	-	-	1,100
Overseas unremitted earnings	60	39 *	-	-	99
Others	1	(1)	-	-	-
Total deferred tax liabilities	1,056	143	-	-	1,199
Presented as deferred tax assets**	525				426
Presented as deferred tax liabilities**	(60)				(584)

* Included within £39 million is a reversal of £6 million relating to withholding tax incurred on intercompany dividends paid in the year and an additional provision for £15 million relating to prior year earnings.

** For presentation purposes, deferred tax assets and deferred tax liabilities are offset to the extent that they relate to the same taxation authority and are expected to be settled on a net basis.

At 31 March 2018, deferred tax assets of £413 million (2017: £511 million) have been recognised in relation to deductible temporary differences, including unused tax losses, on the basis that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilised.

At 31 March 2018, the Group had unused tax losses and other temporary differences amounting to £117 million (2017: £104 million) for which no deferred tax asset arises. As at 31 March 2018, £3 million (2017: £3 million) of those tax losses are subject to expiry in future periods, with £3 million due to expire in fiscal year 2030. The remaining balance is not expected to expire.

(£ millions)

13 Deferred tax assets and liabilities

31 March 2017	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange differences	Closing balance
Deferred tax assets					
Property, plant and equipment	22	(9)	-	-	13
Provision, allowances for doubtful receivables	225	(23)	-	24	226
Derivative financial instruments	240	(22)	329	-	547
Retirement benefits	110	(1)	142	1	252
Unrealised profit in inventory	127	65	-	-	192
Tax loss	160	48	-	-	208
Others	61	20	-	2	83
Total deferred tax assets	945	78	471	27	1,521
Deferred tax liabilities					
Intangible assets	946	49	-	-	995
Overseas unremitted earnings	31	29 *	-	-	60
Others	1	-	-	-	1
Total deferred tax liabilities	978	78	-	-	1,056
Presented as deferred tax assets**	352				525
Presented as deferred tax liabilities**	(385)				(60)

* Included within £29 million is a reversal of £18 million relating to withholding tax incurred on inter-company dividends paid in the period.

** For presentation purposes, deferred tax assets and deferred tax liabilities are offset to the extent they relate to the same taxation authority and are expected to be settled on a net basis.

At 31 March 2017, deferred tax assets of £511 million (2016: £354 million) have been recognised in relation to deductible temporary differences, including unused tax losses, on the basis that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilised.

At 31 March 2017 the Group had unused tax losses and other temporary differences amounting to £104 million (2016: £76 million) for which no deferred tax assets has been recognised based upon the forecast profitability of the companies in which the deferred tax assets arise. As at 31 March 2017, £3 million (2016: £6 million) of those tax losses are subject to expire in future periods, with £1 million due to expire in each of the fiscal years 2018 to 2020. The remaining balance is not expected to expire.

14 Borrowings

(£ millions)

Borrowings consist of the following :

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
EURO MTF Listed debts	**3,557**	3,395	**-**	-
USD SGX-ST Listed debts	**213**	238	**213**	238
Loans from banks	**860**	911	**631**	670
Total borrowings	**4,630**	4,544	**844**	908
Less: Short-term borrowings	**(725)**	(239)	**-**	-
Borrowings due for settlement after 12 months	**3,905**	4,305	**844**	908

EURO MTF LISTED DEBTS

The bonds are listed on the Luxembourg Stock Exchange multilateral trading facility ('EURO MTF') market.

Details of the tranches of the bonds outstanding as at 31 March 2018 are as follows:

Issued on	Currency	Initial principal amount (In millions) *	Outstanding principal amount (In millions) *	Interest rate	Redeemable on
January 2013	USD	500	500	5.625%	February 2023
December 2013	USD	700	700	4.125%	December 2018
January 2014	GBP	400	400	5.000%	February 2022
October 2014	USD	500	500	4.250%	November 2019
February 2015	GBP	400	400	3.875%	March 2023
March 2015	USD	500	500	3.500%	March 2020
January 2017	GBP	650	650	2.200%	January 2024
January 2017	GBP	300	300	2.750%	January 2021
October 2017	USD	500	500	4.500%	October 2027

* Amounts reported in above table are in respective currency.

14 Short-term borrowings and long-term debts (cont'd)

SGX-ST listed debts

Details of the tranches of the bonds listed on SGX-ST outstanding at 31 March 2018 are as follows:

Issued on	Currency	Initial principal amount (In millions)	Outstanding principal amount (In millions) *	Interest rate	Redeemable on
May 2014	USD	300	300	5.75%	May 2021

* Amounts reported in above table are in respective currency.

The notes are secured over the restricted cash (Note 6) and this has been set aside and at all times should be at least equal to the amount of interest due on all notes payable at that time on the next succeeding interest payment date.

Loan from banks (£ millions)

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Less than one year, unsecured	**72**	59	**-**	-
Less than one year, secured	**156**	182	**-**	-
Later than one year and not later than five years, unsecured	**410**	496	**410**	496
Later than five years, unsecured	**222**	174	**221**	174
	860	911	**631**	670

As at 31 March 2018, borrowings amounting to £ 631 million (2017 : £670 million) bear interest at 1.04% to 1.40% above London Interbank Offered Rate per annum and its effective interest rates range from 2.04% to 2.29% (2017: 1.65% to 2.27%) per annum.

The short-term borrowings of £155 million (2017: £179 million) bear interest at approximately 2.3% (2017 : 2.3%) which relates to an arrangement with the banks for receivables factoring. These assets do not qualify for derecognition due to the recourse arrangements in place and accordingly, a corresponding receivables of £155 million (2017: £179 million) has been recorded (Note 33).

The borrowings are secured over the restricted cash (Note 6) and this has been set aside and at all times should be at least equal to the amount of interest due on the borrowings at that time on the next succeeding interest payment date.

UNDRAWN FACILITIES

As at 31 March 2018 the Group has a fully undrawn revolving credit facility of £1,935 million (2017: £1,870 million). This facility is available in full until 2022.

(£ millions)

15 Accounts Payables

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Trade payables	**4,880**	4,370	**-**	-
Liabilities to employees	**154**	157	**-**	-
Liabilities for expenses	**1,817**	1,744	**-** *	- *
Liabilities for capital expenditure	**880**	368	**-**	-
Acceptances	**9**	6	**-**	-
	7,740	6,645	**-** *	- *

* Amount is less than £1 million.

16 Other financial liabilities

	Group		Company	
	31-Mar-2018	31-Mar-2017	**31-Mar-2018**	31-Mar-2017
Liability towards vehicles sold under repurchase arrangements	**479**	349	**-**	-
Interest accrued but not due	**43**	33	**7**	6
Finance lease obligations	**3**	2	**-**	-
Derivative financial instruments	**673**	1,761	**5**	-
Others	**7**	-	**-**	-
Total other current financial liabilities	**1,205**	2,145	**12**	6
Finance lease obligations	**16**	5	**-**	-
Derivative financial instruments	**266**	1,391	**8**	-
Retention money, security deposits and others	**7**	3	**-**	-
Total other non-current financial liabilities	**289**	1,399	**8**	-

(£ millions)

17 Provisions

Provision consists of the following:

	Group	
	31-Mar-2018	31-Mar-2017
Current		
Product warranty	**622**	525
Legal and product liability	**119**	109
Provision for residual risk	**7**	7
Provision for environmental liability	**11**	12
Employee related and other provisions	**8**	5
Total - Current provision	**767**	658
Non-current		
Product warranty	**984**	879
Legal and Product liability	**24**	47
Provision for residual risk	**28**	27
Provision for environmental liability	**16**	22
Other employee benefits obligation	**7**	13
Total - Non-current provision	**1,059**	988

Movement in the provision are as follows:

	Group	
	31-Mar-2018	31-Mar-2017
Product warranty		
Balance at the beginning	**1,404**	1,144
Provision made during the year *	**899**	829
Provision used during the year	**(717)**	(588)
Impact of discounting	**20**	19
Balance at the end	**1,606**	1,404

* Included in 'Provisions made during the year' is £198 million arising in connection with warranty arrangements with suppliers that has been reclassified from 'Provisions' to 'Other financial assets' to correct an immaterial error and align with other peer automotive companies.

Legal and product liability		
Balance at the beginning	**156**	61
Provision made during the year	**68**	116
Provision used during the year	**(42)**	(22)
Unused amount released in the year	**(38)**	-
Impact of foreign exchange translation	**(1)**	1
Balance at the end	**143**	156
Provision for residual risk		
Balance at the beginning	**34**	19
Provision made during the year	**20**	18
Provision used during the year	**(2)**	(5)
Unused amount released in the year	**(15)**	-
Impact of foreign exchange translation	**(2)**	2
Balance at the end	**35**	34
Provision for environmental liability		
Balance at the beginning	**34**	31
Provision made during the year	**5**	3
Provision used during the year	**(5)**	-
Unused amount released in the year	**(7)**	-
Balance at the end	**27**	34

(£ millions)

18 Other liabilities

Other liabilities consists of the following:

	Group	
	31-Mar-2018	31-Mar-2017
Liability for advances received	**45**	94
Statutory dues	**248**	217
Deferred revenue	**244**	167
Others	**25**	23
Total other current liabilities	**562**	501
Deferred revenue	**438**	338
Others	**16**	24
Total other non-current liabilities	**454**	362

19 Employee benefit obligations

Employee benefit obligations comprise of the following:

		Group	
		31-Mar-2018	31-Mar-2017
Defined benefit schemes under:			
Jaguar Land Rover Automotive Plc (UK Defined benefit scheme)	(a)	**438**	1,461
Tata Daewoo Commercial Vehicle Co. Ltd		**3**	4
		441	1,465
Defined contribution plan		**2**	2
		443	1,467

(a) **UK Defined benefit scheme**

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

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

19 Employee benefit obligations (cont'd)

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

Asset volatility

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

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

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

19 Employee benefit obligations (cont'd)

(£ millions)

The following tables set out the disclosures pertaining to the retirement benefit amounts recognised in for the schemes under Jaguar Land Rover Automotive plc:

Change in present value of defined benefit obligation

	As at	
	31-Mar-2018	31-Mar-2017
Defined benefit obligation at beginning of year	**9,969**	7,668
Current service cost	**217**	198
Past service credit	**(437)**	-
Interest expense	**241**	275
Actuarial (gains)/losses arising from:		
Changes in demographic assumptions	**(210)**	(76)
Changes in financial assumptions	**(353)**	2,335
Experience adjustments	**(99)**	(213)
Exchange differences on foreign schemes	**(3)**	5
Member contributions	**4**	2
Benefits paid	**(988)**	(225)
Plan settlement	**(21)**	-
Defined benefit obligation at end of year	**8,320**	9,969

Change in fair value of scheme assets

	As at	
	31-Mar-2018	31-Mar-2017
Fair value of scheme assets at beginning of year	**8,508**	7,103
Interest income	**218**	258
Remeasurement gain on the return of scheme assets, excluding amounts included in interest income	**(116)**	1,149
Administrative expenses	**(9)**	(9)
Exchange differences on foreign schemes	**(1)**	3
Employer contributions	**287**	227
Member contributions	**4**	2
Benefits paid	**(988)**	(225)
Plan settlement	**(21)**	-
Fair value of scheme assets at end of year	**7,882**	8,508

The actual return on the schemes' assets for the year ended 31 March 2018 was £102 million (2017: £1,407 million).

Amounts recognised in the consolidated statement of profit or loss consist of:

	2018	2017
Current service cost	**217**	198
Past service cost	**(437)**	-
Administrative expenses	**9**	9
Net interest cost (including onerous obligations)	**23**	17
Components of defined benefit (income)/cost recognised in profit or loss	**(188)**	224

19 Employee benefit obligations (cont'd)

Amounts recognised in the other comprehensive income mainly consist of:

	(£ millions)	
	2018	2017
Actuarial (gains)/losses arising from:		
Changes in demographic assumptions	**(210)**	(76)
Changes in financial assumptions	**(353)**	2,335
Experience adjustments	**(99)**	(213)
Remeasurement loss/(gain) on the return of scheme assets, excluding amounts included in interest income	**116**	(1,149)
Change in onerous obligation, excluding amounts included in interest expense	**-**	(2)
Remeasurement gain/(loss) on defined benefit obligation	**(546)**	895

Amounts recognised in the statement of financial position mainly consist of:

	As at	
	31-Mar-2018	31-Mar-2017
Present value of unfunded defined benefit obligations	**(1)**	(2)
Present value of funded defined benefit obligations	**(8,319)**	(9,967)
Fair value of schemes' assets	**7,882**	8,508
Net retirement benefit obligation	**(438)**	(1,461)

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

19 Employee benefit obligations (cont'd)

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

	31-Mar-2018	31-Mar-2017
Discount rate	**2.7%**	2.6%
Expected rate of increase in compensation level of covered employees	**2.3%**	2.3%
Inflation increase	**3.1%**	3.2%

For the valuation at 31 March 2018, the mortality assumptions used are the SAPS base table, in particular S2NxA tables and the Light table for members of the Jaguar Executive Pension Plan.

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

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

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

For the valuation at 31 March 2018, the mortality assumptions used are the SAPS base table, in particular S2NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 120 per cent for males and 110 per cent for females has been used for the Jaguar Pension Plan, 115 per cent for males and 105 per cent for females for the Land Rover Pension Scheme, and 95 per cent for males and 85 per cent for females for the Jaguar Executive Pension Plan.

There is an allowance for future improvements in line with the CMI (2017) projections and an allowance for long-term improvements of 1.25% per annum (2017: CMI (2014) projections with 1.25% per annum improvements).

The assumed life expectations on retirement at age 65 are:

	As at	
	31-Mar-2018	31-Mar-2017
	(Years)	
Retiring today:		
Males	**21.3**	21.5
Females	**23.4**	24.5
Retiring in 20 years:		
Males	**22.5**	23.3
Females	**25.1**	26.3

Following consultation with employees earlier in the year, on 3 April 2017, one of the subsidiary of the Group approved and communicated to its defined benefit schemes' members that the defined benefit schemes' rules were to be amended with effect from 6 April 2017. As a result, among other changes, future retirement benefits would be calculated each year and revalued until retirement in line with a prescribed rate rather than based upon a member's final salary at retirement. As a result of the remeasurement of the schemes' liabilities, a past service credit of £437 million has arisen and was recognised in the year ended 31 March 2018.

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

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

Assumption	**Change in assumption**	**Impact on scheme liabilities**	**Impact on service cost**
Discount rate	Increase / decrease by 0.25%	Decrease / increase by £442 million	Decrease / increase by £10 million
Inflation rate	Increase / decrease by 0.25%	Increase / decrease by £376 million	Increase / decrease by £10 million
Mortality	Increase / decrease by 1 year	Increase / decrease by £241 million	Increase / decrease by £5 million

(£ millions)

19 Employee benefit obligations (cont'd)

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

As at	**31-Mar-2018**				31-Mar-2017			
	Quoted*	**Unquoted**	**Total**	**%**	Quoted*	Unquoted	Total	%
Equity instruments								
Information technology	**132**	**-**	**132**	**2%**	142	-	142	2%
Energy	**56**	**-**	**56**	**1%**	61	-	61	1%
Manufacturing	**96**	**-**	**96**	**1%**	104	-	104	1%
Financials	**151**	**-**	**151**	**2%**	164	-	164	2%
Other	**417**	**-**	**417**	**5%**	452	-	452	5%
	852	**-**	**852**	**11%**	923	-	923	11%
Debt instruments								
Government	**2,524**	**-**	**2,524**	**32%**	2,929	-	2,929	34%
Corporate bonds - (investment grade)	**20**	**1,836**	**1,856**	**24%**	20	2,071	2,091	25%
Corporate bonds - (Non investment grade)	**-**	**584**	**584**	**7%**	123	414	537	6%
	2,544	**2,420**	**4,964**	**63%**	3,072	2,485	5,557	65%
Property funds								
UK	**-**	**165**	**165**	**2%**	-	190	190	2%
Other	**-**	**160**	**160**	**2%**	-	156	156	2%
	-	**325**	**325**	**4%**	-	346	346	4%
Cash and cash equivalents	**218**	**-**	**218**	**3%**	93	-	93	1%
Other								
Hedge funds	**-**	**356**	**356**	**4%**	-	403	403	5%
Private markets	**2**	**252**	**254**	**3%**	-	174	174	2%
Alternatives	**470**	**214**	**684**	**9%**	327	379	706	8%
	472	**822**	**1,294**	**16%**	327	956	1,283	15%
Derivatives								
Foreign exchange contracts	**-**	**1**	**1**	**-**	-	17	17	-
Interest rate and inflation	**-**	**228**	**228**	**3%**	-	289	289	4%
	-	**229**	**229**	**3%**	-	306	306	4%
Total	**4,086**	**3,796**	**7,882**	**100%**	4,415	4,093	8,508	100%

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

As at 31 March 2018, the schemes held Gilt Repos. The net value of these transactions is included in the value of interest rate and Inflation derivatives. The value of the funding obligation for the Repo transactions is £1,287 million at 31 March 2018 (2017: £843 million).

The split of Level 1 assets is 71% (2017: 66%), Level 2 assets 20% (2017: 27%) and Level 3 assets 9% (2017: 7%). Private market holdings are classified as Level 3 instruments. Included in the value for government bonds, interest rate and inflation derivatives are repo transactions, as noted above.

One of the subsidiary contributes towards the UK defined benefit schemes. Following the 5 April 2015 valuations, it is intended to eliminate the pension scheme funding deficits over the 10 years following the valuation date. As at 31 March 2018, there is no additional liability; however, following the changes to the defined benefit schemes' rules in April 2017, an additional obligation may arise in the future. In line with the schedule of contributions agreed following the 2015 statutory valuation, the current ongoing Company contribution rate for defined benefit accrual is 31 per cent of pensionable salaries in the UK. Deficit contributions also continue to be paid in line with this schedule of contributions. The funding deficit and ongoing contribution rates are expected to reduce following the completion of the 2018 statutory valuation during 2019.

The average duration of the benefit obligations at 31 March 2018 is 20.4 years (2017: 21.6 years).

The expected net periodic pension cost for the year ended 31 March 2019 is £186 million. The Group expects to pay £257 million to its defined benefit schemes, in total, for the year ended 31 March 2019.

19 Employee benefit obligations (cont'd)

Defined Contribution Plan

The Group's contribution to defined contribution schemes for the year ended 31 March 2018 was £77 million (2017: £57 million).

20 Share capital

	(£ millions)	
	Group and Company	
	31-Mar-2018	31-Mar-2017
2,511,659,418 (2017: 2,511,659,418) ordinary shares issued at 1 April	**1,422**	1,422
Equity currency conversion	**206**	-
Total Share capital	**1,628**	1,422

Ordinary share of the Company has no par value, carry one vote per share and carry a right to dividends when declared by the Company.

During the year the Company has converted the currency of its share capital from United States Dollar to Pound Sterling (note 21).

21 Capital reserve

The capital reserve arose out of restructuring exercises carried out in 2010, 2014, 2015 and 2016.

During 2014 and 2015, the Company underwent a restructuring exercise as detailed in Note 2(d) to the financial statements. The effects of the merger of Tata Daewoo Commercial Vehicle Co. Ltd, Tata Motors (Thailand) Ltd, Tata Motors (SA) (Proprietary) Ltd and PT Tata Motors Indonesia resulted in a restatement of the reserves in previous years. No restructuring took place in 2017.

Capital reserve on currency conversion

During the year ended 31 March 2018, the Company has undergone conversion of currency of share capital from United States Dollar to Pound Sterling. The conversion was approved in the extra ordinary general meeting of the Company. The spot rate prevailing on the date of the EGM was used to convert the share capital. This has resulted in £ 206 million recognised as capital reserve on currency conversion with an increase of reciprocal amount in share capital.

22 Revenue

	Group (£ millions)	
	2018	2017
Sale of goods	**26,382**	25,016

23 Write back of provision for loss of inventory

On 12 August 2015, a series of explosions caused widespread damage at the Port of Tianjin in China, one of three major locations in China through which Jaguar Land Rover, a subsidiary corporation imports vehicles. At the time of the explosion, approximately 5,800 vehicles were stored at various locations in Tianjin. Many of these vehicles were destroyed or damaged in the explosion and as a result a charge of £245 million has been recognised and presented separately in the consolidated statement of profit or loss and other comprehensive income for the eighteen months period ended 30 September 2015. The process for finalising an insurance claim may take some months to conclude, so insurance and other potential recoveries will only be recognised in future period when paid or confirmed and have not been recognised in this period.

During the year ended 31 March 2018, £1 million relates to the recovery of import duties which led to a reversal of the initial provision recorded for the eighteen months period ended 30 September 2015.

During the year ended 31 March 2017, £100 million relates to recoveries associated with the charge recognised in the prior periods for stored vehicles damaged in the explosion. These recoveries include amounts received for insurance, taxes and saleable vehicles.

24 Employee cost

Employee cost consists of the following :	Group	
	10-Jul-05	2017
Salaries, wages and welfare expenses	**2,492**	2,295
Contribution to provident fund and other funds	**333**	289
Total	**2,825**	2,584

Long-Term Incentive Plan (LTIP)

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

Details of the LTIP are as follows:	Group	
Year ended March 31,	**2018**	**2017**
	number	number
Outstanding at the beginning of the year	**4,115,221**	6,032,857
Granted during the year	**-**	974
Vested in the year	**(1,918,331)**	(1,665,663)
Forfeited in the year	**(267,499)**	(252,947)
Outstanding at the end of the year	**1,929,391**	4,115,221

The weighted average share price of the 1,918,331 phantom stock awards vested in the year was £4.33 (2017: £4.75).

The weighted average remaining contractual life of the outstanding phantom shares is 0.3 years (2017: 0.8 years).

No phantom shares were exercisable as at 31 March 2018 (2017: no shares).

During the year ended 31 March 2018, £1 million was recognised as a credit to 'Employee cost' in relation to the sharebased payment LTIP (2017: charge of £8 million).

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at the year end was £7 million (2017: £16 million)

The fair value of the awards was calculated using a Black-Scholes model at the grant date. The fair value is updated at each reporting date as the awards are accounted for as cash-settled under FRS 102 Share-based Payment. The inputs into the model are based on Tata Motors Limited historical data and the risk-free rate is calculated on government bond rates. The significant inputs used are:

	Group	
As at March 31,	**2018**	**2017**
Risk-free rate	0.87%	0.18%
Dividend yield	0.00%	0.04%
Weighted average fair value per phantom share	£3.32	£4.69

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

(£ millions)

25 Other expenses

Other expenses consists of the following :

	Group	
	2018	2017
Stores, spare parts and tools consumed	**177**	197
Freight and transportation expenses	**1,042**	930
Research and product development cost	**406**	368
Warranty expenses	**701**	829
Write down of property, plant and equipment	**18**	12
Write down of Intangibles	**46**	-
Works operation and other expenses	**2,268**	1,979
Repairs to building and plant and machinery	**48**	46
Processing charges	**17**	20
Power and fuel	**85**	74
Rent rates and other taxes	**90**	67
Insurance	**27**	34
Publicity	**964**	898
Total	**5,889**	5,454

26 Research and Development

	Group	
	2018	2017
Total research and development costs incurred	**2,030**	1,799
Research and development expensed	**(406)**	(368)
Development costs capitalised	**1,624**	1,431
Interest capitalised	**88**	97
Research and development grants capitalised	**(105)**	(89)
Total internally developed intangibles	**1,607**	1,439

In 2014, legislation was enacted to allow UK companies to elect for the Research and Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the previous super deduction rules. In the year ended 31 March 2018, as a result of this election, £102 million (2017: £87 million) of the RDEC, the proportion relating to capitalised product development expenditure and other intangible assets, has been offset against the cost of the respective assets. The remaining £45 million (2017: £38 million) of the RDEC has been recognised as 'Other income'.

27 Interest income and expense

Interest income and expense consist of the following :

	Group	
	2018	2017
Interest income	**34**	34
Interest expenses		
Gross interest expense	**227**	187
Less: Interest capitalised	**(104)**	(97)
Total	**123**	90

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.1 % (2017: 4.3 %).

During the year ended 31 March 2017, the Group repaid one tranches of debt (Note 14) and as a result a redemption premium of £2 million was incurred and included in interest expense above

(£ millions)

28 Income tax expense

	Group 2018	Group 2017
Current tax expense		
Current year	**300**	316
Adjustments for prior years	**52**	22
Current tax expense	**352**	338
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**70**	100
Adjustments for prior years	**(76)**	(34)
Rate change	**63**	(66)
Deferred tax expense	**57**	-
Total income tax expense	**409**	338
Recognised in the statement of comprehensive income:		
Deferred tax expense/(credit) on actuarial gains on retirement benefits	**103**	(178)
Deferred tax expense/(credit) in fair value of cash flow hedges	**460**	(353)
Deferred tax expense/(credit) on rate changes	**(17)**	60
	546	(471)

The total charge for the financial year can be reconciled to the accounting profit as follows:

	Group 2018	Group 2017
Profit before income tax	**1,509**	1,512
Income tax expense at tax rates applicable to individual entities	**352**	325
Non-deductible expenses	**22**	37
Over provision in prior years	**(24)**	(12)
Undistributed earnings of subsidiary corporations and equity accounted investees	**30**	50
Share of (profit)/loss of equity accounted investees	**(48)**	(32)
Impact of change in statutory tax rates	**63**	(66)
Others	**14**	36
Income tax expense	**409**	338

Included within the line over provision in prior years for the year ended 31 March 2018 is £24 million credit relating to revisions of prior year estimates of tax positions to bring them into line with the currently filed tax positions. Included within 'Changes in tax rates' is a £54 million charge for the impact of the change in the US Federal rate from 35 per cent to 21 per cent on deferred tax assets.

Included within the line over provision in prior years for the year ended 31 March 2017 is £21 million credit relating to revisions of prior year estimates of tax positions in various jurisdictions, principally the UK, to bring them into line with the latest estimates and currently filed tax positions. This is offset by £11 million relating to uncertain tax positions arising in relation to normal ongoing assessments of tax positions globally.

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

Accordingly, UK deferred tax has been provided at a blended rate of 17.8% on assets (2017: 18.4%) and 17.6% on liabilities (2017: 17.6%), recognising the applicable tax rate at the point when the timing difference is expected to reverse.

(£ millions)

29 Profit for the year

	Group	
	2018	2017
Directors' remuneration:		
of the Company	**-**	-
of the subsidiary corporations	**4**	3
Defined contribution plan (included in employee benefits expenses)	**77**	59
Operating lease rental in respect of property, plant and equipment	**92**	75

During the year ended 31 March 2018, £56 million (2017: £64 million) was received by a foreign subsidiary as an indirect tax incentive that requires the subsidiary to meet certain criteria relating to vehicle efficiency and investment in engineering and research and development. The incentive is provided as a partial offset to the higher sales taxes payable following implementation of new legislation in the year ended 31 March 2014. During the year ended 31 March 2018, £56 million (2017: £64 million) has been recognised in revenue.

30 Reconciliation of movements of liabilities to cash flows arising from financing activities

For the year ended	**Short-term borrowings**	**Long-term debts**	**Finance Lease obligations**
Balance as at 1 April 2017	239	4,305	7
Proceeds from issue of financing	609	1,004	-
Repayment of financing	(601)	(630)	(4)
Reclassification of long-term debt	518	(518)	-
Arrangement fees paid	-	(14)	-
Total changes from financing cash flows	**526**	**(158)**	**(4)**
Foreign exchange	**(38)**	**(103)**	**-**
Issue of new finance leases	-	-	16
Fee amortisation	-	14	-
Reclassification of long-term debt fees	(2)	2	-
Bond revaluation in hedge reserve	-	(145)	-
Fair value adjustment on loans	-	(10)	-
Total liability related other changes	**(2)**	**(139)**	**16**
Balance as at March 2018	**725**	**3,905**	**19**

31 Dividends

During the year ended 31 March 2018, the Company declared and paid a final tax exempt dividend of £0.037370 per share (total dividend of £94 million).

During the year ended 31 March 2017, the Company declared and paid a final tax exempt dividend of £0.022240 per share (total dividend of £56 million).

The board of the Company has recommented final dividend of GBP 13 million out of the profit for the year ended 31 March 2018 subject to the shareholders approval.

32 Commitments and contingencies

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

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

Litigation

The Group is involved in legal proceedings, both as plaintiff and as defendant. There are claims and potential claims as at 31 March 2018 of £17 million (2017: £7 million) against the Group which management has not recognised as settlement is not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiency in the services by the Group or its dealers.

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

Other taxes and duties

Contingencies and commitments include tax contingent liabilities of £42 million (2017: £nil). These mainly relate to tax audits and tax litigation claims.

Commitments

The Group has entered into various contracts with vendors and contractors for the acquisition of plant and equipment and various civil contracts of capital nature aggregating to £853 million (2017: £2,047 million) and £15 million (2017: £31 million) relating to the acquisition of intangible assets.

Commitments and contingencies also includes other contingent liabilities of £149 million (2017: £82 million). These mainly related to government body investigations with regards legislation and regulation compliance, support provided to the dealer network, termination clauses and supply chain arrangements.

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

Trade receivables with a carrying amount of £155 million (2017: £179 million) are pledged as collateral/security against the borrowings and commitments.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Co. Ltd. is a commitment for the Group to contribute a total of CNY 3,500 million of capital, of which CNY 2,875 million has been contributed as at 31 March 2018. The outstanding commitment of CNY 625 million translates to £71 million at 31 March 2018 exchange rate.

33 Financial instruments

This section gives an overview of the significance of financial instruments for the Group and provides additional information on the items within the statements of financial position that contain financial instruments.

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

(A) Financial assets and liabilities

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

Group

Financial assets (£ millions)

	Loans and receivables	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	2,859	-	-	2,859	2,859
Short-term deposits	2,032	-	-	2,032	2,032
Trade receivables	1,666	-	-	1,666	1,666
Other financial assets - current	247	185	79	511	511
Other financial assets - non-current	132	266	21	419	419
Total financial assets	**6,936**	**451**	**100**	**7,487**	**7,487**

Financial liabilities

	Other financial liabilities	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Accounts payable	7,740	-	-	7,740	7,740
Short-term borrowings	725	-	-	725	728
Long-term borrowings	2,695	1,210	-	3,905	3,940
Other financial liabilities - current	532	585	88	1,205	1,205
Other financial liabilities - non-current	23	250	16	289	289
Total financial liabilities	**11,715**	**2,045**	**104**	**13,864**	**13,902**

33 Financial instruments (cont'd)

Financial assets and liabilities

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

Company

(£ millions)

Financial assets

	Loans and receivables	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	145	-	-	145	145
Other financial assets - current	9	-	-	9	9
Other financial assets - non-current	-	-	1	1	1
Total financial assets	154	-	1	155	155

Financial liabilities

	Other financial liabilities	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Other payables	7	5	-	12	12
Long-term borrowings	844	-	-	844	850
Other financial liabilities	-	8	-	8	8
Total financial liabilities	851	13	-	864	870

33 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2017

Group

(£ millions)

Financial assets

	Loans and receivables	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	3,065	-	-	3,065	3,065
Short-term deposits	2,612	-	-	2,612	2,612
Trade receivables	1,338	-	-	1,338	1,338
Other financial assets - current	72	133	41	246	246
Other financial assets - non-current	18	205	114	337	337
Total financial assets	**7,105**	**338**	**155**	**7,598**	**7,598**

Financial liabilities

	Other financial liabilities	Derivatives and financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Accounts payable	6,645	-	-	6,645	6,645
Short-term borrowings	239	-	-	239	239
Long-term debts	3,342	963	-	4,305	4,412
Other financial liabilities - current	384	1,517	244	2,145	2,145
Other financial liabilities - non-current	8	1,379	12	1,399	1,399
Total financial liabilities	**10,618**	**3,859**	**256**	**14,733**	**14,840**

33 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2017

Company

Financial assets (£ millions)

	Loans and receivables	Derivatives in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	98	-	-	98	98
Other financial assets - current	21	-	-	21	21
Loan to subsidiaries - current	8	-	-	8	8
Other financial assets - non-current	-	64	-	64	64
Total financial assets	**127**	**64**	**-**	**191**	**191**

Financial liabilities

	Other financial liabilities	Derivatives in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Other payables	6	-	-	6	6
Long-term debts	908	-	-	908	803
Total financial liabilities	**914**	**-**	**-**	**914**	**809**

33 Financial instruments (cont'd)

Offsetting

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

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

The following table discloses the amounts that have been offset in arriving at the presentation on the statement of financial position and the amounts that are available for offset only under certain conditions as at 31 March 2018

Group **(£ millions)**

	Gross amount recognised	Gross amount of recognised set off in the statement of financial position	Net amount presented in the statement of financial position	Gross amount not offset in the statement of financial position	Net amount after offsetting
Financial assets					
Derivative financial assets	**551**	**-**	**551**	**(531)**	**20**
Cash and cash equivalents	**3,039**	**(180)**	**2,859**	**-**	**2,859**
	3,590	**(180)**	**3,410**	**(531)**	**2,879**
Financial liabilities					
Derivative financial liabilities	**939**	**-**	**939**	**(531)**	**408**
Short-term borrowings	**905**	**(180)**	**725**	**-**	**725**
	1,844	**(180)**	**1,664**	**(531)**	**1,133**

The following table discloses the amounts that have been offset in arriving at the presentation on the statement of financial position and the amounts that are available for offset only under certain conditions as at 31 March 2017

Group

	Gross amount recognised	Gross amount of recognised set off in the statement of financial position	Net amount presented in the statement of financial position	Gross amount not offset in the statement of financial position	Net amount after offsetting
Financial assets					
Derivative financial assets	493	-	493	(419)	74
Cash and cash equivalents	3,096	(31)	3,065	-	3,065
	3,589	(31)	3,558	(419)	3,139
Financial liabilities					
Derivative financial liabilities	3,152	-	3,152	(419)	2,733
Short-term borrowings	270	(31)	239	-	239
	3,422	(31)	3,391	(419)	2,972

33 Financial instruments (cont'd)

Fair value hierarchy

Financial instruments held at fair value are required to be measured by reference to the various levels as discussed in Note 2.

The financial instruments that are measured subsequent to initial recognition at fair value are classified as Level 2 fair value measurements, as defined by *FRS 113* , being those derived from inputs other than quoted prices that are observable. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Fair value of forward derivative financial assets and liabilities are estimated by discounting expected future contractual cash flows using prevailing market interest rate curves from Reuters. Commodity swap contracts are similarly fair valued by discounting expected future contractual cash flows. Option contracts on foreign currency are entered into on a zero cost collar basis and fair value estimates are calculated from standard Black-Scholes options pricing methodology, using prevailing market interest rates and volatilities. The estimate of fair values for cross currency swaps is calculated using discounted estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates (‘LIBOR’).

Additionally, a Credit Valuation Adjustment (CVA) / Debit Value Adjustment (DVA) is taken on derivative financial assets and liabilities respectively and is calculated by discounting the fair value gain or loss on the financial derivative using credit default swap (CDS) prices quoted for the counterparty or JLR respectively. CDS prices are obtained from Reuters.

The long term unsecured listed bonds are held at amortised cost. The fair value for disclosure purpose is determined using Level 1 valuation techniques, based on the closing price as at 31 March 2018 on an active market.

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

Other investments which are not equity accounted for are recognised at fair value unless there is no active quoted market. The fair values have been determined using level 3 valuation techniques and the closing valuation as at 31 March 2018 is £28 million (2017: £1 million). The fair value gain recognised in the consolidated income statement for the year ended 31 March 2018 is £2 million (2017: £nil)

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Group and the Company could have realised in a sales transaction as of respective dates. The estimated fair value amounts as at 31 March 2018 and 31 March 2017 have been measured as at the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

33 Financial instruments (cont'd)

(B) Financial Risk Management

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

(C) Cash Flow hedging

The Group uses foreign currency contracts & foreign currency denominated borrowings as hedging instruments to hedge its risk associated with foreign currency fluctuations relating to highly probable forecast transactions. In addition, the Group uses cross currency interest rate swaps to hedge its foreign currency risk associated with recognised long-term borrowings. The fair value of such contracts designated in a hedge relationship as at 31 March 2018 was a net liability of £384 million (2017: £2,558 million).

Cash flow hedges are expected to be recognised in profit or loss during the years ending 31 March 2019 to 31 March 2028

The Group uses foreign currency options as the hedging instrument in cash flow hedge relationships. The time value of options is excluded from the hedge relationship and thus the change in time value is recognised immediately in the statement of profit or loss.

There is no significant ineffectiveness from cash flow hedges.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective cash flow hedge, are recognised in the consolidated statement of comprehensive income, and the ineffective portion of the fair value change is recognised in the statement of profit or loss.

The following amounts have been recognised in the years ended 31 March 2018, 2017.

	Year ended 31 March 2018	Year ended 31 March 2017
Fair value gain/(loss) in derivative contracts recognised in other comprehensive income	1,078	(2,887)
Foreign exchange gain/(loss) on foreign currency borrowings recognised in other comprehensive income	145	(150)
Loss reclassified to the profit or loss	1,200	1,271
Net gain/(loss) reported in other comprehensive income for cash flow hedges	**2,423**	**(1,766)**
Gain/(loss) released from the hedge reserve to 'Foreign exchange gain/(loss) and fair value adjustments' in the profit or loss relating to forecast transactions that are no longer expected to occur	7	(40)
Gain/(loss) on derivatives not hedge accounted, recognised in 'Foreign exchange gain/(loss) and fair value adjustments' in the profit or loss	12	(18)

(D) Fair Value Hedges

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

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

The following amounts have been recognised in the years ended 31 March 2018 and 2017.

	Year ended 31 March 2018	Year ended 31 March 2017
Net change in the hedged item used for assessing hedge effectiveness, recognised in the income statement in 'Foreign exchange gain and fair value adjustments' in respect of the debt designated as the hedged item	34	-
Fair value changes in the derivative instruments taken to the consolidated income statement in 'Foreign exchange gain/(loss) and fair value adjustments'	(27)	-
Ineffectiveness recognised in the consolidated profit or loss in 'Foreign exchange loss and fair value adjustments'	**7**	-

33 Financial instruments (cont'd)

(E) Foreign Currency Exchange Rate Risk

The fluctuation in foreign currency exchange rates may have potential impact on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement and the consolidated statement of changes in equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the respective consolidated entities.

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

The Group uses derivative instruments primarily to hedge foreign exchange exposure. Any weakening of the functional currency may impact the Group's cost of imports and cost of borrowings.

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

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

					(£ millions)
	US Dollar	**Chinese Yuan**	**Euro**	**Others ***	**Total**
Financial assets	**1,381**	**540**	**1,379**	**481**	**3,781**
Financial liabilities	**(3,287)**	**(588)**	**(3,357)**	**(421)**	**(7,653)**
Net exposure (liabilities)/assets	**(1,906)**	**(48)**	**(1,978)**	**60**	**(3,872)**

10% appreciation/depreciation of the respective foreign currencies with respect to functional currency of the Company would result in increase/decrease in the Group's profit before income tax by approximately £378 million for financial assets and decrease/increase in the Group's profit before income tax by approximately £765 million for financial liabilites for the year period ended 31 March 2018.

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

33 Financial instruments (cont'd)

(E) Foreign Currency Exchange Rate Risk

The following table sets forth information relating to foreign currency exposure as at 31 March 2017:

					(£ millions)
	US Dollar	Chinese Yuan	Euro	Others *	Total
Financial assets	1,228	490	1,142	454	3,314
Financial liabilities	(3,823)	(415)	(2,611)	(357)	(7,206)
Net exposure (liabilities)/assets	(2,595)	75	(1,469)	97	(3,892)

10% appreciation/depreciation of the respective foreign currencies with respect to functional currency of the Company would result in increase/decrease in the Group’s profit before income tax by approximately £331 million for financial assets and decrease/increase in Group's profit before income tax by approximately £721 million for financial liabilites for the year ended 31 March 2017.

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

(F) Commodity Price Risk

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

The total fair value gain on commodity derivatives of £28 million (2017: loss of £106 million) has been recognised in other income in the consolidated statement of profit or loss.

A 10% depreciation/appreciation of all commodity prices underlying such contracts would have resulted in a loss/gain of £50 million (2017: gain/loss of £57 million).

(G) Interest Rate Risk

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

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

The Group uses cross currency interest rate swaps to convert some of its issued debt from foreign denominated fixed rate debt to GBP floating rate debt. The derivative instruments and the foreign currency fixed rate debt are designated in fair value and cash flow hedging relationships. As at 31 March 2018, the carrying amount of these derivative instruments was a liability of £29 million (2017: £nil).

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

As at 31 March 2018, short-term borrowings of £155 million (2017: £179 million) were subject to the variable interest rate. An increase/decrease of 100 basis points in interest rates at the reporting date would result in an impact of £2 million (2017: £2 million) in the consolidated income statement and £nil (2017: £nil) in equity.

33 Financial instruments (cont'd)

(H) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy on liquidity risk is to maintain sufficient liquidity in the form of cash and undrawn borrowing facilities to meet the Group's operating requirements with an appropriate level of headroom.

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

(£ millions)

Group
As at 31 March 2018

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	**4,673**	**5,316**	**884**	**3,198**	**1,234**
Finance lease obligations	**19**	**32**	**6**	**15**	**11**
Other financial liabilities	**493**	**493**	**493**	**-**	**-**
Accounts payable	**7,740**	**7,740**	**7,740**	**-**	**-**
Derivative financial instruments	**939**	**1,220**	**753**	**454**	**13**
Total contractual maturities	**13,864**	**14,801**	**9,876**	**3,667**	**1,258**

Group
As at 31 March 2017

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	4,577	5,279	406	3,215	1,658
Finance lease obligations	7	11	2	4	5
Other financial liabilities	352	352	352	-	-
Accounts payable	6,645	6,645	6,645	-	-
Derivative financial instruments	3,152	4,078	1,956	2,113	9
Total contractual maturities	14,733	16,365	9,361	5,332	1,672

33 Financial instruments (cont'd)

(H) Liquidity Risk

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

(£ millions)

Company
As at 31 March 2018

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	**856**	**937**	**23**	**688**	**226**
Derivative financial liabilities	**13**	**13**	**5**	**8**	**-**
Total contractual maturities	**869**	**950**	**28**	**696**	**226**

Company
As at 31 March 2017

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	914	1,057	33	780	244
Total contractual maturities	914	1,057	33	780	244

33 Financial instruments (cont'd)

(I) Credit Risk

The majority of the Group's credit risk pertains to the risk of financial loss arising from counterparty default on cash investment.

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

To a lesser extent the Group has an exposure to counterparties on trade receivables. The Group will seek to mitigate credit risk on sales to third parties through the use of payment at the point of delivery, credit insurance and letters of credit from banks that meet internal rating criteria.

None of the financial instruments of the Group result in material concentrations of credit risks.

Exposure to credit risk

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

Financial assets

None of the Group's cash and cash equivalents, including time deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2018 or 31 March 2017 that defaults in payment obligations will occur.

Trade receivables ageing profile: **(£ millions)**

	31-Mar-2018			31-Mar-2017		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not yet due	**1,447**	**(2)**	**1,445**	1,247	(9)	1,238
Overdue < 3 months	**215**	**-**	**215**	93	(2)	91
Overdue >3<6 months	**6**	**(2)**	**4**	3	(1)	2
Overdue > 6 months	**63**	**(61)**	**2**	67	(60)	7
Total	**1,731**	**(65)**	**1,666**	1,410	(72)	1,338

Included within trade receivables is £155 million (2017: £179 million) of receivables which are part of a debt factoring arrangement. These assets do not qualify for derecognition due to the recourse arrangements in place. The related liability of £155 million (2017: £179 million) is in short-term borrowings (Note 14). Both asset and associated liability are stated at amortised cost.

34 Capital management

The Group's objectives when managing capital are to ensure the going concern operation of its entities and to maintain an efficient capital structure to support ongoing and future operations of the group and to meet shareholders' expectations.

The Group's policy is to borrow primarily through capital market debt issues to meet anticipated funding requirements and maintain sufficient liquidity. The Group also maintains certain undrawn committed credit facilities to provide additional liquidity. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries as required. Surplus cash in subsidiaries is pooled (where practicable) and invested to satisfy security, liquidity and yield requirements.

The capital structure is governed according to Group policies approved by the Board and is regularly monitored to ensure sufficient liquidity is maintained. Funding requirements are reviewed periodically with any debt issuances and capital distributions approved by the Board.

The following table summarises the capital of the Group:

	(£ millions)	
	As at	
	31-Mar-2018	31-Mar-2017
Short-term borrowings	**725**	239
Long-term debts	**3,905**	4,305
Finance lease obligation	**19**	7
Total debts	**4,649**	4,551
Equity	**9,558**	6,145
Total capital	**14,207**	10,696

(£ millions)

35 Leases

Group as lessee

The future minimum non-cancellable finance lease rentals are payable as follows:

	As at	
	31-Mar-2018	31-Mar-2017
Less than one year	**6**	2
Between one and five years	**15**	4
More than five years	**11**	5
Total lease payments	**32**	11
Less future finance charges	**(13)**	(4)
Present value of lease obligation	**19**	7

The above leases relate to amounts payable under the minimum lease payments on plant and equipment. The carrying value of these assets as at 31 March 2018 was £21 milliion (2017: £7 million). The Group leased certain of its manufacturing euipment under finance leases that mature between 2018 and 2030. The Group will take ownership of all assets held under finance lease at the end of the lease term.

The future minimum non-cancellable operating lease rentals are payable as follows:

	As at	
	31-Mar-2018	31-Mar-2017
Less than one year	**91**	75
Between one and five years	**224**	209
More than five years	**238**	164
Total lease payments	**553**	448

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

Group as lessor

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

	As at	
	31-Mar-2018	31-Mar-2017
Less than one year	**5**	-
Between one and five years	**2**	1
More than five years	**9**	10
Total lease receipts	**16**	11

(£ millions)

36 Segment reporting

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

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

The geographic spread of sales and non-current assets is as disclosed below:

	UK	US	China	Rest of Europe	Rest of World	Total
31-Mar-2018						
Revenue	**5,096**	**4,974**	**5,554**	**5,318**	**5,440**	**26,382**
Non-current assets	**13,146**	**32**	**18**	**819**	**314**	**14,329**
31-Mar-2017						
Revenue	5,557	4,638	4,684	5,273	4,864	25,016
Non-current assets	11,714	10	11	158	326	12,219

In the table above, non-current assets comprise of property, plant and equipment and intangible assets.