

Financial Statements for the Year Ended 31 December 2014

Jaguar Land Rover Italia

Indian Rupees

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31 dicembre 2014

Jaguar Land Rover Italia S.p.A.

Registered office in Rome, Viale Alessandro Marchetti, 105

Company capital **INR 1,920,400,000** entirely paid in

Tax code, VAT no and registration no. with Company Register 06070621002

MANAGEMENT REPORT TO THE FINANCIAL STATEMENTS AT

31 December 2014

Dear Sirs,

The Financial Statements at 31 December 2014 show a profit of INR 343,318,665 after having applied depreciations and write downs for an amount of INR 138,605,100 and provisions for current and deferred tax for INR 179,491,646.

In 2014, the automobile market recorded 1.4m car registrations, with an increase of approximately 4.5% compared to 2013. This is a positive signal that comes after several years of market decline.

The SUV market, with about 90,000 vehicles registered, recorded an increase of 11.5% compared to the previous year, whereas the traditional 4x4 market, in which the brand Land Rover currently competes, has remained basically stable with respect to 2013.

In these market conditions, the brand Land Rover has totalled a result of 14,936 cars registered, with an increase of 8.3% compared to the previous year. This result represents a market share for SUV of 19.6% compared to the 20.5% share in 2013.

Land Rover has definitely strengthened its success in the SUV sub-sector, with 3.441 Range Rover Sport cars registered during the twelve months of 2014.

In the Large Premium SUV sub-sector, the Range Rover model has reached high performance, confirming the registration of 570 cars in 2014 (slightly less than the 640 cars registered in 2013).

The Range Rover Evoque model has confirmed its solid position on the market with 7,843 registrations and a 12.6% market share, slightly less than the previous years (-1.5%). The result is especially true when you consider that this model is currently in its seventh year of the product' life cycle.

The Freelander model is no longer part of the product portfolio of the Company, since the last 1,640 cars were sold, and Defender recorded of a 42% increase in registrations, a significant increase with respect to the previous years, since the announcement of its exit from the product portfolio makes this model very appealing and collectible.

The Jaguar brand has totalled a result of 1.037 cars registered, hence holding steady compared to the previous year.

Unlike Land Rover, the Jaguar brand competes on a market defined by business sub-sectors that have recorded some decrease in demand with respect to the previous year. The total premium market recorded 28,882 registrations in 2014, with a decrease of 1.4% compared to 2013.

The Sport Premium segment, market of reference of the model XK, decreased by 32% as compared to

the previous year registrations. In 2014 the XK model was removed from the Company's product portfolio.

Registrations in the luxury midsize sedans, market of reference of the XF model which includes 4 wheel drive and coupé vehicles, has increased by 8%, compared to the registrations previous year. XF model has increased its market share up to 10% in 2014 and has clearly become the leading model in its sub-sector. This sub-sector has also grown thanks to the impetus given by the launch of the new Maserati Ghibli, for which registrations in the 2014 calendar year amounted to 1,042, thus confirming the potential of the sub-sector and the importance of product innovation. All these features bode well for the future of XF and its new complementary version that is to be completely renovated right in autumn 2015.

The Jaguar F-Type, both in convertible and coupé versions, confirms its post-launch 184 registrations and 9.7% share. The good news is that F-Type has registered the same number of cars as Porsche Boxster – its direct rival – and 60 cars more than Porsche Cayman. The sub-sector remains basically dominated by Porsche 911.

In 2014 Jaguar Land Rover Italia sold 16,095 cars, of which 15,098 were Land Rover, with an increase of 1,235 units, equal to 8.9% more compared to 2013 and 997 Jaguar cars, with a decrease of 82 units, equal to 7.6% compared to 2013.

With regard to the main items in the Profit and Loss Statements, we provide below the 2014 accounting records of the Company.

With regards to revenues deriving from sales and rendering of services, totalling INR 52,456 million, in 2014 these have reached the following volumes:

- the sale of vehicles amounted to INR 48,164 million, of which INR 45,168 million referred to the Land Rover brand and INR 2,996 million to the Jaguar brand;
- the sale of Land Rover spare parts and accessories amounted to INR 3,304 million, whereas those of the Jaguar brand amounted to INR 539 million.

This translates into an overall increase of revenues of approximately 19% compared to the previous year (INR 48,417 million), basically due to the increase in the sale of Land Rover cars.

The cost of goods sold is in line with the increase in the revenues.

The costs for services increased of 5% compared to the previous year, mainly as an effect of the increase of marketing costs.

The labour cost increased of 11% compared to 2013, mainly as an effect of the hiring of new staff.

Please see the detailed comments of the Notes to the accounts for information on the depreciation and write downs.

With regards to the financial structure, we would like to point out that the company makes use of factoring as the financial instrument to collect credits deriving from the sale of cars and spare parts and accessories made through the network of salesrooms. This relationship, with *pro-soluto* method, is mainly with FCA Bank and residually with other financial companies. Hence, the company is exposed to the financial and credit risk only for the quota of the credits arising from the direct sales to the Italian State and to leading car leasing companies. For a detailed description of the policies of financial risk management, please see the content of the Notes to the accounts. With regards to commercial transactions, there are no particular foreign exchange risks since they take place exclusively in euros.

The net financial position shows a negative balance of INR 184 million.

In detail, the financial income is in line with the previous year, whereas costs have decreased as an effect of the reduction of interest rates.

The Company, due to its exclusively commercial nature, has not needed nor needs to develop particular research and development activities that are in any case performed within the group.

With regards to the relations between the direct Controlling Company Jaguar Land Rover Limited and the other companies of the Group, in reminding you that since June 2008 our Company is part of the TATA group, we point out that during 2014 the Company has undertaken financial and commercial relations with several companies of the Group.

In particular, in 2014 the costs for purchases of cars from Jaguar Land Rover Limited amounted to approximately INR 43,785 million.

The purchases of spare parts from Jaguar Land Rover Limited and from other companies of the Group (Land Rover Espana SA, Jaguar Land Rover France SA and Jaguar Land Rover Deutschland GmbH) amounted to INR 3,534 million.

With regards to the financial relationships, we mention the 'Deposit Agreement' with Jaguar Land Rover Limited, explained in detail in the Notes, that in 2014 generated financial proceeds of approximately INR 5,530,752.

With regards to the commercial exchanges during the year, cars and spare parts of Jaguar and Land Rover were mainly purchased from Jaguar Land Rover Limited, thus limiting the exposure of the company to price risks.

The Company runs its business on the basis of a distribution agreement with Jaguar Land Rover Limited.

Considering that these distribution agreements mean a reduced business risk for Jaguar Land Rover Italia S.p.A., the transfer prices for goods are calculated in way that the distributor is due a margin proportional to the revenues from sales (the so called Transactional Net Margin Method – TNMM). The margin due for the year was calculated on the basis of a specific comparability analysis for functions that were similar between independent counterparts as part of their group.

In compliance with the provision of paragraph 2, art. 2468 of the Italian Civil Code, we provide to you in the attachments (1, 2 and 3) the main economic/financial indicators for the year 2014 and the

information required by law.

During the first months of 2015 encouraging signs came from new registrations that confirm the 2014 trend. According to the estimates, the automobile market has confirmed the growth rates of 2014.

With regard to Jaguar Land Rover, 2015 will be a year of crucial importance.

Numerous new models of the Jaguar and Land Rover brands will be launched in the market to increase the Company's competitiveness and presence on the market.

Innovation will be particularly explosive with the launch of the Jaguar XE model in June 2015, aimed at re-launching the Jaguar brand through an innovative and premium model.

In March 2015 Land Rover launched the Discovery Sport, which has already achieved remarkable market success.

As already reported in the 2013 Financial statements, the Regional Management Center for Lazio – Office of Large Taxpayers – served the Company with a tax assessment for the year 2009 in which it contested issues related to IRES and IRAP.

With reference to the ongoing litigation relating to transfer pricing, in May 2014 the Company applied to the competent Italian authorities to initiate an opening of Mutual Agreement Procedures under Art. 6 (1) of the Arbitration Convention (Convention No. 90/436/EEC of 23 July 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises, implemented by Law no. 99 of 22 March 1993) and the under Mutual Agreement Procedure of Art. 26 of the Double Taxation Treaty between Italy and Great Britain.

In October 2014 The Ministry of Economy and Finance informed the Company that the Mutual Agreement Procedures had been opened.

In December 2014 the Tax Agency informed the Company that collection had been suspended as provided for in paragraph 2 art. 3 of Law n. 99 of 22 March 1993.

It should be noted that in the Assessment Notice for the 2009 tax year, the tax authorities recognized that the transfer pricing documentation produced by the Company for the 2009 tax period was appropriate to provide the data and facts necessary for a complete and thorough analysis of the transfer prices and the Tax Agency – Regional Management Center for Lazio – ordered suspension of the enforcement of the Assessment Notice. Considering that the reasons for the assessment are completely unfounded no liabilities are expected to arise for the Company from this assessment.

We also point out that personal data are handled in compliance with the "Code on protection of personal data" (Law Decree No. 196/2003).

Sirs,

We invite you to approve the Financial statements submitted to you and we propose to assign the current profit to legal reserve for an amount of 5% and to carry forward the remaining quota.

31 dicembre 2014

for the Board of Directors

The Managing Director

Jaguar Land Rover Italia

BALANCE SHEET			
ASSETS	Amounts in INR	LIABILITIES	Amounts in INR
FIXED ASSETS	668.203.795	EQUITY	3.832.483.746
Intangible assets	644.880.383	Share Capital	1.920.400.000
Tangible assets	23.313.426	Reserves	1.912.083.746
Financial assets	9.986		-
		NON CURRENT LIABILITIES	-
CURRENT ASSETS	10.558.008.074		-
Working Capital	5.237.342.764		-
Deferred liquidity	4.292.183.875	CURRENT LIABILITIES	7.393.728.122
Current liquidity	1.028.481.435		-
			-
TOTAL ASSETS	11.226.211.869	TOTAL LIABILITIES	11.226.211.869

Jaguar Land Rover Italia

BALANCE SHEET			
ASSETS	Amounts in INR	LIABILITIES	Amounts in INR
OPERATING ASSETS	11.226.201.883	LIABILITIES	3.832.483.746
NON OPERATING ASSETS	9.986	FINANCING LIABILITIES	-
		OPERATING LIABILITIES	7.393.728.122
TOTAL ASSETS	11.226.211.869	OPERATING LIABILITIES	11.226.211.869

Jaguar Land Rover Italia

P&L		Amounts in INR
Revenues for sales		52.007.673.097
Internal production		0
VALUE OF PRODUCTION		52.007.673.097
External operating costs		50.872.427.639
Added Value		1.135.245.459
Staff costs		601.700.112
GROSS OPERATING MARGIN		533.545.347
Amortisation and accruals		138.605.100
OPERATING RESULT		394.940.246
Miscellaneous Running Costs		314.841.284
Financial Result (Net of Financial Charges)		6.574.144
NORMAL EBIT		716.355.674
Extraordinary Items		-2.973.163
INTEGRAL EBIT		713.382.510
Financial Charges		190.572.200
RESULT BEFORE TAX		522.810.311
Income Taxes		179.491.646
NET RESULT		343.318.665

Jaguar Land Rover Italia

INDICATORS FOR THE FINANCING OF FIXED ASSETS			
		31/12/2014	31/12/2013
Fixed asset to equity capital margin	Equity-Fixed Assets	3.164.279.952	3.035.525.534
Fixed asset to equity capital ratio	Equity/Fixed Assets	5,74	4,67
Fixed asset to equity capital and medium-long term debt	(Equity + Long term liabilities) - Fixed assets	3.164.279.952	3.035.525.534
Fixed asset to equity capital and medium-long term debt ratio	(Equity + Long term liabilities)/ Fixed assets	5,74	4,67

FINANCIAL LIABILITIES INDICATORS			
		31/12/2014	31/12/2013
Ratio of total leverage	(Current+non current liabilities) / Equity	2,93	2,01
Ratio of financial leverage	Financing liabilities /Equity	0,00000	0,00

PROFITABILITY INDICATORS			
		31/12/2014	31/12/2013
Net ROE	Net Result/Average equity	8,96%	3,87%
Gross ROE	Result before taxes/Average equity	13,64%	9,19%
ROI	Operative result/(Average operating invested capital - Average operating liabilities)	10,31%	11,52%
ROS	Operating Result/ Revenues from sales	0,76%	0,92%

SOLVENCY INDICATORS			
		31/12/2014	31/12/2013
Net current assets ratio	Current Assets- Current liabilities	3.164.279.952	3.035.525.534
Current assets ratio	Current Assets /Current liabilities	1,43	1,39
Liquidity Margin	(Current+deferred liquidity) - current liabilities	-2.073.062.813	-2.635.668.779
Liquidity Ratio	(Current+deferred liquidity) / current liabilities	0,72	0,66

Audit report
in accordance with art. 14 of Legislative Decree No. 39/2010

Jaguar Land Rover Italia S.p.A. - Sole Shareholder
Financial Statements as at 31 December 2014

To the Shareholder of Jaguar Land Rover Italia S.p.A.

1. I have carried out, in accordance with art. 11 of Legislative Decree No. 39/2010, the legal accounting control on the Financial Statements for the year ended at 31 December 2014, composed of Balance Sheet, Profit and loss Statement and Notes to the accounts drawn up by the Company Directors as per art.s 2423 and following of the Civil Code. As far as I am aware, the Company Directors, in drawing up the Financial Statements, have not derogated any provisions of the law as per the fourth paragraph of art. 2423 of the Civil Code. Said yearly Financial Statements show a net equity of INR 3,832,483,746 and a current profit of INR 343,318,665. The responsibility for the drawing up of the Financial Statements in compliance with the provisions of the Civil Code together, where necessary, with the accounting principles laid down by the Italian Accounting Board (OIC) lies with the Directors of the Company. It is my responsibility to give a professional opinion on the Financial Statements and based on a legal audit.
2. The legal audit has been carried out in accordance with art. 11, paragraph 3 of Legislative Decree No. 39/2010, according to the accepted auditing principles recommended by the National Councils of *Dottori Commercialisti* and Accounting Experts. In compliance with said principles, the audit was planned and performed in order to obtain every fact necessary to ascertain if the yearly Financial Statements were vitiated with significant errors and if they appear reliable in their entirety. The audit process includes the examination, based on sampling, of the supporting elements of the balance values and on the information contained in the Financial Statements, and also the valuation of the adequacy and correctness of the

accounting criteria used and the reasonable nature of the estimates made by the Company Directors. I believe that the work performed provides a reasonable base to be able to give my professional opinion.

The Financial Statements show the corresponding values for the previous year, for the purposes of comparison, which were already subjected to my audit and, therefore, I refer you to my report of 11 April 2014.

3. In my opinion, the yearly Financial Statements of Jaguar Land Rover Italia S.p.A. at 31 December 2014, which show a net equity of INR 3,832,483,746 and a current profit of INR 343,318,665, are compliant with the provisions of the Civil Code and with the accounting principles of the OIC; they have therefore been drawn up clearly and represent in a truthful and correct way the asset and financial situation and the business result of Jaguar Land Rover Italia S.p.A. for the year ended at 31 December 2014.
4. The responsibility of drawing up the Financial Statements in compliance with the provisions of the law lies with the Directors of the Company. It is my task to give an opinion on the coherence of the Management Report accompanying the Financial Statements, as required by art. 14, paragraph 2, point a) of Legislative Decree No. 36/2010. For this purpose, I have carried out the procedures indicated in audit principle no. 001 issued by the National Councils of *Dottori Commercialisti* and Accounting Experts. In my opinion, the management report is coherent with the Financial Statements of Jaguar Land Rover Italia S.p.A. at 31 December 2014.

Rome, 14 April 2015

Gabriele Perrotti
Dottore Commercialista - Revisore Legale

Financial Statements 31.12.14

BALANCE SHEET AT 31 DECEMBER 2014

ASSETS:	31/12/2014		31/12/2013	
	INR	INR	INR	INR
(B) FIXED ASSETS				
I - Intangible assets:				
(5) Goodwill	632.519.152		800.158.205	
(7) Other intangible assets	451.678		1.469.029	
Total.		632.970.830		801.627.233
II - Tangible assets:				
(2) Plant and machinery	81.271		109.941	
(3) Industrial and commercial equipment	15.098.262		19.903.694	
(4) Other tangible assets	8.133.893		5.006.874	
Total		23.313.426		25.020.509
III - Financial assets:				
(1) shareholdings in:				
d) other companies	9.986		425	
Total.		9.986		425
Total fixed assets (B)		656.294.242		826.648.168
(C) CURRENT ASSETS:				
I - Stock:				
(4) Finished products and goods	4.921.073.010		5.663.542.898	
Total		4.921.073.010		5.663.542.898
II - Accounts receivable:				
(1) from clients - falling due by end of next year	375.116.571		290.040.116	
(2) from controlling companies	3.725.179.169		3.768.011.994	
(4) - bis) tax credits	186.432.970		20.711.800	
(4) - ter) advance tax - falling due by end of next year	316.269.754		406.233.854	
(5) other receivables - falling due by end of next year	11.909.553		13.552.103	
Total.		4.614.908.017		4.498.549.867
IV - Liquid assets:				
(1) Bank and postal deposits	1.028.481.435		624.316.134	
(3) Cash and cash equivalents	-		18.791	
Total.		1.028.481.435		624.334.926
Total current assets C)		10.564.462.462		10.786.427.691
(D) PREPAYMENTS AND ACCRUED INCOME		5.455.165		7.651.415
TOTAL ASSETS		11.226.211.869		11.620.727.274

JAGUAR LAND ROVER ITALIA S.p.A.
Registered office in Rome - Viale Alessandro Marchetti, 105
Company capital 1.920.400.000 INR entirely paid in
R.E.A. no. 944215 - Sole shareholder.
Tax code, VAT no. and registration no. with Company Register 06070621005

Financial Statements 31.12.14

BALANCE SHEET AT 31 DECEMBER 2014

LIABILITIES:	31/12/2014		31/12/2013	
	INR	INR	INR	INR
(A) NET EQUITY:				
I - Share capital		1.920.400.000		2.125.700.000
IV - Legal reserve		54.857.301		53.248.785
VII - Other Reserves - Share Swap Reserve		161.539.055		178.808.357
VIII - Retained earnings (loss) carry forwards		1.352.368.725		1.354.955.191
IX - Profit (loss) for the year		343.318.665		149.461.368
Total		3.832.483.746		3.862.173.702
(B) PROVISIONS FOR LIABILITIES AND CHARGES :				
(3) other provisions	840.634.667		1.200.707.427	
Total		840.634.667		1.200.707.427
(C) EMPLOYEES' LEAVING INDEMNITY		176.783.728		185.342.844
(D) ACCOUNTS PAYABLE:				
(6) Advances	6.145.280		850.280	
(7) Accounts payable to suppliers	1.181.682.497		1.164.037.571	
(11) Accounts payable to controlling companies	4.968.237.804		4.448.419.399	
(12) Taxes payable	104.149.975		595.897.991	
(13) Accounts payable to social security bodies	26.788.658		28.159.148	
(14) Other accounts payable	89.305.513		135.138.912	
Total.		6.376.309.728		6.372.503.301
(E) ACCRUED LIABILITIES AND DEFERRED INCOME		-		
TOTAL LIABILITIES		11.226.211.869		11.620.727.274
MEMORANDUM ACCOUNTS				
Fideiussory guarantees issued to third parties on our behalf		496.369.936		501.541.059

Financial Statements 31.12.14

PROFIT AND LOSS

	31/12/2014	31/12/2013
	EURO	EURO
(A) REVENUES:		
(1) from sales and services	52.007.673.097	48.417.254.091
(5) other revenues	447.595.079	388.777.946
Total revenues	52.455.268.177	48.806.032.037
(B) EXPENSES:		
(6) raw materials, subsidiary materials, consumables and goods	47.269.664.829	45.576.048.488
(7) services	3.372.197.281	3.556.748.449
(8) rent/lease of third party assets	35.080.331	46.512.612
(9) staff:		
(a) salaries and wages	428.794.594	422.600.809
(b) social security contributions	131.816.333	130.917.186
(c) employees' leaving indemnity	31.848.144	31.176.366
(e) other staff costs	9.241.042	13.705.238
Total staff costs	601.700.112	598.399.600
(10) depreciation and value adjustments:		
(a) amortization of intangible assets	91.235.362	101.157.557
(b) depreciation of tangible assets	5.425.821	5.909.871
(d) Depreciation of receivables indicated in current assests and of liquid assets	41.943.917	7.601.928
Total depreciation and value adjustments	138.605.100	114.669.356
(11) changes in raw materials, subsidiary materials, consumables and goods	195.485.198	(1.919.921.526)
(14) miscellaneous running costs	132.753.795	181.752.792
Total expenses (B)	51.745.486.647	48.154.209.770
Difference between revenues and expenses (A-B)	709.781.530	651.822.267
(C) FINANCIAL INCOME AND COSTS:		
(16) other financial income:		
(d) other income, other than above	7.323.484	7.534.246
(17) interest and other financial costs	(190.572.200)	(296.172.506)
(17-bis) gains and losses on exchange rates	(749.340)	1.265.557
Total (16-17)	(183.998.056)	(287.372.703)
(E) EXTRAORDINARY INCOME AND COSTS:		
(20) Income :		
Other extraordinary income	91.718	4.460.399
(21) Costs:		
Tax relating to previous years	(3.064.882)	(14.018.226)
Total extraordinary items (20-21)	(2.973.163)	(9.557.827)
RESULT BEFORE TAX (A-B+/-C+/-D+/-E);	522.810.311	354.891.737
(22) Tax on current year income, current, deferred and advance tax:		
(a) current tax	(128.761.591)	(323.678.553)
(b) advance (deferred) tax	(50.730.055)	118.248.185
Total income tax	(179.491.646)	(205.430.369)
(23) Profit (loss) for the year	343.318.665	149.461.368

Jaguar Land Rover Italia S.p.A.

Financial Statements at 31 December 2014 – Notes to the accounts

Jaguar Land Rover Italia S.p.A. – Sole Shareholder

Registered office in Rome, Viale Alessandro Marchetti, 105

Company capital INR 1,920,400,000 entirely paid in

Tax code, VAT no. and registration no. with the Company Register 06070621005

Financial Statements at 31.12.2014

Notes to the accounts

Layout and content of the Financial Statements

These Financial Statements composed of the Balance Sheet, Profit and Loss Statement and Notes to the accounts are compliant with the specific provisions of the Italian Civil code and the rules of the EC directives of reference.

The Financial Statements have been drawn up in compliance with the provisions of art.s 2423 and following of the Civil code as modified by the reform on corporate law as per Legislative Decree No. 6/2003. The formats of the Balance Sheet and Profit and Loss Statement used are those indicated in articles 2424 and 2425 of the Civil Code.

For each item of the Balance Sheet and Profit and Loss Statement we have also reported alongside the data of the previous fiscal year. Where needed, the items of the previous year have been adjusted and made comparable and, in that case, or where it could not be adjusted, reference was made to such fact during the comment to the single item.

For a better presentation, beginning with the last fiscal year, the items “II 6 Receivables from other companies in the Group” and “Accounts payable to other companies in the group” were inserted in the Balance Sheet.

The items of the Balance Sheet or of the Profit and Loss Statement that do not have any value have not been shown. The elimination of such items does not lead in any case to an alteration in the numbering compared to the one provided by the format for the Balance Sheet and Profit and Loss Statement cited above. The information given in the comments to the items of the Balance Sheet and Profit and Loss Statement is shown in Euros.

Main valuation criteria

The accounting principles and valuation criteria used in drawing up the 2014 Financial Statements are the same as those used for the previous years. These criteria are in line with what is provided by art. 2426 currently in force, also considering, where necessary, the accounting principles drawn up by the Italian Accounting Board (O.I.C. - Organismo Italiano di Contabilità) and where there are no applicable local accounting standards, considering the International Accounting Standards I.A.S and the-I.F.R.S. (International Financial Reporting Standards).

More generally, the valuation of the items of the Financial Statements has been made according to the general prudence and accrual principles and with a view to continuing the company business.

The company runs its business on the basis of a new distribution agreement with Jaguar Land Rover Limited.

Considering that this distribution agreement entails a reduced business risk for Jaguar Land Rover Italia S.p.A., the transfer prices for goods are calculated in a way that the distributor is due a margin in proportion to sales revenues (the so-called Transactional Net Margin Method - TNMM).

The margin recognized for the fiscal year is determined on the basis of a specific comparability analysis of similar functions among independent parties within the group to which they belong. We would like to point out that starting with 2012 the change in methodology adopted to calculate transfer prices was applied by the car manufacturer, Jaguar Land Rover Limited, without exception to all the companies of the Group, as already reported in 2012 Financial statements.

During 2014, no events occurred such to require the adoption of derogations as provided in art. 2423, paragraph 4 of the Civil Code.

In particular, the main valuation criteria adopted in drawing up the Financial Statements for the year are the ones set out below:

Fixed Assets

Intangible Assets

These are recorded at purchase cost and shown in the Balance Sheet net of any depreciation of previous years, of depreciation applied during the year and of any other write downs that took place after permanent losses in value of the intangible assets. Depreciation is calculated in a constant measure and in relation to the residual life of the asset.

In particular, goodwill, acquired for a consideration during 2000, is recorded in the assets for an amount that is equal to the cost incurred to acquire it, net of depreciation and write down. The depreciation of goodwill is applied in constant quotas on the basis of the residual life of the distribution agreement signed with Jaguar Land Rover Limited. The distribution agreement expires on 31 December 2021.

As already reported in previous years, in the Financial Statements at 31/12/2002, the company had made a write down of goodwill to adjust the value of the fixed asset recorded at a value deemed recoverable based on a specific appraisal drawn up by an expert in the sector.

The item “other intangible fixed assets” in the Financial Statements of the year refer to improvements of third party assets and are depreciated on the basis of the residual life of the lease agreement of the real estate property to which they refer.

Tangible Fixed Assets

These are recorded at purchase cost and adjusted by the corresponding accumulated depreciation quotas. We have not capitalized the financial costs in this year nor in previous years. The depreciation quotas recorded in the Profit and Loss Statement were calculated considering the use, destination and business/technical duration of the assets, on the basis of the rule of possible residual life. We have deemed that this rule is well represented by the following rates, reduced by half in the year the asset comes into use:

Description	
Electronic office machines	20%
Non automatic general installations	10%
Miscellaneous and small equipment	25%
Furniture and fittings - office	12%
Industrial and commercial equipment	10%

The instrumental assets of a modest value, up to INR 39,637 have been completely depreciated during the year.

Shareholdings in financial assets

The shareholdings in “other companies” are evaluated according to the rule of subscription or acquisition cost.

Accounts receivable

They are shown at their presumed realizable value. The adjustment of the nominal value of the receivables to the presumed realizable value, when necessary, is obtained with a specific write down.

Liquid assets

The liquid assets have be recorded on the bases of the relative nominal value.

Accounts payable

They are recorded at their nominal value.

Prepayments and accrued income

The item “Prepayments and accrued income records the income accrued in the year and payable in future years and the costs incurred by the end of the year but with accrual in future years. The item “Accrued liabilities and deferred income” records the costs accrued in the year and payable in future years and the income received by the end of the year with an accrual in future years. The item “Prepayments” can also include, for the purposes of clarity, the anticipated costs; the detail of these costs in provided in the analysis of the item in these Notes to the accounts.

Stock on hand

The stock is recorded at the value that is the lesser between the purchase cost and the realizable value presumed from the trend in the market at the close of the year, through any specific write downs. The method of cost adopted for evaluating closing stock is represented by the specific cost for cars and by the weighted average cost method for spare parts.

We would like to point out that the value of stock recorded in the Financial Statements does not differ appreciably from the current costs at the close of the year.

Provisions for liabilities and charges

These have been set up to cover losses or liabilities that are certain or probable, for which at the close of the year the exact amount or due date was not known.

In evaluating these provisions, the general prudence and accrual criteria have been followed and they reflect the best possible estimate on the basis of information available.

Employees' leaving indemnity

The item represents the actual amount matured for the employee's leaving indemnity in compliance with the law and the collective labour agreements in force, considering every remuneration as ongoing, and refers to all the subordinate employees of the Company.

Income tax

The various current income taxes are calculated on a prudent interpretation of the tax rules currently in force.

The advance and deferred income taxes are calculated on the basis of reasonable certainty that future taxable amounts can be offset with the temporary differences between the value attributed to an asset or liability according to civil law and the value attributed to those assets and liabilities for tax purposes. The effect that this recording has brought to the year's result is shown in a specific item in the Profit and Loss Statement.

Policies on handling financial risks

The company aims to manage and contain financial risks it is exposed to, as well as through a prudent evaluation by the company directors, also on the basis of specific risk management processes put in place in the company procedures, and also with specific centralized group functions.

The exposure of the company to financial risks is as described here below:

- Liquidity risk: it is essentially tied to the trend in current financial needs of the company to carry out its sales activities. This financial risk is covered through the preparation of financial plans that estimate the future trend of cash flows. In this regard, we highlight the relationship of the Deposit and Funding Agreement with companies in the Jaguar Land Rover group.
- Risk in changes in financial flows: this is essentially tied to the relationships in the Deposit and Funding Agreement, mentioned above, which provides interest matured at variable rates in line with those applied in the market.
- Credit risk: the exposure to solvency risks of the counterparty is essentially limited to receivable from clients such as state administration and leading car leasing companies, which represent a small percentage compared to the rest of the accounts receivable factorized by FCA Bank S.p.A. (previously FGA Capital S.p.A.) and Mediocredito Italiano S.p.A. (previously Mediofactoring S.p.A.). The specific function of credit management estimates their degree of recoverability and calculates the relative debt provision to be recorded in the accounts, which at 31 December 2014 amounted to about INR 100 million.

Conversion rules for values in foreign currency

At the time of the encashment of the accounts receivable and of the payment of the accounts payable in currencies other than the Euro, the difference realized in the exchange rate, positive or negative, is recorded in the Profit and Loss Statement.

At the time the Financial Statements are drawn up, any items in other currencies, with the exception of the fixed assets, for which no exchange rate in Euros has been agreed with the counterparty, are converted at the exchange rate in force at the end of the year. Any net profit is not distributed until it is realized.

Conversion into Indian Rupees

The financial information is expressed in the local currency of the relevant company (Euros) only in the Audited Accounts based on which the attached financial statements have been reformatted. Solely for the convenience of the reader and to meet the requirements of Section 212 of the Indian Companies Act, 1956, the amounts appearing in Indian Rupees have been translated at a fixed exchange rate **EUR 1 = Rs 76.816** and **Rs 85.028** for the years ended 31 December 2014 and 2013 respectively. These transactions should not be constructed as a representative that any or all of the amounts could be converted to Indian Rupees at this or any other rate.

Guarantees, commitments, pledges, third party assets and risks

The risks related to guarantees given, personal or real, for other parties' liabilities are indicated in the memorandum accounts for an amount of the guarantee given; the amount of the other parties' liabilities at the date of reference of the Financial Statements, if lower than the guarantee, is shown in this document.

The commitments, when they exist, are shown in the memorandum accounts at a nominal value, inferred from the relative documents.

ANALYSIS OF THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

The amounts in this Notes to the accounts are in Euro, except otherwise indicated.

Assets

Here below are the main changes and composition of the asset items.

B) Fixed assets

I. Intangible assets

Total operations of Intangible fixed assets

These amounted to Euro 632,970,830 at 31 December 2014 and to Euro 801,627,233 at 31 December 2013, with a net decrease of INR 168,656,403.

The composition and movement of intangible fixed assets is shown in the table below with reference to each single item:

Item B. I. 5. “Goodwill” recorded in the Financial Statements for an amount of INR 632,519,152 represents the value paid net of depreciation and write down.

Goodwill	Historic cost	Depreciation Write down	Net value
Balance at 31/12/2013	3.121.678.256	2.321.520.050	800.158.205
Purchases in the year			0
Current depreciation		90.359.871	-90.359.871
Sales and disposals			0
Exchange rate differences	-301.491.513	-224.212.313	-77.279.182
Balance at 31/12/2014	2.820.186.742	2.187.667.591	632.519.152

Item B. I. 7. “Other intangible fixed assets”, in an amount of INR 451,678, refers entirely to the cost incurred for improvement works in the offices currently being rented.

Other intangible fixed assets	Historic cost	Depreciation	Net value
Balance at 31/12/2013	315.015.529	313.546.500	1.469.029
Purchases in the year			0
Current depreciation		875.491	(875.491)
Sales and disposals			0
Reclassifications			0
Exchange rate differences	(30.424.183)	(30.282.323)	(141.859)
Balance at 31/12/2014	284.591.347	284.139.668	451.678

The intangible fixed assets shown above have not undergone any write downs or write ups in the current year nor in the previous years, except for the item of goodwill whose write down was made in previous years and is shown in these accounts for an amount of INR 1,700,854,034.

II. Tangible assets

These amounted to INR 23,131,426 at 31 December 2014 and to INR 25,020,509 at 31 December 2013, with a net decrease of INR 1,707,084 .

The composition and movement of tangible fixed assets is shown in the table below with reference to each single item:

General plant	Historic cost	Depreciation	Net value
Balance at 31/12/2013	11.234.293	11.124.352	109.941
Purchases in the year			
Current depreciation		18.036	(18.036)
Sales and disposals			
Reclassifications			0
Exchange rate differences	(1.084.946)	(1.074.312)	(10.634)
Balance at 31/12/2014	10.149.346	10.068.075	81.271

Industrial and commercial equipment	Historic cost	Depreciation	Net value
Balance at 31/12/2013	89.376.467	69.472.773	19.903.694
Purchases in the year			0
Current depreciation		2.883.127	(2.883.127)
Sales and disposals			0
Reclassifications			0
Exchange rate differences	(8.632.013)	(6.709.708)	(1.922.305)
Balance at 31/12/2014	80.744.454	65.646.192	15.098.262

Other tangible assets (represented by furniture, office machines and electronic calculators)	Historic cost	Depreciation	Net value
Balance at 31/12/2013	71.520.784	66.513.910	5.006.874
Purchases in the year	6.135.217		6.135.217
Current depreciation		2.524.658	(2.524.658)
Sales and disposals			0
Reclassifications			0
Exchange rate differences	(6.907.469)	(6.423.930)	(483.539)
Balance at 31/12/2014	70.748.532	62.614.638	8.133.893

The purchases for the year refer to office machines.

Assets with unit cost under INR 39,637

During the year of purchase and entry into use, the company completely depreciated instrumental assets with a unit cost under INR 39,637. These assets are nevertheless included by category in the summary tables above. The Fixed Assets above indicated have neither been revaluated nor have been impaired during the previous and this present Financial Year.

III. Financial assets**Shareholdings**

Description	Value at 31/12/2013	Increase for the year	Decrease for the year	Current write down	Exchange Rate differences	Value at 31/12/14
Other	425	9.602	0	0	41	9.986

The item B. III. 1 d. “Shareholdings in other companies”, for INR 9,986 refers to the cost incurred for the acquisition of the quota in CO.NA.I (Consorzio Nazionale Imballaggi - National Packaging Consortium).

C) Current Assets**I. Stock**

The stock amounted to a total of INR 4,921,073,010 at 31 December 2014 compared to INR 5,663,542,898 at 31 December 2013, with a net decrease of INR 742,469,889. The composition and movement of the stock on hand shown in item C. I. 4. “Finished products and goods”, is summarized here below:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
Bank and postal deposits	624.316.134	1.028.481.435	404.165.301
Cash and cash equivalents	18.792	0	(18.792)
Total	624.334.926	1.028.481.435	404.146.509

The item a) “Cars” in the table refers to a stock of new cars, whereas item b) “Other motor vehicles” represents the stock of cars that although are destined for sale, are used by the Company for a limited period of time. Item c) refers to the spare parts and accessories in stock.

The write down of the stock, for an amount of INR 258,326,119 at 31/12/2014, recorded in the Financial statements in adjustment of the stock, has undergone the following changes during the year:

Description	Value at 31/12/2013	Decrease for the year	Increase for the year	Exchange rate differences	Value at 31/12/2014
a) Other motor vehicles	56.193.271	0	39.180.618	-5.427.143	89.946.746
b) Spare parts	163.074.987	0	21.054.160	-15.749.774	168.379.373
Total stock	219.268.258	0	60.234.778	-21.176.917	258.326.119

II. Accounts receivable**Accounts receivable from clients**

The item C. II. 1 represents the receivables from clients and other companies in the group of a commercial nature which are recorded in the Financial Statements at 31 December 2014, included in the current assets. Said receivables, at 31/12/2014, amounted to INR 375,116,571, with a net increase of INR 85,076,455.

We show you here below the detailed analysis of the changes that took place in this item.

Description	Value	Value	Change
	31/12/2013	31/12/2014	
Receivables from clients for sale of cars, spare parts and miscellan	350.773.236	463.682.539	112.909.303
Receivables from other companies of the group	4.411.293	12.230.724	7.819.432
Write down	(65.144.412)	(100.796.692)	(35.652.280)
Balance	290.040.116	375.116.571	85.076.455

The receivables from clients are totally payable after the next year.

The adjustment of the nominal value of the receivables to the presumed realizable value was obtained by a specific write down that has undergone the following changes during the year:

Description	Value	Decreases	Increases	Exchange Rate	Value
	31/12/2013			Differences	31/12/2014
Write down - receivables	65.144.412	0	41.943.917	(6.291.637)	100.796.692
Total write down	65.144.412	0	41.943.917	(6.291.637)	100.796.692

Tax credits

The item C. II. 4 Bis represents the credits from the Italian Inland Revenue at 31 December 2014, amounting to INR 186,432,970. The size and changes are described here below:

Description	Value at	Value at	Change
	31/12/2013	31/12/2014	
Tax credits for income tax	20.711.800	186.432.970	165.721.169
Balance	20.711.800	186.432.970	165.721.169

The value at 31.12.2014, totaling INR 186,432,970, is represented by the IRES and IRAP credits due to amounts paid as advances during the year and by the IRES credit amounting to INR 18,711,456 deriving from the refund

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application filed for the years from 2007 to 2011 (in accordance with article 2, paragraph 1 quarter of Law Decree n. 201/2011) for failure to take the IRAP deduction for staff costs net of corporate income taxes calculated for the year and withholding taxes.

Advance tax

Item C. II. 4 Ter represents the value of advance tax shown net of deferred tax and amounts to INR 316,269,754.

The figures in the accounts are shown below:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
IRES	339.719.683	267.820.608	(71.899.075)
IRAP	66.514.171	48.449.146	(18.065.025)
Balance	406.233.854	316.269.754	(89.964.100)

We indicate here below a table with the description of the time differences that have led, for IRES and IRAP purposes, to a separate recognition of deferred and advance tax compared to the previous year. With regards to the amounts charged to the Profit and Loss Statement, please see what is reported in the comment to item 22 of the Profit and Loss Statement. The IRAP rates considered to quantify the future fiscal effect is 4.82%, equal to the ordinary rate currently in force Applied to the company. The IRES rate is applied at 27.50%.

Description	31/12/2014				31/12/2013			
	Time difference (-) taxable	Deferred taxes +credit (-) due Ires	Irapp	Total	Time differences (-) taxable	Deferred taxes +credit (-) due Ires	Irapp	Total
tax rate								
Deferred tax credit								
Dep. intangible fixed assets IRES	164.534.019	45.246.855		45.246.855	182.123.497	50.083.962		50.083.962
Dep. intangible fixed assets IRAP	164.534.019		7.930.540	7.930.540	182.123.497	0	8.760.140	8.760.140
Provisions for liabilities and charges IRES	840.634.671	231.174.534		231.174.534	1.200.707.392	330.194.533		330.194.533
Provisions for liabilities and charges IRAP	840.634.671		40.518.591	40.518.591	1.200.707.396	0	57.754.026	57.754.026
Depreciation - stock IRES	258.326.119	71.039.683		71.039.683	219.268.258	60.298.771		60.298.771
Depreciation - stock IRAP					0	0		0
Write down receivables	100.796.684	27.719.088		27.719.088	65.144.404	17.914.711		17.914.711
Other costs with deferred deductibility	211.931	58.281		58.281	469.176	129.023		129.023
Total credits		375.238.441	48.449.131	423.687.572		458.621.000	66.514.166	525.135.166
Deferred tax liabilities								
Depreciation - goodwill	-390.610.303	-107.417.818		-107.417.818	(432.368.424)	(118.901.312)		(118.901.318)
Depreciation - goodwill			0	0	0		0	0
Total liabilities		-107.417.818	0	-107.417.818		(118.901.312)	0	(118.901.312)
Total		267.820.623	48.449.131	316.269.754		339.719.688	66.514.166	406.233.854

Effects on P&L	Value at 31/12/2014	Value at 31/12/2013
Advance tax at beginning of the year	474.417.628	410.353.108
Advance tax at the end of the year	423.687.572	525.135.166
Effect on P&L (A-B)	-50.730.055	114.782.058
Advance tax at beginning of the year	-107.417.833	-122.367.470
Deferred taxes at the end of the year	-107.417.833	-118.901.343
Effect on P&L (A-B)	0	3.466.128
Total effect on P&L	-50.730.055	118.248.185

The recording of advance taxes of INR 423,687,572 was made in light of the medium term business performance projection, supported by the existence of a distribution agreement (TNMM) that guarantees the company a fixed margin of profitability. This projection provides reasonable assurance that the taxable amounts which will be reached in the achieved in the later financial years will absorb the temporary differences that will consequently be fully reversed.

Accounts receivable from others

Item C. II. 5. went from INR 13,552,103 at 31 December 2013 to INR 11,909,553 at 31 December 2014, with a decrease of INR 1,642,549 compared to the previous year as shown in greater detail below:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
Receivables from staff	3.861.462	3.795.794	(65.668)
Receivables from suppliers	0	0	0
Receivables from other	9.690.641	8.113.760	(1.576.881)
Balance	13.552.103	11.909.553	(1.642.549)

Receivables from controlling companies

The item shows a receivable from Jaguar Land Rover Ltd due to the so called Deposit agreement, paid at rates in line with those applied in the market; the balance at 31.12.2014 amounts to INR 3,725,179,169 compared to INR 3,768,011,994 of the previous year.

The increase is essentially due to higher financial flow to Jaguar Land Rover Ltd at the time of the close of the year 2014. The decrease follows instead the fluctuations in the spot exchange rates (Euro to INR) applied between 31.12.13 and 31.12.14

IV. Liquid assets

The balance in item C. IV. represents the liquid assets and the existence of cash and cash equivalents at the date of close of the accounts as better described below:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
Bank and postal deposits	624.316.134	1.028.481.435	404.165.301
Cash and cash equivalents	18.791	0	(18.791)
Total	624.334.925	1.028.481.435	404.146.510

D) Prepayments and accrued income

They measure the income and costs whose accrual is either before or after the actual movement: they disregard the payment date or encashment date of the relative income or costs common to two or more years and that can be spread out over time. The anticipated costs are also included. There did not exist, at 31/12/2014, any prepayments or accrued income with a duration of more than five years. The item can be broken down as follows:

	31/12/2013	31/12/2014	
Other	7.651.415	5.455.165	-2.196.251
Total	7.651.415	5.455.165	-2.196.251

Liabilities

Here below are the main changes and composition of the liability items.

A) Net equity

The summary of the changes that took place in the net equity items for the years 2012, 2013 and 2014 are shown in the tables below:

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Description	Value at 31/12/2012		Increases (Decreases)	Decreases Uses	Value at 31/12/2013	Increases (Decreases)	Decreases Uses	Exchange Rate Differences	Value at 31/12/2014
Share capital	2.125.700.000				2.125.700.000			-205.300.000	1.920.400.000
Legal reserve	49.978.183			3.270.602	53.248.785		6.751.312	-5.142.796	54.857.301
Share Swap Reserve	178.808.357				178.808.357			-17.269.302	161.539.055
Retained earnings (loss) carry forwards	1.292.813.889			62.141.302	1.354.955.191		128.275.038	-130.861.505	1.352.368.725
Profit (loss) for the year	65.411.785		-65.411.785	149.461.368	149.461.368	-135.026.397	343.318.665	-14.434.971	343.318.665
Total net equity	3.712.712.214		-65.411.785	214.873.272	3.862.173.702	-135.026.397	478.345.016	-373.008.574	3.832.483.746

The share capital is entirely paid in and at 31/12/2014 amounted to INR 1,920,400,000 divided into 25,000,000 shares of INR 76.816 nominal value, each subscribed by the sole Shareholder.

The Legal reserve has been increased by INR 54,857,301 by paying in the accrued quota of profits for 2013 in compliance with the provisions of art. 2430 of the Civil Code, as resolved by the Shareholders' Assembly.

The retained earnings carried forward, following the resolution of the Shareholders' Assembly, go from INR 1,354,955,191 to INR 1,352,368,725 following the use of 2013 profits carried forward for an amount of INR 128,275,038.

The item "Other reserves – Swap surplus" was generated by the 2011 merger and no changes were made in 2014.

We show here below the table recommended by the OIC with regards to the information required by point 7 bis, paragraph 1 of art. 2427 of the Civil Code.

Nature/description	Amount		Possible use	Quota available	Uses during the three prior exercises	
					for loss covering	Other uses
Share capital	1.920.400.000					
Capital reserves:						
Reserve for own shares						
Reserve for shares and quotas in controlling company						
Share premium reserve	161.539.055		A,B	161.539.055		
Share Swap Reserve						
Profit reserves:						
Legal reserve	54.857.301		B	54.857.301		
Reserve for own shares						
Reserve for net profits on foreign exchange						
Reserve of evaluation of participations with the Net Equity method						
Reserves in derogation of paragraph 4 of art. 2423 of the Civil Code						
Profit carried forward	1.352.368.725		A,B,C	1.352.368.725		
Total				1.568.765.081		
Non distributable quota				216.396.356		
Distributable residual quota				1.352.368.725		
Key:						
A: for increase in capital						
B: to cover losses						
C: for distribution to shareholders						

B) Provisions for liabilities and charges

Other provisions

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Item B. 3. “Other provisions for liabilities and charges” refers to the provisions that at 31 December 2014 amounted to INR 840,634,667 with a net decrease of INR 360,072,760 compared to 2013.

The provisions recorded under this item refer to the amounts accrued to cover losses, liabilities, risks and charges of a certain nature or of a probable or certain existence, related to the running of business that, at the date of the close of the year, were unknown in value and/or due date. More specifically, they are shown in the table below with regards to their composition and movements:

Description	Value at 31/12/2013	Increases	Decreases/Destination	Exchange Rate Differences	Value at 31/12/2014
Provision - maintenance and guarantees	254.311.861	0	(94.125.103)	(24.561.427)	135.625.331
Provisions - various risks and liabilities	946.395.567	0	(149.983.394)	(91.402.837)	705.009.336
Total B.3	1.200.707.427	0	(244.108.497)	(115.964.264)	840.634.667

The “*Provisions – maintenance and guarantee*” amounts to INR 135,625,331 at 31/12/2014 and has been accrued to guarantee the adequate coverage of the estimate of costs related to the maintenance of cars sold during the previous years to the Government.

During 2014, since no similar sales were made, no provisions were made for the said purpose. The use totaled INR 94,125,103

Provision for other liabilities and charges

The balance of the item “*Provision for other liabilities and charges*”, amounting to INR 705,009,336 is made up of provisions for legal risks for INR 38,408,000, for commercial charges for INR 617,765,257 and residual charges related to possible returns of car parts (worn-core) from salesrooms and authorized garages.

With regard to the change in this fund, we note that the provision for legal risk was reduced to make adjustment for pending cases.

C) Staff leaving indemnity

The provision accrued under item C of the Liabilities represents the actual liability of the Company at 31/12/2014 towards its employees on the payroll at that date.

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Description	Value 31/12/2013	Increases	Decreases	Exchange Differences	Value 31/12/2014
Employee's leaving indemnity	185.342.856	31.848.144	22.506.888	(17.900.384)	176.783.728
Total	185.342.856	31.848.144	22.506.888	(17.900.384)	176.783.728

With reference to the provision of Law No. 296/2006 and the relative enacting decrees, we would like to point out that starting from July 2007, 49 employees have opted to keep their leaving indemnity for subordinate employment with the company, whereas 23 employees have opted to destine the amount to pension fund.

The balance at 31/12/2014 is able to cover the relative contractual and legal obligations.

Employment information

The average number of members of staff in the company, divided according to level, is shown in the table below:

Staff	Numbers at 31/12/2013	Numbers at 31/12/2014
Senior managers	16	17
Clerical staff	52	55
Total	68	72

D) Accounts payable

The accounts payable are evaluated at their nominal value and their due date is broken down as shown below:

Description	Balance at 31/12/2013	Balance at 31.12.2014				Change 2014
		31.12.2014	Falling due within 12 months	Falling due after 12 months	Falling due after 5 years	
D (6) Advances	850.280	6.145.280	6.145.280			5.295.000
D (7) Accounts payable to suppliers	1.164.037.571	1.181.682.497	1.181.682.497			17.644.926
D (11) Accounts payable to controlling companies	4.448.419.399	4.968.237.804	4.968.237.804			519.818.404
D (12) Taxes payable	595.897.991	104.149.975	104.149.975			(491.748.016)
D (13) Accounts payable to social security bodies	28.159.148	26.788.658	26.788.658			(1.370.490)
D (14) Other accounts payable	135.138.912	89.305.513	89.305.513			(45.833.398)
Balance	6.372.503.301	6.376.309.728	6.376.309.728	0	0	3.806.426

Item D. 7. "Accounts payable to suppliers" is entirely due during next year and refers to the liabilities of a commercial nature towards third party suppliers with regards to the purchase of goods and services.

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Item D.11 “Accounts payable to parent companies” amounted to INR 4,968,237,804 at 31 December 2014 and mainly refers to accounts payable to Jaguar Land Rover Limited for cars and spare parts that were purchased but not paid at 31 December 2014.

Item D. 12. “Taxes payable” amounted to INR 104,149,975 at 31 December 2014. The liability is composed of the following items:

Description	Balance at 31/12/2014
VAT Payable (December 2014)	84.915.671
Withholding taxes payable	19.234.304
Total	104.149.975

The item D. 13 shows “Accounts payable to social security bodies” at 31/12/2014.

The item D. 14. “Other accounts payable” amounts to INR 89,305,513 with a net decrease of INR 45,833,400.

The main items that make up this category are shown below:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
Accounts payable for holidays matured and other payments to be made	63.285.871	61.018.184	-2.267.687
Accounts payable to salesrooms	70.129.417	26.888.914	-43.240.503
Other accounts payable	1.723.624	1.398.414	-325.210
Total	135.138.912	89.305.513	-45.833.400

Memorandum accounts

The Memorandum Accounts at 31/12/2014 had the following composition and nature:

	31/12/2013	31/12/2014	
Fideiussory guarantees issued to third parties on our behalf	501.541.059	496.369.936	(5.171.123)
Total	501.541.059	496.369.936	(5.171.123)

The Fideiussory guarantees issued to third parties on our behalf refer to such fideiussory guarantees issued by banks.

Commentary and analysis of certain items of the Profit and Loss Statement

The detailed presentation of the positive and negative items of the Profit and Loss Statement and the comments made above on the Balance Sheet, allow us to limit our comments on the P&L to the main items dealt with below, making reference to the Management Report for a particular analysis of the running costs and operative income.

A) Revenues

The item revenues from sales and services refers to the sale of cars, spare parts, other goods and to the rendering of services according to the detail given below:

Revenues according to category of activity

The revenues from sales and services are broken down according to the following table:

Description	Value at 31/12/2013	Value at 31/12/2014	Change
Sales – cars	44.839.878.529	48.118.471.419	3.278.592.889
Sales - spare parts and accessories	3.433.293.235	3.876.222.611	442.929.376
Sales - other goods	6.948.913	12.979.068	6.030.154
Services	137.133.413	0	-137.133.413
Total	48.417.254.091	52.007.673.097	3.590.419.006

The revenues deriving from the sale of goods and services are shown net of discounts, allowances and bonuses.

The revenues have gone from INR 48,417,254,091 to INR 52,007,673,097 with a net increase of INR 3,590,419,006.

The change compared to the previous year is due essentially to an increase in sales volume of Land Rover vehicles and of Jaguar spare parts that, as from January 2014, are sold to salesrooms directly by Jaguar instead of Unipart Exports Ltd.

B) Expenses**Raw materials, subsidiary materials, consumables and goods and Costs for services**

The costs for raw materials, subsidiary materials and consumables has gone from INR 45,576,048,488 at 31/12/2013 to INR 47,269,664,829 at 31/12/2014, with an increase of INR 1,693,616,342.

The costs for services amount to INR 3,372,197,281 with a decrease of INR 184,551,168 . It is recorded mainly an increase of marketing costs.

Staff costs

The item includes all the costs for subordinate employees including merit prizes, promotions, seniority increases and cost for accrued holidays and provisions according to law and to the collective labour agreements for a total of INR 601,700,112.

C) Financial income and costs

Financial income

The item refers to interest financial income accrued on the “Deposit agreement” with Jaguar Land Rover Limited in an amount of INR 5,503,482 and INR 1,820,002 for interest financial income accrued on the Company’s current account.

Interest and other financial costs

The item “Interest and other financial charges”, amounting to INR 190,572,200 (a decrease of INR 105,600,306 compared to 2013), refers entirely to interest accrued in favour of factoring companies for the sale of trade receivables by the Company.

E) Extraordinary income and costs

Extraordinary income

The item “Extraordinary income”, amounting to INR 91,718, refers to a contingent surplus related to minor costs for previous years.

Extraordinary costs

The item “Extraordinary costs”, amounting to INR 3,064,882, and refers to taxes of the previous years.

Taxes on income for the year

The taxes for the year amount to INR 179,491,646. Here below we illustrate the changes during the year of current and advance tax:

Description	Value at 31/12/2013	Value at 31/12/2014
Current tax		
IRES	246.714.099	84.048.841
IRAP	76.964.455	44.712.750
Advance tax		
IRES	-95.034.265	39.088.955
IRAP	-19.747.753	11.641.100
Deferred tax		
IRES		0
IRAP	-3.466.166	0
Total income tax	205.430.369	179.491.646

The income taxes for the year that affect the pre-tax result for 34.3% (57.89% in 2013), have undergone a decrease of INR 25,938,723.

The deferred and anticipated taxes on income were calculated on the temporary differences between the accounting values recorded in the financial statements and the corresponding values recognized for tax purposes, based on the applicable rate at the time these temporary differences arose. For a complete analysis, please refer to the detailed table for item C 4 ter.

In order to illustrate in detail the effects of the deferred tax, we highlight here below the reconciliation between the effective tax burden in the accounts and theoretical tax burden:

Calculation of taxable IRES

Description	Value	Tax
Pre-tax profit	522.810.311	
Theoretical tax burden (at 27.5%)		143.772.835
Temporary differences - deductible in future years	747.241.511	
Temporary differences from previous years	-889.383.203	
Permanent differences not flowing into future years	-75.036.359	
Taxable amount	305.632.260	
Current IRES tax on income for the year		84.048.841

Calculation of taxable IRAP

Description	Value	Tax
Differences between revenues and expenses	709.781.530	
Costs not significant for IRAP purposes	643.644.029	
Total	1.353.425.559	
Theoretical tax burden (at 4.82%)	0	65.235.112
Temporary differences - taxable in future years	645.062.810	
Temporary differences from previous years	-889.171.271	
Permanent differences not flowing into future years	-181.666.754	
Taxable amount	927.650.344	
Current IRAP tax on income for the year *		44.712.750

*: Tax applied on taxable amount that can be attributed to 1 region (Latium)

F) Relations with related parties

We note that the transactions done by Jaguar Land Rover Italia S.p.A. with related parties, including intercompany transactions, are part of the ordinary business and are governed by market conditions; there are no transactions with related parties that have not occurred at market conditions and of a significant amount which have an unusual nature, outside the usual running of business.

Other comments

No fees are paid out to the members of the Board of Directors.

The fees due to the Board of Statutory Auditors amount to INR 5,377,120 , whereas the fees due to the auditor for the yearly audit of the Financial Statements are INR 2,688,560.

As already reported in the past Financial Statements, in 2013 the Regional Management Center for Lazio – Office of Large Taxpayers – of the Tax Agency served the Company with a tax assessment for the year 2009 in which it contested issues related to IRES and IRAP. The Tax Agency challenged as not in compliance with Italian legislation regarding intra-company transfer prices contained in art. 110, paragraph 7, of the Tax Code, approved by Decree of the President of the Republic No 917 of 22 December 1986, no. 917, JLRI's determination of the prices of intra-group commercial transactions for the purchase of goods and services. Other issues of minor amounts always with respect to IRES and IRAP were also challenged. Specifically, the issue of intra-company transfer prices show a higher taxable income for IRES and a higher net value of production for IRAP of INR 137,945,482 and therefore higher taxes of INR 38,428,887 in respect for IRES and INR 6,559,472 for IRAP.

Jaguar Land Rover Italia S.p.A.

Financial Statements at 31 December 2014 – Notes to the accounts

The company resolved through a facilitated procedure the minor tax issues raised but with respect to challenge on transfer pricing it has not appealed but will shortly apply to the competent Italian authorities for the initiation of an opening of a Mutual Agreement Procedure under Art. 6 (1) of the Arbitration Convention (Convention No. 90/436/EEC of 23 July 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises , implemented by Law no. 99 of 22 March 1993) and the under Mutual Agreement Procedure of Art. 26 of the Double Taxation Treaty between Italy and Great Britain. In October 2014 the Ministry of Economy and Finance informed the Company on the opening of a Mutual Agreement Procedure.

It should be noted that with the Assessment Notice for the 2009 tax year, the tax authorities recognized that the transfer pricing documentation produced by the Company for the 2009 tax period was appropriate to provide the data and facts necessary for a complete and thorough analysis of the transfer prices and on December 2014 the Tax Agency of the Region Lazio ordered the suspension of the enforcement of the Assessment. No liabilities are expected to arise for the Company, considering that the reasons for the assessment are completely unfounded.

Cash flow statement

As requested by OIC 10, the Company has prepared the cash flow statement as shown below:

Cash Flow Statement (direct method)		2014	2013
A.	Operating cash flow		
	Proceedings from Customers	68.238.409.419	63.807.784.388
	Payments to suppliers	- 9.651.064.223	- 5.231.826.238
	Payment to staff	- 232.800.567	- 221.546.406
	VAT Payments	- 11.670.455.005	- 9.814.634.601
	Other Payments	- 24.405.058	- 34.621.277
	Corporate income taxes payments	- 475.264.894	- 45.287.868
	Interest received	908.272	493.588
	Total operating cash flow	46.185.327.946	48.460.361.586
B.	Investment Cash flow		
	Other investments		
	Loans paid in to controlled companies (Revolving loan)	- 59.662.987.200	- 76.312.630.000
	Reimbursements of loans to controlled companies (Revolving Loan)	13.942.104.000	27.727.630.800
	Total investment cash flow	- 45.720.883.200	- 48.584.999.200
C.	Financing Cash flow		
	Total financing cash flow	-	-
Increase (decrease) in the liquid assets		464.444.746	124.637.614
Liquid assets at 01st January		564.036.690	748.972.539
Liquid assets at 31st December		1.028.481.435	624.334.926

for the Board of Directors

The Managing Director