

Jaguar Land Rover Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number: 01672070

For the year ended 31 March 2017

Directors

A. P. Goss
K. D. M. Gregor
I. J. Harnett (appointed 7 June 2016)
H. Kirner (appointed 7 June 2016)
N. M. Rogers (appointed 7 June 2016)
Professor Dr. R. D. Speth
W. Stadler

Company secretaries

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

Registered office

Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
B1 2HZ
United Kingdom

CONTENTS

STRATEGIC REPORT	1
DIRECTORS' REPORT	8
DIRECTORS' RESPONSIBILITIES STATEMENT	11
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGUAR LAND ROVER LIMITED	12
INCOME STATEMENT	14
STATEMENT OF COMPREHENSIVE INCOME	14
BALANCE SHEET	15
STATEMENT OF CHANGES IN EQUITY	16
CASH FLOW STATEMENT	17
NOTES TO THE FINANCIAL STATEMENTS	18

STRATEGIC REPORT

The directors present their strategic report for Jaguar Land Rover Limited (the company) for the year ended 31 March 2017.

Principal activity

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

Review of business and future developments

Fiscal 2017 performance and product portfolio

The company has seen an increase in its turnover to £20,862 million (2016: £19,149 million (restated*)). Profit before tax has decreased to £855 million (2016: £1,097 million).

Principal products for 2017 were:

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

Key performance indicators

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

KPI	Commentary	2017	2016* Restated
Turnover	Increase due to favourable exchange environment with the weaker pound following Brexit.	£20,862 million	£19,149 million
Profit before tax	Decrease primarily driven by higher depreciation and amortisation related to significant capital expenditure in prior years and unfavourable revaluation of unrealised foreign currency debt and hedges partially offset by higher dividends from subsidiaries and favourable movements in commodity derivatives.	£855 million	£1,097 million
Net assets	Decrease in net assets due to unfavorable remeasurement of pension liability and hedge reserve movements partially offset by profit in the year and issue of £922m share capital.	£6,259 million	£6,731 million
Headcount (average)	Increase in headcount due to growth in manufacturing and product development to support the continued expansion of the company.	36,873 Employees	32,479 Employees

All amounts are as per the statutory financial statements unless otherwise stated.

*Comparatives have been restated due to the change in accounting policy for presentation of foreign exchange gains and losses as set out in note 2.

STRATEGIC REPORT (CONTINUED)

GREAT PRODUCTS

Our vision

Pushing the boundaries and exploring new ways of doing things heightens the excitement we feel – an emotion reflected in the originality and ingenuity of our creations. Our focus is on design, technology, research and engineering – making our cars smarter, cleaner, safer and even more beautiful. This emphasis on innovation reflects an evolving market too, meeting the changing needs and demands of our customers and deepening our relationships with them.

Where have we done well?

Last year we launched 11 major model innovations, including the Jaguar F-PACE and two new Land Rovers – the Discovery and Range Rover Velar. Across our whole range we continue to make huge technological advances, such as the introduction of the InControl Touch Pro infotainment system. Offering new levels of digital connectivity, it can be tailored to drivers' preferences and is revolutionising the way in which our customers interact with their vehicles.

What have we learned?

'Modern mobility' is a fast-moving environment and we know that we must maintain our levels of investment in research and product innovation to remain agile and stay ahead. A crucial part of this strategy is how we collaborate with our global retailers, who are the vanguard of a digital revolution. We are working together to digitise every step of our customers' journeys, developing new technologies that speed up the decision-making process and enhance the purchasing experience. For instance, in partnership with digital retail specialists Rockar, we have launched an online car-buying service that allows customers to browse models, book test-drives and spec a new car, as well as arrange finance and trade-ins.

Looking ahead

Innovation is in our DNA and we are committed to developing the technologies that will shape the future of mobility. Alongside our continued advances in diesel and petrol technologies, we are working towards an autonomous, better-connected and electrified future, in which customers have a choice of vehicles, from ultraclean petrol engines, to hybrids and full electric vehicles. That's why we have pledged that by 2020, half of our models will have the option of electrification, a move spearheaded by our first full electric car, the Jaguar I-PACE.

CUSTOMER FIRST

Our vision

Putting the customer first sits at the heart of everything we do. No plan, no blueprint, no strategy is drawn up at Jaguar Land Rover without our customers as the starting point. The importance of treating people with respect permeates our business. Customer First is a culture which is not just about how we treat those people who buy our cars but also how we work together within Jaguar Land Rover. It ensures that colleagues can expect the best from each other too.

What have we done well?

Creating a culture with one focus allows the whole business to understand how we can win the hearts and minds of our customers. Our online customer advisory boards allow us to interact directly with customers on the improvements in products and services they want to see. Last year these discussions led to increasing the number of customer first initiatives.

Looking ahead

We are rolling out our corporate identity programme to almost 900 of our retailers in the next 12 months. As well as presenting a consistent image and premium customer experience in existing stores, we will also be opening new Jaguar Land Rover Boutiques. In addition, new digital technology is creating innovative ways in which we can converse with our customers, helping us transform their experience. For instance, customers across 1,500 retailers in 85 countries can now use 'virtual reality' to see some new products before these arrive in their local retailer.

STRATEGIC REPORT (CONTINUED)

CUSTOMER FIRST (CONTINUED)

What have we learned?

Technological innovation and the availability of more data allows us to be proactive and stay one step ahead, anticipating and solving problems before they occur. This is why we are expanding our Customer Relationship Management system. It provides us with a single customer view and allows us to develop a more personal and individual relationship with the people who buy our cars. We have also learned that by deepening our Customer First culture we are building loyalty, which in turn strengthens the foundations for sustainable, profitable growth.

ENVIRONMENTAL INNOVATION

Our vision

Environmental sustainability is not just about the final product impact, but also how it is made. This is why we seek to reduce negative environmental impacts at every possible stage of a vehicle's life cycle. Our suppliers are critical partners on this journey, developing closed-loop principles across resources and waste. This vision also underpins our future success, and helps us to create shared value and deliver a cleaner, smarter and brighter future.

What have we done well?

We are proud to have achieved a 32 per cent reduction in our European fleet's average tailpipe CO2 emissions in just eight years. In the same period, we have driven a 38 per cent improvement in our operational CO2 emissions, while all the electricity we use to power our UK sites comes from renewable sources. Our Jaguar I-PACE Concept car is the embodiment of next-generation technology and a key milestone in bringing future-facing design and performance to the electric vehicle market.

Where could we improve?

In order to manage the complexities of reducing our environmental impact, as well as helping us to find new ways to make improvements, we are rolling out performance indicators across the whole of our supply chain. See our sustainability report www.jaguarlandrover.com/2016/environmental-innovation.

While we are already world leaders in recycling and innovative closed-loop processes that enable us to put the surplus aluminum back into our cars, we want to make our manufacturing operations carbon neutral by 2020, and, through the use of more sustainable and recyclable materials, to become a zero-waste business.

Looking ahead

Reducing tailpipe CO2 and NOx emissions remains one of the biggest challenges facing the automotive industry, and one we intend to meet. Through a combination of low-emission technologies and electrification, our target is to reduce our European fleet's average tailpipe CO2 emissions by a further 25 per cent by 2020. Innovations in connected and autonomous vehicle technology are key. They will bring new and different ways to enjoy and own a car, leading to lower-carbon lifestyles, cleaner air and safer roads.

GLOBAL GROWTH

Our vision

Fiscal 2016/2017 proved to be an exceptional year for Jaguar Land Rover. To support this growing demand, and build a globally competitive business, we will continue to increase the number of manufacturing operations.

Our overseas factories support the company's plants in the UK by providing additional production capacity, allowing us to reach new markets, bring more exciting vehicles closer to our customers around the world and create a stronger, more agile and more sustainable business.

What we have done well?

We have strengthened our overseas operations with the introduction of China's first all-aluminium body shop to support production of the Jaguar XFL. We have also launched a new manufacturing plant in Brazil and started building our new Slovakian facility. In Austria, as part of our manufacturing partnership with Magna Steyr, we are building our first electric vehicle, the Jaguar I-PACE.

STRATEGIC REPORT (CONTINUED)

GLOBAL GROWTH (CONTINUED)

What we have learned?

The automotive landscape is changing faster today than ever before. Future mobility and transport needs will adapt as cities around the world adopt their own regulations, while our customers expect ever cleaner, safer and smarter vehicles.

Our future success will be based on continuously anticipating new market trends, tapping into new growth opportunities and staying ahead of the market by focusing on the innovation, design and creativity that our customers love.

Looking ahead

We began construction of our new £1 billion facility in Nitra, Slovakia, in 2016. The factory will be at the forefront of aluminium manufacturing and engineering expertise. It has been designed with the flexibility to enable smart, connected technologies that ensure improved process efficiency and delivery.

For example, the paint shop will feature highly automated processes that deliver quality while minimising our environmental impact.

The Land Rover Discovery will be the first vehicle to be manufactured in Slovakia, complementing existing production in Solihull.

TRANSFORMED COST STRUCTURE AND BUSINESS EXCELLENCE

Our vision

As we progress towards our goals of operational excellence and optimum business efficiency, our major transformation programme continues. Productivity and cost management initiatives that maintain our investment levels and global competitiveness remain our focus.

Our quest is to do more with less, through state-of-the-art facilities and new technologies, while increasing our efficiency and effectiveness right across the company.

What have we done well?

Process excellence is the bedrock of our business. The 'Jaguar Land Rover Way' and the Tata Business Excellence Model allow us to standardise best practice and continually enhance the way we work, while still allowing for flexibility and responsiveness so that we can exploit changes and new opportunities as they arise.

What have we learned?

We know that a 'go-look-see' approach is invaluable in evaluating processes and identifying and resolving issues and blockages. In 2016, a centralised governance programme was introduced to further enhance training and development, as well as to empower leadership at all levels to experiment with innovative new solutions.

Looking ahead

As we grow our global footprint, we are introducing our standardised framework to overseas sites as a way of directing cross-functional collaboration and ensuring the deployment of the right capabilities needed to manufacture our products.

Expanding our capabilities in big data analytics enables us to be agile and adapt quickly to challenges and business drivers. We are also continuing to invest in advanced technologies to enhance the efficiency of our business, increasing cost savings.

ENGAGED, PASSIONATE PEOPLE

Our vision

We are committed to nurturing this talent and investing in the education and training of all our employees, while also helping to develop the workforce of tomorrow, addressing skills shortages and working to close the industry's gender gap.

STRATEGIC REPORT (CONTINUED)

ENGAGED, PASSIONATE PEOPLE (CONTINUED)

What have we done well?

Each year we spend more than £100 million developing the Jaguar Land Rover Academy.

Today, nearly a quarter of our employees are working towards a qualification, from apprenticeships to doctorates. We have maintained a 2 per cent intake of graduates and apprentices as a proportion of applications since 2013, and in 2016, 407 joined the company. In 2016/17, we supported more than 100 PhD projects.

We are also reaching out to untapped talent through a number of education schemes. Many employees who have been through these programmes have gone on to be award-winning engineers.

Our work with partners and suppliers on the National Automotive Innovation Centre will create a state-of-the-art technology hub for industrial and academic research and development to foster new skills and engage future generations of engineers.

What have we learned?

We have identified five key areas where we need to attract the brightest and the best in order to support our product and business ambitions:

- **Virtual modelling** – we increasingly engineer in a virtual world, using technology such as 3D printing and we need people who can combine skills in mathematics and engineering with creative flair
- **Data analysis** – using and manipulating data to gain greater insights to help the company grow is an expanding need across our whole business
- **Hardware design** – new technology demands new industry roles, such as chemists to develop future battery technology
- **Software design** – developing new safe and secure technology and new ways for people to use their cars make software engineers essential to our future
- **Programme delivery** – only with the highest-calibre project management talent can we deliver lasting solutions on time and within budget

Where are we innovating?

To help address industry shortages, in the last four years we have reached out to more than 2.5 million young people to inspire them to consider an automotive career.

We are also supporting award-winning STEM (science, technology, engineering and mathematics) education schemes for children from as young as five years old. We will be increasing these inspirational outreach programmes to align with the future skill needs we have identified. Our plan also includes initiatives that target untapped talent pools.

TECHNOLOGY FOR GOOD

Our vision

Technology and engineering can have huge benefits for society, bringing solutions to countless everyday challenges. With our expertise, skills and knowledge in these fields, we are in an enviable position to address these challenges and make a real difference to the world around us.

Our innovation and volunteering programmes leverage the skills of our employees to find solutions to improve the way we work. By continuing to apply these programmes to a wider social purpose, we are harnessing our technological expertise to help those in need.

STRATEGIC REPORT (CONTINUED)

TECHNOLOGY FOR GOOD (CONTINUED)

What have we done well?

Contributing to society is central to who we are. Our commitment to corporate social responsibility (CSR) was recognised in 2016, when we received the 'Best International Sustainability Programme' award at the UK's National CSR Awards. The health and wellbeing technologies in our vehicles, and our work in education and talent development received particular praise. Our Global CSR programme, through which we apply our design and technology expertise for social benefit, has now supported almost six million disadvantaged people in more than 25 countries.

Where could we improve?

We are already sharing our engineering expertise and solutions to help solve some of the biggest challenges in the industry, such as recycling, cleaner air, vehicle safety and mobility solutions. By broadening the scope of our innovation, volunteering and education programmes, we can address an even wider range of issues, such as in-car search-and-rescue technology, and disability and hypermobility solutions.

We already lead the world in aluminium recycling. We're now taking this technological expertise further, applying it to other materials. For example, the wheel arch liners, dashboard insulation, seating and trim in our vehicles use a felt made from 100 per cent recycled materials. Working with universities and other companies, we aim to pioneer even more sustainable materials for the future.

Where are we innovating?

Improving the lives of others and tackling social problems is an important part of our responsible business programme. We have joined forces with Remap, a charity that matches skilled volunteers, including engineers and technicians, with individuals affected by disability.

Last year we began working with the Countrymen's Club, a charity that supports people who have worked in outdoor industries such as agriculture but now suffer from longterm conditions including dementia, Parkinson's and depression.

Our apprentice engineers used their expertise to develop a tractor simulator that enables retired farmers to once again experience something they loved.

We have also designed a set of lightweight folding steps enabling people with MS or other mobility issues to get onto and ride horses unaided, an activity proven to have therapeutic benefits.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The principal risks and uncertainties of the Jaguar Land Rover group, of which the company is part, are included in the Jaguar Land Rover Automotive plc Annual Report 2016-17. The principal risks and uncertainties are considered at a group level and are considered to be similar to those of the company. Within the context of the wider Jaguar Land Rover group, the principal risks and uncertainties facing the company include, but are not limited to, the following:

Credit risk

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

Liquidity risk

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

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

Interest rate cash flow risk

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

Currency risk

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

Financial risk management

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

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

S. L. Pearson
Company Secretary
10 August 2017

Registered Address

Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the company for the year ended 31 March 2017.

Results and dividends

The income statement shows a profit after tax for the financial year of £771 million (2016: £986 million).

The directors do not recommended payment of a dividend in respect of the financial results for the year ended 31 March 2017 (2016: no dividend).

Directors

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

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

Directors' indemnities

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

Branches

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

Going concern

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

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

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

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

Future developments

Future developments impacting the company are disclosed in the Strategic report on pages 1 to 7.

Financial instruments

The disclosures required in relation to the use of financial instruments by the company, together with details of the company's treasury policy and management are set out in note 33 to the financial statements on pages 54 to 60.

DIRECTORS' REPORT (CONTINUED)

Events after the balance sheet date

On 3 April 2017, JLR 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 so that, amongst other changes, retirement benefits will be calculated on a career average basis rather than based upon a member's final salary at retirement. As a result of the remeasurement of the scheme's liabilities, a past service credit of £437 million has arisen and will be recognised in Fiscal 2018.

The \$350 million committed invoice discounting facility was renegotiated to a \$295 million uncommitted invoice discounting facility effective 31 May 2017 which expires in April 2019.

Research and development

The company has incurred £1,794 million (2016:1,560 million) of research and development costs during the financial year. The company is committed to a continuing programme of major expenditure on research and development. Further information is included in the strategic report.

Environment

Information is included in the strategic report.

Employee involvement

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

Employee information

The average number of employees of the company is disclosed in note 5 to the financial statements..

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

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

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

Charitable donations

Charitable donations in the year amounted to £116,000 (2016: £178,000), principally to national charities. There were no contributions to political parties (2016: £nil).

Political involvement and contributions

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

Slavery and human trafficking statement

Pursuant to Section 54 of the Modern Slavery Act 2015, the company has published a Slavery and Human Trafficking Statement for the year ended 31 March 2017. The Statement sets out the steps that the company has taken to address the risk of slavery and human trafficking occurring within its own operations and its supply chains. This statement can be found on the company's corporate website.

DIRECTORS' REPORT (CONTINUED)

Independent auditor

At the completion of its audit tenure (year end 31 March 2017), Deloitte will stand down as auditor. A formal selection process has commenced to identify a successor auditor and a resolution to appoint will be proposed at the 2017 Tata Motors Limited Annual General Meeting.

Statement of disclosure of information to auditor

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

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

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

S. L. Pearson
Company Secretary
10 August 2017

Registered Address

Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Jaguar Land Rover Limited for the year ended 31 March 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRS as issued by the IASB

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

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

Opinion on other matter prescribed by the Companies Act 2006

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Opinion on other matter prescribed by the Companies Act 2006 (continued)

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Richard Knights (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
10 August 2017

INCOME STATEMENT

Year ended 31 March (£ millions)	Note	2017	2016* Restated
Revenue	3	20,862	19,149
Material and other cost of sales	4	(13,728)	(11,951)
Employee cost	5	(2,299)	(2,182)
Other expenses	8	(4,069)	(3,598)
Development costs capitalised	9	1,426	1,242
Other income		299	13
Depreciation and amortisation	15, 16	(1,625)	(1,400)
Foreign exchange loss		(115)	(127)
Finance income	10	174	39
Finance expense (net)	10	(70)	(88)
Profit before tax	11	855	1,097
Income tax expense	12	(84)	(111)
Profit for the year		771	986

*Comparatives have been restated due to the change in accounting policy for presentation of foreign exchange gains and losses as set out in note 2.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March (£ millions)	Note	2017	2016
Profit for the year		771	986
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement of defined benefit obligation	30	(895)	486
Income tax related to items that will not be reclassified	17	150	(103)
		(745)	383
Items that may be reclassified subsequently to profit and loss:			
(Loss)/gain on cash flow hedges (net)		(1,745)	87
Income tax related to items that may be reclassified	17	325	(24)
		(1,420)	63
Other comprehensive (loss) / income net of tax		(2,165)	446
Total comprehensive (loss) / income attributable to shareholders		(1,394)	1,432

BALANCE SHEET

Year ended 31 March (£ millions)	Note	2017	2016
Non-current assets			
Investments	13	554	421
Other financial assets	14	262	160
Property, plant & equipment	15	5,548	4,984
Intangible assets	16	6,273	5,596
Deferred tax asset	17	114	-
Other non-current assets	21	79	43
Total non-current assets		12,830	11,204
Current assets			
Cash and cash equivalents	18	2,195	2,871
Short-term deposits		2,609	1,252
Trade receivables		2,392	1,990
Other financial assets	14	647	250
Inventories	20	1,619	1,428
Other current assets	21	363	324
Total current assets		9,825	8,115
Total assets		22,655	19,319
Current liabilities			
Accounts payable	22	4,887	4,263
Short-term borrowings	23	1,481	1,965
Other financial liabilities	24	2,211	1,052
Provisions	25	515	452
Other current liabilities	26	84	55
Total current liabilities		9,178	7,787
Non-current liabilities			
Long-term borrowings	23	3,395	2,373
Other financial liabilities	24	1,395	815
Provisions	25	852	641
Retirement benefit obligation	30	1,438	547
Other non-current liabilities	26	138	101
Deferred tax liabilities	17	-	324
Total non-current liabilities		7,218	4,801
Total liabilities		16,396	12,588
Equity attributable to shareholders			
Ordinary share capital	27	3,561	2,639
Other reserves	28	2,698	4,092
Equity attributable to shareholders		6,259	6,731
Total liabilities and equity		22,655	19,319

These financial statements were approved by the Board of Directors and authorised for issue on 10 August 2017. They were signed on its behalf by:

K. D. M. Gregor
Director

Company registered number: 01672070

STATEMENT OF CHANGES IN EQUITY

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2016	2,639	4,092	6,731
Profit for the year	-	771	771
Other comprehensive income for the year	-	(2,165)	(2,165)
Total comprehensive income	2,639	2,698	5,337
Issue of share capital	922	-	922
Dividend paid (note 29)	-	-	-
Balance at 31 March 2017	3,561	2,698	6,259

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2015	2,639	2,810	5,449
Profit for the year	-	986	986
Other comprehensive income for the year	-	446	446
Total comprehensive income	2,639	4,242	6,881
Issue of share capital	-	-	-
Dividend paid (note 29)	-	(150)	(150)
Balance at 31 March 2016	2,639	4,092	6,731

CASH FLOW STATEMENT

Year ended 31 March (£ millions)	Note	2017	2016* Restated
Cash flows from operating activities			
Cash generated from operations	36	2,432	2,894
Income tax paid		(29)	15
Net cash generated from operating activities		2,403	2,909
Cash flows used in investing activities			
Investment in subsidiaries and equity accounted investments		(13)	(11)
Investment in short-term deposits		(5,097)	(4,147)
Redemption of short-term deposits		3,797	3,961
Movements in short-term deposits		(1,300)	(186)
Purchases of property, plant and equipment		(1,408)	(1,298)
Acquisition of intangible assets		(1,466)	(1,384)
Interest received		25	27
Dividends received		43	7
Net cash used in investing activities		(4,119)	(2,845)
Cash flow from financing activities			
Issue of share capital	27	922	-
Finance expenses and fees paid		(159)	(154)
Proceeds from issuance of short-term borrowings		488	1,112
Repayment of short-term borrowings		(1,039)	(599)
Proceeds from issuance of long-term borrowings		857	-
Repayment of long-term borrowings		(57)	(58)
Payment of lease obligations		(4)	(5)
Dividends paid		-	(150)
Net cash generated from financing activities		1,008	146
Net increase in cash and cash equivalents		(708)	210
Cash and cash equivalents at beginning of year		2,871	2,666
Effect of foreign exchange on cash and cash equivalents		32	(5)
Cash and cash equivalents at end of year		2,195	2,871

*Comparatives have been restated for the amendment in the current year to disclose separately "Effect of foreign exchange on cash and cash equivalents" as a separate line item after "Cash and cash equivalents at beginning of year". The line items of "cash flows from operating activities before changes in assets and liabilities" in note 36 and "cash generated from operations", "net cash generated from operating activities", and "net increase in cash and cash equivalents" in the cash flow statement were previously reported as £2,647 million, £2,889 million, £2,904 million and £205 million for the year ended 31 March 2016. An adjustment of £5 million was recorded to those line items for the year ended 31 March 2016 to reflect the removal of the foreign exchange gain on cash and cash equivalents from those line items to present this amount separately as described above. The line items of "cash flows from operating activities before changes in assets and liabilities", "cash generated from operations", "net cash generated from operating activities", and "net increase in cash and cash equivalents" were therefore restated as £2,652 million, £2,894 million, £2,909 million and £210 million for the year ended 31 March. There is no impact on cash and cash equivalents as previously reported for the years ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

1 BACKGROUND AND OPERATIONS

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

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

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

2 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

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

CHANGE IN PRESENTATION OF FOREIGN EXCHANGE GAINS AND LOSSES

During the year ended 31 March 2017, the company reviewed the presentation of foreign exchange in the income statement following the continued increase in hedging activity, volatility in foreign exchange rates, and in anticipation of transition to IFRS 9.

As a result, it was considered more appropriate to present realised foreign exchange relating to derivatives hedging revenue exposures as an adjustment to revenue and realised foreign exchange relating to derivatives hedging cost exposures to 'Material and other cost of sales'. The prior year comparatives have been represented on this basis. Realised foreign exchange gains of £70 million has been adjusted to 'Revenue' for the year ended 31 March 2016. Realised foreign exchange losses of £259 million has been adjusted to 'Material and other cost of sales' for the year ended 31 March 2016.

There is no impact upon the reported profit after taxation or reported equity in either of the financial years.

GOING CONCERN

The following statement is given in the context of the company's position within the Jaguar Land Rover group, headed by Jaguar Land Rover Automotive plc. Jaguar Land Rover Automotive plc obtains borrowings from external lenders and shares this funding across the group, including with the company. The consolidated group financial statements of Jaguar Land Rover Automotive plc for the year ended 31 March 2017 have concluded that the going concern assumption is appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (CONTINUED)

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

USE OF ESTIMATES AND JUDGEMENTS

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

Judgements

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

Revenue from multiple element arrangements

Where a contractual arrangement consists of two or more separate elements that have value to a customer on a standalone 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 company makes judgements on what components can be separated and the appropriate margin used to defer that component (cost plus basis). Refer to note 3.

Assessment of Cash Generating Units

The company has determined that there is one cash-generating unit. This is on the basis that there is no smaller groups of assets which can be identified with certainty which generate specific cash flows which are independent of the inflows generated by other assets or groups of assets. Refer to note 16.

Estimates and assumptions

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

Impairment of intangible and tangible fixed assets

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

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 company 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 company operates. This is assessed on a case by case basis using in-house experts, professional firms and previous experience. Refer to note 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Product warranties

The company provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions regularly adjusted to reflect new information. Refer to note 25.

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 30.

REVENUE RECOGNITION

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

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

No sale is recognised where, following disposal of significant risks and rewards, the company retains a significant financial interest. The company's interest in these items is retained in inventory, with a creditor being recognised for the contracted 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.

COST RECOGNITION

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANTS AND INCENTIVES

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

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

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

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

FOREIGN CURRENCY

The company has a functional and presentation currency of GBP.

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

INCOME TAXES

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity, whereby tax is also recognised outside profit or loss), or where related to the initial accounting for a business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

INTANGIBLE ASSETS

Acquired intangible assets

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

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

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

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

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

Internally generated intangible assets

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

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

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

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

Product development cost is amortised over a period of between two and ten years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment loss. Amortisation is not recorded on product development in progress until development is complete.

IMPAIRMENT

Property, plant and equipment and other intangible assets

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

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

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

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

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

Equity accounted investments: Joint ventures and associates

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

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

PROVISIONS

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are held for product warranty, legal and product liabilities, and environmental risks as detailed in note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

LONG-TERM INCENTIVE PLAN ('LTIP')

The company 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 changes in fair value recognised in the income statement.

LEASES

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

Assets taken on finance lease

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

Assets taken on operating lease

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

EMPLOYEE BENEFITS

Pension plans

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Pension plans (continued)

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

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

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

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

Actuarial gains and losses

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

Measurement date

The measurement date of all retirement plans is 31 March.

FINANCIAL INSTRUMENTS

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 or classified as other financial liabilities. No financial instruments have been classified as held-to-maturity. Where the company provides convertible loan notes to third parties, these are designated as fair value through profit or loss using the fair value option.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Classification, initial recognition and measurement (continued)

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

Embedded 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.

Equity instruments

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

Other financial liabilities

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

Determination of fair value

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

Derecognition of financial assets and financial liabilities

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

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

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

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets (continued)

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

Hedge accounting

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

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

The following IFRS pronouncements have been issued by the IASB and have not yet been adopted:

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

IFRS 7 additional disclosure requirements are being assessed and disclosure will be given when IFRS 9 is adopted by the company.

IFRS 9 *Financial Instruments* 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. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The company has undertaken an assessment of classification and measurement and the company does not expect a significant impact on the financial statements. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The company has undertaken an assessment of the impairment model and the company does not expect a significant impact on the financial statements. The new hedge accounting rules will align the accounting for hedging instruments more closely with the company's risk management practices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The company has undertaken an assessment of their IAS 39 hedge relationships against the requirements of IFRS 9 and has concluded that the company's current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

The company has identified a change with respect to 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. The company is undertaking an assessment to determine the impact on the financial statements. The company anticipates that the time value of foreign exchange options and the foreign currency basis included in the foreign exchange forwards will now be recorded in a separate component of the statement of comprehensive income. 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 balance sheet. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 *Revenue from Contracts with Customers* provides a new comprehensive framework for revenue recognition and establishes new principles and the disclosure requirements thereof. The new standard specifies a uniform, five-step model for revenue recognition, which is to be applied to all contracts with customers. The new disclosure requirements aim to create a more transparent view of how a company generates its revenue and aims to provide more consistent and standardised information to users of financial statements about the nature, timing and amount arising from an entity's contracts with customers. Under IFRS 15 revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations (such as IFRIC 13 *Customer Loyalty Programmes*). The company does not intend on early adopting IFRS 15 and therefore will adopt for Fiscal 2019, commencing 1 April 2018. The company considers the profit impact of IFRS 15 to be immaterial to the financial statements. The main financial impact on the company of IFRS 15 will be the presentation of the income statement with changes in classification arising from the new definitions of agent and principal, as well as some reclassification from 'Other Income' to 'Revenue' and additional revenue reductions relating to payments to customers.

The other significant impact of IFRS 15 on the financial statements is the extensive disclosure requirements of the standard, whereby additional numerical and narrative information will be required as well as significantly more disaggregation of revenue compared to the current disclosures.

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard replaces IAS 17 *Leases* and related interpretations (IFRIC-4, SIC-15, SIC-27). The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the adoption of IFRS 15. The company has commenced an impact assessment project and the additional guidance on lease identification which IFRS 16 provides has resulted in the identification of additional lease arrangements which have existed in previous years. Consequently, the operating lease commitment note for 31 March 2017 reflects these additional arrangements identified (see note 34).

The company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 REVENUE

Year ended 31 March (£ millions)	2017	2016* Restated
Sale of goods	22,153	19,079
Realised revenue hedges	(1,291)	70
Total revenues	20,862	19,149

*Comparatives have been restated due to the change in accounting policy for presentation of foreign exchange gains and losses as set out in note 2.

4 MATERIAL AND OTHER COST OF SALES

Year ended 31 March (£ millions)	2017	2016* Restated
Changes in inventories of finished goods and work-in-progress	(179)	(243)
Purchase of products for sale	946	755
Raw materials and consumables	13,052	11,180
Realised purchase hedges	(91)	259
Total material and other cost of sales	13,728	11,951

*Comparatives have been restated due to the change in accounting policy for presentation of foreign exchange gains and losses as set out in note 2.

5 EMPLOYEE NUMBERS AND COST

Year ended 31 March (£ millions)	2017	2016
Wages and salaries	1,763	1,626
Social security costs and benefits	259	250
Pension costs	277	306
Total employee costs	2,299	2,182

Average employee numbers year ended 31 March 2017	Non-agency	Agency	Total
Manufacturing	17,497	3,704	21,200
Research and development	7,777	1,646	9,423
Other	5,158	1,092	6,249
Total employee numbers	30,431	6,442	36,873

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 DIRECTORS' EMOLUMENTS

Year ended 31 March (£)	2017	2016
Directors' emoluments	7,663,927	7,987,208
Amounts receivable under long-term incentive scheme	1,726,921	720,028
Post-employment benefits	849,432	-

The aggregate of emoluments and amounts receivable under the long-term incentive plan ('LTIP') of the highest paid director was £4,393,459 (2016: £3,709,433), together with a cash allowance in lieu of pension benefits of £800,446 (2016: £786,351). During the year, £537,445 of LTIP awards (2016: £197,782 of LTIP awards) have accrued, which will become payable in future periods. No directors received any LTIP cash payments during the years ended 31 March 2017 or 31 March 2016.

The highest paid director's emoluments are paid by Jaguar Land Rover Automotive plc, an intermediate parent, and fully recharged to this company.

Year ended 31 March (number)	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1

7 LONG-TERM INCENTIVE PLAN ('LTIP')

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

Year ended 31 March (number)	2017	2016*
Outstanding at the beginning of the year	6,032,857	5,637,242
Granted during the year	974	2,317,710
Vested in the year	(1,665,663)	(1,690,151)
Forfeited in the year	(252,947)	(231,944)
Outstanding at the end of the year	4,115,221	6,032,857

The weighted average share price of the 1,665,663 phantom stock awards vested in the year was £4.75 (2016*: £5.84).

The weighted average remaining contractual life of the outstanding share-based payment awards is 0.8 years (2016*: 1.4 years).

The amount charged to the income statement in the year in relation to the share-based payment LTIP was £8 million (2016*: £3 million).

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at the year-end was £16 million (2016*: £16 million).

*Comparatives have been restated in order to fully reflect all awards by the company.

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

As at 31 March	2017	2016
Risk-Free rate (%)	0.18	0.51
Dividend yield (%)	0.04	0.00
Weighted average fair value per phantom share	£4.69	£4.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 OTHER EXPENSES

Year ended 31 March (£ millions)	2017	2016
Stores, spare parts and tools	196	149
Freight cost	767	701
Works operations and other costs	2,015	1,826
Repairs	30	27
Power and fuel	68	60
Rent, rates and other taxes	19	11
Insurance	31	25
Impairment of investment	11	-
Write-down of intangible assets	-	28
Impairment of tangible assets	12	-
Product warranty	619	457
Publicity	301	314
Total other expenses	4,069	3,598

9 RESEARCH AND DEVELOPMENT

Year ended 31 March (£ millions)	2017	2016
Total research and development costs incurred	1,794	1,560
Research and development expensed	(368)	(318)
Development costs capitalised	1,426	1,242
Interest capitalised	89	73
Research and development grants capitalised	(89)	(88)
Total internally developed intangible additions	1,426	1,227

During the year ended 31 March 2014, legislation was enacted to allow UK companies to elect for the Research and Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the previous super-deduction rules. In the year ended 31 March 2017, as a result of this election, £87 million (2016: £66 million) of the RDEC, the proportion relating to capitalised product development expenditure, has been offset against the cost of the respective assets. The remaining £38 million (2016: £38 million) of the RDEC has been recognised as 'Other income'.

10 FINANCE INCOME AND EXPENSE

Year ended 31 March (£ millions)	2017	2016
Finance income	25	26
Dividends received	149	13
Total finance income	174	39
Total interest on financial liabilities measured at amortised cost	(154)	(156)
Unwind of discount on provisions	(13)	(6)
Interest capitalised	97	74
Total interest expense	(70)	(88)

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.3 per cent (2016: 4.6 per cent).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 PROFIT BEFORE TAX

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

Year ended 31 March (£ millions)	2017	2016
Foreign exchange loss on loans	212	66
Foreign exchange loss / (gain) on derivatives	32	(54)
Unrealised (gain) / loss on commodities	(148)	59
Depreciation of property, plant and equipment	768	626
Amortisation intangible assets (excluding internally generated development costs)	79	68
Amortisation of internally generated development costs	778	706
Operating lease rentals in respect of plant, property and equipment	51	41
Loss on disposal of property, plant and equipment and software	13	11
Auditors remuneration	3	5

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

Year ended 31 March (£ millions)	2017	2016
Fees payable to the company's auditor for the audit of the company's annual accounts	2.5	2.4
Fees payable to the company's auditor for amounts incurred on behalf of other group companies	0.2	0.2
Total audit fees	2.7	2.6
Audit related assurance services	-	1.8
Other assurance services	0.3	0.1
Total non-audit fees	0.3	1.9
Total audit and related fees	3.0	4.5

12 TAXATION

Recognised in the income statement

Year ended 31 March (£ millions)	2017	2016
Current tax expense		
Current year	35	26
Prior year	11	
Current tax expense	46	26
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	126	188
Adjustments for prior years	(29)	(52)
Rate change	(59)	(51)
Deferred tax expense	38	85
Total income tax expense	84	111

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

Recognised in the statement of comprehensive income

Year ended 31 March (£ millions)	2017	2016
Deferred tax expense / (credit) on actuarial gains on retirement benefits	(178)	97
Deferred tax expense / (credit) on change in fair value of cash flow hedges	(349)	18
Deferred tax expense on rate change	52	12
	(475)	127

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TAXATION (CONTINUED)

Reconciliation of effective tax rate

Year ended 31 March (£ millions)	2017	2016
Profit for the year	771	986
Total income tax expense	84	111
Profit before tax	855	1,097
Income tax expense using the tax rates applicable to individual entities of 2017: 20.0% (2016: 20.0%)	171	219
Differences between current and deferred tax rates applicable	-	-
Non-deductible expenses	15	21
Non-taxable income	(36)	(32)
Changes in tax rate	(59)	(51)
Withholding taxes suffered	11	6
Over provided in prior years	(18)	(52)
Total income tax expense	84	111

Included within prior period adjustments for the year ended 31 March 2017 is £21 million credit relating to revisions of prior year estimates of the company's tax position to bring them in line with the latest estimates and currently filed tax positions.

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

The UK Finance Act 2015 was enacted during the year ended 31 March 2016 which included provisions for a reduction in the UK corporation tax rate from 20 per cent to 19 per cent with effect from 1 April 2017.

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

Accordingly, UK deferred tax has been provided at blended rates of 18.5 per cent on assets (2016: 19.1 per cent) and 17.7 per cent on liabilities (2016: 18.7 per cent).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS

Investments consist of the following:

As at 31 March (£ millions)	2017	2016
Unquoted equity investments	554	421

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

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar Land Rover North America, LLC.	USA	555 MacArthur Blvd., Mahwah, New Jersey 07430, USA
Jaguar Land Rover Deutschland GmbH	Germany	Am Kronberger Hang 2a, 65824 Schwalbach/Ts, Germany
Jaguar Land Rover Belux N.V.	Belgium	Generaal Lemanstraat 47, 2018 Antwerpen, Belgium
Jaguar Land Rover Austria GmbH	Austria	Siezenheimer Straße 39a, 5020 Salzburg Austria
Jaguar Land Rover Italia SpA	Italy	Via Alessandro Marchetti, 105 - 00148, Roma, Italy
Jaguar Land Rover Australia (Pty) Limited	Australia	Level 1, 65 Epping Road, North Ryde, New South Wales 2113, Australia
Jaguar Land Rover Espana SL	Spain	Torre Picasso, Plaza Pablo Ruiz Picasso, 1 – Planta 42, 23020 Madrid, Spain
Jaguar Land Rover Nederland B.V.	Holland	PO Box 40, Stationsweg 8, 4153 RD Beesd, Netherlands
Jaguar Land Rover Portugal Veiculos e Pecas, Lda.	Portugal	Edificio Escritorios do Tejo, Rua do Polo Sul, Lote 1.10.1.1 – 3.º B-3, Parish of Santa Maria dos Olivais, Municipality of Lisboa, Portugal
Jaguar Land Rover Japan Limited	Japan	Garden City Shinagawa Gotenyama Bldg. 9F, 6-7-29 Kita-Shinagawa, Shinagawa-ku, Tokyo 141-0001, Japan

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar Land Rover Korea Co. Ltd	Korea	25F West Mirae Asset Center 1 Building 67 Suha-dong, Jung-gu Seoul 100-210, Korea
Jaguar Land Rover Canada ULC	Canada	75 Courtneypark Drive West, Unit 3 Mississauga, ON L5W 0E3, Canada
Jaguar Land Rover France SAS	France	Z.A. Kleber – Batiment Ellington, 165 Boulevard de Valmy, 92706 Colombes, Cedex, France
Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.	Brazil	Avenida Ibirapuera 2332, Torre I - 10º andar-Moema 04028-002, São Paulo-SP-Brazil
Jaguar Land Rover (South Africa) Holdings Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Jaguar Land Rover (South Africa) (Pty) Ltd	South Africa	28 Victoria Link, Route 21 Corporate Park, Nellmapius Drive, Irene X30, Centurion, Tshwane, Gauteng, South Africa
Jaguar Land Rover India Limited	India	Nanavati Mahalaya, 3rd floor, 18, Homi Mody Street, Mumbai, Maharashtra, India 400001
Daimler Transport Vehicles Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
S.S. Cars Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
The Lanchester Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
The Daimler Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
The Jaguar Collection Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Jaguar Land Rover Pension Trustees Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Registered office address
JLR Nominee Company Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Jaguar Cars Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Land Rover Exports Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Land Rover Ireland Limited	Ireland	c/o LK Shields Solicitors 39/40 Upper Mount Street Dublin 2, Ireland
Jaguar Cars South Africa (Proprietary) Ltd	South Africa	Simon Vermooten Road, Silverton, Pretoria 0184 South Africa
Jaguar Land Rover Slovakia s.r.o.	Slovakia	Vysoka 2/B, 811 06 Bratislava, Slovakia
Jaguar Land Rover Singapore Pte. Ltd	Singapore	138 Market Street, CapitaGreen Singapore
Jaguar Racing Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
InMotion Ventures Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
Jaguar Land Rover Colombia SAS	Colombia	CL 67735 OFE, 1204 Bogotan Cundinamarca 1 3192 900 Colombia
InMotion Ventures 1 Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
InMotion Ventures 2 Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England
InMotion Ventures 3 Limited	England and Wales	Abbey Road, Whitley, Coventry CV3 4LF England

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

During the year ended 31 March 2017, the company invested £1 million for 100 per cent of the share capital of Jaguar Land Rover Colombia SAS and invested an additional £131 million in Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.

During the year ended 31 March 2016, the company invested £24 million for 100 per cent of the ordinary share capital of Jaguar Land Rover Slovakia s.r.o., Jaguar Land Rover Singapore Pte. – Ltd, Jaguar Racing Limited and InMotion Ventures Limited. Further, the company acquired 100 per cent of the share capital of Silkplan Limited during the year ended 31 March 2016.

Silkplan Limited was struck-off during the year ended 31 March 2017 and the company impaired its investment, recognising an impairment loss of £11 million.

During the year ended 31 March 2016, the company recognised a write-down of its investment in JDHT Limited of £2 million following the transfer of the business and assets out of JDHT Limited.

The company has the following investments in joint ventures, associates and trade investments at 31 March 2017:

Name of investment	Proportion of voting rights	Principal place of business and country of incorporation	Principal activity	Registered office address
Joint ventures and associates				
Chery Jaguar Land Rover Automotive Co. Ltd.	25.0%	China	Manufacture and assembly of vehicles	Room 1102, Binjiang International Plaza, No 88 Tonggang Road, Changshu Economic and Technical Development Zone, Suzhou City, Jiangsu Province, China
Spark44 (JV) Limited	50.0%	England & Wales	Provision of advertising services	Abbey Road Whitley, Coventry CV3 4LF England
Jaguar Cars Finance Limited	49.9%	England & Wales	Non-trading	280 Bishopsgate, London, EC2M 4RB, England
Synaptiv Limited	33.3%	England & Wales	Business and domestic software development	84 Kirkland Avenue, Ilford, Essex, England, IG5 0TN
CloudCar Inc.	42.6%	USA	Automotive software development	2191 E Bayshore Rd 200 Palo Alto, CA 94303 USA
Trading investments				
Jaguar Land Rover Schweiz AG	10.0%	Switzerland	Sale of automotive vehicles and parts	Badenerstrasse 600 8048 Zurich Switzerland

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS (CONTINUED)

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

Chery Jaguar Land Rover Automotive Co. Ltd. is a limited liability company, whose legal form confirms separation between the parties to the joint arrangement. There is no contractual arrangement or any other facts or circumstances that indicate that the parties to the joint control of the arrangement have rights to the assets or obligations for the liabilities relating to the arrangement. Accordingly, Chery Jaguar Land Rover Automotive Co. Ltd. is classified as a joint venture.

During the year ended 31 March 2017, a dividend of £68 million was received from Chery Jaguar Land Rover Automotive Co. Ltd. (2016: no dividend).

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

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

During the year ended 31 March 2017, the company purchased 32 per cent of the ordinary share capital of CloudCar Inc. for £12 million. However, the company has 43 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 company purchased 33 per cent of the ordinary share capital of Synaptiv Limited for £0.2 million.

14 OTHER FINANCIAL ASSETS

Year ended 31 March (£ millions)	2017	2016
Non-current		
Restricted cash	1	-
Derivative financial instruments	255	154
Others	6	6
Total non-current other financial assets	262	160
Current		
Advances and other receivables recoverable in cash	457	162
Derivative financial instruments	169	73
Accrued income	18	12
Other	3	3
Total current other financial assets	647	250

Included with advances and other receivables recoverable in cash is £455 million (2016: £130 million) owed by group undertakings. These amounts are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT

(£ millions)	Land and buildings	Plant and Equipment	Vehicles	Computers	Fixtures & fittings	Heritage Vehicles	Under construction	Total
Cost								
Balance at 1 April 2015	787	4,445	4	38	42	52	761	6,129
Additions	-	589	-	25	16	-	567	1,197
Transfers	157	681	-	-	-	-	(838)	-
Disposals	-	(46)	-	-	-	-	-	(46)
Balance at 31 March 2016	944	5,669	4	63	58	52	490	7,280
Additions	-	-	-	24	9	-	1,323	1,356
Transfers	101	832	-	-	-	-	(933)	-
Disposals	(3)	(26)	-	(1)	-	-	-	(30)
Balance at 31 March 2017	1,042	6,475	4	86	67	52	880	8,606
Depreciation								
Balance at 1 April 2015	74	1,614	1	9	8	-	-	1,706
Depreciation charge for the year	29	584	1	5	7	-	-	626
Disposals	-	(36)	-	-	-	-	-	(36)
Balance at 31 March 2016	103	2,162	2	14	15	-	-	2,296
Depreciation charge for the year	39	712	-	9	8	-	-	768
Disposals	(1)	(17)	-	-	-	-	-	(18)
Impairment	-	12	-	-	-	-	-	12
Balance at 31 March 2017	141	2,869	2	23	23	-	-	3,058
Net Book Value								
At 31 March 2016	841	3,507	2	49	43	52	490	4,984
At 31 March 2017	901	3,606	2	63	44	52	880	5,548

As part of the company's physical verification process and review of future manufacturing activities, £12 million of plant and equipment has been identified as impaired and this has been recognised as an expense within 'Other expenses' in the year ended 31 March 2017 (2016: £nil).

The carrying value of 'Plant and Equipment' held under finance leases at 31 March 2017 was £3 million (2016: £8 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTANGIBLE ASSETS

(£ millions)	Goodwill	Software	Intellectual property rights and other intangibles	Capitalised product development	Total
Cost					
Balance at 1 April 2015	382	443	396	5,309	6,530
Additions	-	134	-	1,222	1,356
Asset write-downs	-	-	-	(28)	(28)
Disposals	-	(9)	-	(361)	(370)
Balance at 31 March 2016	382	568	396	6,142	7,488
Additions	-	88	14	1,433	1,535
Disposals	-	(83)	-	(138)	(221)
Balance at 31 March 2017	382	573	410	7,437	8,802
Amortisation					
Balance at 1 April 2015	-	125	-	1,362	1,487
Amortisation for the year	-	68	-	706	774
Disposals	-	(8)	-	(361)	(369)
Balance at 31 March 2016	-	185	-	1,707	1,892
Amortisation for the year	-	79	-	778	857
Disposals	-	(82)	-	(138)	(220)
Balance at 31 March 2017	-	182	-	2,347	2,529
Net Book Value					
At 31 March 2016	382	383	396	4,435	5,596
At 31 March 2017	382	391	410	5,090	6,273

Following a review of all product development in progress, £nil of costs were identified as written-down and this has been recognised as an expense within 'Other expenses' in the year ended 31 March 2017 (2016: £28 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING

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

The directors are of the view that the operations of the group, headed by Jaguar Land Rover Automotive plc, represent a single cash-generating unit.

The assets of Jaguar Land Rover Limited are considered for the risk of impairment annually and the recoverable amounts of indefinite life assets, comprising intellectual property rights and goodwill, and intangible assets not yet available for use have been measured in accordance with IAS 36.

The smallest identifiable group of assets that generates cash flows largely independent of other assets and that comprises the indefinite life assets, goodwill and assets not yet available for use of the company is the cash-generating unit comprising the tangible and intangible assets of the Jaguar Land Rover Automotive plc group.

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

As at 31 March	2017	2016
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond approved forecast period	1.9%	2.1%
Pre-tax discount rate	10.9%	11.2%

The growth rates used in the value in use calculation reflect those inherent within the Jaguar Land Rover Automotive plc Board's latest business plan which is primarily a function of the group's cycle plan assumptions, past performance and management's expectation of future market developments through to 2021/22. The cash flows are then extrapolated into perpetuity assuming a growth rate of 1.9 per cent (2016: 2.1 per cent).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
At 31 March 2017				
Deferred tax assets				
Property, plant & equipment	(29)	66	-	37
Provisions, allowances for doubtful receivables	8	(9)	-	(1)
Derivative financial instruments	238	(16)	326	548
Compensated absences and retirement benefits	105	(7)	150	248
Tax loss	170	12	-	182
R&D expenditure credit	50	19	-	69
Total deferred tax asset	542	65	476	1,083
Deferred tax liabilities				
Intangible assets	(866)	(103)	-	(969)
Derivative financial instruments	-	-	-	-
Total deferred tax liability	(866)	(103)	-	(969)
Net deferred tax liability	(324)	(38)	476	114
At 31 March 2016				
Deferred tax assets				
Property, plant & equipment	7	(36)	-	(29)
Provisions, allowances for doubtful receivables	6	2	-	8
Derivative financial instruments	261	1	(24)	238
Compensated absences and retirement benefits	182	26	(103)	105
Tax loss	216	(46)	-	170
R&D expenditure credit	34	16	-	50
Total deferred tax asset	706	(37)	(127)	542
Deferred tax liabilities				
Intangible assets	(818)	(48)	-	(866)
Derivative financial instruments	-	-	-	-
Total deferred tax liability	(818)	(48)	-	(866)
Net deferred tax liability	(112)	(85)	(127)	(324)

The company recognises all deferred tax assets at 31 March 2017 and 31 March 2016 in view of the continued profitability of the company. All deferred tax assets and deferred tax liabilities at 31 March 2017 and 31 March 2016 are presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Year ended 31 March (£ millions)	2017	2016
Cash and cash equivalents	2,195	2,871

Included within the cash and cash equivalents balance of £2,195 million (2016: £2,871 million) are amounts of £nil (2016: £7 million) which are not considered to be available for use by the company at the balance sheet date. The balance of £7 million at 31 March 2016 relates to amounts held by solicitors to settle a capital commitment.

19 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

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

Year ended 31 March (£ millions)	2017	2016
At beginning of year	50	8
Charged during the year	-	42
Utilised during the year	(2)	-
Unused amounts reversed	(7)	-
Foreign currency translation	14	-
At end of year	55	50

20 INVENTORIES

Year ended 31 March (£ millions)	2017	2016
Raw materials and consumables	75	63
Work in progress	330	377
Finished goods	1,214	988
Total inventories	1,619	1,428

Inventories of finished goods include £280 million (2016: £218 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

Cost of inventories (including cost of purchased products) recognised as an expense during the year amounted to £16,104 million (2016: £13,536 million).

During the year, the company recorded inventory write-down expense of £16 million (2016: £21 million). The write-down is included in cost of sales. No previous write-downs have been reversed in any period.

21 OTHER ASSETS

Year ended 31 March (£ millions)	2017	2016
Non-current assets		
Prepaid expense	76	40
Others	3	3
Total other non-current assets	79	43
Current assets		
Recoverable VAT	166	147
Prepaid expense	94	81
Income tax	3	12
Research and development credit	97	81
Others	3	3
Total other current assets	363	324

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 ACCOUNTS PAYABLE

Year ended 31 March (£ millions)	2017	2016
Trade payables	4,064	3,486
Liabilities for expenses	457	430
Capital creditors	366	347
Total accounts payable	4,887	4,263

23 INTEREST BEARING LOANS AND BORROWINGS

Year ended 31 March (£ millions)	2017	2016
Short-term borrowings		
Loans	1,481	1,965
Short-term borrowings	1,481	1,965
Long-term borrowings		
Loans	3,395	2,373
Long-term borrowings	3,395	2,373
Finance lease obligations (see note 34)	3	8
Total borrowings	4,879	4,346

Included within short-term borrowings are external bank loans of £179 million (2016: £116 million). All other short-term and long-term borrowings are intercompany loans.

The contractual cash flows of interest bearing debt and borrowings as of 31 March 2017 and 31 March 2016 are set out below, including estimated interest payments and assumes the debt will be repaid at the maturity date.

Year ended 31 March (£ millions)	2017	2016
Due in		
1 year or less	1,647	2,080
2nd and 3rd years	1,610	717
4th and 5th years	848	857
More than 5 years	1,414	1,292
Total contractual cash flows	5,519	4,946

24 OTHER FINANCIAL LIABILITIES

Year ended 31 March (£ millions)	2017	2016
Current		
Interest accrued	26	22
Derivative financial instruments	1,760	666
Liability for vehicles sold under a repurchase arrangement	295	226
Liabilities to employees	129	134
Finance lease obligations	1	4
Total current other financial liabilities	2,211	1,052
Non-current		
Derivative financial instruments	1,391	809
Other payables	2	2
Finance lease obligations	2	4
Total non-current other financial liabilities	1,395	815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 PROVISIONS

Year ended 31 March (£ millions)	2017	2016
Current		
Product warranty	418	360
Legal and product liability	86	85
Provisions for environmental liability	11	7
Total current provisions	515	452
Non-current		
Product warranty	820	610
Provisions for environmental liability	22	24
Other employee benefits obligations	10	7
Total non-current provisions	852	641

Year ended 31 March (£ millions)	Product warranty	Legal and product liability	Environmental liability
Opening balance	970	85	31
Provision made during the year	642	30	2
Provision used during the year	(364)	(31)	-
Unused amount released in the year	(23)	-	-
Impact of unwind of discounting	13	-	-
Foreign exchange	-	2	-
Closing balance	1,238	86	33

PRODUCT WARRANTY PROVISION

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

LEGAL AND PRODUCT LIABILITY PROVISION

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

ENVIRONMENTAL 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 OTHER LIABILITIES

Year ended 31 March (£ millions)	2017	2016
Current		
Liabilities for advances received	19	6
Deferred revenue	56	36
Others	9	13
Total current other liabilities	84	55
Non-current		
Deferred revenue	127	77
Others	11	24
Total non-current other liabilities	138	101

27 CAPITAL AND RESERVES

Year ended 31 March (£ millions)	2017	2016
Allotted, called up and fully paid 3,560,542,073 (2016: 2,638,689,010) ordinary shares of £1 each	3,561	2,639
Total capital presented as equity	3,561	2,639

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

In the year ended 31 March 2017, the company issued 921,853,063 (2016: nil) shares at their nominal value of £1 each.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 OTHER RESERVES

The movement of other reserves is as follows:

(£ millions)	Hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2016	(867)	4,958	4,091
Profit for the year	-	771	771
Remeasurement of defined benefit obligation	-	(895)	(895)
Loss on effective cash flow hedges	(2,949)	-	(2,949)
Cash flow hedges reclassified to foreign exchange in profit or loss	1,204	-	1,204
Income tax related to items recognised in other comprehensive income	567	150	717
Income tax related to items reclassified to profit or loss	(241)	-	(241)
Dividend paid (note 29)	-	-	-
Balance as at 31 March 2017	(2,286)	4,984	2,698

(£ millions)	Hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2015	(930)	3,740	2,810
Profit for the year	-	986	986
Remeasurement of defined benefit obligation	-	486	486
Loss on effective cash flow hedges	(174)	-	(174)
Cash flow hedges reclassified to foreign exchange in profit or loss	261	-	261
Income tax related to items recognised in other comprehensive income	28	(103)	(75)
Income tax related to items reclassified to profit or loss	(52)	-	(52)
Dividend paid (note 29)	-	(150)	(150)
Balance as at 31 March 2016	(867)	4,959	4,092

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 DIVIDENDS

Year ended 31 March (£ millions)	2017	2016
Dividend proposed for the previous year paid during the year of £nil (2016: 6p) per share	-	150
Dividend for the year paid during the year of £nil (2016: £nil)	-	-
Amounts recognised as distributions to equity holders during the year	-	150
Proposed dividend for the year of £nil (2016: 6p) per share	-	-

30 EMPLOYEE BENEFITS

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

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

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

Asset volatility

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

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

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

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

Change in present value of defined benefit obligation

Year ended 31 March (£ millions)	2017	2016
Defined benefit obligation at the beginning of the year	7,617	7,831
Current service cost	197	222
Interest expense	273	261
Actuarial (gains) / losses arising from:		
Changes in demographic assumptions	(76)	(36)
Changes in financial assumptions	2,335	(563)
Experience adjustments	(213)	63
Member contributions	2	2
Benefits paid	(223)	(163)
Other adjustments	-	-
Defined benefit obligation at end of year	9,912	7,617

Change in fair value of plan assets

Year ended 31 March (£ millions)	2017	2016
Fair value of plan assets at beginning of the year	7,072	6,965
Interest income	257	232
Remeasurement (loss)/gain on the return of plan assets, excluding amounts included in interest income	1,149	(49)
Administrative expenses	(9)	(8)
Employer contributions	226	93
Members contributions	2	2
Benefits paid	(223)	(163)
Fair value of plan assets at end of year	8,474	7,072

The actual return on plan assets for the year was £1,406 million (2016: £175 million).

Amounts recognised in the income statement consist of:

Year ended 31 March (£ millions)	2017	2016
Current service cost	197	222
Administrative expenses	9	8
Net interest cost (including onerous obligations)	530	29
Components of defined benefit cost recognised in the income statement	736	259

Amounts recognised in the statement of comprehensive income consist of:

Year ended 31 March (£ millions)	2017	2016
Actuarial gain/(loss) arising from:		
Changes in demographic assumptions	76	36
Changes in financial assumptions	(2,335)	563
Experience adjustments	213	(63)
Remeasurement (loss)/gain on the return of plan assets, excluding amounts included in interest income	1,149	(49)
Change in restriction of pension asset recognised (as per IFRIC 14)	-	1
Change in onerous obligation, excluding amounts included in interest expense	2	(2)
Remeasurement gain of defined benefit obligation	(895)	486

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised in the balance sheet consist of:

Year ended 31 March (£ millions)	2017	2016
Present value of funded defined benefit obligations	(9,912)	(7,617)
Fair value of plan assets	8,474	7,072
Restriction of pension asset recognised (as per IFRIC 14) and onerous obligations	-	(2)
Net retirement benefit obligation	(1,438)	(547)
Presented as non-current liability	(1,438)	(547)

The most recent actuarial valuations of scheme assets and the present value of the defined benefit liability for accounting purposes were carried out at 31 March 2017 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

Year ended 31 March (%)	2017	2016
Discount rate	2.6	3.6
Expected rate of increase in compensation level of covered employees	3.7	3.5
Inflation increase	3.2	3.0

For the valuation at 31 March 2017 and 31 March 2016, the mortality assumptions used are the SAPS base table, in particular S2NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 120 per cent for males and 110 per cent for females has been used for the Jaguar Pension Plan, 115 per cent for males and 105 per cent for females for the Land Rover Pension Scheme, and 95 per cent for males and 85 per cent for females for Jaguar Executive Pension Plan.

There is an allowance for future improvements in line with the CMI (2014) projections and an allowance for long term improvements of 1.25 percent per annum (2016: CMI (2014) projections with 1.25 per cent per annum improvements).

The assumed life expectations on retirement at age 65 are:

Valuation at 31 March (years)	2017	2016
Retiring today:		
Males	21.5	21.5
Females	24.5	24.4
Retiring in 20 years:		
Males	23.3	23.2
Females	26.3	26.2

The company noted that on 27 March 2017, a new mortality projection model (CMI (2016)) was released which potentially indicated a small reduction in longevity of, on average, 0.5 years compared to current assumptions. The company considered adopting the new mortality tables and noted that there was uncertainty about the appropriate level of initial mortality improvements both for the general population and when applying the model to other populations. On this basis, following discussion with and recommendation by the company's pension advisors, it is considered that the CMI (2014) mortality tables represent the company's best estimate of the future longevity of its defined benefit members both during and after employment as at 31 March 2017.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	Change in assumption	Impact on scheme liabilities	Impact on service cost
Discount rate	Increase / decrease by 0.25%	Decrease/increase by £555 million	Decrease/increase by £13 million
Inflation rate	Increase / decrease by 0.25%	Decrease/increase by £494 million	Decrease/increase by £13 million
Mortality	Increase / decrease by 1 year	Decrease/increase by £286 million	Decrease/increase by £7 million

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

As at 31 March (£ millions)	2017				2016			
	Quoted*	Unquoted	Total	%	Quoted*	Unquoted	Total	%
Equity instruments								
Information technology	142	-	142	2%	124	-	124	2%
Energy	60	-	60	1%	53	-	53	1%
Manufacturing	104	-	104	1%	98	-	98	1%
Financials	163	-	163	2%	178	-	178	3%
Other	450	-	450	5%	435	-	435	6%
	919	-	919	11%	888	-	888	13%
Debt instruments								
Government	2,917	-	2,917	34%	2,578	-	2,578	36%
Corporate Bonds (investment grade)	20	2,063	2,083	25%	157	1,454	1,611	23%
Corporate bonds (Non investment grade)	123	413	536	6%	164	278	442	6%
	3,060	2,476	5,536	65%	2,899	1,732	4,631	65%
Property funds								
UK	-	189	189	2%	67	114	181	3%
Other	-	155	155	2%	75	48	123	2%
	-	344	344	4%	142	162	304	5%
Cash and cash equivalents	93	-	93	1%	169	-	169	2%
Other								
Hedge Funds	-	401	401	5%	-	371	371	5%
Private Markets	-	174	174	2%	-	80	80	1%
Alternatives	325	377	702	8%	346	88	434	6%
	325	952	1,277	15%	346	539	885	12%
Derivatives								
Foreign exchange contracts	-	17	17	1%	-	(9)	(9)	-
Interest rate and inflations	-	289	289	3%	-	204	204	3%
	-	306	306	4%	-	195	195	3%
Total	4,397	4,078	8,475	100%	4,444	2,628	7,072	100%

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 EMPLOYEE BENEFITS (CONTINUED)

As at 31 March 2017 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 £843 million at 31 March 2016 (2016: £373 million).

The split of level 1 assets is 66 per cent (2016: 63 per cent), level 2 assets 27 per cent (2016: 31 per cent) and level 3 assets 7 per cent (2016: 6 per cent). Private market holdings are classified as Level 3 instruments.

The company contributes towards the defined benefit schemes. Following the 5 April 2015 valuation, it is intended to eliminate the pension scheme funding deficits over the 10 years following the valuation date. As at 31 March 2017 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. The current agreed contribution rate for defined benefit accrual is 31 per cent of pensionable salaries. Deficit contribution levels remain in line with prior expectation for 2016 to 2018 and then increase to £58 million per annum to March 2025.

The average duration of the benefit obligation at 31 March 2017 is 21.6 years (2016: 20.5 years).

On 3 April 2017, the company approved and communicated to its defined benefit scheme members that the defined benefit scheme rules were to be amended with effect from 6 April 2017 so that, amongst other changes, retirement benefits will be calculated on a career average basis 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 has been recognised in Fiscal 2018.

Excluding this past service credit, but allowing for the new benefit structure from 6 April 2017, the expected net periodic pension cost for the year ended 31 March 2018 is £248 million. The company expects to pay £302 million to its defined benefit schemes, in total, for the year ended 31 March 2018.

DEFINED CONTRIBUTION SCHEMES

The company's contribution to defined contribution schemes for the year ended 31 March 2017 was £55 million (2016: £47 million).

31 COMMITMENTS AND CONTINGENCIES

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

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

LITIGATION AND PRODUCT RELATED MATTERS

The company is involved in legal proceedings, both as plaintiff and as defendant and there are claims as at 31 March 2017 of £6 million (2016: £6 million) against the company which management have not recognised as they are not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiencies in the services by the company or its dealers.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COMMITMENTS

The company has entered into various contracts with vendors and contractors for the acquisition of plant and machinery, equipment and various civil contracts of capital nature aggregating £1,476 million (2016: £768 million) and £31 million (2016: £12 million) relating to the acquisition of intangible assets.

Commitments and contingencies also include other contingent liabilities of £35 million (2016: £22 million).

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

Inventory of £nil (2016: £nil) and trade receivables with a carrying amount of £179 million (2016: £116 million) and property, plant and equipment with a carrying amount of £nil (2016: £nil) are pledged as collateral/security against the borrowings and commitments.

Commitments related to leases are set out in note 34.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Co. Ltd. is a commitment for the company to contribute a total of CNY 1,750 million of capital, of which CNY 1,438 million has been contributed as at 31 March 2017. The outstanding commitment of CNY 312 million translates to £36 million at 31 March 2017 exchange rate.

Any litigations and claims against Jaguar Land Rover Holdings Limited are considered to be the responsibility of the company which settle these as appropriate. No amounts were recharged by the company for the years ended 31 March 2017 and 31 March 2016.

32 CAPITAL MANAGEMENT

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

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

The capital structure and funding requirements are regularly monitored by the JLR plc Board to ensure sufficient liquidity is maintained by the group. All debt issuance and capital distributions are approved by the JLR plc Board. In addition, covenants (such as Adjusted EBITDA to interest ratios) related to the Company's financing arrangements are regularly monitored and compliance is certified annually.

The following table summarises the capital of the company:

Year ended 31 March (£ millions)	2017	2016
Short-term debt	1,482	1,969
Long-term debt	3,397	2,377
Total debt*	4,879	4,346
Equity	6,259	6,731
Total capital	11,138	11,077

* Total debt includes finance lease obligations of £3 million (2016: £8 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS

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

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

(A) FINANCIAL ASSETS AND LIABILITIES

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

(£ millions)	Loans and receivables	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Cash and cash equivalents	2,195	-	-	2,195	2,195
Short-term deposits	2,609	-	-	2,609	2,609
Trade receivables	2,392	-	-	2,392	2,392
Other financial assets - current	478	133	36	647	647
Other financial assets - non-current	7	205	50	262	262
Total financial assets	7,681	338	86	8,105	8,105

Financial liabilities

(£ millions)	Other financial liabilities	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Accounts payable	4,887	-	-	4,887	4,887
Short-term borrowings	1,481	-	-	1,481	1,481
Long-term borrowings	3,395	-	-	3,395	3,489
Other financial liabilities - current	451	1,488	272	2,211	2,211
Other financial liabilities - non-current	4	1,379	12	1,395	1,395
Total financial liabilities	10,218	2,867	284	13,369	13,463

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2016:

Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities

(£ millions)	Other financial liabilities	Derivatives in cash flow hedging relationship	Fair value through profit and loss	Total carrying value	Total fair value
Accounts payable	4,263	-	-	4,263	4,263
Short-term borrowings	1,965	-	-	1,965	1,965
Long-term borrowings	2,373	-	-	2,373	2,373
Other financial liabilities - current	386	558	108	1,052	1,052
Other financial liabilities - non-current	6	745	64	815	815
Total financial liabilities	8,993	1,303	172	10,468	10,468

Offsetting

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

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

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2017:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
Financial assets						
Derivative financial assets	424	-	424	(419)	-	5
Cash and cash equivalents	2,226	(31)	2,195	-	-	2,195
	2,650	(31)	2,619	(419)	-	2,200
Financial liabilities						
Derivative financial liabilities	3,151	-	3,151	(419)	-	2,732
Short-term borrowings	1,512	(31)	1,481	-	-	1,481
	4,663	(31)	4,632	(419)	-	4,213

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2016:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
Financial assets						
Derivative financial assets	239	-	239	(239)	-	-
Cash and cash equivalents	2,979	(108)	2,871	-	-	2,871
	3,218	(108)	3,110	(239)	-	2,871
Financial liabilities						
Derivative financial liabilities	1,475	-	1,475	(239)	-	1,236
Short-term borrowings	2,073	(108)	1,965	-	-	1,965
	3,548	(108)	3,440	(239)	-	3,201

Fair value hierarchy

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The long-term unsecured listed bonds are held at amortised cost. Their fair value for disclosure purposes is determined using Level 1 valuation techniques, based on the closing price as at 31 March 2017 on the EURO MTF market.

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

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the company could have realised in a sales transaction as of the respective dates. The estimated fair value amounts as at 31 March 2017 and 2016 have been measured as at the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

(B) FINANCIAL RISK MANAGEMENT

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

(C) FOREIGN CURRENCY EXCHANGE RATE RISK

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

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

1) Hedge accounting exposures

The company uses foreign currency contracts to hedge its risk associated with foreign currency fluctuations relating to highly probable forecast transactions. The fair value of such contracts as of 31 March 2017 was a net liability of £2,529 million (2016: net liability of £1,107 million).

Cash flow hedges are expected to be recognised in profit or loss during the years ending 31 March 2018 to 2022. The company also has a number of foreign currency options which are entered into as an economic hedge of the financial risks of the company. The time value of options is excluded from the hedge relationship and thus the change in time value is recognised immediately in the income statement.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective hedge, are recognised in the statement of comprehensive income and the ineffective portion of the fair value change is recognised in the income statement. Accordingly, the fair value change of net loss of £2,799 million (2016: loss of £174 million (restated)) was recognised in other comprehensive income. Cash flow hedges reclassified to the income statement were a loss of £1,204 million (2016: loss of £261 million). The loss due to hedge ineffectiveness where forecast transactions are no longer expected to occur was £40 million (2016: £2 million) which has been recognised in 'Foreign exchange loss' in the income statement. The gain on derivative contracts not eligible for hedging was £11 million (2016: gain of £85 million) which has been recognised in 'Foreign exchange loss' in the income statement.

The total loss reported in other comprehensive income for cash flow hedges was £1,745 million (2016: gain of £87 million).

A 10 per cent appreciation / depreciation of the foreign currency underlying such foreign currency contracts (excluding US Dollar bonds designated in a cash flow hedging relationship) would have resulted in an approximate additional (loss) / gain of £(1,670) million / £1,595 million (2016: £(1,788) million / £1,653 million) in equity and a gain / (loss) of £102 million / £(17) million (2016: £24 million / £91 million) in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(C) FOREIGN CURRENCY EXCHANGE RATE RISK (CONTINUED)

In addition to using foreign currency derivative contracts to economically hedge future purchases in US Dollars, the company issues bonds denominated in US Dollars to give a degree of natural hedging of future sales revenues. During the year, the company designated US Dollar bonds, with a principal amount of \$1.2 billion in a cash flow hedge relationship against forecast US Dollar revenue between the periods 2018 to 2020. As a result, a loss of £150 million has been recognised within other comprehensive income.

2) Balance sheet exposures

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

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

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	*Others	Total
Financial assets	1,079	873	72	39	2,063
Financial liabilities	(580)	(1,593)	(9)	(64)	(2,246)
Net exposure asset / (liability)	499	(720)	63	(25)	(183)

A 10 per cent appreciation / depreciation of the USD, Euro and Chinese Yuan would result in an increase / decrease in the company's net profit before tax and net assets by approximately £50 million, £(72) million and £6 million respectively for the year ended 31 March 2017.

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

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

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

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

(D) COMMODITY PRICE RISK

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

The total fair value gain on commodities of £106 million (2016: loss of £113 million) has been recognised in 'Other income' in the income statement. The losses reported do not reflect the purchasing benefits received by the company (which are included within 'Material and other cost of sales').

A 10 per cent appreciation / depreciation of all commodity prices underlying such contracts would have resulted in a gain / (loss) of £57 million (2016: £52 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(E) INTEREST RATE RISK

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

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

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

As of 31 March 2017 net financial liabilities of £1,480 million (2016: £1,965 million) were subject to the variable interest rate. An increase / decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of £15 million (2016: £20 million) in the income statement and £nil (2016: £nil) in equity.

(F) LIQUIDITY RISK

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

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

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

As at 31 March 2017 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	3,395	3,982	133	687	1,748	1,414
Short-term borrowings	1,481	1,481	1,481	-	-	-
Finance lease liabilities	3	3	1	2	-	-
Other financial liabilities	452	459	434	12	13	-
Accounts payable	4,887	4,887	4,887	-	-	-
Derivative financial liabilities	3,151	3,992	1,950	1,294	748	-
Total contractual maturities	13,369	14,804	8,886	1,995	2,509	1,414

As at 31 March 2016 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	2,373	2,935	107	107	1,429	1,292
Short-term borrowings	1,965	1,965	1,965	-	-	-
Finance lease liabilities	8	8	4	2	2	-
Other financial liabilities	384	410	370	12	28	-
Accounts payable	4,263	4,263	4,263	-	-	-
Derivative financial liabilities	1,475	1,882	725	698	459	-
Total contractual maturities	10,468	11,463	7,434	819	1,918	1,292

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(G) CREDIT RISK

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

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

To a lesser extent the company has an exposure to counterparties on trade receivables. The company 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 which meet internal rating criteria.

None of the financial instruments of the company 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 company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2017 or 31 March 2016 that defaults in payment obligations will occur.

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

As at 31 March (£ millions)	2017 Gross	2017 Impairment	2016 Gross	2016 Impairment
Not yet due	2,769	-	2,120	-
Overdue < 3 months	61	2	58	28
Overdue > 3 < 6 months	2	-	21	19
Overdue > 6 months	54	53	3	3
Total	2,886	55	2,202	50

Included within trade receivables is £179 million (2016: £116 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 £179 million (2016: £116 million) is in short-term borrowings. Both the asset and associated liability are stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 LEASES

LEASES AS LESSEE

Non-cancellable finance lease rentals are payable as follows:

As at 31 March (£ millions)	2017	2016
Less than one year	1	4
Between one and five years	2	4
More than five years	-	-
Total lease payments	3	8

The above leases relate to amounts payable under the minimum lease payments on plant and machinery. The company leased certain of its manufacturing equipment under finance lease that mature between 2017 and 2030. The company will take ownership of all assets held under finance lease at the end of the lease term.

Non-cancellable operating lease rentals are payable as follows:

As at 31 March (£ millions)	2017	2016
Less than one year	55	35
Between one and five years	165	38
More than five years	118	27
Total lease payments	338	100

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

LEASES AS LESSOR

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

As at 31 March (£ millions)	2017	2016
Less than one year	-	1
Between one and five years	1	1
More than five years	10	10
Total lease payments	11	12

The above leases relate to amounts receivable in respect of land and buildings and fleet car sales. The average lease life is 51 years.

35 SEGMENT REPORTING

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

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

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

(£ millions)	UK	US	China	Rest of Europe	Rest of World	Total
31 March 2017						
Revenue	4,934	4,323	3,146	5,074	3,370	20,847
31 March 2016						
Revenue (restated)*	4,543	3,743	3,225	3,880	3,758	19,149

*Comparatives have been restated due to the change in accounting policy for presentation of foreign exchange gains and losses as set out in note 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF PROFIT FOR THE YEAR TO CASH GENERATED FROM OPERATIONS

Year ended 31 March (£ millions)	2017	2016* Restated
Profit for the year	771	986
<i>Adjustments for:</i>		
Depreciation and amortisation	1,625	1,400
Write-down of intangible assets	-	28
Impairment of tangible assets	12	-
Write-down of investments	11	2
Loss on sale of assets	13	11
Income tax expense	84	111
Foreign exchange loss on loans	212	66
Foreign exchange (gain) / loss on derivatives	32	(54)
Unrealised (gain) / loss on commodities	(148)	59
Foreign exchange gain on short-term deposits	(57)	(11)
Foreign exchange gain on cash and cash equivalents	(32)	5
Finance expense (net)	70	88
Finance Income	(174)	(39)
Cash flows generated from operating activities before changes in assets and liabilities	2,419	2,652
Trade receivables	(403)	(127)
Other financial assets	(391)	(147)
Other current assets	40	48
Inventories	(192)	(251)
Other non-current assets	(50)	(36)
Accounts payable	621	362
Other current liabilities	29	20
Other financial liabilities	65	10
Other non-current liabilities and retirement benefit obligations	33	213
Provisions	261	150
Cash generated from operations	2,432	2,894

*Comparatives have been restated for the amendment in the current year to disclose separately "Effect of foreign exchange on cash and cash equivalents" as a separate line item after "Cash and cash equivalents at beginning of year". The line items of "cash flows from operating activities before changes in assets and liabilities" in note 36 and "cash generated from operations", "net cash generated from operating activities", and "net increase in cash and cash equivalents" in the cash flow statement were previously reported as £2,647 million, £2,889 million, £2,904 million and £205 million for the year ended 31 March 2016. An adjustment of £5 million was recorded to those line items for the year ended 31 March 2016 to reflect the removal of the foreign exchange gain on cash and cash equivalents from those line items to present this amount separately as described above. The line items of "cash flows from operating activities before changes in assets and liabilities", "cash generated from operations", "net cash generated from operating activities", and "net increase in cash and cash equivalents" were therefore restated as £2,652 million, £2,894 million, £2,909 million and £210 million for the year ended 31 March. There is no impact on cash and cash equivalents as previously reported for the years ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 RELATED PARTY TRANSACTIONS

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

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

(£ millions)	With subsidiaries of the company	With joint ventures of the company	With associates of the company	With Tata Sons Limited and its subsidiaries and joint ventures	With immediate or ultimate parent and its subsidiaries, joint ventures and associates
31 March 2017					
Sale of products	15,913	568	-	3	49
Services received	-	69	4	164	105
Services rendered	-	67	-	-	1
Interest income	146	-	-	-	-
Interest expense	4	-	-	-	-
Trade and other receivables	1,436	59	-	2	34
Accounts payable	122	1	-	46	22
Loans given	455	-	-	-	-
Loans received	4,751	-	-	-	-
31 March 2016					
Sale of products	11,909	315	-	2	48
Services received	-	52	-	143	99
Services rendered	-	42	-	-	1
Interest income	2	-	-	-	-
Interest expense	149	-	-	-	-
Trade and other receivables	1,239	59	-	1	27
Accounts payable	33	-	-	7	20
Loans given	130	-	-	-	-
Loans received	4,263	-	-	-	-

Compensation of key management personnel

Year ended 31 March (£ millions)	2017	2016
Short-term benefits	13	16
Post-employment benefits	1	1
Share-based payments	3	2
Other long-term employee benefits	1	-
Compensation for loss of office	1	-
Total compensation of key management personnel	19	19

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

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

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

39 SUBSEQUENT EVENTS

On 3 April 2017, JLR 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 so that, amongst other changes, retirement benefits will be calculated on a career average basis rather than based upon a member's final salary at retirement. As a result of the remeasurement of the scheme's liabilities, a past service credit of £437 million has arisen and will be recognised in Fiscal 2018.

The \$350 million committed invoice discounting facility was renegotiated to a \$295 million uncommitted invoice discounting facility effective 31 May 2017 which expires in April 2019.