

TML HOLDINGS PTE. LTD.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

(Incorporated in Singapore)

(Registration Number: 200802595C)

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31-March-19**

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

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TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2019 (the "financial year").

In the opinion of the directors:

- a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 11 to 83 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2019; and
- b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Kottamasu Venkateswara Rao
Pathamadai Balachandran Balaji
Hoshang Keki Sethna
Ajit Chandrashekar Prabhu

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director and companies in which interests are held	Shareholdings registered in the name of director	
	At beginning of of year	At end of year
<u>Tata Motors Limited</u> (Ordinary shares of Indian Rupees 2 each)		
Pathamadai Balachandran Balaji	20,000	20,000
Hoshang Keki Sethna	5,189	5,189
Kottamasu Venkateswara Rao	-	1,508

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

DIRECTORS' STATEMENT

Tata Motors Limited

("A" ordinary shares of Indian Rupees 2 each)

Hoshang Keki Sethna

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4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under options

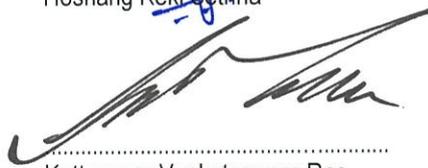
At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 AUDITORS

The auditors, KPMG LLP have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS


.....
Hoshang Keki Sethna


.....
Kottamasu Venkateswara Rao

Date: 13 June 2019



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Independent auditors' report

Members of the Company
TML Holdings Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TML Holdings Pte. Ltd. ('the Company') and its subsidiary corporation ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 92.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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



<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The impact of uncertainties due to the UK exiting the European Union on our audit</p>	
<p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in the “Impairment of long-life intangible assets” and “Capitalisation of product engineering costs” sections of this report (together referred to as “the key audit matters affected”), and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group’s future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <p>Our Brexit knowledge: We considered the directors’ assessment of Brexit-related sources of risk for the Group’s business and financial resources compared with our own understanding of the risks. We considered the directors’ plans to take action to mitigate the risks.</p> <p>Sensitivity analysis: When addressing the impairment of long-life intangible assets, capitalisation of product engineering costs and going concern and other areas that depend on forecasts and cash flows, we compared the directors’ analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</p> <p>Assessing transparency: As well as assessing individual disclosures as part of our procedures on the key audit matters affected we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</p> <p>However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.</p>
<p>Going concern</p> <p><i>Refer to page 19 (accounting policy).</i></p>	
<p>Disclosure quality:</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and whether any material uncertainties exist in relation to the going concern assumption.</p>	<p>Funding assessment: Evaluated the Group’s financing terms.</p> <p>Key dependency assessment: Assessed sufficiency of Group’s resources to repay the debt falling due in at least the 12 months from the date of approval of the financial statements.</p>



<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>That judgement is based on an evaluation of the inherent risks to the Group's business model, in particular, risks associated with political uncertainty, and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's available financial resources over this period were:</p> <ul style="list-style-type: none">• the impact of trading disputes between the US and China and the US and EU (leading to potential tariff changes), which are disrupting sales behaviour and consumer confidence in China and the US, and causing significant costs on export of goods;• the impact of Brexit on the Group's supply chain and on the export of goods by not maintaining free and frictionless trade; <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Historical accuracy: Evaluated historical forecasting accuracy of key inputs, including cash forecasts by comparing to the actual results.</p> <p>Historical comparisons: Assessed appropriateness of Group's assumptions used in the cash flow projections by comparing those, where appropriate, to historical trends in volumes and margins.</p> <p>Benchmarking assumptions: Assessed appropriateness of Group's assumptions used in the cash flow projections by comparing to externally derived data in relation to key inputs such as sales volumes and cost inflation and where appropriate taking into a consideration historical trends in volumes and margins.</p> <p>Sensitivity analysis: Considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, such as increased tariffs as a result of Brexit, the US-EU and US-China trade disputes and tariff challenges.</p> <p>Assessing transparency: Performed procedures over the completeness and accuracy of the disclosures in the financial statements and ensured that they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern.</p>



<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Impairment of long-life intangible assets <i>Refer to page 36 (accounting policy) and page 45 (financial disclosure).</i></p>	
<p>Forecast-based valuation</p> <p>The Group holds a significant amount of long-life intangible assets on its financial position, within a single cash generating unit. The weak trading performance in China and the falling market capitalisation of the ultimate Parent Company, Tata Motors Limited (“TML”) led the Group to perform an impairment assessment at both 31 December 2018 and 31 March 2019.</p> <p>The Group recognised an impairment of £3.1 billion during the year ended 31 March 2019.</p> <p>The recoverable value is considered to be the higher of the Company’s assessment of the value in use (“VIU”) methodology and fair value less costs of disposal (“FVLCD”) methodology.</p> <p>There is a risk over the Group’s assessment and measurement of impairment and therefore the impairment of long-life intangible assets due to:</p> <ul style="list-style-type: none"> • VIU Model using optimistic expectations of key assumptions such as future sales volumes, gross margins, overheads and capital expenditure. • FVLCD Model using optimistic adjustments to those cashflows used within the VIU model to reflect a market valuation of the Group. 	<p>Historical accuracy: Evaluated historical forecasting accuracy of key inputs, including cash forecasts by comparing to the actual results.</p> <p>Historical accuracy: Evaluated historical forecasting accuracy of key inputs, including cash forecasts by comparing to the actual results.</p> <p>Historical comparisons: Assessed appropriateness of Group and parent Company’s assumptions used in the cash flow projections by comparing those, where appropriate, to historical trends in volumes and margins.</p> <p>Benchmarking assumptions: Assessed appropriateness of Group and parent Company’s assumptions used in the cash flow projections by comparing to externally derived data in relation to key inputs such as sales volumes and cost inflation and where appropriate taking into a consideration historical trends in volumes and margins.</p> <p>Benchmarking assumptions: Compared the Group’s discount rate and long-term growth rate calculation to external benchmark data and comparative companies’ rates and reperformed the discount rate calculation using the Capital Asset Pricing Model with the assistance of our valuation specialists.</p> <p>Sensitivity analysis: Performed a sensitivity analysis over the reasonably possible combination of changes in the forecasts including the impact of potential downside scenarios including a hard Brexit, US tariffs and a slower-than-expected resurgence in the China market.</p> <p>Comparing valuations: Assessed Group’s reconciliation between the estimated market capitalisation of the Group and its VIU and FVLCD.</p>



<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use of £8 billion has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements in note 10 disclose the sensitivities estimated by the Group.</p>	<p>Benchmarking assumptions: Compared the earnings multiple used in the FVLCD to comparative companies and to market data sources with the assistance of specialists.</p> <p>Assessing transparency: Assessed the completeness and accuracy of the disclosures in the financial statements and ensured that the disclosure reflects the impact of reasonably possible downside assumptions on the amount of impairment.</p>
<p>Valuation of pension liabilities</p> <p><i>Refer to page 37, Defined benefit obligation estimate (accounting policy) and page 60, Defined benefit obligation (financial disclosures).</i></p>	
<p>Subjective valuation</p> <p>Small changes in the assumptions applied to the valuation of the liabilities, being the discount rate, inflation rate and mortality/life expectancy used to value the Group's pension obligation (before deducting scheme assets) would have a significant effect on the Group's net pension deficit. The risk is that these assumptions are inappropriate resulting in an inappropriate valuation of scheme liabilities.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that valuation of the pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 19) disclose the sensitivity estimated by the Group.</p>	<p>Control operation: Tested the controls over the assumptions applied in the valuation and inspected the Group's annual validation of the assumptions used by its actuarial expert. Tested the Group's controls operating over selection and monitoring of its actuarial expert for competence and objectivity.</p> <p>Benchmarking assumptions: Challenged, with the support of our own actuarial specialists, the key assumptions applied to the valuation of the liabilities, being the discount rate, inflation rate and mortality/ life expectancy against externally derived data.</p> <p>Assessing transparency: Considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions.</p>



<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Capitalisation of product engineering costs <i>Refer to page 35 (accounting policy) and page 46 (financial disclosures).</i></p>	
<p>Forecast-based valuation</p> <p>The application of the capitalisation criteria set out in SFRS(I)1-38 by the Group involves key judgements around the date capitalisation commences.</p> <p>As a result of noting that the Group capitalises a high proportion of costs related to its product development spend compared to its peers and the group recognising an impairment charge of £3.1 billion over long-life assets during the year, we assess that there is an elevated risk of material misstatement.</p> <p>Accounting application in relation to this</p> <p>The application of the capitalisation criteria set out in SFRS(I)1-38 by the Group involves key judgements as to whether the nature of costs capitalised are directly attributable.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that capitalisation of product engineering costs has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2) discloses a reasonably possible alternative.</p>	<p>Control operation: Tested the control over the Group's retrospective review of historically forecast material production costs at the point capitalisation commenced against actual costs observed in manufacture, being a key input to management's assessment of whether future economic benefit of development projects is probable; and the control over the Group's judgements as to whether indirect personnel and overhead costs are considered directly attributable.</p> <p>Benchmarking assumptions: Comparing the assumptions applied in the Group's assessment of economic viability to externally derived data in relation to key inputs such as projected volume sales.</p> <p>Assessing forecasts: Assessed the Group's economic viability calculation by comparing relevant factors to source documentation, application of downside sensitivities to stress test assumptions, and work over the Group's overall forecasts.</p> <p>Historical comparison: Performed a retrospective review to compare and assess previous economic viability assumptions against the actual outturn.</p> <p>Comparing valuations: Compared the volumes used in the economic viability forecast produced by the Group to the value in use model in the impairment of long-life assets' assessment for consistency.</p> <p>Assessing transparency: Considered the adequacy of the Group's disclosures in respect of the Group's judgement of whether the SFRS(I)1-38 capitalisation criteria have been met.</p>

Other information

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

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

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



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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
13 June 2019

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF FINANCIAL POSITION As at 31 MARCH 2019

(£ millions)

	Note	Group			Company		
		31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
ASSETS							
Current assets							
Cash and cash equivalents	4	2,975	2,859	3,065	158	145	98
Short-term deposits		1,029	2,032	2,612	-	-	-
Trade receivables		1,430	1,666	1,338	-	-	-
Other financial assets	6	333	511	246	11	9	21
Inventories	7	3,772	3,953	3,639	-	-	-
Other current assets	8	580	643	528	- *	- *	- *
Current income tax assets		10	10	4	- *	- *	- *
Total current assets		10,129	11,674	11,432	169	154	119
Non-current assets							
Other financial assets	6	181	419	337	7	1	64
Loans to subsidiary corporations		-	-	-	- *	- *	8
Property, plant and equipment	9	6,617	7,559	6,041	-	-	-
Intangible assets	10	5,632	6,770	6,178	-	-	-
Investment in equity accounted investees	11	477	488	474	-	-	-
Investment in subsidiary corporations	12	-	-	-	1,916	1,916	1,916
Other Investment	11	69	29	-	-	-	-
Other non-current assets	8	84	81	81	-	-	-
Deferred tax assets	13	530	426	525	-	-	-
Total non-current assets		13,590	15,772	13,636	1,923	1,917	1,988
Total assets		23,719	27,446	25,068	2,092	2,071	2,107
LIABILITIES AND EQUITY							
Current liabilities							
Short-term borrowings	14	956	725	239	-	-	-
Accounts payable	15	7,218	7,740	6,645	20	- *	- *
Other financial liabilities	16	1,053	1,205	2,145	7	12	6
Provisions	17	998	767	658	-	-	-
Other current liabilities	18	679	562	501	-	-	-
Current income tax liabilities		94	160	154	-	- *	-
Total current liabilities		10,998	11,159	10,342	27	12	6
Non-current liabilities							
Long-term borrowings	14	4,468	3,905	4,305	863	844	908
Other financial liabilities	16	317	289	1,399	7	8	-
Provisions	17	1,141	1,059	988	-	-	-
Other non-current liabilities	18	521	454	362	-	-	-
Employee benefit obligations	19	677	443	1,467	-	-	-
Deferred tax liabilities	13	101	583	60	-	-	-
Total non-current liabilities		7,225	6,733	8,581	870	852	908
Total liabilities		18,223	17,892	18,923	897	864	914

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF FINANCIAL POSITION (cont'd) As at 31 MARCH 2019

(£ millions)

	Note	Group			Company		
		31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Equity							
Share capital	20	1,628	1,628	1,422	1,628	1,628	1,422
Reserves		3,869	7,924	4,728	(433)	(421)	(229)
Equity attributable to owners of the Company		5,497	9,552	6,150	1,195	1,207	1,193
Non-controlling interests		(1)	2	(5)	-	-	-
Total equity		5,496	9,554	6,145	1,195	1,207	1,193
Total liabilities and equity		23,719	27,446	25,068	2,092	2,071	2,107

* Amount is less than £1 million.

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	(£ millions)	
		Group	
		Year ended March 31,	
		2019	2018
Revenues	22	24,652	26,074
Change in inventories of finished goods and work-in-progress		(199)	341
Purchase of products for sale		(1,230)	(1,291)
Material and other cost of sales	23	(14,560)	(15,765)
Provision for loss of inventory	24 (c)	-	1
Employee cost	25	(2,916)	(2,825)
Provision for impairment in Jaguar Land Rover's tangible and intangible assets	10	(3,105)	-
Employee separation cost	24 (a)	(149)	-
Employee cost-pension past service (cost)/credit	19, 24 (b)	(17)	437
Provision for costs of closure of operation of a subsidiary company	24 (d)	(60)	-
Depreciation and amortisation		(2,181)	(2,094)
Other expenses	26	(5,620)	(5,448)
Expenditure capitalised	27	1,579	1,615
Other income (net)		206	247
Foreign exchange gain / (loss) (net)		(53)	35
Finance income	28	37	34
Finance expense (net)	28	(151)	(128)
Share of profit from equity accounted investees	11	3	252
Profit / (loss) before income tax		<u>(3,764)</u>	1,485
Income tax credit / (expense)	29	311	(404)
Profit/(loss) for the year	29	<u>(3,453)</u>	<u>1,081</u>

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd) FOR THE YEAR ENDED 31 MARCH 2019

		(£ millions)	
		Group	
Note	2019	2018	
	(3,453)	1,081	
Profit / (loss) for the year			
Items that will not be reclassified subsequently to profit or loss :			
	(272)	544	
	(197)	-	
13	77	(88)	
	(392)	456	
Items that may be reclassified subsequently to profit or loss :			
	92	2,442	
	(8)	(20)	
13	(19)	(462)	
	65	1,960	
Other comprehensive income/(expense) for the year, net of tax		(327)	2,416
Total comprehensive income/(expense) for the year		(3,780)	3,497
Profit/(loss) attributable to:			
	(3,454)	1,082	
	1	(1)	
	(3,453)	1,081	
Total comprehensive income/(expense) attributable to:			
	(3,781)	3,498	
	1	(1)	
	(3,780)	3,497	

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

Group

	Share capital	Reserves						Equity attributable to owners of the Company	Non-controlling interests	Total equity	
		Capital reserve on currency conversion	Capital reserve	Currency translation reserve	Hedging reserve	Cost of hedging reserve	Other reserves				Retained earnings
Balance as at 1 April 2017	(Note 20) 1,422	(Note 21) -	(Note 21) (165)	(289)	(2,232)	(75)	25	7,464	6,150	(5)	6,145
Total comprehensive income/(expense) for the year											
-Profit for the year	-	-	-	-	-	-	-	1,080	1,080	1	1,081
-Other comprehensive income/(expense) for the year (net of tax)	-	-	-	(20)	1,951	29	-	456	2,416	-	2,416
Total comprehensive income/(expense) for the year	-	-	-	(20)	1,951	29	-	1,536	3,496	1	3,497
Transfer to other reserves	-	-	-	-	-	-	2	(2)	-	-	-
Conversion of equity share capital from USD to GBP currency	206	(206)	-	-	-	-	-	-	-	-	-
Dividends (Note 31)	-	-	-	-	-	-	-	(94)	(94)	-	(94)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	10	10
Distribution to non controlling interest	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance as at March 31, 2018	1,628	(206)	(165)	(309)	(281)	(46)	27	8,904	9,552	2	9,554
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	-	-	-	(29)	2	-	-	(27)	-	(27)
Total comprehensive income/(expense) for the year											
-Profit for the year	-	-	-	-	-	-	-	(3,454)	(3,454)	1	(3,453)
-Other comprehensive income/(expense) for the year (net of tax)	-	-	-	(8)	(82)	(4)	-	(233)	(327)	-	(327)
Total comprehensive income/(expense)	-	-	-	(8)	(82)	(4)	-	(3,687)	(3,781)	1	(3,780)
Amounts removed from hedge reserve and recognised in inventory	-	-	-	-	(141)	19	-	-	(122)	-	(122)
Income tax related to amounts removed from hedge reserve and recognised in inventory	-	-	-	-	27	(4)	-	-	23	-	23
Dividends (Note 31)	-	-	-	-	-	-	-	(148)	(148)	-	(148)
Distribution to non controlling interest	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance as at March 31, 2019	1,628	(206)	(165)	(317)	(506)	(33)	27	5,069	5,497	(1)	5,496

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

Company	Reserve				(£ millions)
	Share capital (Note 20)	Capital reserve on Equity Currency Conversion	Capital reserve (Note 21)	Accumulated losses	Total equity
Balance as at 1 April 2017	1,422	-	(20)	(209)	1,193
Profit for the period, representing total comprehensive income for the period	-	-	-	108	108
Transactions with owner recognised directly in equity					
Conversion of equity Capital from USD currency to GBP Currency	206	(206)	-	-	-
Dividends (Note 32)	-	-	-	(94) [#]	(94)
Total contributions by and distribution to owners	206	(206)	-	14	14
Balance as at 31 March 2018	1,628	(206)	(20)	(195)	1,207
Profit for the period, representing total comprehensive income for the period	-	-	-	136	136
Transactions with owner recognised directly in equity					
Dividends (Note 32)	-	-	-	(148) [#]	(148)
Total contributions by and distribution to owners	-	-	-	(12)	(12)
Balance as at 31 March 2019	1,628	(206)	(20)	(207)	1,195

Whilst the Company has accumulated losses, dividends were paid out of the profits for each of the respective financial periods.

During the year ended 31 March 2019, the Company paid final dividend of GBP 13 million out of FY 17-18 profits.

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	(£ millions)	
	Group	
	2019	2018
Cash flow from operating activities		
Profit / (loss) before tax for the year	(3,764)	1,485
Adjustments for:		
Depreciation and amortisation	2,181	2,094
Provision for impairment in Jaguar Land Rover	3,105	-
Employee cost-pension past service (cost)/credit	17	(437)
Employee separation cost	149	-
Provision for closure of operation of a subsidiary company	60	-
Loss on sale of assets	59	23
Write down of tangible assets	18	18
Write down of intangible assets	-	46
Loss from diminution in the valuation of inventories	6	-
Write back of provision for loss of inventory	-	(1)
Provision/(reversal) for doubtful accounts	4	6
Finance expense (net)	151	123
Finance income	(37)	(34)
Foreign exchange loss on loans	79	(86)
Foreign exchange loss/(gain) on derivatives	74	(75)
Foreign exchange loss/(gain) on other items	(69)	109
Unrealised loss/(gain) on commodities	34	2
Fair value gain on equity investment	(26)	-
Share of profit from equity accounted investees	(3)	(252)
Cash flows before movements in working capital	2,038	3,021
Trade receivables	237	(307)
Other financial assets	61	(265)
Other current assets	124	(26)
Inventories	160	(312)
Other non-current assets	(3)	(5)
Accounts payable	(446)	593
Other current liabilities	114	37
Other financial liabilities	(24)	136
Other non-current liabilities	(23)	52
Provisions	170	164
Cash generated from operations	2,408	3,088
Income tax paid	(228)	(313)
Net cash generated from operating activities	2,180	2,775

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd) FOR THE YEAR ENDED 31 MARCH 2019

	(£ millions)	
	Group	
	2019	2018
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,599)	(2,144)
Purchase of other investment	(14)	(25)
Proceeds from sale of property, plant and equipment	4	-
Cash paid for intangible assets	(1,785)	(1,615)
Investment in short-term deposits	(2,478)	(5,518)
Redemption of short-term deposits	3,552	6,043
Movement in restricted cash	-	(6)
Acquisition of Subsidiary (net of cash acquired)	-	6
Dividends received	22	206
Finance income received	35	34
Net cash used in investing activities	(2,263)	(3,019)
Cash flows used in financing activities		
Finance expense and fees paid	(239)	(183)
Proceeds from issuance of long-term debt	1,221	1,004
Proceeds from issuance of short-term debt	773	609
Repayment of short-term debt	(829)	(601)
Payment of lease liabilities	(2)	(4)
Repayment of long-term debt	(547)	(630)
Distribution to non-controlling interest	(3)	(5)
Dividends paid	(148)	(94)
Net cash from financing activities	226	96
Net (decrease)/increase in cash and cash equivalents	143	(148)
Cash and cash equivalents at beginning of period	2,859	3,065
Effect of foreign exchange on cash and cash equivalents	(27)	(58)
Cash and cash equivalents at end of the year	2,975	2,859

See accompanying notes to financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 General

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 13 June 2019.

2 Summary of significant accounting policies

a. Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are measured at fair value, and are drawn up in accordance with the Singapore Financial Reporting Standards (International) SFRS(I). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First time adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position and financial performance is provided in note 2a(iii).

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

Going concern

The financial statements have been prepared on a going concern basis notwithstanding the Group's net current liabilities position of £869 million (2018: current asset £515 million) which the directors consider to be appropriate for the following reasons.

The directors have assessed the financial position of the Group as at 31 March 2019 (net assets of £5,496 million (2018: £9,554 million)) and the projected cash flows and financial performance of the Group for the period to 31 March 2021. After consideration of a reasonably possible downside scenario (a reduction in forecast sales volumes of 10%) as well as a no-deal Brexit scenario, the Company forecasts sufficient funds to meet its liabilities as they fall due throughout the assessment period even if no new funding is sought.

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

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

- Level 1 quoted prices in an active market includes financial instruments that are measured by reference to quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 valuation techniques with observable inputs hierarchy includes financial assets and liabilities measured using input other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 valuation techniques with significant unobservable inputs includes financial assets and liabilities measured using inputs that are not based on observable market data (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.

Use of estimates and judgements

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

Note 10 provides further details of the impairment charge recognised in the 12 month period ended 31 March 2019, including disclosing additional sensitivities performed.

(i) Judgements

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

Revenue recognition: Vehicle revenue, as the primary source of income for the Group, is recognised when control of the vehicle passes to the customer, which the Group has assessed is when the vehicle is either despatched or held on behalf of the customer but depends on the underlying terms of the customer contract. Control of an asset refers to having the ability to direct the use of the asset and obtain substantially all of the remaining economic benefit.

The transfer of control depends on the consideration of a number of facts and circumstances surrounding the relevant transaction, such as the transfer of risks and rewards of ownership, transfer of legal title, transfer of physical possession, customer acceptance, and whether or not an entity has a present right to payment. The Group determines the transfer of control with reference to those factors, thus ultimately driving revenue recognition.

In some instances, the Group recognises revenue on a bill-and-hold basis where control of the vehicle has been transferred to the customer but physical possession is retained by the Group (for example, within a vehicle holding compound) until a future point in time. Revenue is recognised on the meeting of bill-and-hold criteria, which are considered to be met as the reason for the bill-and-hold is substantive (as the customer requests JLR to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as

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separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line), and the Group does not have the ability to use the vehicle or direct it elsewhere.

Assessment of cash-generating units: The Group has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets. Refer to note 10.

Capitalisation of product engineering costs: The Group undertakes significant levels of research and development activity and for each vehicle program a periodic review is undertaken. The Group applies judgement in determining at what point in a vehicle program's life cycle the recognition criteria under SFRS(I) 1-38 are satisfied and estimates the proportion of central overhead allocated. If a later point had been used then this would have had the impact of reducing the amounts capitalised as product engineering costs if central overheads had not been allocated it would have reduced the amount capitalised by £146 million.

Deferred tax asset recognition: The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

The carrying value of equity accounted investments are disclosed in note 11.

(ii) Estimates and assumptions

The areas where assumptions and estimates are significant to the financial statements are as described below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year. Other estimates are those that may affect carrying amounts in the longer-term.

Significant estimates

Impairment of intangible and tangible fixed assets: The Group tests annually whether indefinite lived intangible fixed assets have suffered any impairment. The recoverable amount of the cash-generating unit is based on the higher of value in use and the fair value less cost of disposal. Value in use is calculated from cash flow projections generally over five years using data from the Group's latest internal forecasts, and extrapolated beyond five years using estimated long-term growth rates. Key assumptions and sensitivities for impairment are disclosed in note 10. The Group has considered it appropriate to include additional sensitivities for the year ended 31 March 2019 for further transparency.

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

Other estimates

Investment in Equity accounted investment: At each balance sheet date or when there are indicators of impairment, the Group assesses whether there is objective evidence that the carrying value of equity accounted investments may be impaired. As a result of the slowdown in the Chinese automotive market, at 31 March 2019, the Group's investment in Cherry Jaguar Land Rover Automotive Company Ltd was tested for impairment in accordance with applicable SFRS(I) 1-36 by comparing the carrying value of the investment to its recoverable amount. The recoverable amount is dependent on a wide range of assumptions, including sales volume forecasts, operating

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margin, capital expenditure and discount rate. These assumptions are primarily based on a combination of the investment's historical performance, the Group's latest internal forecasts and market data on the expectation for the Chinese automotive market. The estimated recoverable value of the investment is higher than the carrying value. If the assumptions do not materialise, in whole or in part, these will impact the entity's expected future cash flows and may result in a future impairment. The Group used a discount rate of 10.80% in the value in use calculation. A discount rate of 11.5% would result in a value in use equal to the carrying amount of the investment.

Product warranties: The Group provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Refer to note 17.

The Group also has back-to-back contractual arrangements with its suppliers in the event that a vehicle fault is proven to be a supplier's fault. Estimates are made of the expected reimbursement claims based upon historical levels of recoveries by supplier, adjusted for inflation and applied to the population of vehicles under warranty at the reporting date. Supplier reimbursement claims are presented as separate assets in note 17.

Variable marketing expense: The Group offers sales incentive in the form of variable marketing expense to customers which varies depending on the timing and customer of any subsequent sale of the vehicle. This sales incentive is accounted for as revenue reduction and is constrained to a level that is highly probable not to reverse the amount of revenue recognised when any associated uncertainty is subsequently resolved. The Group estimated the expected sales incentive by market and considers uncertainties including competitor pricing, ageing of dealer stock and local market conditions. The constraint on variable consideration is estimated with reference to historical accuracy, the current position of market conditions, and a future-looking assessment considering relevant geopolitical factors.

Uncertain tax provisions: Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is dependent on management's expectations of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house experts, professional firms and previous experience. Where no provision is required the exposure is disclosed as a contingent liability in note 33 unless the likelihood of an outflow of economic benefits is remote.

(iii) Explanation of transition to SFRS(I) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The accounting policies set out in note 2(b) have been applied in preparing the financial statements for the year ended 31 March 2019, the comparative information presented in these financial statements for the year ended 31 March 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 April 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

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The application of the mandatory exceptions and optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

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

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – Classification and measurement of share-based payment transactions issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – Transfers of investment property issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to SFRS(I) 1 – Deletion of short-term exemptions for first-time adopters issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 Investments in Associates and Joint Ventures arising from the amendments to IAS 28 – Measuring an associate or joint venture at fair value issued by the IASB in December 2016; and
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 9

SFRS(I) 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets and new rules for hedge accounting.

The Group has undertaken an assessment of classification and measurement on transition and has not identified a material impact on the financial statements given that equity investments which are not equity accounted are valued at fair value through profit or loss.

The impact on the categorisation of financial assets and liabilities within scope of SFRS(I) 9 is summarised below:

	FRS 39 Category	SFRS(I) 9 Category	FRS 39 carrying amount (1 April 2018) £million	SFRS(I) 9 carrying amount (1 April 2018) £million
Financial Assets				
Other investments	Fair value through profit and loss	Fair value through profit and loss – mandatorily measured	29	29
Trade receivables	Loans & receivables	Amortised cost	1,666	1,666
Cash & cash equivalents	Loans & receivables	Amortised cost	2,859	2,859
Short-term deposits & other investments	Held to maturity	Amortised cost	36	36
Short-term deposits & other investments	Loans & receivables	Amortised cost	1,996	1,996
Restricted cash	Loans & receivables	Amortised cost	22	22
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss – mandatorily measured	551	551
Contract assets	Loans & receivables	Amortised cost	35	35

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Other	Loans & receivables	Amortised cost	89	89
Financial Liabilities				
Accounts payable	Other financial liabilities	Amortised cost	7,740	7,740
Borrowings	Other financial liabilities	Amortised cost	4,630	4,630
Interest accrued	Other financial liabilities	Amortised cost	43	43
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss – mandatorily measured	939	939
Other	Other financial liabilities	Amortised cost	14	14

The Group has undertaken an assessment of the impairment provisions, especially with regards to trade receivables and has applied the simplified approach under the standard. For all principal markets, the Group operates with major financial institutions who take on the principal risks of sales to customers and consequently the Group receives full payment for these receivables between 0–30 days. Therefore the Group has concluded that there is no material impact under the standard for remeasurement of impairment provisions and no transition adjustments have been made.

The Group has undertaken an assessment of its hedge relationships and has concluded that the Group's current hedge relationships qualified as continuing hedges upon the adoption of SFRS(I) 9. The Group has identified a change with respect to the treatment of the cost of hedging, specifically the time value of the foreign exchange options and foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps. The time value of foreign exchange options and the foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps is now recorded in a separate component of the statement of other comprehensive income. Amounts accumulated in equity for hedges of non-financial items will now be recognised as an adjustment to that non-financial item (i.e. inventory) when recorded on the consolidated balance sheet and this adjustment has been made on a prospective basis from 1 April 2018. As such, the Group has a £27 million reduction in net assets on transition to SFRS(I) 9.

As required under the transition rules of SFRS(I) 9, comparative periods have been restated only for the retrospective application of the cost of hedging approach for the time value of the foreign exchange options and also the Group's voluntary application of foreign currency basis spread included in the foreign exchange forwards and cross-currency interest rate swaps as a cost of hedging. Accordingly, the information presented for prior periods is not wholly comparable to the information presented for the current year.

Further, an additional charge of £5 million has been recognised for the financial year ended 31 March 2018 representing the loss recognised on the modification of the Group's undrawn revolving credit facility.

The following table show the impact on the Consolidated statement of profit of loss and other comprehensive income for the years ended 31 March 2018 and on the statement of financial position as at 1 April 2017, 31 March 2018 and 1 April 2019.

Consolidated statement of financial position:

	1 April 2017		
	FRS framework	SFRS(I) 9	SFRS(I) framework
Total assets	25,068	-	25,068
Total Liabilities	18,923	-	18,923
Equity			
Share Capital	1,422	-	1,422
Reserves			
-Hedging Reserve	(2,310)	78	(2,232)
-Cost of hedging Reserve	-	(75)	(75)

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

-Other reserve caption	(429)	-	(429)
Retained earnings	7,467	(3)	7,464
Non-controlling interest	(5)	-	(5)
Total equity	6,145	-	6,145
Total liabilities and equity	25,068	-	25,068

	31 March 2018			1 April 2018	
	FRS framework	SFRS(I) 9	SFRS(I) framework	SFRS(I) 9	SFRS(I) framework
Assets					
Inventories	3,953	-	3,953	(27)	3,926
Other non-current assets	86	(5)	81	-	81
Other asset captions	23,412	-	27,446	(27)	27,419
Total assets	27,451	(5)	27,446	(27)	27,419
Liabilities					
Deferred tax liabilities	584	(1)	583	-	583
Other non-current liabilities caption	17,309	-	17,309	-	17,309
Total liabilities	17,893	(1)	17,892	-	17,892
Equity					
Share capital	1,628	-	1,628	-	1,628
Reserves					
-Hedging reserve	(345)	64	(281)	(29)	(310)
-Cost of hedging reserve	-	(46)	(46)	2	(44)
-Other reserve caption	(653)	-	(653)	-	(653)
-Retained earnings	8,926	(22)	8,904	-	8,904
Non-controlling interest	2	-	2	-	2
Total equity	9,558	(4)	9,554	(27)	9,527
Total liabilities and equity	27,451	(5)	27,446	(27)	27,419

Consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 March 2018			
	FRS framework	SFRS(I) 9	SFRS(I) 15	SFRS(I) framework
Revenue	26,382	-	(308)	26,074
Other expenses	(5,889)	-	441	(5,448)
Other income (net)	380	-	(133)	247
Foreign exchange gain / (loss) (net)	54	(19)	-	35
Finance expense (net)	(123)	(5)	-	128
Other profit or loss caption	(19,295)	-	-	(19,295)
Profit before tax	1,509	(24)	-	1,081
Income tax expense	(409)	5	-	(404)
Profit for the year	1,100	(19)	-	1,081
Total items that will not be reclassified subsequently profit or loss	456	-	-	456
Items that may be reclassified subsequently to profit or				

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loss:				
-Gain / (loss) on cash flow hedges (net)	2,423	19	-	2,442
-Currency translation differences	(20)	-	-	(20)
-Income tax related to items that may be reclassified	(458)	(4)	-	(462)
Other comprehensive income / (expense) for the year net of tax	2,401	15	-	2,416
Total comprehensive income / (expense) for the year	3,501	(4)	-	3,497

SFRS(I) 15

The new standard replaces the requirements under FRS 18 *Revenue* and FRS 11 *Construction Contracts*, as well as the related interpretations. The primary purpose of the new standard is to specify a set of consistently applicable underlying revenue recognition principles across all sectors, industries, and types of arrangements. As a result, the Group has amended its accounting policy for revenue recognition as described on the following pages, and in Note 22

The Group adopted SFRS(I) 15 in its financial statement using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively and the information presented for year ended 31 March 2018 has been restated.

SFRS(I) 15 describes a comprehensive, logical five-step model for determining revenue recognition, including the amount and timing upon which revenue is recognized. It requires the Group:

1. To identify the contract with a customer;
2. To identify the related performance obligations and distinct promises made by the Group to the customer within the contract;
3. To determine the transaction price, representing the amount of consideration that the Group expects to be entitled to under the contract;
4. To allocate that contractual transaction price to each performance obligation on a stand-alone selling price basis (or a valid, reasonable alternative if the stand-alone selling price is not available), and;
5. To recognise revenue at a point in time or over time depending on the satisfaction of each performance obligation.

This coincides with when the underlying control of a good or service is transferred to the customer.

The implementation of SFRS(I) 15 has no impact on the timing of revenue recognition associated to the sale of the physical vehicles, parts, and accessories, being the Group's core revenue-generating streams, and ultimately remains in a manner consistent with prior years. The Group considers that the primary impact of SFRS(I) 15 on the accounting treatment for its operations is as follows:

Sales with multiple performance obligations: Previously, the Group accounted for separately identifiable components of sales in accordance with FRS 18. Under SFRS(I) 15, the Group considers additional performance obligations that are required to be accounted for appropriately on a stand-alone selling price basis, for example, additional obligations of the Group when selling vehicles to its customers, including transportation.

This has further resulted in considerations of whether the Group is a principal or an agent in fulfilling these performance obligations, given the focus on whether or not it controls the good or service being transferred to the customer. As a principal, the Group itself considers that it is ultimately responsible for fulfilling that obligation to the customer and as an agent, the Group considers that it arranges for an obligation on behalf of its customer. The difference in accounting treatment is to present revenues and costs on a gross basis as a principal, and on a net basis as an agent. The impact of this for the year ending 31 March 2019 is a reclassification of £330 million (2018: £441 million) of costs from 'Other expenses' to 'Revenue'.

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Consideration payable to customers: The Group supports its global retail network (being customers of the Group) through various marketing, training, and development initiatives. This results in disbursements made either directly to its customers, or to third parties on behalf of its customers. The Group has considered whether a service that can be fair valued is received in exchange for making such disbursements, in which case an expense continues to be recognised as under the previous accounting policy. If not, then such amounts are treated as reductions to revenue as part of the overall customer relationship, as they ultimately reduce the amount of consideration that the Group is entitled to as part of the customer contract. The impact of this for the year ending 31 March 2019 is a reclassification of £85 million of costs from 'Other expenses' to 'Revenue'.

Classification of revenue vs. other income: Previously the Group's policy was to recognise non-core Group income within 'Other Income' in the financial statements. Under SFRS(I) 15, the Group has reassessed its income streams with regards to their scope under the standard. As a result, the Group now records income within 'Revenue' that was previously recognised within 'Other Income' (primarily being royalty income and other retailer-related income). This arises from the interpretation of the definition of 'Revenue' within SFRS(I) 15, particularly focusing on what is considered an output of the 'ordinary activities' of the Group. The impact of this for the year ending 31 March 2019 is a reclassification of £112 million (2018: £133 million) from 'Other income' to 'Revenue'.

Estimation considerations: SFRS(I) 15 requires the Group to consider the application of its revenue recognition principles, and to ensure that revenue is depicted in a way that reflects the amount of consideration that it expects to be entitled to. With reference to the estimation of variable consideration, the Group has enhanced its approach to ensure that revenue is constrained appropriately such that it is not highly probable that a significant reversal in the amount of revenue recognised will occur when any related uncertainty is subsequently resolved.

Warranty: Previously, the Group accounted for all warranty as a cost provision in accordance with FRS 37. Under SFRS(I) 15, the Group has assessed whether the warranty provided includes a service element (i.e. going beyond simply providing an assurance that a good continues to meet its agreed-upon specification) and accounts for these services as performance obligations associated with the sale of the vehicle. The Group now accounts for a proportion of service type obligations as a contract liability on a stand-alone selling price basis instead of a warranty cost provision. This contract liability will be unwound over the period the services are available and provided to the customer. The associated costs are expensed as incurred.

New standards and interpretations not yet adopted

Applicable to financial statements for the year 2020 and thereafter

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

Applicable to 2020 financial statements

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

Applicable to 2022 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

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

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a significant impact on the Group, is as described below:

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SFRS(I) 16

SFRS(I) 16 Leases is effective for the year beginning 1 April 2019 for the Group. This standard replaces FRS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of the Transactions Involving the Legal Form of a Lease interpretations. Under SFRS(I) 16, lessee accounting is based on a single model, resulting from the elimination of the distinction between operating and finance leases. All leases will be recognised on the balance sheet with a right-of-use asset capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce over the same period with an appropriate interest charge recognised.

The Group will elect to apply the exemptions for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term or another systematic basis.

The Group is applying the modified retrospective approach on transition under which the comparative financial statements will not be restated. The cumulative impact of the first-time application of SFRS(I) 16 is recognised as an adjustment to opening equity as at 1 April 2019.

The Company has elected to use the following practical expedients permitted by the Standard:

- On initial application, SFRS(I) 16 has only been applied to contracts that were previously classified as leases under IFRIC 4;
- Regardless of the original lease term, lease arrangements with a remaining duration of less than 12 months will continue to be expensed to the statement of profit or loss on a straight line basis over the lease term;
- Short-term and low value leases will be exempt;
- The lease term has been determined with the use of hindsight where the contract contains options to extend or terminate the lease;
- The discount rate applied as at transition date is the incremental borrowing rate corresponding to the remaining lease term.
- The measurement of a right-of-use asset excludes the initial direct costs at the date of initial application.

The financial impact assessment made by the Group is preliminary as not all transaction work requirements have been finalised. As at the date of initial application, it is expected that net assets will be adjusted only insignificantly.

b. Basis of consolidation

Subsidiary corporations

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

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

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

Joint ventures and associates (equity-accounted investees)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for decisions about the relevant activities of the entity, being those activities that significantly affect the Group's returns. Associates are those entities in which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial

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and operating policy decisions of the investee and is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of the investee.

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

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

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

Subsidiaries, associates and joint ventures in the separate financial statements

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

Business combinations

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement*, or SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are acquiree's and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively
- liabilities or equity instruments related to share-based payment transactions of the acquiree's or the replacement of an acquiree's share-based payment awards transactions with share-based payment

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- awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

c. Common control transactions

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

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

d. Revenue recognition

Revenue comprises the consideration earned by the Group in respect of the output of its ordinary activities. It is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties, and net of settlement discounts, bonuses, rebates, and sales incentives. The Group considers its primary customers from the sale of vehicles, parts and accessories (its primary revenue-generating streams) are generally retailers, fleet and corporate customers, and other third-party distributors. The Group recognises revenue when it transfers control of a good or service to a customer, thus evidencing the satisfaction of the associated performance obligation under that contract.

As described in Note 37, the Group operates with a single automotive reporting segment, principally generating revenue from the sales of vehicles, parts, and accessories.

The sale of vehicles also can include additional services provided to the customer at the point of sale, for which the individual vehicle and services are accounted for as separate performance obligations, as they are considered separately identifiable. The contract transaction price is allocated among the identified performance obligations

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based on their stand-alone selling prices. Where the stand-alone selling price is not readily available and observable, it is estimated using an appropriate alternative approach.

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Vehicles, parts, and accessories (and other goods)	<p>The Group recognises revenue on the sale of vehicles, parts, and accessories at the point of 'wholesale', which is determined by the underlying terms and conditions of the contract with the customer as to when control transfers to them. The overall principle of control under SFRS(I) 15 considers which party has the ability to direct the use of an asset and to obtain substantially all of the remaining economic benefits.</p> <p>Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including:</p> <ul style="list-style-type: none"> - The point at which the risks and rewards of ownership pass to the customer; - The point at which the customer takes physical possession of the good or product; - The point at which the customer accepts the good or product; - The point at which the Group has a present right to payment for the sale of the good or product, and; - The point at which legal title to the good or product transfers to the customer. <p>In the vast majority of cases, the sale of the relevant good is recognised at the point of dispatch (at release to the carrier responsible for transportation to the customer), or the point of delivery to the customer, which coincides with the invoicing point. In some instances, revenue may be recognised on a bill-and-hold basis where vehicles, for example, are sold to the customer but are retained in the Group's possession at a vehicle holding compound on behalf of the customer ahead of being physically transferred to them at a future time. Such arrangements meet the criteria for bill-and-hold arrangements under SFRS(I) 15 to ensure that the customer has obtained the ultimate control of the product when revenue is recognised. The reason for the bill-and-hold is substantive (as the customer requests the Company to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line), and the Group does not have the ability to use the vehicle or direct it elsewhere.</p> <p>The Group operates with financing partners across the world who provide wholesale financing arrangements to the retail network for vehicle sales, which enables cash settlement to occur immediately (usually within 2 working days) for purchases from the Group. For the sale of parts and accessories, the Group typically receives payment in line with the invoice payment terms stipulated and agreed with its customers, which are usually 30 days.</p>
Sales incentives	<p>In accordance with SFRS(I) 15, the costs associated with providing sales support and incentives (variable marketing expense) are considered to be variable components of consideration, thus reducing the amount of revenue recognised by the Group. Under SFRS(I) 15, the Group ensures that variable consideration is recognised to the extent of the amount of consideration to which it ultimately expects to be entitled.</p> <p>To meet this principle, the Group constrains its estimate of variable consideration to include amounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated</p>

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	<p>with such variability is subsequently resolved.</p> <p>The Group considers that the variable consideration received for contracts with multiple performance obligations is allocated to all such obligations only when applicable. In the vast majority of instances, the Group considers that variable components of consideration are allocated only to the relevant and applicable performance obligations. For example, with the sale of a vehicle, the cost of the incentive provided is allocated entirely to the vehicle as its purpose is to incentivise the sale of the vehicle.</p>
Scheduled maintenance contracts	<p>Scheduled maintenance contracts sold with a vehicle provide the end customer with the benefit of bringing their vehicle to a dealership for the routine maintenance required to maintain compliance for warranty purposes. These are considered a separate performance obligation of the Group.</p> <p>The Group typically receives payment relating to the scheduled maintenance contract at the same time as the proceeds from the vehicle sale, at which point the amount is recognised as a contract liability based on the stand-alone selling price which is measured using a cost-plus approach.</p> <p>The Group recognises revenue for scheduled maintenance contracts based on the expected performance of the services over the period from the point of a vehicle being retailed to an end customer and aligning to the expected costs to fulfil those services.</p>
Telematics	<p>Telematics features provide a service to the customer typically aligned to the warranty period of the vehicle, allowing for the ability to connect the vehicle with, and interact via, an end customer's mobile phone. These are considered a separate performance obligation of the Group.</p> <p>The Group typically receives payment relating to telematics features up-front at the same time as the proceeds from the vehicle sale, at which point the amount is recognised as a contract liability based on the stand-alone selling price which, for optional features, is measured at the applicable purchase price, and for standard-fit features, is measured using a cost-plus basis.</p> <p>The Group recognises revenue on a straight line basis over the term of the service from the point of the vehicle being retailed to an end customer in line with the expected costs to fulfil those services.</p>
Warranty considerations as a service	<p>Vehicles and parts sold by the Group include a standard warranty to guarantee the vehicle complies with agreed-upon specifications for a defined period of time.</p> <p>Where the warranty offering to the end customer exceeds the standard market expectation for similar products, or is considered to provide a service to the end customer in excess of simply providing assurance that the agreed-upon specification is met, the Group consider the additional warranty to constitute a service to the end customer and therefore a separate performance obligation.</p> <p>Revenue is only recognised in the period to which the warranty service relates, up to which point it is recognised as a contract liability.</p>
Repurchase arrangements	<p>Some contracts with customers include an option or obligation for the Group to repurchase the product sold (including repurchasing a product originally sold as part of an amended product). Such instances are common in the Group's arrangements with third party fleet customers or in contract manufacturing arrangements which the Group is party to, for example.</p> <p>The Group does not recognise revenue on the original sale, as in such cases, it is</p>

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	<p>considered to retain ultimate control of that product. The related inventory therefore continues to be recognised on the Group's statement of financial position and the consideration received from the customer is treated as a liability. Nuances in the accounting treatment occur depending on whether the contractual repurchase price is less than, more than, or equal to the original sale price, and this ultimately results in the arrangement being treated as a lease or a financing arrangement.</p> <p>If considered to be a lease arrangement, where the repurchase price is lower than the original sale price, the difference between the proceeds received and the repurchase amount is recognised as income over the contractual term on a straight-line basis. Revenue recognised under such arrangements is outside of the scope of SFRS(I) 15, and instead is recognised in line with SFRS(I) 1-17 <i>Leases</i>.</p> <p>Revenue is recognised only when the relevant good or product is sold by the Group with no repurchase obligation or option attached.</p>
Returns obligations, refunds and similar obligations	<p>Vehicle sales do not typically include allowances for returns or refunds, although in some markets there is legislative requirement for Jaguar Land Rover as an automotive manufacturer to repurchase or re-acquire a vehicle if quality issues arise, which have been remedied a number of times and where the owner no longer wishes to own the vehicle as a result.</p> <p>With regards to the sale of other goods, where rights of return may be prevalent, the Group estimates the level of returns based on the historical data for specific products, adjusted as necessary to estimate returns for new products. In line with the requirements of SFRS(I) 15, a sale is not recognised for expected returns and instead, the Group recognises a refund liability and asset where required.</p>
Non-cash consideration	<p>In some instances, the Group engages in transactions which involve non-cash consideration, where a customer provides consideration in a form other than cash. This is most often demonstrated in marketing and sponsorship arrangements that the Group enters into, with an exchange of goods and/or services with its customers.</p> <p>Such non-cash consideration is measured at its fair value, which is determined by assessing the selling price value of the goods or services received as consideration. If this cannot be reasonably estimated, then the Group measures such consideration indirectly with reference to the stand-alone selling price of the goods or services promised to the customer.</p>

e. **Cost recognition**

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

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

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

f. **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are held for product warranty, legal and product liabilities, residual risks, restructuring and environmental risks as detailed in note 17 to the consolidated financial statements.

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Supplier reimbursements are recognised as separate assets within 'Other financial assets'. See note 6.

g. Foreign currency transactions and translation

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

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange differences are recognised in the statement of profit or loss as foreign exchange gain/loss.

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

h. Income taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the consolidated Statement of profit or loss, except when related to items that are recognised outside of profit or loss (whether in other comprehensive income or directly in equity), 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. Such deferred tax assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction. 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, and on the 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 Group intends to settle its current tax assets and liabilities on a net basis.

i. Inventories

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

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

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j. **Property, plant and equipment**

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

Freehold land is measured at cost and is not depreciated.

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Freehold land is measured at cost and is not depreciated. Residual values are reassessed on an annual basis.

Depreciation is not recorded on assets under construction until construction and installation are complete and the asset is ready for its intended use. Assets under construction includes capital advances. Depreciation is not recorded on heritage assets as the Group considers their residual value to approximate their cost.

k. **Intangible assets**

Acquired intangible assets

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

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

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

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

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

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Capital work-in-progress includes capital advances. Customer related intangible acquired in a business combination consists of dealer network. Intellectual property rights and other intangibles mainly consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

Internally generated intangible assets

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

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

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

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

Product engineering cost is amortised over the life of the related product being a period between 2 and 10 years.

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

I. Leases

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

Assets taken on finance lease

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

Assets taken on operating lease

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

The impact on the Group's accounting policies for leases under SFRS(I) 16 for the year ended 31 March 2020 is given on page 28.

m. Impairment of property plant and equipment and intangible assets

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

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

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

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

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

n. Impairment of equity accounted investments: joint ventures and associates

The requirements of SFRS(I) 1-36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture or an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *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 SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

o. Government grants and incentives

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

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

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

p. Employee benefits

i) Pension schemes

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

Contributions to the plans by the subsidiary corporations take into consideration the results of actuarial valuations. The plans with a surplus position at the balance sheet date have been limited to the maximum economic benefit available from unconditional rights to refund from the scheme or reduction in future contributions. Where the subsidiary corporation is considered to have a contractual obligation to fund the pension plan above the accounting value of the liabilities, an onerous obligation is recognised. The UK defined benefit scheme were closed to the new joiners in April 2010.

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

Defined benefit costs are split into three categories:

- Current service cost, past service cost and gains and losses on curtailments and settlements;

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

- Net interest cost; and
- Remeasurement.

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

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

The Group presents these defined benefit costs within 'employee cost' in the statement of profit or loss.

Separate defined contribution scheme are available to employees of Jaguar Land Rover. Costs in respect of those schemes are charged to the profit or loss as incurred.

ii) Severance indemnity

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

iii) Post-retirement Medicare scheme

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

Actuarial gains and losses

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

Measurement date

The measurement date of retirement plans is 31 March.

q. Financial instruments

i) Recognition and derecognition

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. Any gain or loss arising on derecognition is recognised in profit or loss. When a financial instrument is derecognised, the cumulative gain or loss in equity (if any) is transferred to the consolidated income

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

statement unless it was an equity instrument electively held at fair value through other comprehensive income. In this case, any cumulative gain or loss in equity is transferred to retained earnings.

Financial assets are written-off when there is no reasonable expectation of recovery. The Group reviews the facts and circumstances around each asset before making a determination. Financial assets that are written-off could still be subject to enforcement activities.

Financial assets are written-off when there is no reasonable expectation of recovery. The Group reviews the facts and circumstances around each asset before making a determination. Financial assets that are written-off could still be subject to enforcement activities.

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

ii) Initial measurement

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. Transaction costs of financial instruments carried at fair value through profit or loss are expensed in profit or loss.

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

iii) Classification & measurement – financial assets

Classification of financial assets is based on the business model in which the instruments are held as well as the characteristics of their contractual cash flows. The business model is based on management's intentions and past pattern of transactions. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets are classified into three categories:

Financial assets at amortised cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest and which are held with the intention of collecting those contractual cash flows. Subsequently, these are measured at amortised cost using the effective interest method less impairment losses, if any. These include cash and cash equivalents, contract assets, finance receivables and other financial assets.

Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest and which are held with the intention of collecting those contractual cash flows as well as to sell the financial asset. Subsequently, these are measured at fair value, with unrealised gains or losses being recognised in other comprehensive income apart from any expected credit losses or foreign exchange gains or losses, which are recognised in profit or loss. This category can also include financial assets that are equity instruments which have been irrevocably designated at initial recognition as fair value through other comprehensive income. For these assets, there is no expected credit loss recognised in profit or loss.

Financial assets at fair value through profit or loss are financial assets with contractual cash flows that do not consist solely of payments of principal and interest. This category includes derivatives, embedded derivatives separated from the host contract, or investments in certain convertible loan notes. Subsequently, these are measured at fair value, with unrealised gains or losses being recognised in profit or loss, with the exception of derivative instruments designated in a hedging relationship, for which hedge accounting is applied

iv) Classification & measurement – financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost unless they meet the specific criteria to be recognised at fair value through profit or loss.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Financial liabilities at fair value through profit or loss includes derivatives, embedded derivatives separated from the host contract as well as financial liabilities held for trading. Subsequent to initial recognition, these are measured at fair value with gains or losses being recognised in profit or loss.

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.

Impairment

The Group recognises a loss allowance in profit or loss for expected credit losses on financial assets held at amortised cost or at fair value through other comprehensive income. Expected credit losses are forward looking and are measured in a way that is unbiased and represents a probability weighted amount, takes into account the time value of money (values are discounted back using the applicable effective interest rate) and uses reasonable and supportable information.

Lifetime expected credit losses are calculated for assets that were deemed credit impaired at initial recognition or have subsequently become credit impaired as well as those where credit risk has increased significantly since initial recognition.

The Group adopts the simplified approach permitted in SFRS(I) 9 to apply lifetime expected credit losses to trade receivables and contract assets, thereby eliminating the need to assess changes in credit risk for those assets. Where credit risk is deemed low at the reporting date or to have not increased significantly, credit losses for the next 12 months are calculated.

Objective evidence for a significant increase in credit risk may include where payment is overdue by 90 or more days as well as other information about significant financial difficulties of the borrower.

Credit risk has increased significantly when the probability of default has increased significantly. Such increases are relative and assessment may include external ratings (where available) or other information such as past due payments. Historic data and forward looking information are both considered.

Equity instruments

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

Investments in equity instruments are measured at fair value; however, where a quoted market price in an active market is not available, equity instruments are measured at cost (investments in equity instruments that are not held for trading), The Group has not elected to account for these investment at fair value through other comprehensive income.

Determination of fair value

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Hedge accounting

The Group 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 Group designates these foreign currency forward contracts, foreign currency options and borrowing denominated in foreign currency in a cash flow hedging relationship by applying hedge accounting principles under SFRS(I) 9.

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

Derivative contracts are stated at fair value on the statement of financial position at each reporting date.

At inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and the hedged item including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of hedged item. The Group documents its risk management objective and strategy for undertaking its hedging transactions.

The Group designates only the intrinsic value of foreign exchange options in the hedging relationship. The Group designates amounts excluding foreign currency basis spread in the hedging relationship for both foreign exchange forward contracts and cross-currency interest rate swaps.

Changes in the fair value of the derivative contracts that are designated and effective as hedges of future cash flows are recognised in the cash flow hedge reserve within other comprehensive income (net of tax), and any ineffective portion is recognised immediately in the consolidated income statement.

Changes in both the time value of foreign exchange options and foreign currency basis spread of foreign exchange forwards and cross-currency interest rate swaps are recognised in other comprehensive income (net of tax) in the cost of hedging reserve to the extent that they relate to the hedged item (the 'aligned' value).

Changes in the fair value of contracts that are designated in a fair value hedge are taken to the consolidated income statement. They offset the change in fair value, attributable to the hedged risks, of the borrowings designated as the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Amounts accumulated in equity are reclassified to the consolidated income statement in the periods in which the forecast transactions affect profit or loss or as an adjustment to a non-financial item (e.g. inventory) when that item is recognised on the balance sheet. These deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of goods sold).

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss in equity, including deferred costs of hedging, is immediately transferred and recognised in the consolidated income statement.

r. Cash and cash equivalents

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

s. Long Term Incentive Plan ("LTIP")

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3 Holding company and related party transactions

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

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

(£ millions)

Significant transactions and balances with related parties during the year :

	2019			2018		
	With joint ventures of the Group	With fellow subsidiaries and associates	With ultimate parent company	With joint ventures of the Group	With fellow subsidiaries and associates	With ultimate parent company
Sale of products	(321)	(3)	(79)	(703)	-	(77)
Purchase of products	-	-	234	-	-	180
Services received	-	173	98	64	-	100
Services rendered	(87)	-	(3)	(142)	(1)	(3)
Trade and other receivables	15	1	16	112	-	49
Accounts payable	-	(35)	(62)	-	-	(80)
Dividends (received)/paid	(22)	-	148	(206)	-	94

Compensation of key management personnel

	2019	2018
Short-term benefits	10	12
Post-employment benefits	1	1
Compensation for loss of office	-	1
Total compensation of key management personnel	11	14

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

4 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Cash and cash equivalents	2,975	2,859	3,065	158	145	98

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

5 Allowance for trade and other receivables

	Group	
	31-March-19	31-March-18
Changes in allowances for trade and other receivables as follows:		
At beginning of the year	68	74
Provision made during the year	4	6
Unused amount reversed	2	(1)
Written off during the year	(41)	(2)
Foreign exchange translation differences	(4)	(9)
At end of the year	29	68

Trade receivables with a contractual amount of £38 million (2018: £nil) that were written-off during the year are still subject to enforcement activity. There were no material changes to the value of expected credit losses on adoption of SFRS(I) 9

6 Other financial assets

Other financial assets consist of the following :

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Derivative financial instruments	133	264	174	-	-	5
Warranty reimbursement and other receivables	96	105	12	-	-	-
Restricted bank deposits	21	22	18	11	9	15
Accrued income	44	35	19	-	-	-
Others	39	85	23	-	-	1
Total other current financial assets	333	511	246	11	9	21
Restricted cash held as security	8	8	6	-	-	-
Derivative financial instruments	61	287	319	7	1	64
Warranty reimbursement and other receivables	104	116	-	-	-	-
Others	8	8	12	- *	- *	- *
Total other non-current financial assets	181	419	337	7	1	64

* Amount is less than £1 million.

As of 31 March 2019, £5 million (2018: £5 million, 2017: £4 million) of the non-current restricted cash is held as a financial deposit in relation to ongoing legal cases.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7 Inventories

Inventories consist of the following :

	(£ millions)		
	Group		
	31-March-19	31-March-18	31-March-17
Raw materials and consumables	196	178	201
Work-in-progress	384	351	345
Finished goods	3,192	3,424	3,093
Total	3,772	3,953	3,639

Inventories of finished goods include £484 million (2018: £436 million, 2017: £356 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 £18,086 million (2018: £19,152 million).

During the year ended 31 March 2019, the Group recorded an inventory write-down expense of £62 million (2018: £51 million), excluding a reversal of a write-down recorded in a previous period in relation to the Tianjin incident of £nil million (2018:£1 million). The write-down excluding the reversals is included in 'Raw materials, components and consumables' in "Material and other cost of sales"

8 Other assets

Other assets consist of the following :

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Recoverable VAT, deposits	311	340	249	-	*	-
Prepaid expenses	156	179	168	-	*	-
Research and development credit	113	114	97	-	-	-
Others	-	10	14	-	*	-
Total other current assets	580	643	528	-	*	-
Prepaid expenses	83	81	77	-	-	-
Others	1	-	4	-	-	-
Total other non-current assets	84	81	81	-	-	-

* Amount is less than £1 million.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

9 Property, Plant and equipment

(£ millions)

Group

	Land and buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Heritage assets	Total
Cost as at 1 April 2018	1,663	7,972	11	133	117	51	9,947
Additions	9	13	1	48	21	3	95
Transfers from AUC	723	1,545	-	-	-	-	2,268
Disposal	(3)	(548)	(1)	(10)	(4)	-	(566)
Currency translation differences	(17)	(13)	-	-	-	-	(30)
Cost as at 31 March 2019	2,375	8,969	11	171	134	54	11,714
Accumulated depreciation and impairment as at 1 April 2018	232	3,630	6	52	54	13	3,987
Depreciation charge for the year	85	977	2	18	11	-	1,093
Currency translation differences	-	(1)	-	-	-	-	(1)
Impairment	-	1,168	1	26	16	-	1,211
Assets write-down	-	-	-	-	-	18	18
Disposal	(2)	(489)	(1)	(8)	(3)	-	(503)
Accumulated depreciation and impairment as at 31 March 2019	315	5,285	8	88	78	31	5,805
Net carrying amount as at 31 March 2019	2,060	3,684	3	83	56	23	5,909
Cost as at 1 April 2017	1,283	6,727	11	113	103	52	8,289
Additions	24	22	1	24	19	-	90
Transfer from AUC	364	1,558	-	-	-	-	1,922
Disposal	(1)	(325)	(1)	(3)	(4)	(1)	(335)
Currency translation differences	(7)	(10)	-	(1)	(1)	-	(19)
Cost as at 31 March 2018	1,663	7,972	11	133	117	51	9,947
Accumulated depreciation and impairment as at 1 April 2017	172	3,008	5	40	45	-	3,270
Depreciation charge for the year	62	933	2	15	13	-	1,025
Currency translation differences	(1)	(8)	-	-	-	-	(9)
Assets write-down	-	-	-	-	-	13	13
Disposal	(1)	(303)	(1)	(3)	(4)	-	(312)
Accumulated depreciation and impairment as at 31 March 2018	232	3,630	6	52	54	13	3,987
Net carrying amount as at 31 March 2018	1,431	4,342	5	81	63	38	5,960

Asset under Construction (AUC)

	31-March-19	31-March-18
Balance at the beginning of the year	1,599	1,022
Additions	1,550	2,502
Transfer	(2,268)	(1,922)
Impairment	(185)	-
Write down	-	(5)
Disposal	13	-
Currency translation differences	(1)	2
Balance at the year end	708	1,599
Total Property, plant and equipment	6,617	7,559

As part of the Group's review of the carrying value of property, plant and equipment, £18 million (2018: £18 million), heritage vehicles and asset under construction have been written-down and this has been recognised as an expense within 'Other expenses'. Further information about the impairment is included in note 10.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

10 Intangible assets

Group

	Software	Patents and technolog ical know how	Customer related - dealer network	Intellectual property rights and other intangibles	Capitalised product development	Total
Cost as at 1 April 2018	626	147	61	669	6,736	8,239
Other additions	87	-	-	5	1,084	1,176
Currency translation differences	(1)	-	-	-	-	(1)
Disposal/write-off	(44)	-	-	-	(844)	(888)
Cost as at 31 March 2019	668	147	61	674	6,976	8,526
Accumulated amortisation as at 1 April 2018	293	141	36	22	3,080	3,572
Amortisation charge for the year	105	6	3	7	967	1,088
Disposal	(37)	-	-	-	(843)	(880)
Impairment	75	-	7	152	903	1,137
Accumulated amortisation as at 31 March 2019	436	147	46	181	4,107	4,917
Net carrying amount at 31 March 2019	232	-	15	493	2,869	3,609
Cost as at 1 April 2017	570	147	61	659	5,200	6,637
Other additions	80	-	-	12	1,668	1,760
Currency translation differences	1	-	-	(2)	-	(1)
Disposal/write-off	(25)	-	-	-	(132)	(157)
Cost as at 31 March 2018	626	147	61	669	6,736	8,239
Accumulated amortisation as at 1 April 2017	205	127	27	19	2,269	2,647
Amortisation charge for the year	100	14	9	3	943	1,069
Disposal/write-off	(12)	-	-	-	(132)	(144)
Accumulated amortisation as at 31 March 2018	293	141	36	22	3,080	3,572
Net carrying amount at 31 March 2018	333	6	25	647	3,656	4,667

Product development in Progress (PDIP)

	31-March-19	31-March-18
Balance at the beginning of the year	2,103	2,188
Additions	1,579	1,607
Transfer to Capitalised PDIP	(1,084)	(1,668)
Impairment	(572)	-
Write down	-	(24)
Currency translation differences	(3)	-
Balance at the year end	2,023	2,103
Total intangible assets	5,632	6,770

* During the year ended 31 March 2018, £46 million of costs were identified as being written-down and recognised as an expense within 'Other expenses'.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

10 Intangible assets (continued)

Impairment Testing

The directors are of the view that the operations of a subsidiary Jaguar Land Rover represent a single cash-generating unit ("CGU").

Management performed an impairment assessment as at 31 March 2019. The recoverable value was determined based on Value in Use ("VIU"), which was marginally higher than the Fair Value less Cost of Disposal ("FVLCD") of the relevant assets of the CGU. The recoverable amount was lower than the carrying value of the CGU and this resulted in an impairment charge of £3,105 million being recognised within "Provision for impairment in Jaguar Land Rover" as at 31 March 2019.

The directors' approach and key (unobservable) assumptions used to determine the Group's CGU VIU were as follows:

	(£ millions)		
	As at		
	31-March-19	31-March-18	31-March-17
Growth rate applied beyond approved forecast period	1.90%	2.0%	1.90%
Pre-tax discount rate	11.8%	8.70%	10.90%

The Group has considered it appropriate to undertake the impairment assessment with reference to the latest business plan which includes a 5 year cash flow forecast as approved by the JLR plc Board. The growth rates used in the value in use calculation reflect those inherent within the Group's business plan as approved by the JLR plc Board, which is primarily a function of the Group's cycle plan assumptions, past performance and management's expectation of future market developments through to 2023/24. The future cash flows consider potential risks given the current economic environment and key assumptions such as sales volume forecasts and margins. The Group has assessed the potential impacts of changes, if any, in tax and treaty arrangements globally, including Brexit and the US Tariffs. The potential impact of reasonably possible outcomes of these events has been included in the VIU calculations.

The cash flows for the year 2023/24 are extrapolated into perpetuity assuming a growth rate as stated above which is set with reference to weighted-average GDP growth of the countries in which the Group operates.

The impairment loss of £3,105 million has been allocated initially against goodwill of £1 million and the relevant assets and there after the residual amount has been allocated on a pro-rated basis. This has resulted in £1,396million allocated against tangible assets and £1,709 million allocated against intangible assets.

Sensitivity to Key and other assumptions

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase to the aggregate impairment loss recognised as at 31 March 2019: (although it should be noted that these sensitivities do not take account of potential mitigating actions).

	(£ millions)
Increase in discount rate by 1%	1,114
Decrease in long-term growth rate applied beyond approved forecast period by 0.5%	483
Decrease in projected volume by 5%	4,297
Decrease in projected gross margin by 1%	<u>2,088</u>

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11 Investment in equity accounted investees

The Group has the following investments in equity accounted investees as at March 31, 2019:

Name of investment	Proportion of voting 31-Mar-19	Principal place of business and country of incorporation	Principal activity
Chery Jaguar Land Rover Automotive Company Limited	50.0%	People's Republic of China	Manufacture and assembly of vehicles
Jaguar Cars Finance Limited	49.9%	England and Wales	Non-trading
Synaptiv Limited	33.3%	England and Wales	Business and domestic software development
CloudCar Inc	33.3%	United States of America	Automotive software development
Driveclubservice Pte Ltd	25.1%	Singapore	Holding company and mobility application owner / licensor
Driveclub Limited	25.8%	Hong Kong	Vehicle leasing
ARC Vehicle Limited	29.2%	England and Wales	Manufacture and development of electrified vehicle

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

Individually material joint ventures

Chery Jaguar Land Rover Automotive Company 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 Company Ltd. is classified as a joint venture. Chery Jaguar Land Rover Automotive Company Ltd is not publicly listed.

During the year ended 31 March 2019, a dividend of £22 million was received from Chery Jaguar Land Rover Automotive Company Ltd. (2018 : £206 million).

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

	As at		
	31-March-19	31-March-18	31-March-17
Current assets	748	892	940
Current liabilities	(1,103)	(1,076)	(934)
Non-current assets	1,439	1,324	1,094
Non-current liabilities	(122)	(154)	(176)
Equity attributable to shareholders	962	986	924
	2019	2018	2017
Revenue	1,697	2,773	2,163
Profit for the year	13	504	312
Total comprehensive income	13	504	312

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

	As at		
	31-March-19	31-March-18	31-March-17
Cash and cash equivalents	316	439	621
Other current assets	432	453	320
Financial liabilities - current (excluding trade and other payables and provisions)	(279)	(42)	-
Financial liabilities - non-current (excluding trade and other payables and provisions)	(122)	(152)	(175)
Depreciation and amortisation	(206)	(139)	(105)
Interest income	12	27	11
Interest expense	(14)	(7)	(8)
Income tax expense	(6)	(136)	(103)

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11 Investment in equity accounted investees (cont'd)

Individually immaterial joint ventures

Spark 44 (JV) Limited has been consolidated as a subsidiary from 31 August 2017.

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

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

	(£ millions)		
	As at		
	31-March-19	31-March-18	31-March-17
Group's share of profit for the year	-	2	3
Group's share of other comprehensive income	-	-	-
Group's share of total comprehensive income	-	2	3
Disposal as part of step acquisition	-	(10)	-
Carrying amount of the Group's interest	-	-	8

Associates

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

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

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

No dividend was received in the year ended 31 March 2019 and 2018 from any of the individually immaterial equity accounted investments.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11 Investment in equity accounted investees (cont'd)

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

	(£ millions)		
	31-March-19	As at 31-March-18	31-March-17
Net assets of material joint venture	962	986	924
Share of net assets of:			
Material joint venture	481	493	462
Individually immaterial equity accounted investments	2	6	20
Other (1)	(6)	(11)	(8)
Carrying amount of the Group's interests in equity accounted investees	477	488	474

⁽¹⁾ As at 31 March 2019, an adjustment of £6 million (2018: £11 million) has been made to derecognise profit that has not yet been realised on goods sold by the Group to Chery Jaguar Land Rover Automotive Company Ltd.

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

	2019	2018	2017
Total profit of material joint venture	13	504	312
Share of profit of:			
Material joint venture	7	252	156
Individually immaterial joint ventures	(4)	-	3
Share of profit from equity accounted investees	3	252	159
Currency translation differences	(3)	14	33
Share of total comprehensive income from equity accounted investees	-	266	192

The Group's share of capital commitments of its joint ventures at 31 March 2019 is £151 million (2018: £159 million), and commitments relating to the Group's interests in its joint ventures are disclosed in note 33. The contingent liabilities of its joint ventures as at 31 March 2019 is £nil (2018: £1 million).

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

Other Investments

The Group's other investments comprise equity investments of 10 per cent or less of the ordinary share capital of the investee companies and are designated as fair value through profit and loss financial instruments.

	2019	2018	2017
Investment in Lyft Inc	46	22	-
Other immaterial investments	23	7	-
	69	29	-

During the year ended 31 March 2019, the Group invested £14 million (2018: £5 million) in other investments.

During the year ended 31 March 2018, the Group purchased 0.3 per cent of the ordinary share capital of Lyft Inc for £20 million.

The Group has no additional rights or influence over any of its other equity investments other than the voting rights attached to the ordinary share capital. No dividend was received during the year ended 31 March 2019 and 2018 from Jaguar Land Rover Schweiz AG

Disclosure of the valuation techniques applied in calculating the fair value of these other non-equity accounted investments is included in note 2.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12 Investment in subsidiary corporations

(£ millions)

	Company		
	31-March-19	31-March-18	31-March-17
Unquoted equity shares at cost (net of impairment) #	1,916	1,916	1,916
	1,916	1,916	1,916

The following details the subsidiary corporations held by the Company:

Name of the Company	Principal activities / Principal place of business and country of incorporation	Proportion of ownership and voting power held (%)		
		31-March-19	31-March-18	31-March-17
Jaguar Land Rover Automotive Plc	Design, development, manufacture and marketing of high-performance luxury saloons, specialist sports cars and four-wheel-drive off-road vehicles. / United Kingdom	100	100	100
Tata Daewoo Commercial Vehicle Co. Ltd	Manufacturing & selling of commercial vehicle / Republic of Korea	100	100	100
Tata Motors (Thailand) Ltd	Manufacturing & assembling of vehicle / Thailand	95.87	95.49	95.49
Tata Motors (SA) (Proprietary) Ltd	Manufacturing & assembling of commercial vehicle / South Africa	60	60	60
PT Tata Motors Indonesia	Manufacturing & assembling of commercial vehicle / Indonesia	100	100	100
TMNL Motors Services Nigeria Ltd	Importing, assembling and distribution of vehicles / Nigeria	99	99	99

During the year ended 31 March 2019, the Company made capital infusion of £40 million (2018: £13 million, 2017: £7 million) in its subsidiary and has also impaired it. The capital infusion of £40 million is made towards the cost of closure of one of its subsidiary company.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12 Investment in subsidiary corporations

Details of the indirect subsidiaries are as follows:

Name of company	Principal place of business and country of incorporation	Proportion of ownership and voting power held (%)	
		31-March-19	31-March-18
Subsidiaries of Jaguar Land Rover Ltd:			
Jaguar Land Rover Limited	England and Wales	100%	100%
Jaguar Land Rover North America, LLC.	USA	100%	100%
Jaguar Land Rover Deutschland GmbH	Germany	100%	100%
Jaguar Land Rover Belux N.V.	Belgium	100%	100%
Jaguar Land Rover Austria GmbH	Austria	100%	100%
Jaguar Land Rover Italia SpA	Italy	100%	100%
Jaguar Land Rover Australia (Pty) Limited	Australia	100%	100%
Jaguar Land Rover Espana SL	Spain	100%	100%
Jaguar Land Rover Nederland B.V.	Holland	100%	100%
Jaguar Land Rover Portugal Veiculos e Pecas, Lda	Portugal	100%	100%
Jaguar Land Rover (China) Investment Co., Ltd. (formerly Jaguar Land Rover Automotive Trading (Shanghai) Co., Ltd.)	China	100%	100%
Shanghai Jaguar Land Rover Automotive Service Co. Ltd	China	100%	100%
Jaguar Land Rover Japan Ltd	Japan	100%	100%
Jaguar Land Rover Korea Co. Limited	Korea	100%	100%
Jaguar Land Rover Canada ULC	Canada	100%	100%
Jaguar Land Rover France SAS	France	100%	100%
Jaguar e Land Rover Brasil Indústria e Comércio de Veiculos Ltda.	Brazil	100%	100%
Jaguar Land Rover Limited Liability Company	Russia	100%	100%
Jaguar Land Rover (South Africa) Holdings Limited	England and Wales	100%	100%
Jaguar Land Rover (South Africa) (Pty) Ltd	South Africa	100%	100%
Jaguar Land Rover India Limited	India	100%	100%
Daimler Transport Vehicles Limited	England and Wales	100%	100%
S.S. Cars Limited	England and Wales	100%	100%
The Lanchester Motor Company Limited	England and Wales	100%	100%
The Daimler Motor Company Limited	England and Wales	100%	100%
The Jaguar Collection Ltd	England and Wales	-	100%
Jaguar Land Rover Pension Trustees Limited	England and Wales	100%	100%
JLR Nominee Company Limited	England and Wales	100%	100%
Jaguar Cars Limited	England and Wales	100%	100%
Land Rover Exports Limited	England and Wales	100%	100%
Land Rover Ireland Limited	Ireland	100%	100%
Jaguar Cars South Africa (Proprietary) Ltd	South Africa	100%	100%
Jaguar Land Rover Slovakia s.r.o.	Slovakia	100%	100%
Jaguar Land Rover Singapore Pte. Ltd	Singapore	100%	100%
Jaguar Racing Limited	England and Wales	100%	100%

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12 Investment in subsidiary corporations (cont'd)

Details of the indirect subsidiary undertakings are as follows:

Name of company	Principal place of business and country of incorporation	Proportion of ownership and voting power held (%)	
		31-March-19	31-March-18
InMotion Ventures Limited	England and Wales	100%	100%
InMotion Ventures 1 Limited	England and Wales	100%	100%
InMotion Ventures 2 Limited	England and Wales	100%	100%
InMotion Ventures 3 Limited	England and Wales	100%	100%
InMotion Ventures 4 Limited	England and Wales	100%	-
Jaguar Land Rover Colombia SAS	Colombia	100%	100%
Jaguar Land Rover México, S.A.P.I. de C.V.	Mexico	100%	100%
Jaguar Land Rover Servicios México, S.A. de C.V.	Mexico	100%	100%
Jaguar Land Rover Taiwan Company Limited	Taiwan	100%	100%
Jaguar Land Rover Ireland (Services) Limited	Ireland	100%	100%
Jaguar Land Rover Classic USA LLC	USA	100%	-
Jaguar Land Rover Classic Deutschland GmbH	Germany	100%	-
Hungary Jaguar Land Rover Hungary KFT	Hungary	100%	-
Spark44 (JV) Limited	England and Wales	50.50%	50.50%
Spark44 Limited	England and Wales	50.50%	50.50%
Spark44 LLC	USA	50.50%	50.50%
Spark44 Canada Inc	Canada	50.50%	50.50%
Spark44 GmbH	Germany	50.50%	50.50%
Spark44 Communications S.L.	Spain	50.50%	50.50%
Spark44 S.r.l	Italy	50.50%	50.50%
Spark44 Pty Limited	Australia	50.50%	50.50%
Spark44 DMCC	UAE	50.50%	50.50%
Spark44 Seoul Limited	South Korea	50.50%	50.50%
Spark44 Singapore Pte Limited	Singapore	50.50%	50.50%
Spark44 Japan K.K.	Japan	50.50%	50.50%
Spark44 Demand Creation Partners Limited	India	50.50%	50.50%
Spark44 South Africa Pty Ltd	South Africa	50.50%	50.50%
Spark44 Shanghai	China	50.50%	50.50%
Spark44 Taiwan Limited	Taiwan	50.50%	-
Spark44 Colombia S.A.S	Colombia	50.50%	-
Subsidiary of PT Tata Motors Indonesia:			
PT Tata Motors Distribusi Indonesia	Indonesia	100%	100%
Subsidiary of Tata Daewoo Commercial Vehicle Co Ltd			
Tata Daewoo Commercial Vehicle Sales and Distribution Co Ltd	South Korea	100%	100%

Details of the indirect holdings in equity accounted investments are given in note 11 to the consolidated financial statements.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

13 Deferred tax assets and liabilities

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

31 March 2019	Opening balance	Adjustment on initial application of SFRS(I) 9	Adjusted opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified from other equity reserves	Foreign exchange differences	Closing balance
Deferred tax assets								
Property, plant and equipment	9	-	9	535	-	-	-	544
Expenses deductible in future periods	245	-	245	80	-	-	5	330
Derivative financial instruments	80	6	86	7	18	23	-	134
Retirement benefits	77	-	77	(2)	38	-	-	113
Unrealised profit in inventory	156	-	156	(37)	1	-	-	120
Tax loss	366	-	366	(285)	-	-	-	81
Others	109	-	109	24	1	-	1	135
Total deferred tax assets	1,042	6	1,048	322	58	23	6	1,457
Deferred tax liabilities								
Intangible assets	1,100	-	1,100	(173)	-	-	-	927
Overseas unremitted earnings	99	-	99	2 *	-	-	-	101
Total deferred tax liabilities	1,199	-	1,199	(171)	-	-	-	1,028
Presented as deferred tax assets**	426							530
Presented as deferred tax liabilities**	(583)							(101)

* Included within £2 million is a reversal of £5 million relating to withholding tax incurred on intercompany dividends paid in the year.

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

At 31 March 2019, deferred tax assets of £530 million (2018: £426 million) have been recognised in relation to deductible temporary differences, including unused tax losses, on the basis that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilised.

At 31 March 2019, the Group had unused tax losses and other temporary differences amounting to £1,599 million (2018: £117 million) for which no deferred tax asset arises. As at 31 March 2019, £4 million (2018: £3 million) of those tax losses are subject to expiry in future periods, with £3 million due to expire in fiscal year 2031. The remaining balance is not expected to expire.

All deferred tax assets and deferred tax liabilities at 31 March 2019 and 2018 are presented as non current.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

13 Deferred tax assets and liabilities

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

31 March 2018	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange differences	Closing balance
Deferred tax assets					
Property, plant and equipment	13	(3)	-	(1)	9
Expenses deductible in future periods	226	36	-	(17)	245
Derivative financial instruments	547	(5)	(462)	-	80
Retirement benefits	252	(86)	(88)	(1)	77
Unrealised profit in inventory	192	(36)	-	-	156
Tax loss	208	159	-	(1)	366
Others	83	26	-	-	109
Total deferred tax assets	1,521	91	(550)	(20)	1,042
Deferred tax liabilities					
Intangible assets	995	105	-	-	1,100
Overseas unremitted earnings	60	39 *	-	-	99
Others	1	(1)	-	-	-
Total deferred tax liabilities	1,056	143	-	-	1,199
Presented as deferred tax assets**	525				426
Presented as deferred tax liabilities**	(60)				(583)

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

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

14 Borrowings

(£ millions)

Borrowings consist of the following :

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
EURO MTF Listed debts	3,610	3,557	3,395	-	-	-
USD SGX-ST Listed debts	230	213	238	230	213	238
Loans from banks	1,584	860	911	633	631	670
Total borrowings	5,424	4,630	4,544	863	844	908
Less: Short-term borrowings	(956)	(725)	(239)	-	-	-
Borrowings due for settlement after 12 months	4,468	3,905	4,305	863	844	908

EURO MTF LISTED DEBTS

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

Details of the tranches of the bonds outstanding as at 31 March 2019 are as follows:

Issued on	Currency	Initial principal amount (In millions) *	Outstanding principal amount (In millions) *	Outstanding principal amount (In millions) *	Interest rate	Redeemable on
January 2013	USD	500	500	500	5.625%	2023
January 2014	GBP	400	400	400	5.000%	2022
October 2014	USD	500	500	500	4.250%	2019
February 2015	GBP	400	400	400	3.875%	2023
March 2015	USD	500	500	500	3.500%	2020
January 2017	EUR	650	650	650	2.200%	2024
January 2017	GBP	300	300	300	2.750%	2021
October 2017	USD	500	500	500	4.500%	2027
September 2018	EUR	500	500	500	4.500%	2026

* Amounts reported in above table are in respective currency.

\$700 million Senior Notes due 2018 at a coupon of 4.125 per cent per annum – issued December 2013 was repaid during the year ended 31 March 2019.

No tranches of bonds were repaid in the year ended 31 March 2018.

\$84 million Senior Notes due 2021 at a coupon of 8.125 per cent per annum – issued May 2011 was repaid during the year ended 31 March 2017.

Syndicated Loan

In October 2018, a \$1 billion syndicate loan was issued with a coupon rate of LIBOR + 1.900 per cent per annum, due in the following

- \$200m October 2022

- \$800m January 2025

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Details of the tranches of the bonds listed on SGX-ST outstanding at 31 March 2019 are as follows:

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

* Amounts reported in above table are in respective currency.

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

Loan from banks

	(£ millions)					
	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Less than one year, unsecured	70	72	59	-	-	-
Less than one year, secured	118	156	182	-	-	-
Later than one year and not later than five years,	1396	410	496	633	410	496
Later than five years, unsecured	-	222	174	-	221	174
	1,584	860	911	633	631	670

As at 31 March 2019, borrowings amounting to £ 633 million (2018: £ 631 million, 2017: £670 mn) bear interest at 1.04% to 1.40% above London Interbank Offered Rate per annum and its effective interest rates range from 2.04% to 1.95 to 2.31% (2018:2.04% to 2.29%, 2017:1.65% to 2.27%) per annum.

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

During the year ended 31 March 2019, the Group entered into a \$700 million invoice discounting facility that expires in 2021. Under the terms of the facility, the Group de-recognises factored receivables in accordance with IFRS 9 as there are no recourse arrangements.

UNDRAWN FACILITIES

As at 31 March 2019 the Group has a fully undrawn revolving credit facility of £1,935 million (2018: £1,935, 2017: £1,870 million). This facility is available in full until 2022.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

15 Accounts Payables

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Trade payables	4,748	4,880	4,370	-	-	-
Liabilities to employees	124	154	157	-	-	-
Liabilities for expenses	1,548	1,817	1,744	- *	- *	- *
Provision for cost of closure of a subsidiary	20	-	-	20	-	-
Liabilities for capital expenditure	769	880	368	-	-	-
Acceptances	9	9	6	-	-	-
	7,218	7,740	6,645	20 *	- *	- *

* Amount is less than £1 million.

16 Other financial liabilities

	Group			Company		
	31-March-19	31-March-18	31-March-17	31-March-19	31-March-18	31-March-17
Liability towards vehicles sold under repurchase arrangements	469	479	349	-	-	-
Interest accrued but not due	44	43	33	7	7	6
Finance lease obligations	3	3	2	-	-	-
Derivative financial instruments	523	673	1,761	-	5	-
Others	14	7	-	-	-	-
Total other current financial liabilities	1,053	1,205	2,145	7	12	6
Finance lease obligations	28	16	5	-	-	-
Derivative financial instruments	288	266	1,391	7	8	-
Retention money, security deposits and others	1	7	3	-	-	-
Total other non-current financial liabilities	317	289	1,399	7	8	-

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

17 Provisions

Provision consists of the following:

	Group		
	31-March-19	31-March-18	31-March-17
Current			
Product warranty	704	622	525
Legal and product liability	154	119	109
Provision for residual risk	9	7	7
Provision for environmental liability	14	11	12
Employee related and other provisions (including employee separation cost)	117	8	5
Total - Current provision	998	767	658
Non-current			
Product warranty	1,049	984	879
Legal and Product liability	43	24	47
Provision for residual risk	31	28	27
Provision for environmental liability	15	16	22
Other employee benefits obligation	3	7	13
Total - Non-current provision	1,141	1,059	988

Movement in the provision are as follows:

	Group	
	31-March-19	31-March-18
Product warranty		
Balance at the beginning	1,606	1,404
Provision made during the year *	1,012	899
Provision used during the year	(891)	(717)
Impact of discounting	26	20
Balance at the end	1,753	1,606
Legal and product liability		
Balance at the beginning	143	156
Provision made during the year	198	68
Provision used during the year	(108)	(42)
Unused amount released in the year	(38)	(38)
Impact of foreign exchange translation	2	(1)
Balance at the end	197	143
Provision for residual risk		
Balance at the beginning	35	34
Provision made during the year	18	20
Provision used during the year	(3)	(2)
Unused amount released in the year	(10)	(15)
Impact of foreign exchange translation	-	(2)
Balance at the end	40	35
Provision for environmental liability		
Balance at the beginning	27	34
Provision made during the year	16	5
Provision used during the year	(9)	(5)
Unused amount released in the year	(5)	(7)
Balance at the end	29	27

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Product warranty provision

The Group offers warranty cover in respect of manufacturing defects, which become apparent one to five years after purchase, dependent on the market in which the purchase occurred and the vehicle purchased. The estimated liability for product warranty is recognised when products are sold or when new warranty programmes are initiated. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future warranty claims, customer goodwill and recall complaints. The discount on the warranty provision is calculated using a risk-free discount rate as the risks specific to the liability, such as inflation, are included in the base calculation. The timing of outflows will vary as and when a warranty claim will arise, being typically up to five years.

Legal and product liability provision

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

Residual risk provision

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

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.

Other employee benefit obligation

This provision relates to the LTIP scheme for certain employees (see note 25) and other amounts payable to employees.

Employee separation provision

This provision relates to amounts payable to employees under the Group restructuring programme announced and carried out during the year ended 31 March 2019

18 Other liabilities

Other liabilities consists of the following:

	(£ millions)		
	Group		
	31-March-19	31-March-18	31-March-17
Liability for advances received	90	45	94
Statutory dues	264	248	217
Ongoing service obligation	301	244	167
Others	24	25	23
Total other current liabilities	679	562	501
Ongoing service obligation	504	438	338
Others	17	16	24
Total other non-current liabilities	521	454	362

19 Employee benefit obligations

Employee benefit obligations comprise of the following:

	Group		
	31-March-19	31-March-18	31-March-17
Defined benefit schemes under:			
Jaguar Land Rover Automotive Plc (UK Defined benefit scheme) (a)	667	438	1,461
Tata Daewoo Commercial Vehicle Co. Ltd	8	3	4
	675	441	1,465
Defined contribution plan	2	2	2
	677	443	1,467

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19 Employee benefit obligations (cont'd)

(a) UK Defined benefit scheme

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

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

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

Asset volatility

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

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

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19 Employee benefit obligations (cont'd)

(£ millions)

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

Change in present value of defined benefit obligation

	As at		
	31-March-19	31-March-18	31-March-17
Defined benefit obligation at beginning of year	8,320	9,969	7,668
Current service cost	158	217	198
Past service cost / (credit)	42	(437)	-
Interest expense	216	241	275
Actuarial (gain) / loss arising from:			
Changes in demographic assumptions	(49)	(210)	(76)
Changes in financial assumptions	544	(353)	2,335
Experience adjustments	32	(99)	(213)
Exchange differences on foreign schemes	-	(3)	5
Member contributions	2	4	2
Benefits paid	(617)	(988)	(225)
Plan settlement	-	(21)	-
Defined benefit obligation at end of year	8,648	8,320	9,969

Change in fair value of scheme assets

	As at		
	31-March-19	31-March-18	31-March-17
Fair value of schemes' assets at beginning of year	7,882	8,508	7,103
Interest income	207	218	258
Remeasurement gain / (loss) on the return of schemes' assets, excluding amounts included in interest income	257	(116)	1,149
Administrative expenses	(13)	(9)	(9)
Exchange differences on foreign schemes	2	(1)	3
Employer contributions	262	287	227
Member contributions	1	4	2
Benefits paid	(617)	(988)	(225)
Plan settlement	-	(21)	-
Fair value of schemes' assets at end of year	7,981	7,882	8,508

The actual return on the schemes' assets for the year ended 31 March 2019 was £465 million (2018: £102 million).

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

	2019	2018	2017
Current service cost	158	217	198
Past service cost / (credit)	42	(437)	-
Administrative expenses	13	9	9
Net interest cost (including onerous obligations)	8	23	17
Components of defined benefit (income) / cost recognised in profit or loss	221	(188)	224

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19 Employee benefit obligations (cont'd)

(£ millions)

Amounts recognised in the other comprehensive income mainly consist of:

	2019	2018	2017
Actuarial (gains) / loss arising from:			
Changes in demographic assumptions	49	210	76
Changes in financial assumptions	(544)	353	(2,335)
Experience adjustments	(32)	99	213
Remeasurement loss / (gain) on the return of scheme assets, excluding amounts included in interest income	257	(116)	1,149
Change in onerous obligation, excluding amounts included in interest expense	-	-	2
Remeasurement gain/(loss) on defined benefit obligation	(270)	546	(895)

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

	As at		
	31-March-19	31-March-18	31-March-17
Present value of unfunded defined benefit obligations	(2)	(1)	(2)
Present value of funded defined benefit obligations	(8,646)	(8,319)	(9,967)
Fair value of schemes' assets	7,981	7,882	8,508
Net retirement benefit obligation	(667)	(438)	(1,461)
Presented as non-current liability	(667)	(438)	(1,461)

The most recent valuations of the defined benefit schemes for accounting purposes were carried out at 31 March 2019 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method. The asset valuations are taken from the asset custodian for each scheme.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19 Employee benefit obligations (cont'd)

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

	31-March-19	31-March-18	31-March-17
Discount rate	2.4%	2.7%	2.6%
Expected rate of increase in compensation level of covered employees	2.4%	2.3%	2.3%
RPI Inflation rate	3.2%	3.1%	3.2%

For the valuation at 31 March 2019, the mortality assumptions used are the SAPS base table, in particular S2PxA tables and the Light table for members of the Jaguar Executive Pension Plan.

For the Jaguar Pension Plan, scaling factors of 112 per cent to 118 per cent have been used for male members and scaling factors of 101 per cent to 112 per cent have been used for female members.

For the Land Rover Pension Scheme, scaling factors of 107 per cent to 112 per cent have been used for male members and scaling factors of 101 per cent to 109 per cent have been used for female members.

For the Jaguar Executive Pension Plan, an average scaling factor of 94 per cent has been used for male members and an average scaling factor of 84 per cent has been used for female members.

For the valuation at 31 March 2018, the mortality assumptions used are the SAPS base table, in particular S2PxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 113 per cent to 119 per cent for males and scaling factor of 102 per cent to 114 per cent for females has been used for the Jaguar Pension Plan, 108 per cent to 113 per cent for males and 102 per cent to 111 per cent for females for the Land Rover Pension Scheme, and 95 per cent for males and 85 per cent for females for the Jaguar Executive Pension Plan.

There is an allowance for future improvements in line with the CMI (2018) projections and an allowance for long-term improvements of 1.25% per annum (2018: CMI (2017) projections with 1.25% per annum improvements).

The assumed life expectations on retirement at age 65 are:

	As at		
	31-March-19	31-March-18	31-March-17
	(Years)		
Retiring today:			
Males	21.0	21.3	21.5
Females	23.2	23.4	24.5
Retiring in 20 years:			
Males	22.4	22.5	23.3
Females	25.1	25.1	26.3

A past service cost of £42 million has been recognised in the year ended 31 March 2019. This reflects a plan amendment for certain members as part of the group restructuring program and a past service cost following a High Court ruling in October 2018. As a result, pension schemes are required to equalise male and female members' benefits for the inequalities within guaranteed minimum pension earned between 17 May 1990 and 5 April 1997. The Group historically made no assumptions for GMP and therefore have considered the change to be a plan amendment.

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

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

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

Assumption	Change in assumption	Impact on scheme liabilities	Impact on service cost
Discount rate	Increase / decrease by 0.25%	Decrease / increase by £430 million	Decrease / increase by £8 million
Inflation rate	Increase / decrease by 0.25%	Increase / decrease by £370 million	Increase / decrease by £8 million
Mortality	Increase / decrease by 1 year	Increase / decrease by £310 million	Increase / decrease by £5 million

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

19 Employee benefit obligations (cont'd)

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

As at	31-March-19				31-March-18				31-March-17			
	Quote- d*	Unqu- oted	Total	%	Quoted *	Unqu- oted	Total	%	Quoted *	Unqu- oted	Total	%
Equity instruments												
Information technology	79	-	79	1%	132	-	132	2%	142	-	142	2%
Energy	34	-	34	1%	56	-	56	1%	61	-	61	1%
Manufacturing	58	-	58	1%	96	-	96	1%	104	-	104	1%
Financials	91	-	91	1%	151	-	151	2%	164	-	164	2%
Other	251	-	251	3%	417	-	417	5%	452	-	452	5%
	513	-	513	7%	852	-	852	11%	923	-	923	11%
Debt instruments												
Government	2,509	-	2,509	31%	2,524	-	2,524	32%	2,929	-	2,929	34%
Corporate bonds - (investment grade)	149	1,694	1,843	23%	20	1,836	1,856	24%	20	2,071	2,091	25%
Corporate bonds - (Non investment grade)	-	613	613	8%	-	584	584	7%	123	414	537	6%
	2,658	2,307	4,965	62%	2,544	2,420	4,964	63%	3,072	2,485	5,557	65%
Property funds												
UK	-	244	244	3%	-	165	165	2%	-	190	190	2%
Other	-	229	229	3%	-	160	160	2%	-	156	156	2%
	-	473	473	6%	-	325	325	4%	-	346	346	4%
Cash and cash equivalents												
	210	-	210	3%	218	-	218	3%	93	-	93	1%
Other												
Hedge funds	-	310	310	4%	-	356	356	4%	-	403	403	5%
Private markets	4	336	340	4%	2	252	254	3%	-	174	174	2%
Alternatives	16	810	826	10%	470	214	684	9%	327	379	706	8%
	20	1,456	1,476	18%	472	822	1,294	16%	327	956	1,283	15%
Derivatives												
Foreign exchange contracts	-	16	16	-	-	1	1	-	-	17	17	-
Interest rate and inflation	-	328	328	4%	-	228	228	3%	-	289	289	4%
	-	344	344	4%	-	229	229	3%	-	306	306	4%
Total	3,401	4,580	7,981	100%	4,086	3,796	7,882	100%	4,415	4,093	8,508	100%

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

As at 31 March 2019, the schemes held Gilt Repos. The net value of these transactions is included in the value of government bonds. The value of the funding obligation for the Repo transactions is £1,528 million at 31 March 2019 (2018: £1,287 million).

The split of Level 1 assets is 62% (2018: 71%), Level 2 assets 24% (2018: 20%) and Level 3 assets 14% (2018: 9%). Private market holdings are classified as Level 3 instruments. For this purpose, each element of the Repo transactions is included separately.

One of the subsidiary Jaguar Land Rover contributes towards the UK defined benefit schemes. The 5 April 2018 valuations were completed in December 2018. As a result of these valuations it is intended to eliminate the pension scheme funding deficits over the 10 years to 31 March 2028. There is currently no additional liability over the projected benefit obligation (based on current legal advice the Group will not be required to recognise an additional obligation in the future). In line with the schedule of contributions agreed following the 2018 statutory valuation, the current ongoing Group contribution rate for defined benefit accrual has reduced to 22 per cent of pensionable salaries in the UK reflecting the 2017 benefit restructure. Deficit contributions are paid in line with the updated schedule of contributions at a rate of £60m per year until 31 March 2024 followed by £25 million per year until 31 March 2028.

The average duration of the benefit obligations at 31 March 2019 is 19 years (2018: 20.4 years).

The expected net periodic pension cost for the year ended 31 March 2020 is £166 million. The Group expects to pay £223 million to its defined benefit schemes, in total, for the year ended 31 March 2020.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19 Employee benefit obligations (cont'd)

Defined Contribution Plan

The Group's contribution to defined contribution schemes for the year ended 31 March 2019 was £93 million (2018: £77 million).

20 Share capital

	(£ millions)		
	Group and Company		
	31-March-19	31-March-18	31-March-17
2,511,659,418 (2017: 2,511,659,418) ordinary shares issued at 1 April	1,628	1,422	1,422
Equity currency conversion	-	206	-
Total Share capital	1,628	1,628	1,422

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

During the year ended 31 March 2018, the Company has converted the currency of its share capital from United States Dollar to Pound Sterling (note 21).

21 Capital reserve

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

During 2014 and 2015, the Company underwent a restructuring exercise. The effects of the merger of Tata Daewoo Commercial Vehicle Co. Ltd, Tata Motors (Thailand) Ltd, Tata Motors (SA) (Proprietary) Ltd and PT Tata Motors Indonesia resulted in a restatement of the reserves in previous years. No restructuring took place in 2019.

Capital reserve on currency conversion

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

22 Revenue

The Group's revenues are summarised as follows:

	(£ millions)	
	Group	
	2019	2018
Revenue recognised for sales of vehicles, parts and accessories	24,322	26,271
Revenue recognised for services transferred	250	170
Revenue- Other	950	1,022
Total revenue excluding realised revenue hedges	25,522	27,463
Less: Realised revenue hedges	(870)	(1,389)
	24,652	26,074

Revenue – Other' includes sales of goods other than vehicles, parts and accessories as well as revenue recognised outside the scope of SFRS(I) 15, primarily being lease instalments recognised from assets sold with a repurchase commitment.

Contract Liabilities

	Group
	2019
Ongoing service obligations	805
Liabilities for advances received	90
Total contract liabilities	895

Revenue that is expected to be recognised within five years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to £891 million at 31 March 2019.

Ongoing service obligations' mainly relate to long-term service and maintenance contracts, extended warranties, and telematics services. 'Liabilities for advances received' primarily relate to consideration received in advance from customers for products not yet wholesaled at which point the revenue will be recognised. 'Ongoing service obligations' and 'Liabilities for advances received' are both presented within 'Other liabilities' in the consolidated statement of financial position.

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less. This is because revenue resulting from those sales will be recognised in a short-term period. The services included with the vehicle sale are to be recognised as revenues in subsequent years, but represent an insignificant portion of expected revenues in comparison.

The movement in contract liabilities relates solely to revenue recognised from balances held at the beginning of the year of £288 million and increases due to cash received for performance obligations unsatisfied at the year-end of £457 million.

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	(£ millions)	
	2019	2018
23 Material and other cost of sales		
Raw material and consumable used	14,707	15,947
Realised purchase hedges	(147)	(182)
	14,560	15,765

- 24 a)** Restructuring costs of £149 million relating to a Group wide voluntary redundancy program announced and carried out during the year ended 31 March 2019.
- b)** During the year ended 31 March 2018, a past service credit of £437 million following an amendment to the defined benefit pension schemes' rules that, among other changes, meant that future retirement benefits would be calculated each year and revalued until retirement in line with a prescribed rate rather than based upon a member's final salary at retirement. Further details are given in note 19.
- c)** During the year ended 31 March 2018, £1 million of import duties recovered in relation to vehicles damaged in the Tianjin explosion.
- d)** On July 31, 2018, the Company decided to cease the current manufacturing operations of Tata Motors Thailand Ltd. The Company will address the Thailand market with a revamped product portfolio, suitable to the local market needs, delivered through a CBU distribution model. Accordingly, the relevant restructuring costs have been accounted in the year ended 31 March 2019.

25 Employee cost

Employee cost consists of the following :

Salaries, wages and welfare expenses
Contribution to provident fund and other funds
Total

	Group	
	2019	2018
	2,636	2,492
	280	333
	2,916	2,825

Long-Term Incentive Plan (LTIP)

During the year ended 31 March 2016, the Group issued the final share-based payment LTIP arrangement based on the share price of Tata Motors Limited. The scheme provides a cash payment to the employee based on a specific number of phantom shares at the grant date and the share price of Tata Motors Limited at the vesting date. The cash payment is dependent upon continued employment for the duration of the three-year vesting period. The final cash payment in respect of the share-based payment LTIP was made during the year ended 31 March 2019.

Outstanding at the beginning of the year
Vested in the year
Forfeited in the year
Outstanding at the end of the year

	Group	
	2019	2018
	number	number
	1,929,391	4,115,221
	(1,764,566)	(1,918,331)
	(164,825)	(267,499)
	-	1,929,391

The weighted average share price of the 1,918,331 phantom stock awards vested in the year was £3.20 (2018: £4.33).

The weighted average remaining contractual life of the outstanding phantom shares is nil (2018: 0.3 years).

No phantom shares were exercisable as at 31 March 2019 (2018: no shares).

During the year ended 31 March 2019, £1 million was recognised as a credit to 'Employee cost' in relation to the sharebased payment LTIP (2018: £1 million).

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at the year end was £nil (2018: £7 million) and is included in 'Provisions'.

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 SFRS(I) 2 Share-based Payment. The inputs into the model are based on Tata Motors Limited historical data and the risk-free rate is calculated using government bond rates. The significant inputs used are:

	Group	
	31-March-19	31-March-18
Risk-free rate	n/a	0.87%
Dividend yield	n/a	0.00%
Weighted average fair value per phantom share	n/a	£3.32

During the year ended 31 March 2017, the Group announced a new LTIP to replace the previous share-based payment LTIP. The new LTIP, effective from June 2016, provides a cash payment to certain employees based on the Group's performance against long-term business metrics related to performance and strategic priorities (over a period of three years). This new LTIP benefit scheme has been accounted for in accordance with SFRS(I) 1-19 Employee Benefits.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

26 Other expenses

Other expenses consists of the following :

	Group	
	2019	2018
Stores, spare parts and tools consumed	193	177
Freight and transportation expenses	659	1,042
Research and product development cost	422	406
Warranty expenses	1,012	701
Write down of property, plant and equipment	18	18
Write down of Intangibles	-	46
Works operation and other expenses	2,173	1,827
Repairs to building and plant and machinery	38	48
Processing charges	10	17
Power and fuel	104	85
Rent rates and other taxes	95	90
Insurance	26	27
Publicity	870	964
Total	5,620	5,448

27 Research and Development

	Group	
	2019	2018
Total research and development costs incurred	2,001	2,021
Research and development expensed	(422)	(406)
Development costs capitalised	1,579	1,615
Interest capitalised	99	88
Research and development grants capitalised	(96)	(105)
Others	(3)	9
Total internally developed intangibles	1,579	1,607

During the year ended 31 March 2019, £135 million (2018: £147 million) was recognised by a UK subsidiary as a Research and Development Expenditure Credit ('RDEC') incentive on qualifying expenditure. During the year ended 31 March 2019, £91 million (2018: £102 million) of the RDEC – the proportion relating to capitalised product development expenditure and other intangible assets – has been offset against the cost of the respective assets. The remaining £44 million (2018: £45 million) of the RDEC has been recognised as 'Other income'.

28 Finance income and expense

Finance income and expense consist of the following :

	Group	
	2019	2018
Finance income	37	34
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	283	241
Interest expenses on derivative other than designated fair value hedge of financial liabilities	7	8
Interest income on derivatives designated as a fair value hedge of financial liabilities	4	3
Unwind of discount on provisions	(26)	(20)
Less: Interest capitalised	(117)	(104)
Total finance expense	151	128

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.1 % (2018: 4.3 %).

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

29 Income tax expense / (credit)

	Group	
	2019	2018
Current tax expense		
Current year	141	300
Adjustments for prior years	41	52
Current tax expense	182	352
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	(250)	65
Adjustments for prior years	(48)	(76)
Write down of deferred tax asset	(245)	-
Rate change	50	63
Deferred tax expense	(493)	52
Total income tax expense / (credit)	(311)	404
Recognised in the statement of comprehensive income:		
Deferred tax expense / (credit) on actuarial gains on retirement benefits	(53)	103
Deferred tax expense / (credit) in fair value of cash flow hedges	(19)	464
Deferred tax expense / (credit) on rate changes	14	(17)
	(58)	550

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

	Group	
	2019	2018
Profit before income tax	(3,764)	1,485
Income tax expense / (credit) at tax rates applicable to individual entities	(674)	347
Non-deductible expenses	63	22
Over provision in prior years	(7)	(24)
Undistributed earnings of subsidiary corporations and equity accounted investees	8	30
Tax on share of profit of equity accounted investments	(1)	(48)
Unrecognised tax assets/deferred tax assets written off	245	5
Change in tax rates	50	63
Others	5	9
Income tax expense	(311)	404

Included within 'Non-deductible expenses' for the year ended 31 March 2019 is a £53 million charge for the impact of the impairment recorded in the year on non-tax-deductible property, plant and equipment and intangible assets.

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

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

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

Accordingly, UK deferred tax has been provided at a blended rate of 17.6% on assets (2018: 17.8%) and 17.4% on liabilities (2018: 17.4%), recognising the applicable tax rate at the point when the timing difference is expected to reverse.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

30 Profit / (loss) for the year

	Group	
	2019	2018
Directors' remuneration: of the Company	-	*
of the subsidiary corporations	3	4
Defined contribution plan (included in employee benefits expenses)	93	77
Operating lease rental in respect of property, plant and equipment	92	92

* less than £1 million

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

For the year ended	Short-term borrowings	Long-term debts	Finance Lease obligations
Balance as at 1 April 2017	239	4,305	7
Proceeds from issue of financing	609	1,004	-
Repayment of financing	(601)	(630)	(4)
Reclassification of long-term debt	518	(518)	-
Arrangement fees paid	-	(14)	-
Total changes from financing cash flows	526	(158)	(4)
Foreign exchange	(38)	(103)	-
Issue of new finance leases	-	-	16
Fee amortisation	-	14	-
Reclassification of long-term debt fees	(2)	2	-
Bond revaluation in hedge reserve	-	(145)	-
Fair value adjustment on loans	-	(10)	-
Total liability related other changes	(2)	(139)	16
Balance as at 31 March 2018	725	3,905	19
Proceeds from issue of financing	773	1,221	-
Repayment of financing	(1,376)	-	(2)
Reclassification of long-term debt	768	(768)	-
Arrangement fees paid	-	(18)	-
Total changes from financing cash flows	165	435	(2)
Foreign exchange	66	32	-
Issue of new finance leases	-	-	14
Fee amortisation	1	7	-
Reclassification of long-term debt fees	(1)	1	-
Bond revaluation in hedge reserve	-	103	-
Fair value adjustment on loans	-	(15)	-
Total liability related other changes	-	96	14
Balance as at 31 March 2019	956	4,468	31

32 Dividends

During the year ended 31 March 2019, the Company declared and paid a final tax exempt dividend of £0.0537493 per share (total dividend of £135 million). During the year ended 31 March 2018, the Company also paid final tax exempt dividend of £13 million out of the profit for the FY 2017-2018.

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

33 Commitments and contingencies

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

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

Litigation and production matters

The Group is involved in legal proceedings, both as plaintiff and as defendant. There are claims and potential claims as at 31 March 2019 of £17 million (2018: £17 million) against the Group which management has not recognised as settlement is not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiency in the services by the Group or its dealers.

The Group has provided for the estimated cost of repair following the passenger safety airbag issue in the United States, China, Canada, Korea, Australia and Japan. The Group recognises that there is a potential risk of further recalls in the future; however, at present the Group has assessed the risk as remote.

Other taxes and duties

Contingencies and commitments include tax contingent liabilities of £41 million (2018: £42 million). These mainly relate to tax audits and tax litigation claims.

Commitments

The Group has entered into various contracts with vendors and contractors for the acquisition of plant and equipment and various civil contracts of capital nature aggregating to £1027 million (2018: £853 million) and £20 million (2018: £15 million) relating to the acquisition of intangible assets.

Commitments and contingencies also includes other contingent liabilities of £222 million (2018: £149 million). The timing of any outflow will vary as and when claims are received and settled, which is not known with certainty.

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

Trade receivables with a carrying amount of £114 million (2018: £155 million) are pledged as collateral/security against the borrowings and commitments.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Company Ltd. is a commitment for the Group to contribute a total of CNY 3,500 million of capital, of which CNY 2,875 million has been contributed as at 31 March 2019. The outstanding commitment of CNY 625 million translates to £71 million at 31 March 2019 exchange rate.

The Group's share of capital commitments of its joint venture at 31 March 2019 is £151 million (31 March 2018: £159 million) and contingent liabilities of its joint venture 31 March 2019 is £nil (31 March 2018: £1 million).

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments

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

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

(A) Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2019 under SFRS(I) 9:

Group

Financial assets (£ millions)

	Amortised Cost	Derivatives and other financial instruments in hedging relationship	Derivatives in other than hedging relationship	Total carrying value	Total fair value
Cash and cash equivalents	2,975	-	-	2,975	2,975
Short-term deposits	1,029	-	-	1,029	1,029
Trade receivables	1,430	-	-	1,430	1,430
Other financial assets - current	200	102	31	333	333
Other financial assets - non-current	120	43	18	181	181
Total financial assets	5,754	145	49	5,948	5,948

Financial liabilities

	Other financial liabilities	Derivatives and other financial instruments in hedging relationship	Derivatives in other than hedging relationship	Total carrying value	Total fair value
Accounts payable	7,218	-	-	7,218	7,218
Short-term borrowings	188	768	-	956	953
Long-term borrowings	4,468	-	-	4,468	4,461
Other financial liabilities - current	530	426	97	1,053	1,053
Other financial liabilities - non-current	29	266	22	317	317
Total financial liabilities	12,433	1,460	119	14,012	14,002

Included in the long-term borrowings shown in other financial liabilities is £813 million which is designated as the hedged item in a fair value hedge relationship. Included within this figure is £5 million of fair value adjustments as a result of the hedge relationship.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2019 under SFRS(I) 9:

Company

(£ millions)

Financial assets

	Amortised Cost	Derivatives and other financial instruments in hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	158	-	-	158	158
Other financial assets - current	11	-	-	11	11
Other financial assets - non-current	-	-	7	7	7
Total financial assets	169	-	7	176	176

Financial liabilities

	Other financial liabilities	Derivatives and other financial instruments in hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Other payables	7	-	-	7	7
Long-term borrowings	863	-	-	863	862
Other financial liabilities	-	7	-	7	7
Total financial liabilities	870	7	-	877	876

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2018 under FRS 39:

Group

Financial assets						(£ millions)
	Held to maturity	Loans and receivables	Derivatives and other financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Cash and cash equivalents	-	2,859	-	-	2,859	2,859
Short-term deposits	36	1,996	-	-	2,032	2,032
Trade receivables	-	1,666	-	-	1,666	1,666
Other financial assets - current	-	247	185	79	511	511
Other financial assets - non-current	-	132	266	21	419	419
Total financial assets	36	6,900	451	100	7,487	7,487
Financial liabilities						
	Held to maturity	Other financial liabilities	Derivatives and other financial instruments in cash flow hedging relationship	Fair value through profit or loss	Total carrying value	Total fair value
Accounts payable	-	7,740	-	-	7,740	7,740
Short-term borrowings	-	725	-	-	725	728
Long-term borrowings	-	2,695	1,210	-	3,905	3,940
Other financial liabilities - current	-	532	585	88	1,205	1,205
Other financial liabilities - non-current	-	23	250	16	289	289
Total financial liabilities	-	11,715	2,045	104	13,864	13,902

Included in the long-term borrowings shown in other financial liabilities is £342 million which is designated as the hedged item in a fair value hedge relationship. Included within this figure is £10 million of fair value adjustments as a result of the hedge relationship.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2018 under FRS 39:

Company

(£ millions)

Financial assets

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

Financial liabilities

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2017 under FRS 39:

Group

(£ millions)

Financial assets

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

Financial liabilities

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Financial assets and liabilities

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values as at 31 March 2017 under FRS 39:

Company

Financial assets

(£ millions)

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

Financial liabilities

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Offsetting

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

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

The following table discloses the amounts that have been offset in arriving at the presentation on the statement of financial position and the amounts that are available for offset only under certain conditions as at 31 March 2019

<u>Group</u>	(£ millions)				
	Gross amount recognised	Gross amount of recognised set off in the statement of financial position	Net amount presented in the statement of financial position	Financial instruments	Net amount after offsetting
Financial assets					
Derivative financial assets	194	-	194	(194)	-
Cash and cash equivalents	3,403	(428)	2,975	-	2,975
	<u>3,597</u>	<u>(428)</u>	<u>3,169</u>	<u>(194)</u>	<u>2,975</u>
Financial liabilities					
Derivative financial liabilities	811	-	811	(194)	617
Short-term borrowings	1,384	(428)	956	-	956
	<u>2,195</u>	<u>(428)</u>	<u>1,767</u>	<u>(194)</u>	<u>1,573</u>

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

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

<u>Group</u>	(£ millions)				
	Gross amount recognised	Gross amount of recognised set off in the statement of financial position	Net amount presented in the statement of financial position	Financial instruments	Net amount after offsetting
Financial assets					
Derivative financial assets	551	-	551	(531)	20
Cash and cash equivalents	3,039	(180)	2,859	-	2,859
	<u>3,590</u>	<u>(180)</u>	<u>3,410</u>	<u>(531)</u>	<u>2,879</u>
Financial liabilities					
Derivative financial liabilities	939	-	939	(531)	408
Short-term borrowings	905	(180)	725	-	725
	<u>1,844</u>	<u>(180)</u>	<u>1,664</u>	<u>(531)</u>	<u>1,133</u>

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

<u>Group</u>	Gross amount recognised	Gross amount of recognised set off in the statement of financial position	Net amount presented in the statement of financial position	Financial instruments	Net amount after offsetting
Financial assets					
Derivative financial assets	493	-	493	(419)	74
Cash and cash equivalents	3,096	(31)	3,065	-	3,065
	<u>3,589</u>	<u>(31)</u>	<u>3,558</u>	<u>(419)</u>	<u>3,139</u>
Financial liabilities					
Derivative financial liabilities	3,152	-	3,152	(419)	2,733
Short-term borrowings	270	(31)	239	-	239
	<u>3,422</u>	<u>(31)</u>	<u>3,391</u>	<u>(419)</u>	<u>2,972</u>

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Fair value hierarchy

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

Of the financial assets held at 31 March 2019 and classified as Level 3, 91% (2018: 97%, 2017: 100%) were valued using recent transaction values and 9% (2018: 3%, 2017: nil%) were valued using an alternative technique.

Recent transaction values

The pricing of recent investment transactions is the main input of valuations performed by the Group. The Group's policy is to use observable market data where possible for its valuations and, in the absence of portfolio company earnings or revenue to compare or of relevant comparable businesses' data, recent transaction prices represent the most reliable observable inputs.

Alternative valuation methodologies

Alternative valuation methodologies are used by the Group for reasons specific to individual assets. At 31 March 2019 the alternative technique used was net net asset value, representing 100% of alternatively valued assets.

There has been no change in the valuation techniques adopted in either current or prior financial years as presented. The investment in Lyft Inc (note 11) has transferred from Level 3 to Level 1 as a result of the Lyft Inc Initial Public Offering on 29 March 2019. There were no transfers between fair value levels in prior financial years.

The financial instruments that are measured subsequent to initial recognition at fair value are classified as Level 2 fair value measurements, as defined by *SFRS(I) 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. The estimate of fair values for cross currency swaps is calculated using discounted estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates ('LIBOR').

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

The long-term borrowings 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 2019 on the Luxembourg Stock Exchange multilateral trading facility ('EURO MTF') market, for unsecured listed bonds. For bank loans, level 2 valuation techniques are used.

Fair values of cash and cash equivalents, short-term deposits, trade receivables and payables, short-term borrowings other than unsecured listed bonds 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.

Other investments which are not equity accounted for are recognised at fair value. Where there is an active quoted market, the fair value is determined using Level 1 valuation techniques, based on the closing price at year end. The valuation as at 31 March 2019 is £46 million (2018: £nil). Where there is no active quoted market, the fair values have been determined using Level 3 valuation techniques and the closing valuation as at 31 March 2019 is £23 million (2018: £28 million). The fair value gain recognised in the Consolidated statement of profit or loss for the Level 3 investments for the year ended 31 March 2019 is £2 million (2018 is £2 million).

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Group and the Company could have realised in a sales transaction as of respective dates. The estimated fair value amounts as at 31 March 2019, 2018 and 2017 have been measured as at the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

(B) Financial Risk Management

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

Foreign Currency Exchange Rate Risk

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

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

Foreign exchange risk on future transactions is mitigated through the use of derivative contracts. The Group is also exposed to fluctuations in exchange rates which impact the valuation of foreign currency denominated assets and liabilities and also foreign currency denominated balances on the Group's statement of financial position at each reporting period end. In addition to the derivatives designated in hedging relationships as detailed in (C), the Group enters into foreign currency contracts as economic hedges of recognised foreign currency debt.

The following table sets forth information relating to foreign currency exposure as at 31 March 2019:

	US Dollar	Chinese Yuan	Euro	Others *	(£ millions) Total
Financial assets	2,469	219	1,386	476	4,550
Financial liabilities	(3,598)	(424)	(3,530)	(993)	(8,545)
Net exposure liability	(1,129)	(205)	(2,144)	(517)	(3,995)

10% appreciation / depreciation of the respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Group's loss before income tax by approximately £455 million for financial assets and increase / decrease in the Group's loss before income tax by approximately £855 million for financial liabilities for the year period ended 31 March 2019.

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

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

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

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Foreign Currency Exchange Rate Risk

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

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

(£ millions)

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

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

Commodity Price Risk

The Group is exposed to commodity price risk arising from the purchase of certain raw materials such as aluminium, copper, platinum and palladium. This risk is mitigated through the use of derivative contracts and fixed price contracts with suppliers. The derivative contracts are not hedge accounted under SFRS(I) 9 but are instead measured at fair value through profit or loss.

The total fair value gain on commodity derivatives of £9 million (2018: £28 million) has been recognised in other income in the consolidated statement of profit or loss. The losses reported do not reflect the purchasing benefits received by the Group (which are included within 'Material and other cost of sales').

A 10% depreciation/appreciation of all commodity prices underlying such contracts would have resulted in a loss/gain of £53 million (2018: £50 million).

Interest Rate Risk

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

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

The Group uses cross currency interest rate swaps to convert some of its issued debt from foreign denominated fixed rate debt to GBP floating rate debt. The derivative instruments and the foreign currency fixed rate debt are designated in fair value and cash flow hedging relationships. As at 31 March 2019, the carrying amount of these derivative instruments was a liability of £4 million (2018: £29 million). Further detail is given in (C) below.

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

As at 31 March 2019, short-term borrowings of £114 million (2018: £155 million) and long term borrowings of £768 million (2018: £nil) were subject to a variable interest rate. An increase/decrease of 100 basis points in interest rates at the reporting date would result in an impact of £9 million (2018: £2 million) in statement of profit or loss.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Liquidity Risk

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

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

(£ millions)

Group

As at 31 March 2019

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	5,468	7,142	1,982	3,601	1,559
Finance lease obligations	31	62	7	22	33
Other financial liabilities	484	565	538	12	15
Accounts payable	7,218	7,218	7,218	-	-
Derivative financial instruments	811	1,083	592	464	27
Total contractual maturities	14,012	16,070	10,337	4,099	1,634

Group

As at 31 March 2018

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

Group

As at 31 March 2017

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

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Liquidity Risk

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

	(£ millions)				
<u>Company</u> <u>As at 31 March 2019</u>	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	870	941	27	914	-
Derivative financial liabilities	7	7	-	7	-
Total contractual maturities	877	948	27	921	-
<u>Company</u> <u>As at 31 March 2018</u>	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	856	937	23	688	226
Derivative financial liabilities	13	13	5	8	-
Total contractual maturities	869	950	28	696	226
<u>Company</u> <u>As at 31 March 2017</u>	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Borrowings and interest thereon	914	1,057	33	780	244
Total contractual maturities	914	1,057	33	780	244

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. The majority of the Group's credit risk pertains to the risk of financial loss arising from counterparty default on cash investments.

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments of the Group result in material concentrations of credit risks.

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

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

Financial assets

None of the Group's cash and cash equivalents, including time deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2019 or 31 March 2018 that defaults in payment obligations will occur.

The Group has reviewed trade receivables not yet due and not impaired and no material issues have been identified. Trade receivables past due and impaired are set out below:

Trade receivables ageing profile:

	(£ millions)		
	31-March-19		
	Gross	Impairment	Net
Not yet due	1,236	(1)	1,235
Overdue < 3 months	182	-	182
Overdue >3<6 months	3	-	3
Overdue > 6 months	30	(20)	10
Total	1,451	(21)	1,430
	31-March-18		
	Gross	Impairment	Net
Not yet due	1,447	(2)	1,445
Overdue < 3 months	215	-	215
Overdue >3<6 months	6	(2)	4
Overdue > 6 months	63	(61)	2
Total	1,731	(65)	1,666
	31-March-17		
	Gross	Impairment	Net
Not yet due	1,247	(9)	1,238
Overdue < 3 months	93	(2)	91
Overdue >3<6 months	3	(1)	2
Overdue > 6 months	67	(60)	7
Total	1,410	(72)	1,338

Included within trade receivables is £114 million (2018: £155 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 £114 million (2018: £155 million) is in short-term borrowings (Note 14). Both asset and associated liability are stated at amortised cost.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

(C) Derivatives and Hedge Accounting

One of the major subsidiary of the Group manufactures vehicles for wholesale both in the UK and overseas. It also purchases raw materials in currencies other than the Groups functional currency of GBP. The Group forecasts these transactions over the medium term, and enters into derivative contracts to mitigate the resulting foreign currency exchange risk, interest risk and commodity price risk. The Groups risk management strategy allows for hedge accounting when the derivatives meet the hedge accounting criteria as set out in SFRS (I) 9 and where they meet the Groups risk management objectives.

Commodity derivatives are not hedge accounted. Foreign currency forward contracts, foreign currency options & foreign currency denominated borrowings may be designated as hedging instrument in a cash flow hedge relationship against forecast foreign currency transactions to mitigate foreign currency exchange risk associated with those transactions. In addition, the Group uses cross-currency interest rate swaps to hedge its foreign currency exchange risk associated with recognised long-term borrowings. These instruments are designated in both cash flow and fair value hedging relationships.

In all cases the Group uses a hedge ratio of 1:1. The critical terms of the derivative contracts are aligned with those of the hedged item. The Group allows a maximum hedging term of 5 years. The Groups risk management policy allows for decreasing levels of hedging as the forecasting horizon increases.

A 10 per cent depreciation/appreciation in Sterling against the foreign currency underlying the contracts within the Group's derivative portfolio that are sensitive to changes in foreign exchange rates (excluding US Dollar bonds designated in a cash flow hedging relationship) would have resulted in an approximate additional (loss)/gain of:

	As at		
	31-March-19	31-March-18	31-March-17
10% depreciation in Sterling against the foreign currency:			
In other comprehensive income	(273)	(908)	(1,602)
In the statement of profit or loss	109	116	34
10% appreciation in Sterling against the foreign currency:			
In other comprehensive income	244	773	1,613
In the statement of profit or loss	(75)	(95)	(34)

The following table sets out the change in the Group's exposure to interest rate risk as a result of cross-currency interest rate swaps:

	Foreign currency average			Reporting currency average interest rate		
	2019	2018	2017	2019	2018	2017
	%	%	%	%	%	%
Outstanding contracts						
Cross currency interest rate swaps >5 years	4.5	4.5	n/a	LIBOR+3.235	LIBOR+2.033	n/a

An increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of:

	2019	2018	2017
10% depreciation in interest rates:			
In the statement of profit or loss	(5)	-	(58)
10% appreciation in interest rates:			
In the statement of profit or loss	19	1	57

Cash Flow Hedges

The Group uses foreign currency options, foreign currency forwards contracts and recognised foreign currency borrowings as the hedging instrument in cash flow hedge relationships of hedged sales and purchases. The time value of options and the foreign currency basis spread of foreign exchange forward contracts are excluded from the hedge relationship and are recognised in other comprehensive income as a cost of hedging to the extent they relate to the hedged item (the aligned value). Additionally the Group uses cross-currency interest rate swaps as the hedging instrument of the foreign exchange risk of recognised foreign currency borrowings.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective cash flow hedge, are recognised in the consolidated statement of comprehensive income, and the ineffective portion of the fair value change is recognised in the statement of profit or loss. There is not generally expected to be significant ineffectiveness from cash flow hedges

It is anticipated that the hedged sales will take place over the next 1 - 5 years, at which time the amount deferred in equity will be reclassified to revenue in statement of profit and loss.

It is anticipated that the hedged purchases will take place over the next 1 - 5 years at which time the amount deferred in equity will be included in the carrying amount of the raw materials. On sale of the finished product the amount previously deferred in equity and subsequently deferred in inventory will be reclassified to cost of goods sold in statement of profit or loss.

The foreign currency borrowings designated as the hedged item mature in January 2026 and October 2027, at which time the amount deferred in equity will be reclassified to profit and loss.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

The table below sets out the timing profile of the hedge accounted derivatives:

Outstanding Contracts	Average strike rate			Nominal amounts			Fair value assets/(liabilities)		
	Mar-19	Mar-18	Mar-17	Mar-19	Mar-18	Mar-17	Mar-19	Mar-18	Mar-17
Cash Flow Hedges of FX Risk on forecast transactions									
Sell - USD									
<1 year	0.6756	0.6483	0.6509	1,584	2,257	3,468	(187)	(178)	(711)
Between 1-5 years	0.6989	0.6771	0.6624	1,945	2,988	5,531	(114)	(55)	(911)
Sell - Chinese Yuan									
<1 year	0.1054	0.1018	0.0999	2,132	2,984	3,467	(153)	(300)	(483)
Between 1-5 years	0.1075	0.1051	0.1020	1,299	2,582	4,143	(43)	(83)	(259)
Buy - Euro									
<1 year	0.8823	0.8521	0.8276	3,609	2,568	2,492	14	140	120
Between 1-5 years	0.9192	0.8994	0.8630	4,030	4,490	4,459	(73)	143	177
Other currencies									
<1 year	0.0024	0.0020	0.0021	1,800	1,748	1,694	2	(62)	(310)
Between 1-5 years	0.0044	0.0033	0.0027	882	1,560	1,829	11	40	(181)
				17,281	21,177	27,083	(543)	(355)	(2,558)
Debt instruments									
USD									
< 1 year	0.7358	0.6727	-	736	471	-	(768)	(498)	-
Between 1-5 years	-	0.7358	0.6728	-	736	807	-	(712)	(963)
				736	1,207	807	(768)	(1,210)	(963)
Hedges of Foreign exchange Risk on recognised Debt									
Cross currency interest rate swaps									
USD									
>5 years	0.7592	0.7592	-	380	380	-	11	(29)	-
EUR									
>5 years	0.8912	-	-	446	-	-	(15)	-	-
				826	380	-	(4)	(29)	-

The USD debt instrument used as a hedging instrument shown in the less than 1 year category above hedges some periods that are between 1 and 5 years. As the instrument itself matures within 1 year, the total amount has been shown in less than 1 year. The amounts hedging revenue between 1 and 5 years are £360 million (2018: £204 million).

The line items in the statement of financial position that include the above derivative instruments are 'Other Financial Assets' and 'Other Financial Liabilities'. The US denominated debt designated as a hedging instrument is included in 'Borrowings'.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

The following table sets out the effect of the Group's cash flow hedges on the financial position of the Group:

	(£ millions)		
	31-March-19	31-March-18	31-March-17
Loss accumulated in the hedging reserve relating to exposure on anticipated future Revenue transactions	(580)	(636)	(3,085)
Gain / (loss) accumulated in the hedging reserve relating to exposure on anticipated future Purchase transactions	(43)	294	332
Loss accumulated in the hedging reserve relating to exposure on debt	-	(4)	-
Gain / (loss) accumulated in hedging reserve	<u>(623)</u>	<u>(346)</u>	<u>(2,753)</u>
Of which:			
Loss relates to continuing hedges	(575)	(307)	(2,590)
Loss relates to hedges where hedge accounting is no longer applied	(48)	(39)	(163)
Loss accumulated in the cost of hedging reserve relating to exposure on anticipated future Revenue transactions	(16)	(48)	(63)
Loss accumulated in the cost of hedging reserve relating to exposure on anticipated future Purchase transactions	(26)	(12)	(29)
Gain accumulated in the cost of hedging reserve relating to exposure on debt	2	3	-
Loss accumulated in Cost of hedging reserve	<u>(40)</u>	<u>(57)</u>	<u>(92)</u>
Of which:			
Loss relating to continuing hedges	(41)	(53)	(90)
Gain / (loss) relating to hedges where hedge accounting is no longer applied	1	(4)	(3)

The following table sets out the effect of the Group's cash flow hedges on the financial performance of the Group:

	31-March-19	31-March-18	31-March-17
Fair value gain / (loss) of foreign currency derivative contracts recognised in cash flow hedge reserve	(876)	1,075	(2,803)
Fair value gain / (loss) of foreign currency bonds recognised in cash flow hedge reserve	(103)	145	(150)
Fair value gain / (loss) of derivatives hedging foreign currency bonds recognised in cash flow hedge reserve	5	(4)	-
Gain / (loss) recognized in other comprehensive income in the year	<u>(974)</u>	<u>1,216</u>	<u>(2,953)</u>
Fair value gain / (loss) of foreign currency derivative contracts recognised in cost of hedging reserve	(11)	22	(47)
Fair value gain / (loss) of derivatives hedging foreign currency bonds recognised in cost of hedging reserve	(1)	3	-
Gain / (loss) recognized in other comprehensive income in the year	<u>(12)</u>	<u>25</u>	<u>(47)</u>
Net gain / (loss) in the hedged item used for assessing hedge effectiveness	<u>(202)</u>	<u>2,195</u>	<u>(1,402)</u>
Gain / (loss) released from the hedging reserve relating to forecast transactions that are no longer expected to occur	(12)	7	42
Gain released from the cost of hedging reserve relating to forecast transactions that are no longer expected to occur	1	-	-
Loss on derivatives not hedge accounted, recognised in 'Foreign exchange loss / (gain) and fair value adjustments' in the statement of profit or loss	<u>(18)</u>	<u>(4)</u>	<u>(53)</u>

No ineffectiveness was recognised in the statement of profit or loss in the year ended 31 March 2019, 2018 or 2017 in respect of cash flow hedges.

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

34 Financial instruments (cont'd)

(£ millions)

Fair Value Hedges

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

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

The fair value of the cross-currency interest rate swaps, included in 'Derivatives and other financial instruments in a hedging relationship' in (A) are as follows:

	As at		
	31-March-19	31-March-18	31-March-17
Other financial assets – non-current	11	-	-
Other financial liabilities – non-current	(15)	(29)	-

The following amounts have been recognised in the years ended 31 March 2019, 2018 and 2017.

	2019	2018	2017
Net change in the hedged item used for assessing hedge effectiveness, taken to the income statement in 'Foreign exchange loss and fair value adjustments'	(29)	34	-
Fair value changes in the derivative instruments used in assessing hedge effectiveness, taken to the consolidated income statement in 'Foreign exchange (loss) / gain and fair value adjustments'	22	(27)	-
Ineffectiveness recognised in the statement of profit or loss in 'Foreign exchange (loss) / gain'	(7)	7	-

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

35 Capital management

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

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

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

The following table summarises the capital of the Group:

	(£ millions)		
	As at		
	31-March-19	31-March-18	31-March-17
Short-term borrowings	956	725	239
Long-term debts	4,468	3,905	4,305
Finance lease obligation	31	19	7
Total debts	5,455	4,649	4,551
Equity	5,496	9,554	6,145
Total capital	10,951	14,203	10,696

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(£ millions)

36 Leases

Group as lessee

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

	As at		
	31-March-19	31-March-18	31-March-17
Less than one year	7	6	2
Between one and five years	22	15	4
More than five years	33	11	5
Total lease payments	62	32	11
Less future finance charges	(31)	(13)	(4)
Present value of lease obligation	31	19	7

The above leases relate to amounts payable under the minimum lease payments on plant and equipment. The carrying value of these assets as at 31 March 2019 was £28 million (2018: £21 million). The Group leased certain of its manufacturing equipment under finance leases that mature between 2019 and 2048. The Group will take ownership of all assets held under finance lease at the end of the lease term.

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

	As at	
	31-March-19	31-March-18
Less than one year	115	91
Between one and five years	272	224
More than five years	239	238
Total lease payments	626	553

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

Group as lessor

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

	As at	
	31-March-19	31-March-18
Less than one year	5	5
Between one and five years	2	2
More than five years	9	9
Total lease receipts	16	16

TML HOLDINGS PTE. LTD. AND ITS SUBSIDIARY CORPORATIONS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

37 Segment reporting

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

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

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

(£ millions)

	UK	US	China	Rest of Europe	Rest of World	Total
31-March-19						
Revenue	5,228	5,485	3,312	5,355	5,272	24,652
Non-current assets	10,859	32	16	1,045	297	12,249
31-March-18						
Revenue	5,096	4,974	5,554	5,318	5,440	26,382
Non-current assets	13,146	32	18	819	314	14,329

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