

Jaguar Land Rover North America, LLC

Financial Statements

For fiscal years ended

31 March 2022 and 2021

Jaguar Land Rover North America, LLC

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Jaguar Land Rover North America, LLC:

Opinion

We have audited the financial statements of Jaguar Land Rover North America, LLC, (the Company), which comprise the balance sheets as of March 31, 2022 and 2021, and the related statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York
June 10, 2022

Jaguar Land Rover North America, LLC

Balance Sheets	As at 31 March		
In \$USD	Note	2022	2021
Non-current assets			
Property, plant and equipment	3	\$ 84,523,456	\$ 63,444,513
Other financial assets	4	1,421,395	1,778,366
Deferred tax assets	5	62,575,791	86,362,702
Total non-current assets		148,520,642	151,585,581
Current assets			
Inventories	6	471,187,486	533,840,292
Trade receivables	21	97,918,222	97,216,685
Finance receivables	21	684,290,308	1,150,882,019
Other current assets	9	1,667,299	1,960,587
Cash and cash equivalents		1,489,040	5,226,436
Current income tax receivables	5	8,955,835	96,900,885
Total current assets		1,265,508,190	1,886,026,904
Total assets		\$ 1,414,028,832	\$ 2,037,612,485
Current liabilities			
Accounts payable		\$ (330,122,600)	\$ (721,370,017)
Variable marketing provisions	11	(5,122,212)	(138,878,345)
Lease obligations - short term	7	(2,629,189)	(2,500,867)
Financial liabilities	21	-	(216,416)
Other current liabilities	12	(293,372,470)	(431,281,908)
Other provisions	14	(9,094,144)	(10,043,741)
Total current liabilities		(640,340,615)	(1,304,291,294)
Non-current liabilities			
Other non-current liabilities	13	(147,485,556)	(175,462,870)
Other provisions	14	(12,869,529)	(13,390,396)
Lease obligations - long term	7	(55,689,223)	(29,230,600)
Other financial liabilities	21	-	(1,240,399)
Total non-current liabilities		(216,044,308)	(219,324,265)
Total liabilities		\$ (856,384,923)	\$ (1,523,615,559)
Shareholder's equity			
Ordinary shares		\$ (40,000,000)	\$ (40,000,000)
Share premium		(117,300,000)	(117,300,000)
Retained earnings		(400,174,280)	(356,963,732)
Accumulated other comprehensive loss:			
Pension reserve		(169,629)	266,806
Total equity		\$ (557,643,909)	\$ (513,996,926)
Total liabilities and equity		\$ (1,414,028,832)	\$ (2,037,612,485)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Income Statements

In \$USD

	Note	Year ended 31 March	
		2022	2021
Income			
Revenue - vehicles		\$ 5,162,137,760	\$ 5,761,867,630
Revenue - parts, service and accessories		597,779,636	514,053,716
Other income	17	22,549,636	16,851,846
Total revenue		5,782,467,032	6,292,773,192
Purchase of vehicles and parts	6	(5,137,147,353)	(5,597,354,994)
Employee costs	15	(42,493,392)	(43,420,735)
Warranty and services costs		(93,191,195)	(122,566,696)
Fixed marketing expense		(339,763,421)	(369,377,305)
Warehousing, handling and distribution costs		(53,814,836)	(49,434,763)
Other expenses	16	(15,354,727)	(6,918,481)
Depreciation and amortization	3	(8,906,768)	(5,479,857)
Foreign exchange expense		(31,995)	(10,858)
Finance income		1,215,870	2,426,825
Finance costs		(4,774,253)	(3,493,633)
Profit before tax		88,204,962	97,142,695
Income tax credit/(expense)	5	(42,857,562)	2,584,249
Profit for the period		\$ 45,347,400	\$ 99,726,944

Jaguar Land Rover North America, LLC

Statements of Comprehensive Income

In \$USD

	Year ended 31 March	
	2022	2021
Profit for the period	\$ 45,347,400	\$ 99,726,944
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement gain net of tax expense of \$8,522 and \$6,933 for fiscal years ended 31 March 2022 and 2021, respectively	436,435	50,477
Other comprehensive gain for the year	436,435	50,477
Total comprehensive income for the year	\$ 45,783,835	\$ 99,777,421

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Statements of Cash Flows

In \$USD

	Note	Year Ended 31 March	
		2022	2021
Cash flows from operating activities:			
Profit for the period		\$ 45,347,400	\$ 99,726,944
Adjustments for noncash items included in profit for the period:			
Depreciation and amortization	3	8,906,768	5,479,857
Inventory write-down		6,155,068	2,958,732
(Gain)/loss on sale of assets / assets written off	3	(148,944)	886,983
Income tax expense/(credit)	5	42,857,564	(2,584,250)
Net finance expense		3,558,383	1,066,808
		106,676,239	107,535,074
Changes in assets and liabilities:			
Decrease in Other Financial Assets		356,971	288,281
Increase in Deferred tax assets	5	(415,291)	-
Decrease in Inventories	6	56,497,738	100,584,229
(Increase)/Decrease in Trade receivables	21	(701,537)	217,990,058
Decrease in Other Current Assets	9	293,288	1,926,289
(Decrease)/Increase in Accounts payable		(391,247,417)	557,923,689
Decrease in Variable marketing provisions	11	(133,756,133)	(282,286,867)
Decrease in Financial Liabilities		(216,416)	(138,788)
Decrease in Other Current Liabilities	12	(140,056,686)	(33,887,379)
Decrease in Provisions (Current)	14	(949,597)	(62,681,104)
Decrease in Other Non-Current Liabilities	13	(27,549,431)	(30,077,176)
Decrease in Provisions (Non-current)	14	(520,867)	(101,198,746)
(Decrease)/Increase in Other Financial Liabilities		(1,240,399)	54,262
Cash (used by)/generated from operating activities		(532,829,537)	476,031,822
Income tax recovered/(paid) net of refunds	5	69,298,242	(57,948,964)
Net cash (used by)/generated from operating activities		(463,531,295)	418,082,858
Cash flows from investing activities:			
Investments in cash pooling account		(4,901,837,504)	(5,361,185,585)
Redemptions of cash invested in pooling account		5,368,430,127	4,951,247,413
Interest received		1,436,591	3,974,278
Payments for property, plant and equipment	3	(2,503,917)	(219,583)
Net cash generated from/(used by) investing activities		465,525,297	(406,183,477)
Cash flows from financing activities:			
Cash payments for leases	7	(5,505,215)	(3,292,859)
Interest paid		(226,180)	(5,412,311)
Net cash used by financing activities		(5,731,396)	(8,705,170)
Net change in cash and cash equivalents		\$ (3,737,394)	\$ 3,194,211
Cash and cash equivalents, beginning of the year		5,226,436	2,032,225
Cash and cash equivalents, end of the year		\$ 1,489,042	\$ 5,226,436

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Statements of Changes in Equity

In \$USD

	Ordinary Share Capital	Share Premium	Retained earnings	Accumulated other comprehensive loss	Total Equity
Balance at 31 March 2020	\$ (40,000,000)	\$ (117,300,000)	\$ (257,309,081)	\$ 317,283	\$ (414,291,798)
Profit for the period	-	-	(99,726,944)	-	(99,726,944)
Impact of adoption of IFRS 16	-	-	72,293	-	72,293
Other comprehensive gain, net of tax expense of \$6,933	-	-	-	(50,477)	(50,477)
Balance at 31 March 2021	\$ (40,000,000)	\$ (117,300,000)	\$ (356,963,732)	\$ 266,806	\$ (513,996,926)
Profit for the period	-	-	(45,347,400)	-	(45,347,400)
Additional leases allocated to JLRNA by JLR Limited under IFRS 16	-	-	2,136,852	-	2,136,852
Other comprehensive gain, net of tax expense of \$8,552	-	-	-	(436,435)	(436,435)
Balance at 31 March 2022	\$ (40,000,000)	\$ (117,300,000)	\$ (400,174,280)	\$ (169,629)	\$ (557,643,909)

See accompanying notes to the financial statements

Jaguar Land Rover North America, LLC

Notes to the Financial Statements

1. Background and operations

Jaguar Land Rover North America, LLC (the "Company" or "JLRNA") is a limited liability company registered in the State of Delaware. The registered office address is c/o Corporation Services Company 251 Little Falls Drive Wilmington, DE 19808. JLRNA is an importer and distributor of luxury sedans, sport utility vehicles and parts in the United States market. The Company also offers various vehicle related service plans to end users of its vehicles. The Company's primary areas of business are the distribution, marketing, sales, and service of its products.

JLRNA headquarters is located at 100 Jaguar Land Rover Way Mahwah, New Jersey, and operates in three regions within the United States as well as two dedicated training facilities.

JLRNA is a wholly-owned subsidiary of Jaguar Land Rover Limited ("JLR Limited"), which is a UK company. The ultimate parent and controlling shareholder is Tata Motors Limited ("TML"), registered and domiciled in India.

The vehicles are purchased from JLR Limited and imported into the United States. Parts are primarily sourced from JLR Limited with some domestic procurement.

The parts business is managed under two different relationships with third party logistics providers whereby the third parties manage the warehousing of physical inventory and distribution. JLRNA owns the inventory and manages the sale and collection function.

As described in Note 23, the Company pools all of its excess cash with its parent company, JLR Limited under a cash pooling agreement.

During March 2020, the escalation of the COVID-19 pandemic required the Company to react by instituting a remote working mandate for all employees as well as take various actions to preserve cash liquidity and assist the retailer network to continue to operate under the government mandated shut downs. The Company continues to operate under these mandates and actions and is continuously monitoring the health of the Company and the retailer network. Throughout the year ended 31 March 2021, JLRNA continued to monitor the challenges posed by COVID-19 as the retail network emerged from government mandated shut downs. Employees continued to work remotely for the full fiscal year with an anticipated return to the office later in fiscal 2022. At the end of the fiscal year, all retailers were open for business, demand had returned to pre-COVID levels, all while supply has been constrained by production challenges due to component supply chain issues.

2. Significant accounting policies

a. *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as "IFRS") as issued by the International Accounting Standards Board (referred to as "IASB"). The results of the Company are included in the consolidated financial statements of JLR Limited and its ultimate parent, TML and the financial statements of all these entities, including JLRNA, are publicly available.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

Basis of preparation

The financial statements have been prepared on historical cost basis. The Company's fiscal year end is 31 March of each year.

All figures are presented in US dollars unless otherwise stated.

b. *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- i) Note 5 – Recoverability/recognition of deferred tax assets –management applies judgement in establishing the timing of the recognition of deferred tax assets relating to historic losses. The Company also uses judgement and estimates in determining timing and amount of provisions for uncertain tax matters where deemed appropriate.
- ii) Note 11 – Variable marketing incentives are estimated at the balance sheet date based on approved programs that are in place to incentivize retailers to meet sales volume requirements. These program needs can change from the initial expectation due to, among other variables, prevailing interest rates, competitive market conditions, macroeconomic factors, supply and demand, etc. Such changes will impact balances previously recorded.
- iii) Notes 12 & 13 – Other current liabilities and Other non-current liabilities - The Company applies judgement in estimating the anticipated payments on locally offered vehicle services under such programs as certified pre-owned (“CPO”), scheduled maintenance, and connected car. Revenue related to these programs is deferred and recognized over the life of the service plan in line with when the claims emerge. The timing of the recognition of this deferred revenue requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs, which are based on expectations of product failure rates for CPO, and retail customer take rates for scheduled maintenance and connected car.
- iv) Note 14 – Other provisions – The Company applies judgement in estimating the provision for anticipated payments on locally offered vehicle services under such programs as roadside assistance and service loaner. The valuation of these provisions requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs, which are based on expectations of product failure rates. Additionally, the Company is responsible for some of the residual value risk arising on vehicles sold by retailers under 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 three years.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

Based on the many variables impacting residual values of vehicles, both macroeconomic and microeconomic, estimates of residual values will fluctuate up and down over time.

- v) Note 18 – Assets and obligations relating to employee benefits – it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return on plan assets. The Company engages a qualified actuary to assist with determining the assumptions to be made when evaluating these liabilities.

c. Concentration risk

As a wholly-owned subsidiary of JLR Limited, the Company's going concern is linked to the going concern of that entity. Further, the Company is dependent on JLR Limited for substantially all of the products it sells. This dependency represents a material concentration of supply of vehicles and parts, and without that supply, the Company's ability to continue as a going concern would be limited.

d. Revenue recognition

Revenue is measured at fair value of consideration received or receivable.

The Company recognizes revenues on the sale of vehicles, net of discounts, sales incentives, customer bonuses and rebates granted, when products are segregated for dispatch to retailers, which is when the Company satisfies the performance obligation and the customer obtains control of the promised good or service. Revenues on the sale of parts is recognized upon shipment. Sale of products is presented net of excise duty where applicable and other indirect taxes.

Revenues are recognized when collectability of the resulting receivable is reasonably assured.

For certain service plans, the Company defers revenue related to cash received for the future services to be provided. In the case of certified pre-owned warranties, cash is explicitly received at the point of vehicle certification; this revenue is deferred and recognized over the life of the service plan in line with when the claims are expected to emerge. In the case of complementary scheduled maintenance programs and connected car, the cost of these services is embedded in the price of the vehicle. The Company defers a portion of the revenue attributable to these service plans and recognizes it when the service is expected to be provided based on historical experience.

e. Cost recognition and presentation

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

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

f. *Provisions*

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

i) *Locally offered vehicle services expenses*

The estimated provision for locally offered vehicle services under such programs as roadside assistance and service loaner are recorded when vehicles are sold to retailers. These estimates are established using historical information on the nature, frequency and average cost of claims and management estimates regarding possible future incidences based on actions on product failures. The timing of outflows will vary as and when claim will arise, being typically up to five years.

ii) *Variable marketing*

In the normal course of business, the Company provides opportunities for retailers to earn incentives upon the retail sale of a vehicle. The Company makes a best estimate of the amount expected to be earned by the retailers on in-stock inventory and records a provision for those expected payments. The timing of these payments will vary based on when the retailers sell their in-stock inventory, being typically one to three months from the time of provisioning.

g. *Foreign currency*

These financial statements are presented in United States Dollars (USD).

Transactions are typically not recorded in foreign currencies; in the rare instance of such a transaction, they would be recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are re-measured into USD at the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the Income Statements.

h. *Income taxes*

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Income Statements except, when it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where it arises from the initial accounting for business combination.

Current income taxes are determined based on the taxable income of the Company and tax rules applicable for the United States of America.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized 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 utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

i. *Inventories and Purchase of vehicles and parts*

Inventories consist of finished vehicles and automotive parts and accessories and are valued at the lower of cost and net realizable value. As a limited risk distributor the Company operates under a transfer price agreement with JLR Limited whereby profit before tax is set at 1.5% of revenue. Profit adjustments, negative or positive, to meet the required profit targets, are reflected in the Income Statements as a component of Purchase of vehicles and parts.

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.

Land is measured at cost and is not depreciated.

Cost includes purchase price, taxes and duties, labor cost and direct overheads for self constructed assets and other direct costs incurred up to the date the asset is ready for its intended use. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit and loss. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

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

Buildings and leasehold improvements	Lesser of lease term or useful life
Office machines & equipment	12.5 - 14.5
Vehicles	1 - 8
Computer equipment	10
Software	3 - 8
Furniture & fixtures	12.5
Auto show displays	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

k. *Leases*

The Company adopted IFRS 16 effective 1 April 2019 using 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 IFRS 16 is recognized as an adjustment to opening equity at 1 April 2019.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purposes it will be used.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is allocated, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. Right-of-use assets are recorded within Property, plant and equipment on the Balance Sheets with additional details provided in Note 7 - Leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as a discount rate. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company associates the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

This policy is applied to all contracts entered into, or changed, on or after 1 April 2019.

1. *Impairment - Property, plant and equipment*

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

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

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

As of 31 March 2022, none of the Company's property, plant and equipment were considered impaired.

Note 2 – Significant accounting policies (continued)

m. *Employee benefits*

Retirement plans

The Company has a supplemental executive retirement plan that provides for a fixed monthly benefit for its participants. This plan is fully funded. The Company also maintains a plan providing postretirement medical benefits covering certain salaried employees which is unfunded. The Company funds the unfunded benefits plan on a pay-as-you-go basis.

Remeasurement gains and losses

Remeasurement gains and losses relating to retirement benefit plans are recognized directly in the Statements of Comprehensive Income in the period in which they arise and subsequently are never reclassified into profit or loss.

Measurement date

The measurement date of retirement plans is March 31.

n. *Financial instruments*

i) *Classification, initial recognition and measurement:*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities accounted for at amortized cost on the basis of the effective interest method.

Financial instruments are recognized on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

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

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

These includes trade receivables, finance receivables, balances with banks, short-term deposits with banks, other financial assets and investments with fixed or determinable payments.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

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

ii) *Determination of fair value:*

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. All financial instruments held have a quoted market price in an active market. Valuation techniques include discounted cash flow method and other valuation models and utilize available market data.

iii) *Derecognition of financial assets and financial liabilities:*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when these are extinguished, that is when the obligation is discharged, cancelled or has expired.

iv) *Impairment of financial assets:*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

o. **Deferred revenue**

In the normal course of business, the Company offers a certified pre-owned warranty program (“CPO”) for its vehicles. Upon reported sale of a CPO vehicle by an authorized retailer, the Company defers all revenue received from the retailers for the sale of this service contract. The revenue is released to profits in line with the trend of expected claims payments over the life of the CPO coverage based on historical experience. The Company does not receive any other revenue related to the sale of the vehicle by the retailer.

Jaguar Land Rover North America, LLC

Note 2 – Significant accounting policies (continued)

Additionally, the Company offers a variety of scheduled maintenance plans, either complementary or customer paid, which vary by make/model and model year. For complementary scheduled maintenance offerings, the Company allocates a portion of the wholesale revenue of the vehicle and defers this revenue over the life of the service offerings. This amount is determined on a cost-plus-margin basis with all remaining revenue allocated to the vehicle. This deferred revenue is recognized over the life of the service plan in line with expected claims emergence based on historical experience. For customer prepaid scheduled maintenance, the proceeds from the sale of the prepaid program is deferred and recognized over the life of the service plan in line with expected claims emergence based on historical experience.

The Company also equips vehicles with “connected car” hardware and software whereby the owner can enable the car as a wifi hotspot, activate on-demand roadside assistance in the event of an emergency, infotainment, vehicle tracking, and vehicle remote control. The Company provides the hardware as a permanent attachment to the vehicle and provides a trial period of software activation; for both of these, a portion of wholesale revenue is deferred over the trial period. The owner can activate software features beyond the trial period at their own expense.

p. *New accounting pronouncements*

(a) **Standards, revisions and amendments to standards and interpretations not significant to the Company and applied for the first time in the year ending 31 March 2022**

The following amendments and interpretations have been adopted by the Company in the year ending 31 March 2022:

- Amendments to IFRS 9 Financial Instruments;
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement;
- Amendments to IFRS 7 Financial Instruments;
- Amendments to IFRS 4 Insurance Contracts;
- Amendments to IFRS 16 Leases: Disclosures – Interest rate benchmark reform;
- Amendments to IFRS 16 Leases – COVID-19 related rent concessions beyond 30 June 2021

The adoption of these amendments and interpretations has not had a significant impact on the consolidated financial statements.

(b) **Standards, revisions and amendments to standards and interpretations not yet effective and not yet adopted by the Company**

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by the Company:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current or non-current;
- Amendments to IFRS 3 Business Combinations – Reference to the conceptual framework;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous contracts – cost of fulfilling a contract;
- Amendments to IAS 1 Presentation of Financial Statements – disclosure of accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates;
- Annual improvements to IFRS standards 2018-2020 cycle

The Company is currently assessing the impact of these pronouncements on the consolidated financial statements.

Jaguar Land Rover North America, LLC

3. Property, plant and equipment

	Land and buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Total Fixed Assets
Cost as of 1 April 2020	\$ 74,058,013	\$ 4,983,799	\$ 940,573	\$ 4,971,451	\$ 11,225,982	\$ 96,179,819
Additions	176,858	-	-	42,725	-	219,583
Disposal	(3,149,677)	-	(569,464)	-	-	(3,719,141)
Cost as of 31 March 2021	\$ 71,085,195	\$ 4,983,799	\$ 371,109	\$ 5,014,176	\$ 11,225,982	\$ 92,680,261
Accumulated depreciation as 1 April 2020	\$ (13,219,760)	\$ (1,801,238)	\$ (399,582)	\$ (4,402,910)	\$ (6,764,558)	\$ (26,588,049)
Disposals	2,577,392	-	254,766	-	-	2,832,157
Depreciation charge for the year	(4,527,517)	(381,449)	(18,866)	(88,819)	(463,207)	(5,479,857)
Accumulated depreciation as of 31 March 2021	(15,169,885)	(2,182,687)	(163,682)	(4,491,729)	(7,227,765)	(29,235,749)
Net book value as of 31 March 2021	\$ 55,915,310	\$ 2,801,112	\$ 207,427	\$ 522,447	\$ 3,998,217	\$ 63,444,513
Cost as of 1 April 2021	\$ 71,085,195	\$ 4,983,799	\$ 371,109	\$ 5,014,176	\$ 11,225,982	\$ 92,680,261
Additions	26,399,628	-	102,111	261,907	3,073,119	29,836,767
Cost as of 31 March 2022	\$ 97,484,823	\$ 4,983,799	\$ 473,220	\$ 5,276,083	\$ 14,299,101	\$ 122,517,028
Accumulated depreciation as 1 April 2021	\$ (15,169,885)	\$ (2,182,687)	\$ (163,682)	\$ (4,491,729)	\$ (7,227,765)	\$ (29,235,749)
Disposals	148,944	-	-	-	-	148,944
Depreciation charge for the year	(7,912,459)	(335,338)	(34,182)	(116,514)	(508,276)	(8,906,768)
Accumulated depreciation as of 31 March 2022	(22,933,399)	(2,518,025)	(197,864)	(4,608,243)	(7,736,040)	(37,993,573)
Net book value as of 31 March 2022	\$ 74,551,424	\$ 2,465,774	\$ 275,357	\$ 667,840	\$ 6,563,061	\$ 84,523,456

See Note 7 – Leases for more details on right of use assets included in the asset and depreciation amounts above.

4. Other financial assets (non-current)

Other financial assets consist of assets held in trust for four former Land Rover employees to be paid in monthly installments. This plan is a non-qualified plan. At 31 March 2022 and 2021, these assets amounted to \$1.4 million and \$1.8 million, respectively. See *Supplemental Death and Retirement Income Plan* as described in Note 18 for additional information.

5. Income taxes

On 22 December 2017, the United States Congress passed the Tax Cuts and Jobs Act (“TCJA”) effective for tax years beginning after 31 December 2017. This legislation reduced the federal corporate tax rate from 35% to 21%. For the years ended 31 March 2022 and 2021, JLRNA utilized a corporate tax rate of 21% in accordance with the provisions of the TCJA.

The components of income tax expense were:

	March 31, 2022	March 31, 2021
Current taxes:		
For current year	\$ 20,165,772	\$ (90,298,464)
Prior period adjustments	(1,103,672)	3,932,440
Deferred taxes:		
For current year	23,782,745	78,340,203
Effect of changed tax rate	(851,521)	2,029,510
Prior period adjustments	864,238	3,412,063
Total income tax expense	\$ 42,857,562	\$ (2,584,249)

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

Income tax expense recognized in the Income Statements consist of the following:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Current	\$ 19,062,100	\$ (86,366,025)
Deferred	23,795,462	83,781,776
Total income tax expense	\$ 42,857,562	\$ (2,584,249)

The reconciliation of expected income tax to income tax expense is as follows:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Profit before income taxes	\$ 88,204,962	\$ 97,142,696
Income tax expense at tax rates applicable to individual entities	18,523,042	20,399,966
Effect of changed tax rate	(851,521)	2,029,510
State and local taxes (net of federal benefit)	6,163,763	5,120,637
Total permanent differences	150,840	102,909
BEAT Tax	19,245,066	-
Others	(373,628)	(30,237,270)
Income tax expense reported	\$ 42,857,562	\$ (2,584,249)

As a limited risk distributor, JLRNA operates under an advanced transfer pricing agreement (“APA”) with JLR Limited whereby pretax operating profit is set at 1.5% of revenue.

The effective tax rate during the 12 months ended 31 March 2022 and 31 March 2021 were 48.59% and (2.66%), respectively. During the year ended 31 March 2021, the Company recorded a net operating loss of \$86.4 million as a result of the reduction in deferred tax assets required due to substantial improvements in the Company’s obligations for residual risk and variable marketing provisions. This resulted in a tax benefit of \$33.6 million.

During the year ended 31 March 2022, the company incurred \$19.2 million in tax expense related to base erosion and anti-abuse tax (“BEAT”). BEAT discourages US and foreign corporations from avoiding tax liability by shifting profits out of the US. JLRNA incurred a distributor support fee from JLR Limited of \$210 million that triggered this tax.

Jaguar Land Rover North America, LLC

Note 5 – Income taxes (continued)

Deferred tax assets have been recognized in the Balance Sheets in respect of deductible temporary differences. Significant components of deferred tax assets and liabilities for the year ended 31 March 2022 were as follows:

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Recognized in / reclassified from Statement of comprehensive income</u>	<u>Closing balance</u>
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 29,003,213	\$ (16,931,628)	\$ -	\$ 12,071,585
R&D Credit Carryforward	484,591	64,441	-	549,032
Compensated absences and retirement benefits	690,623	-	8,552	699,175
Federal NOL	-	3,685,361	-	3,685,361
State NOL	11,409,713	(248,309)	-	11,161,404
Deferred Revenue	49,125,260	(8,849,586)	-	40,275,674
Total deferred tax asset	90,713,400	(22,279,721)	8,552	68,442,231
Deferred tax liabilities:				
Taxable temporary difference – prepaid advertising, Section 481(a) adjustment	\$ (165,074)	\$ (1,203,325)	-	\$ (1,368,399)
Compensated absences and retirement benefits	(1,442,867)	(94,857)	-	(1,537,724)
NYS Audit Reserve - UTP	(308,569)	308,569	-	-
Depreciation	(2,434,188)	(526,128)	-	(2,960,316)
Total deferred tax liability	(4,350,698)	(1,515,740)	-	(5,866,439)
Net assets	\$ 86,362,702	\$ (23,795,462)	\$ 8,552	\$ 62,575,791

Significant components of deferred tax assets and liabilities for the year ended 31 March 2021 were as follows:

	<u>Opening balance</u>	<u>Recognized in Income statement</u>	<u>Recognized in / reclassified from Statement of comprehensive income</u>	<u>Closing balance</u>
Deferred tax assets:				
Expenses deductible in future years - provisions, allowances for doubtful receivables, finance receivables	\$ 118,528,467	\$ (89,525,254)	\$ -	\$ 29,003,213
R&D Credit Carryforward	345,842	138,749	-	484,591
Depreciation	506,990	(506,990)	-	-
Compensated absences and retirement benefits	697,615	-	(6,992)	690,623
State NOL	-	11,409,713	-	11,409,713
Deferred Revenue	51,157,002	(2,031,742)	-	49,125,260
Total deferred tax asset	171,235,916	(80,515,524)	(6,992)	90,713,400
Deferred tax liabilities:				
Taxable temporary difference – prepaid advertising, Section 481(a) adjustment	\$ (179,249)	\$ 14,175	\$ -	\$ (165,074)
Compensated absences and retirement benefits	(905,197)	(537,670)	-	(1,442,867)
NYS Audit Reserve - UTP	-	(308,569)	-	(308,569)
Depreciation	-	(2,434,188)	-	(2,434,188)
Total deferred tax liability	(1,084,446)	(3,266,252)	-	(4,350,698)
Net assets	\$ 170,151,470	\$ (83,781,776)	\$ (6,992)	\$ 86,362,702

Jaguar Land Rover North America, LLC

6. Inventories

Inventories consist of vehicles and automotive parts and are classified as finished goods and were comprised as follows:

	As at 31 March			
	2022		2021	
Vehicle inventory	\$	292,270,398	\$	382,917,773
Parts inventory		194,572,062		166,730,681
Adjustment to lower of cost or net realizable value		(15,654,974)		(15,808,162)
Total inventories	\$	471,187,486	\$	533,840,292

Purchase of vehicles and parts recognized as expense and inventory write-down expense included in the Income Statements were as follows:

	Year ended 31 March			
	2022		2021	
Purchase of vehicles	\$	4,484,201,089	\$	5,019,679,556
Purchase of parts		511,322,337		429,784,898
Import duties		135,468,859		144,931,808
Inventory write-down expense		6,155,068		2,958,732
Total	\$	5,137,147,353	\$	5,597,354,994

7. Leases

Lease as a Lessee

The Company leases many assets including buildings and computer equipment. Right-of-use assets are recorded within Property, plant and equipment on the Balance Sheets. Information about leases for which the Company is a lessee which are classified as right of use assets is presented below.

	Buildings	Computers	Total
Balance at 31 March 2020	\$ 26,222,779	\$ 24,223	\$ 26,247,002
Depreciation charge for the year	(1,820,323)	(14,281)	(1,834,604)
Disposals	(404,377)	-	(404,377)
Balance at 31 March 2021	\$ 23,998,079	\$ 9,942	\$ 24,008,021
Addition of Portland leases	25,430,869	-	25,430,869
Depreciation charge for the year	(4,707,780)	(9,942)	(4,717,722)
Other	167,908	-	167,908
Balance at 31 March 2022	\$ 44,889,076	-	\$ 44,889,076

During the year ended 31 March 2022, certain leases related to a research and development facility in Portland, Oregon which is managed by JLR Limited were reallocated to JLRNA since JLRNA is the lessee of these properties.

Jaguar Land Rover North America, LLC

Note 7 – Leases (continued)

Lease liabilities

The maturity analysis of the contractual undiscounted cash flows are as follows:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Less than one year	\$ 7,378,921	\$ 4,110,255
One to five years	23,221,386	14,064,388
More than five years	44,163,015	38,242,839
Total undiscounted lease obligations	\$ 74,763,321	\$ 56,417,482

The following amounts are included in the Balance Sheet:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Lease obligations - short term	\$ (2,629,189)	\$ (2,500,867)
Lease obligations - long term	(55,689,223)	(29,230,600)
Total lease obligations	\$ (58,318,412)	\$ (31,731,467)

The following amounts are recognised in the income statement:

	<u>Year ended 31 March</u>	
	<u>2022</u>	<u>2021</u>
Interest expense on lease obligations	\$ 4,524,439	\$ 2,930,754
Depreciation on right of use assets	\$ 4,717,722	\$ 1,498,787
Income from sub-leasing of right-of-use assets	\$ 75,395	\$ 73,199
Expenses related to short-term leases	de minimus	de minimus
Expenses related to low-value assets, excluding short-term leases of low-value assets	de minimus	de minimus

The following amounts are recognised in the consolidated statement of cash flow:

	<u>Year ended 31 March</u>	
	<u>2022</u>	<u>2021</u>
Cash payments for the principal portion of lease liabilities (within financing activities)	\$ 980,776	\$ 362,105
Cash payment for interest expense related to lease liabilities (within financing activities)	4,524,439	2,930,754
Total cash outflow for leases	\$ 5,505,215	\$ 3,292,859

Lease as a lessor

The Company leases a portion of its headquarters to another company. This is classified as an operating lease, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

Jaguar Land Rover North America, LLC

Note 7 – Leases (continued)

The maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	31 March 2022	31 March 2021
Not later than one year	\$ 77,652	\$ 75,395
Later than one year but not later than five years	-	77,652
Later than five years	-	-
Total undiscounted lease payments to be received	\$ 77,652	\$ 153,047

8. Finance Receivables

Finance receivables consist of an intercompany loan receivable with the parent company of \$684.3 million and \$1.15 billion at 31 March 2022 and 2021, respectively. See Related Party note 23 for further details.

9. Other Current Assets

Other current assets consist of the following:

	As at 31 March	
	2022	2021
Current tax asset	\$ 223,612	\$ 226,021
Prepaid warranty insurance	441,079	523,641
Prepayments for vehicles	103,984	612,324
Prepaid expenses - miscellaneous	898,624	598,601
Other current assets	\$ 1,667,299	\$ 1,960,587

10. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2022 and 2021 the Company had cash of \$1.5 million and \$5.2 million, respectively.

Jaguar Land Rover North America, LLC

11. Variable Marketing Provisions

Variable marketing provisions are comprised of liabilities for dealer incentives. Variable marketing provisions were all current and materialized as follows:

Balance at 31 March 2020	\$ (421,165,212)
Provisions made during the year	(2,006,629,419)
Provisions used during the year	2,235,116,286
Other adjustments	53,800,000
Balance at 31 March 2021	\$ (138,878,345)
Provisions made during the year	(375,771,947)
Provisions used during the year	509,528,081
Balance at 31 March 2022	\$ (5,122,212)

The other adjustment of \$53.8 million recorded in the fiscal year ended 31 March 2021 was to reverse the provision recorded at the end of the previous fiscal year to reflect the deteriorated market condition created by COVID-19. Subsequently, the market conditions improved considerably and it was deemed that this provision was no longer needed.

12. Other Current Liabilities

Other current liabilities consist of the following:

	As at 31 March	
	2022	2021
Variable dealer margin accruals	\$ (127,370,716)	\$ (218,711,064)
Fixed marketing accruals	(26,286,855)	(56,161,313)
Deferred revenue - service plans	(39,703,598)	(50,763,344)
Deferred revenue - certified pre-owned programs	(50,484,058)	(40,758,040)
Import duties and sales/use tax	(22,710,261)	(38,645,363)
Deferred revenue - connected car	(25,870,184)	(25,297,382)
Customer deposits	(946,798)	(945,402)
Total Other current liabilities	\$ (293,372,470)	\$ (431,281,908)

Jaguar Land Rover North America, LLC

13. Other Non-current Liabilities

Other non-current liabilities consist of the following:

	As at 31 March	
	2022	2021
Deferred revenue - certified pre-owned programs	\$ (61,072,821)	\$ (68,596,371)
Deferred revenue - service plans	(35,274,519)	(49,726,452)
Deferred revenue - customer prepaid plans	(12,588,542)	(16,712,997)
Deferred revenue - connected car	(35,403,513)	(36,601,641)
Defined benefits obligations	(3,146,161)	(3,825,409)
Total Other non-current liabilities	\$ (147,485,556)	\$ (175,462,870)

14. Other provisions

Other provisions consist of amounts recognized related to expected future cash outflow for locally offered vehicle services under such programs as roadside assistance and service loaner as well as residual risk sharing agreements on leased vehicles. During the fourth quarter of the year ended 31 March 2021, the Company restructured its business to better align with the Global Reimagine strategy and as such terminated 12 individuals from its headquarters and field operations and recorded a provision of \$1.4 million which was mostly paid out by the end of fiscal 2022. These other provisions mature at various intervals over the next five years. The other provisions were segregated between current and non-current as follows:

	Locally Offered				Total
	Vehicle Services	Residual Risk	Restructuring		
Balance at 31 March 2020	\$ (28,893,316)	\$ (158,420,672)	\$ -	\$ (187,313,987)	
Provisions made during the year	(365,316,477)	(48,644,924)	(1,352,162)	(415,313,562)	
Provisions used during the year	372,127,818	83,284,353	-	455,412,171	
Other adjustments	-	123,781,242	-	123,781,242	
Balance at 31 March 2021	\$ (22,081,975)	\$ -	\$ (1,352,162)	\$ (23,434,137)	
Current	\$ (8,691,579)	\$ -	\$ (1,352,162)	\$ (10,043,741)	
Noncurrent	\$ (13,390,396)	\$ -	\$ -	\$ (13,390,396)	
Provisions made during the year	(132,440,746)	-	-	(132,440,746)	
Provisions used during the year	132,573,577	-	1,337,633	133,911,210	
Other adjustments	-	-	-	-	
Balance at 31 March 2022	\$ (21,949,144)	\$ -	\$ (14,528)	\$ (21,963,672)	
Current	\$ (9,079,615)	\$ -	\$ (14,528)	\$ (9,094,144)	
Noncurrent	\$ (12,869,529)	\$ -	\$ -	\$ (12,869,529)	

Jaguar Land Rover North America, LLC

Note 14 – Other provisions (continued)

During fiscal year 2020, the Company recorded \$158.4 million residual risk provision under its risk sharing agreement with a financial institution. The increase in the residual risk provision was due to residual value losses from decline in wholesale values for used cars and was further increased as result of the COVID-19 pandemic. Experience during fiscal year 2021 indicated that due to supply shortage across the automotive industry, residual value of used cars had improved dramatically to the point that a residual risk provision was no longer needed, and the Company reversed \$123.8 million of the amounts previously recorded. Due to continuing supply shortages during fiscal 2022, no further residual risk provisions were required to be recorded.

15. Employee Costs

Employee costs consist of the following:

	Year ended 31 March	
	2022	2021
Salaries, wages and bonus	\$ 35,722,375	\$ 36,728,978
Benefits	6,296,099	5,214,332
Defined benefit pensions	87,279	117,826
Reorganization costs	(11,923)	1,352,161
Other	399,562	7,438
Total employee costs	\$ 42,493,392	\$ 43,420,735

16. Other Expenses

Other expenses consist of the following:

	Year ended 31 March	
	2022	2021
Consulting costs and other purchased services	\$ 7,262,510	\$ 7,429,188
Facilities costs	1,114,079	2,600,885
Post IFRS 16 adoption adjustment	-	(5,730,112)
Travel and entertainment costs	459,695	57,661
Information technology costs	1,791,927	1,518,890
Other general operating expenses	4,726,516	1,041,969
Total Other expenses	\$ 15,354,727	\$ 6,918,481

Jaguar Land Rover North America, LLC

17. Other income

Other income consisted of the following:

	Year ended 31 March	
	2022	2021
Commissions - extended service plans	\$ 1,080,803	\$ 841,005
Commissions - oil	7,529,231	3,189,289
Satellite radio activation commissions	8,215,531	7,226,518
Tire and navigation revenue share	4,038,394	3,108,892
Miscellaneous items, net	1,685,677	2,486,142
Total Other income	\$ 22,549,636	\$ 16,851,846

18. Employee benefits

Defined benefit plans

The Company has a supplemental executive retirement plan that provides for a fixed annual benefit for its participants. This plan is fully funded. The Company also maintains a plan providing postretirement medical benefits covering certain salaried employees which is unfunded. The Company funds the unfunded benefits plan on a pay-as-you-go basis. These plans have a total liability of \$3.1 million and \$3.8 million at 31 March 2022 and 31 March 2021, respectively. During the years ended 31 March 2022 and 31 March 2021, the Company recognized expense of \$0.2 million and \$0.2 million related to these plans. The Company expects to contribute \$0.1 million to these plans during the 12 months ending 31 March 2023.

Defined contribution plan

Additionally, the Company sponsors and administers a 401(k) Retirement Savings Plan (the "Savings Plan") for the benefit of its employees. Recordkeeping services are provided by a third party plan administrator. The Savings Plan covers all eligible employees of the Company and enables eligible participants to contribute up to statutory limitations. An employee may elect to participate in the Savings Plan after having met certain minimum requirements. Participants are fully vested in the Savings Plan at all times with respect to their contributions, after 2 years of service with respect to the Company's contributions (Company Match) and after 3 years of service for the Company's contributions for Profit Sharing and Supplemental Contributions. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the Savings Plan.

The Company's contribution to defined contribution plans was \$1.5 million and \$1.6 million for years ended 31 March 2022 and 2021, respectively.

19. Commitments and contingencies

In the normal course, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. The Company records a provision for any claims where the Company has a present obligation as a result of a past event where it is probable an outflow of resources will be required to settle the obligation and a reliable estimate can be made and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a provision in its accounts unless the loss becomes probable. Any claims of a product liability nature are assessed and a provision is recorded, if necessary, by JLR Limited.

Management asserts that none of the claims against the Company are probable or estimable, and it believes that none of the contingencies either individually or in the aggregate, would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Guarantees

The Company does not provide any guarantees for related parties or unrelated third parties.

Commitments

In the normal course of business, the Company contracts with third parties to provide goods and/or services to the Company in order to operate day to day.

For commitments related to leases, refer to Note 7.

Residual Risk

In the normal course of business, the Company has a vehicle residual risk sharing arrangement with a financial institution that underwrites retail leases. The Company is not a party to these retail leases. Under the arrangement that was in effect until 31 March 2018, residual collateral deposits were made quarterly based on the final expected residual values of the underlying vehicle at lease termination. At certain points in the life of the retail leases, an interim review was performed and if there was excess collateral on deposit, the Company was entitled to receive a refund of previously deposited collateral. For leases initiated under this contract, when vehicles are disposed after the lease end date, the Company shares equally in any gains, the counterparty incurs all losses up to 6.5%, any losses between 6.5% and 12% are shared equally, and the Company is responsible for all losses over 12%.

Effective 1 April 2018, a revised residual risk sharing agreement has been executed that revised the risk sharing agreement for future lease contracts. For all leases initiated under the new contract, when vehicles are disposed after the lease end date, the counterparty incurs all losses up to 9.25% and the Company is responsible for all losses above 9.25%.

Taxing Authority Reviews

In the normal course of business, the Company is subject to income taxes in numerous federal, state and local jurisdictions and judgement is required in determining the appropriate provision, if any, for transactions where the ultimate tax determination is uncertain. In such circumstances the Company recognizes liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable.

Jaguar Land Rover North America, LLC

Note 19 – Commitments and contingencies (continued)

Income tax related contingent liabilities are assessed continually and as a reliable estimate can be made, or if they become probable, a provision is recognized in the financial statements of the period in which the change in estimate or probability occurs. Where the final outcome of such matters differs from the amount recorded, any differences may impact income taxes in the period in which the final determination is made.

20. Capital Management

The Company is capitalized via investment from its parent company, JLR Limited. The Company purchases the majority of products it sells from JLR Limited and related companies. The cash flow from the sale of vehicles and parts is sufficient to pay JLR Limited and all other suppliers. Any remaining cash after paying all suppliers, vendors and operating expenses is remitted back to JLR Limited in accordance with a cash pooling agreement. As such, no additional financing is required. At both 31 March 2022 and 2021, the Company maintained capital of \$157.3 million.

There were no dividends paid during any of the years presented.

21. Disclosures on financial instruments

This section gives an overview of the significance of financial instruments for the Company and provides additional information on Balance Sheet items that contain financial instruments.

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

Jaguar Land Rover North America, LLC

Note 21 – Disclosures on financial instruments

a) Financial assets and liabilities

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of 31 March 2022 and 2021, respectively.

	As at 31 March			
	2022		2021	
	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<u>Financial Assets</u>				
Cash and cash equivalents	\$ 1,489,040	\$ 1,489,040	\$ 5,226,436	\$ 5,226,436
Trade receivables	97,918,222	97,918,222	97,216,685	97,216,685
Finance receivables	684,290,308	684,290,308	1,150,882,019	1,150,882,019
Other financial assets	1,421,395	1,421,395	1,778,366	1,778,366
Total	\$ 785,118,965	\$ 785,118,965	\$ 1,255,103,506	\$ 1,255,103,506
 <u>Financial Liabilities</u>				
Accounts payable	\$ (330,122,600)	\$ (330,122,600)	\$ (721,370,017)	\$ (721,370,017)
Financial liabilities	-	-	(216,416)	(216,416)
Other financial liabilities	-	-	(1,240,399)	(1,240,399)
Total	\$ (330,122,600)	\$ (330,122,600)	\$ (722,826,832)	\$ (722,826,832)

The Company does not have any derivative financial instruments.

The short term financial assets and liabilities are stated at amortized cost which is approximately equal to their fair value.

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Company could have realized or paid in a sales transaction as of the respective dates. The estimated fair value amounts as of 31 March 2022 and 2021 have been measured as of 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.

Note 21 – Disclosures on financial instruments

b) Financial risk management

In the course of its business, the Company is exposed primarily to fluctuations in interest rates, credit risk and liquidity risk, which may adversely impact the fair value of its financial instruments.

The Company has a risk management policy which covers risks associated with the financial assets and liabilities like interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

- Create a stable business planning environment – by reducing the impact of currency and interest rate fluctuations on the Company’s business plan.
- Achieve greater predictability to earnings – by determining the financial value of the expected earnings in advance.

i) Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rate, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

a. Foreign currency exchange rate risk

The Company does not have any material exchange risk due to limited transactions in currencies other than US dollars, nor does it have any material balances at the period end which are denominated in any currency other than USD.

ii) Credit risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness, as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables and finance receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was \$785.1 million and \$1.26 billion as of 31 March 2022 and 2021, respectively, being the total of the carrying amount of Cash and cash equivalents, Trade receivables, Finance receivables and Other financial assets.

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Note 21 – Disclosures on financial instruments (continued)

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, are impaired. Regarding trade receivables and other receivables, and other loans or receivables that are neither impaired, there were no indications as of 31 March 2022, that any defaults in payment obligations will occur.

Credit quality of financial assets and impairment loss

The ageing of trade receivables and finance receivables as of the balance sheet date is given below. The age analysis has been considered from the due date.

	31 March 2022			31 March 2021		
	Gross	Allowance	Total	Gross	Allowance	Total
Trade Receivables						
<u>Period</u>						
Not due	\$ 82,420,288	\$ -	\$ 82,420,288	\$ 91,483,363	\$ -	\$ 91,483,363.20
Overdue 1-3 months	6,396,089	-	6,396,089	1,147,245	-	1,147,245
Overdue 3-6 months	9,071,483	-	9,071,483	18,544	-	18,544
Overdue more than 6 months	30,362	-	30,362	4,567,533	-	4,567,533
Total	\$ 97,918,222	\$ -	\$ 97,918,222	\$ 97,216,685	\$ -	\$ 97,216,685

	31 March 2022			31 March 2021		
	Gross	Allowance	Total	Gross	Allowance	Total
Finance Receivables						
<u>Period</u>						
Not due	\$ 684,290,308	\$ -	\$ 684,290,308	\$ 1,150,882,019	\$ -	\$ 1,150,882,019
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	-	-	-	-	-	-
Total	\$ 684,290,308	\$ -	\$ 684,290,308	\$ 1,150,882,019	\$ -	\$ 1,150,882,019

iii) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that it is available for use as per requirements.

The Company is primarily funded through the sale of vehicles and parts at a profit. Generally, funds generated through that means are sufficient to cover all obligations. Any excess cash is remitted back to the parent company, Jaguar Land Rover Limited.

Jaguar Land Rover North America, LLC

Note 21 – Disclosures on financial instruments (continued)

The table below provides details regarding the contractual maturities of financial liabilities as of 31 March 2022:

	Carrying amount	Due in 1st year	Due in 2nd year	Due in 3rd - 5th year	Due after 5 years	Non-cash amount
Accounts payable	\$ (330,122,600)	\$ (330,122,600)	\$ -	\$ -	\$ -	\$ -

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

22. Collaterals

On 28 January 2013, the Company's intermediary parent, Jaguar Land Rover Automotive PLC, issued \$500 million Senior Notes due 2023 at a coupon of 5.625% per annum. These notes were guaranteed on a senior unsecured basis by JLRNA, Jaguar Land Rover Holdings Limited, Jaguar Land Rover Limited, Land Rover Exports Limited and JLR Nominee Company Limited.

23. Related party transactions

The Company's related parties principally consist of subsidiaries of Tata Motors Ltd (subsidiaries of JLR Ltd) and other Tata related companies. The Company routinely enters into transactions with these related parties in the ordinary course of business.

The Company purchases the majority of its inventory from subsidiaries of the ultimate UK parent company, primarily Jaguar Land Rover Limited. As a result, the Company will incur payables to those entities. Additionally, the Company has entered into a transfer price arrangement with Jaguar Land Rover Limited whereby pre-tax profitability is fixed as a percentage of revenue. As a result of this arrangement, the Company will transfer profits or losses to this entity to arrive at the appropriate pre-tax profit target by adjusting cost of sales and offsetting payables to affiliated companies. The Company also has various other operation transactions with Jaguar Land Rover Limited that results in payables to or receivables from that entity. All of these transactions are part of a netting agreement and are settled monthly. At 31 March 2022, the Company had a net payable of \$147.1 million with JLR Limited. This compared to a net payable of \$600.3 million with JLR Limited at 31 March 2021 which was recorded in Accounts payable on the Balance Sheets.

As part of the Company's arrangement as a national sales company for JLR Limited, all excess cash after local expenditure requirements is remitted to a central treasury function in the UK on a daily basis. Similarly, if cash collected is not sufficient to cover local expenditures, the Company will receive funding from the central treasury function in the UK. Upon cash transfer between the Company and the central treasury function, an intercompany note receivable is recorded with the parent company. At 31 March 2022 and 2021, the Company had approximately \$684.3 million and \$1.15 billion, respectively, recorded as a note receivable from the parent company.

Jaguar Land Rover North America, LLC

Note 23 – Related party transactions (continued)

Additionally, in the normal course of business, the Company transacts with other subsidiaries of JLR Limited. At 31 March 2022 and 2021, the Company had trade receivables with Jaguar Land Rover Canada in the amount of \$0.4 million and \$0.5 million, respectively. At 31 March 2022 and 2021, the Company had trade receivables with JLR Limited in the amount of \$14.9 million and \$60.2 million, respectively.

The Company also provides various services to Jaguar Land Rover Canada including, but not limited to legal, accounting, information technology, purchasing, tax services and training. These services are charged to Jaguar Land Rover Canada under a service level agreement. During the 12 months ended 31 March 2022 and 2021 the Company charged \$2.8 million and \$2.5 million, respectively, to Jaguar Land Rover Canada and received these funds in cash.

Additionally, the Company engages various related entities whereby these entities provide outsourced information technology support, technology development, and marketing purchasing to the Company. During the 12 months ended 31 March 2022 and 2021, the Company recognized expense of \$1.6 million and \$2.2 million, respectively, related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2022 and 2021 of \$1.7 million and \$2.1 million, respectively. Additionally, the Company had an outstanding accounts payable balances to these entities of \$0.2 million and \$0.3 million at 31 March 2022 and 2021, respectively.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Cumulative compensation of those individuals identified as key management personnel was as follows:

	Year ended 31 March	
	2022	2021
Salaries	\$ 1,746,738	\$ 1,699,157
Incentive compensation	1,003,566	969,053
Other	428,380	450,479
Total key employee compensation	\$ 3,178,683	\$ 3,118,689

The Company did not have any other transactions with key management personnel.

Refer to Note 18 for information on transactions with post-employment benefit plans.

24. Subsequent events

There were no events occurring after the reporting date through 10 June 2022 requiring an accounting adjustment to be disclosed that would have a material impact on the Company's results of operations, financial position or cash flows.

25. Approval of financial statements

The financial statements were approved by the board of directors and authorized for issue on 10 June 2022.