

Jaguar Land Rover Canada ULC

Financial Statements

For fiscal years ended

31 March 2023 and 2022

Jaguar Land Rover Canada ULC

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

Independent Auditors' Report

The Board of Directors
Jaguar Land Rover Canada ULC:

Opinion

We have audited the financial statements of Jaguar Land Rover Canada ULC (the Company), which comprise the balance sheets as of March 31, 2023 and 2022, and the related statements of 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 IFRS as issued by the IASB, 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 significant doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are authorized for issuance.

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 significant 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
May 30, 2023

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC

Balance Sheets

in \$CAD

		As at 31 March	
	Note	2023	2022
Non-current assets			
Property, plant and equipment	3	\$ 7,358,393	\$ 8,849,801
Other financial assets	4	4,495,463	4,919,564
Deferred tax assets	5	27,446,001	30,525,912
Total non-current assets		39,299,857	44,295,277
Current assets			
Inventories	6	73,556,987	59,702,366
Trade receivables	20	51,557,029	66,327,858
Other financial assets		127,397	149,124
Other current assets	8	267,198	132,914
Cash and cash equivalents		94,871,981	124,099,810
Current income tax receivables	5	684,138	13,971,979
Total current assets		221,064,730	264,384,051
Total assets		\$ 260,364,587	\$ 308,679,328
Current liabilities			
Accounts payable		\$ (100,108,722)	\$ (153,481,138)
Variable marketing provisions	11	(652,292)	(1,138,152)
Lease obligations - short term	7	(1,071,059)	(953,395)
Other current liabilities	12	(53,822,457)	(40,136,872)
Other provisions	14	(26,002,176)	(33,597,470)
Total current liabilities		(181,656,706)	(229,307,027)
Non-current liabilities			
Other non-current liabilities	13	(10,881,516)	(10,526,766)
Other provisions	14	(40,376,223)	(51,332,978)
Lease obligations - long term	7	(6,593,453)	(7,664,513)
Total non-current liabilities		(57,851,192)	(69,524,257)
Total liabilities		\$ (239,507,898)	\$ (298,831,284)
Shareholder's equity			
Retained earnings		\$ (20,856,689)	\$ (9,848,044)
Total equity		\$ (20,856,689)	\$ (9,848,044)
Total liabilities and equity		\$ (260,364,587)	\$ (308,679,328)

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC
Income Statements
in \$CAD

	Note	Year ended 31 March	
		2023	2022
Income			
Revenue - vehicles		\$ 726,273,279	\$ 621,663,428
Revenue - parts, service and accessories		86,368,157	74,195,934
Other income		5,344,005	3,799,486
Total revenue		817,985,441	699,658,848
Purchase of vehicles and parts	6	(747,380,227)	(635,103,220)
Employee costs	15, 18	(4,990,140)	(4,737,618)
Warranty and services costs		(27,925,017)	(28,091,542)
Fixed marketing expense		(14,448,408)	(10,771,841)
Warehousing, handling and distribution costs		(3,013,024)	(2,724,030)
Other expenses	16	(6,475,593)	(5,245,651)
Depreciation	3	(1,401,139)	(1,467,958)
Foreign exchange income/(expense)		346,158	15,143
Finance income		3,620,850	2,619,282
Finance costs		(777,177)	(857,895)
Profit before tax		15,541,724	13,293,518
Income Tax Expense	5	(4,533,079)	(3,445,474)
Profit for the period		\$ 11,008,645	\$ 9,848,044

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC
Statements of Cash Flows
In \$CAD

	Year Ended 31 March	
	2023	2022
Cash flows from operating activities:		
Profit for the period	11,008,645	9,848,044
Adjustments for noncash items included in profit for the period:		
Depreciation	1,401,139	1,467,958
Inventory write-down	1,082,665	799,767
Loss on sale of assets / assets written off	90,270	11,083
Income tax expense	4,533,079	3,445,474
Net finance income	(2,843,673)	(1,761,387)
	15,272,124	13,810,940
Changes in assets and liabilities:		
Decrease/(Increase) in Other Financial Assets (Non-current)	424,101	(699,595)
(Increase)/Decrease in Deferred tax assets	(57,786)	3,245,051
Increase in Inventories	(14,937,286)	(1,741,704)
Decrease/(Increase) in Trade receivables	14,770,829	(40,219,128)
Decrease/(Increase) in Other Financial Assets	21,727	(149,124)
Increase in Other Current Assets	1,314,061	(1,691,683)
(Decrease)/Increase in Accounts payables	(53,372,417)	43,952,772
Decrease in Variable marketing provisions	(485,860)	(13,125,546)
Increase/(Decrease) in Other Current Liabilities	13,685,585	(22,837,097)
Decrease in Provisions (Current)	(7,595,294)	(9,219,311)
Increase/(Decrease) in Other Non-Current Liabilities	354,750	(6,988,003)
Decrease in Provisions (Non-current)	(10,956,755)	(32,824,094)
Cash used by operating activities	(41,562,220)	(68,486,523)
Income tax recovered/(paid) net of refunds	11,892,459	(907,250)
Net cash used by operating activities	(29,669,762)	(69,393,772)
Cash flows from investing activities:		
Interest received	2,172,505	4,279,319
Redemption of note receivable with parent company	-	222,010,422
Payments for property, plant and equipment	-	(17,417)
Net cash generated from investing activities	2,172,505	226,272,324
Cash flows from financing activities:		
Dividend paid to parent company	-	(80,428,287)
Cash payments for leases	(1,730,573)	(1,536,021)
Net cash used by financing activities	(1,730,573)	(81,964,308)
Net change in cash and cash equivalents	\$ (29,227,829)	\$ 74,914,244
Cash and cash equivalents, beginning of the year	124,099,810	49,185,566
Cash and cash equivalents, end of the year	\$ 94,871,981	\$ 124,099,810

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Jaguar Land Rover Canada ULC
Statements of Changes in Equity
In \$CAD

	(Retained earnings)/ Accumulated deficit	Total Equity
Balance at 31 March 2021	\$ (80,428,287)	\$ (80,428,287)
Profit for the period	(9,848,044)	(9,848,044)
Dividend paid to parent company	80,428,287	80,428,287
Balance at 31 March 2022	\$ (9,848,044)	\$ (9,848,044)
Profit for the period	(11,008,645)	(11,008,645)
Balance at 31 March 2023	\$ (20,856,689)	\$ (20,856,689)

See accompanying notes to the financial statements

Jaguar Land Rover Canada ULC

Notes to the Financial Statements

1. Background and operations

Jaguar Land Rover Canada ULC (the "Company" or "JLRC") is an unlimited liability corporation registered in the Province of Alberta. The registered office address is 855 2 Street SW Calgary, Alberta. JLRC is an importer and distributor of luxury sedans, sport utility vehicles and parts in the Canadian 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.

JLRC headquarters is located at 75 Courtneypark Drive West Unit 3 Mississauga, Ontario L5W 0E3.

JLRC 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 Canada. Parts are primarily sourced from JLR Limited with some domestic procurement.

The parts business is managed under a relationship with a third party logistics provider whereby the third party manage the warehousing of physical inventory and distribution. JLRC owns the inventory and manages the sale and collection function.

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 these are publicly available.

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 Canadian dollars unless otherwise stated.

Note 2 – Significant accounting policies (continued)

b. *Use of estimates and judgements*

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 pending tax matters where deemed appropriate.
- ii) Note 11 – Variable marketing incentives are estimated at the reporting 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 dealers 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.

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.

Note 2 – Significant accounting policies (continued)

c. Concentration risk

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 dealers, 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.

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.

Jaguar Land Rover Canada ULC

Note 2 – Significant accounting policies (continued)

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 Canadian Dollars (CAD).

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 CAD 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 Canada.

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.

Jaguar Land Rover Canada ULC

Note 2 – Significant accounting policies (continued)

i. *Inventories and Purchases 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 1.9% of revenue. The Company completed its negotiations with the taxing authorities in both Canada and the United Kingdom. Profit adjustments, negative or positive, to meet the required profit targets, are reflected in the Income Statements as a component of Purchases of vehicles and parts. See Note 5 – Income Taxes for additional information on the advanced pricing agreement negotiations.

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.

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:

	Estimated useful life in years
Buildings and leasehold improvements	Lesser of lease term or useful life
Office machines & equipment	12.5 - 14.5
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.

Note 2 – Significant accounting policies (continued)

k. *Leases*

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.

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.

Note 2 – Significant accounting policies (continued)

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 2023, none of the Company's property, plant and equipment were considered impaired.

m. *Employee benefits*

Plan Descriptions:

Defined Contribution Pension Plan ("DCPP") — covers all former employees from the Ford Motor Company who transferred as a result of the sale and became members of the DCPP effective January 1, 2009. All full-time and part-time employees hired on or after January 1, 2009 automatically join the DCPP on their date of hire as a condition of employment. The Company will make contributions to the member's DCPP account in an amount equal to a percentage of the member's salary. The Company's only liability is limited to the contributions currently required under the plan.

Retirement Savings Plan ("RSP"), — An employee is eligible to join the RSP as of the date of hire. Participation is voluntary. The member may contribute a percentage of base salary and direct the contribution to the Group RRSP or the Employee Profit Sharing Plan ("EPSP") or a combination of both. The Company will match a portion of the member's contribution to the EPSP at a percentage authorized by the Company. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the plans.

Group Registered Retirement Savings Plan ("Group RRSP")— The Company also maintains a plan covering certain Ford legacy employees that provides additional postretirement benefits to replace pension benefits lost as a result of the acquisition of the Jaguar and Land Rover businesses on June 2, 2008 by a subsidiary of Tata Motors Limited.

The Company funds all of these benefit plans on a pay-as-you-go basis out of Company assets.

Note 2 – Significant accounting policies (continued)

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.

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. 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.

Note 2 – Significant accounting policies (continued)

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.

Additionally, the Company offers a variety of complementary scheduled maintenance plans 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 other 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.

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 2023

The following amendments and interpretations have been adopted by the Company in the year ending 31 March 2023:

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous contracts – cost of fulfilling a contract;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use;
- Annual improvements to IFRS standards 2018-2020 cycle; and
- Amendments to IFRS 3 Business Combinations – Reference to the conceptual framework.

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

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Note 2 – Significant accounting policies (continued)

(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. These amendments are effective for annual report periods beginning on or after 1 January 2023.

- Amendments to IAS 1 Presentation of Financial Statements – disclosure of accounting policies;
- Amendments to IAS 12 Income Taxes – Assets and Liabilities arising from a single transaction;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates;
- IFRS 17 Insurance Contracts;
- Amendments to IFRS17 Insurance Contracts; and
- Initial application of IFRS 17 and IFRS 9 – Comparative Information.
- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current or non-current;
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants;
- Amendments to IAS 1 Presentation of Financial Statements – Deferral of Effective Date Amendment; and
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The Company is currently assessing the impact of this pronouncement on the consolidated financial statements.

3. Property, plant and equipment

Fixed assets consist of the following:

	Buildings	Plant and equipment	Vehicles	Computers	Furniture and fixtures	Total
Cost as of 1 April 2021	\$ 11,097,607	\$ 1,102,809	\$ 33,499	\$ 250,427	\$ 3,128,055	\$ 15,612,397
Additions	-	-	-	17,417	-	17,417
Disposal	(11,083)	-	-	-	-	(11,083)
Cost as of 31 March 2022	\$ 11,086,524	\$ 1,102,809	\$ 33,499	\$ 267,843	\$ 3,128,055	\$ 15,618,730
Accumulated depreciation as 1 April 2021	\$ (2,994,223)	\$ (614,575)	\$ -	\$ (45,827)	\$ (1,646,346)	\$ (5,300,971)
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(1,065,740)	(170,859)	-	(25,914)	(205,445)	(1,467,958)
Accumulated depreciation as of 31 March 2022	(4,059,963)	(785,434)	-	(71,741)	(1,851,791)	(6,768,929)
Net book value as of 31 March 2022	\$ 7,026,561	\$ 317,376	\$ 33,499	\$ 196,102	\$ 1,276,263	\$ 8,849,801
Cost as of 1 April 2022	\$ 11,086,524	\$ 1,102,809	\$ 33,499	\$ 267,843	\$ 3,128,055	\$ 15,618,730
Additions	-	-	-	-	-	-
Disposal	-	(541,246)	-	-	(170,000)	(711,246)
Cost as of 31 March 2023	\$ 11,086,524	\$ 561,564	\$ 33,499	\$ 267,843	\$ 2,958,055	\$ 14,907,484
Accumulated depreciation as 1 April 2022	\$ (4,059,963)	\$ (785,434)	\$ -	\$ (71,741)	\$ (1,851,791)	\$ (6,768,929)
Disposals	-	539,376	-	-	81,600	620,976
Depreciation charge for the year	(1,059,349)	(117,011)	-	(26,415)	(198,363)	(1,401,139)
Accumulated depreciation as of 31 March 2023	(5,119,312)	(363,069)	-	(98,155)	(1,968,554)	(7,549,091)
Net book value as of 31 March 2023	\$ 5,967,212	\$ 198,494	\$ 33,499	\$ 169,688	\$ 989,500	\$ 7,358,393

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

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4. Other financial assets (non-current)

Other financial assets (non-current) consist of deposits with banks whose use in whole or in part are restricted for specific purposes bound by virtue of contracted agreements. For both fiscal years presented, the Company has contractual arrangements with a financial institution requiring it to deposit collateral for the residual value of vehicles that are subject to retail leases financed by the financial institution, which the Company shares in the potential losses upon termination. At 31 March 2023 and 2022, these deposits amounted to \$4.5 million and \$4.9 million, respectively.

5. Income taxes

The components of income tax expense were:

	<u>31 March 2023</u>	<u>31 March 2022</u>
Current taxes:		
Current year	\$ (570,521)	\$ (12,515,264)
Prior period adjustments	391,111	(117,488)
Deferred taxes:		
Current year	4,712,489	16,078,226
Total income tax expense	\$ 4,533,079	\$ 3,445,474

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

	<u>31 March 2023</u>	<u>31 March 2022</u>
Current	\$ (179,410)	\$ (12,632,752)
Deferred	4,712,489	16,078,226
Total income tax expense	\$ 4,533,079	\$ 3,445,474

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

	<u>31 March 2023</u>	<u>31 March 2022</u>
Profit before tax	\$ 15,541,724	\$ 13,293,518
Income tax expense at applicable tax rates	4,118,556	3,522,782
Non-deductible expenses	19,053	950
Net prior period current and deferred tax adjustments	391,111	(78,335)
Other	4,359	77
Income tax expense	\$ 4,533,079	\$ 3,445,474

The provincial government enacted changes to its statutory tax rate which cancelled the proposed decline in the tax rate and the tax rate was frozen at 11.5%. The combined federal and provincial statutory tax rate is 26.5% for the 2013 and future taxation years. The effective rate during the 12 months ended 31 March 2023 and 31 March 2022 were 29.17% and 25.92%.

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Note 5 – Income taxes (continued)

Deferred tax assets have been recognized in the Balance Sheet in respect of deductible temporary differences. Significant components of deferred tax assets and liabilities for the year ended 31 March 2023 were as follows:

	Opening balance	Recognized in Income Statement	Recognized in Balance Sheet only	Closing balance
Deferred tax assets:				
Expenses deductible in future years:				
Contingent liabilities incurred including warranty				
payables, step rent, and impact of reduction in tax rates	\$ 28,372,774	\$ (4,881,442)	\$ -	\$ 23,491,332
Lease liability	2,284,000	(252,904)	-	2,031,096
Inventory	960,000	129,603	-	1,089,603
Minimum tax credit carryforward	675,262	(3,874)	1,632,578	2,303,966
Post retirement benefit plan	109,876	-	-	109,876
Deferred tax assets	\$ 32,401,912	\$ (5,008,617)	\$ 1,632,578	\$ 29,025,873
Deferred tax liabilities:				
Tax effects of excess depreciation over				
capital cost allowance	(114,000)	29,553	-	(84,447)
Right of use leased asset	(1,762,000)	266,575	-	(1,495,425)
Net deferred tax assets	\$ 30,525,912	\$ (4,712,489)	\$ 1,632,578	\$ 27,446,001

Significant components of deferred tax assets and liabilities for the year ended 31 March 2022 were as follows:

	Opening balance	Recognized in Income Statement	Recognized in Balance Sheet only	Closing balance
Deferred tax assets:				
Expenses deductible in future years:				
Contingent liabilities incurred including warranty				
payables, step rent, and impact of reduction in tax rates	\$ 44,423,689	\$ (16,050,915)	\$ -	\$ 28,372,774
Lease liability	2,463,449	(179,449)	-	2,284,000
Inventory	1,074,110	(114,110)	-	960,000
Minimum tax credit carryforward	-	-	675,262	675,262
Post retirement benefit plan	109,876	-	-	109,876
Deferred tax assets	\$ 48,071,124	\$ (16,344,474)	\$ 675,262	\$ 32,401,912
Deferred tax liabilities:				
Tax effects of excess depreciation over				
capital cost allowance	(114,608)	608	-	(114,000)
Right of use leased asset	(2,027,640)	265,640	-	(1,762,000)
Net deferred tax assets	\$ 45,928,876	\$ (16,078,226)	\$ 675,262	\$ 30,525,912

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6. Inventories

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

	Year ended 31 March	
	2023	2022
Vehicle inventory	\$ 42,912,334	\$ 32,657,812
Parts inventory	34,764,311	30,671,361
Adjustment to lower of cost or net realizable value	(4,119,658)	(3,626,807)
Total inventories	\$ 73,556,987	\$ 59,702,366

Cost of sales (including cost of purchased products) recognized as expense and inventory write-down expense included in Cost of sales on the Income Statements were as follows:

	Year ended 31 March	
	2023	2022
Purchase of vehicles	\$ 670,050,346	\$ 575,072,200
Purchase of parts	63,789,864	55,164,122
Import duties	12,457,352	4,067,131
Inventory write-down expense	1,082,665	799,767
Total	\$ 747,380,227	\$ 635,103,220

7. Leases

Lease as a Lessee

The Company leases buildings for its headquarters and a warehouse. Right-of-use assets are recorded within Property, plant and equipment on the Balance Sheets. Information about right of use asset related to leases for which the Company is a lessee is presented below.

	Buildings
Balance at 31 March 2021	\$ 7,651,472
Depreciation charge for the year	(1,002,742)
Disposals	(11,083)
Balance at 31 March 2022	\$ 6,637,647
Depreciation charge for the year	(1,001,717)
Disposals	-
Balance at 31 March 2023	\$ 5,635,931

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Note 7 – Leases (continued)

There were no additions to the right-of-use assets during either fiscal year presented. Right-of-use assets are recorded within Property, plant and equipment on the Balance Sheets.

Lease liabilities

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

	31 March 2023	31 March 2022
Less than one year	\$ 1,428,282	\$ 1,730,572
One to five years	5,355,791	6,850,963
More than five years	1,258,443	3,142,538
Total undiscounted lease obligations	\$ 8,042,515	\$ 11,724,074

The following amounts are included in the balance sheet:

	31 March 2023	31 March 2022
Lease obligations - short term	\$ (1,071,059)	\$ (953,395)
Lease obligations - long term	(6,593,453)	(7,664,513)
Total lease obligations	\$ (7,664,512)	\$ (8,617,908)

The following amounts are recognised in the income statement:

	Year ended 31 March	
	2023	2022
Interest expense on lease obligations	\$ 777,177	\$ 857,895
Depreciation on right of use assets	\$ 1,001,717	\$ 1,002,742

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

	Year ended 31 March	
	2023	2022
Cash payments for the principal portion of lease liabilities (within financing activities)	\$ 953,396	\$ 678,126
Cash payment for interest expense related to lease liabilities (within financing activities)	777,177	857,895
Total cash outflow for leases	\$ 1,730,573	\$ 1,536,021

The Company does not sublease any properties to third parties.

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8. Other current assets

Other current assets consisted of the following:

	As at 31 March	
	2023	2022
Prepayments for vehicles	\$ 129,736	\$ -
Other	137,462	132,914
Other current assets	\$ 267,198	\$ 132,914

9. Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks for operating purposes. At 31 March 2023 and 2022, these amounted to \$94.9 million and \$124.1 million, respectively.

10. Finance Receivable

In April 2020, in order to better utilize cash held in Canada subject to regulatory restrictions over pooling excess funds held by JLRC within JLR Limited, JLRC entered a loan agreement with JLR Limited permitting JLRC to lend up to \$220 million to JLR Limited. The interest rate on this loan was set at the Canada Bankers Acceptances 1-month rate plus 0.05% with interest payments deferred until repayment of principal. This loan was repaid during March 2022.

11. Variable Marketing Provisions

Variable marketing provisions represent liabilities for dealer incentives and were all current liabilities. These provisions amounted to:

Balance at 31 March 2021	\$ (14,263,698)
Provisions made during the year	(4,222,987)
Provisions used during the year	15,782,219
Other adjustments	1,566,314
Balance at 31 March 2022	\$ (1,138,152)
Provisions made during the year	3,111,282
Provisions used during the year	(2,445,369)
Other adjustments	(180,052)
Balance at 31 March 2022	\$ (652,292)

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12. Other current liabilities

Other current liabilities consist of the following:

	As at 31 March	
	2023	2022
Variable dealer margin accruals	\$ (29,854,123)	\$ (17,903,819)
Duty on transfer price adjustments	(5,798,673)	(5,121,581)
VAT and excise taxes	(2,923,757)	(2,293,912)
Deferred revenue - certified pre-owned programs	(7,531,368)	(6,983,125)
Deferred revenue - service plans	(6,048)	(1,294,209)
Fixed marketing accruals	(2,339,463)	(1,314,602)
Deferred revenue - connected car	(3,417,331)	(3,322,347)
Import duties	(1,951,694)	(1,903,277)
Total Other current liabilities	\$ (53,822,457)	\$ (40,136,872)

13. Other Non-current Liabilities:

Other non-current liabilities consist of the following:

	As at 31 March	
	2023	2022
Deferred revenue - certified pre-owned programs	\$ (6,640,885)	\$ (7,155,637)
Deferred revenue - service plans	-	(6,048)
Deferred revenue - connected car	(4,240,631)	(3,365,081)
Total Other non-current liabilities	\$ (10,881,516)	\$ (10,526,766)

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14. Other provisions

Other provisions consist of amounts recognized related to expected future cash outflows for locally offered vehicle services under such programs as manufacturer's warranty, roadside assistance and service loaner as well as residual risk sharing agreements on leased vehicles and retirement leave. The overall provision was as follows:

	Locally Offered				Total
	Vehicle Services	Residual Risk	Restructuring	Retirement Plans	
Balance at 31 March 2021	\$ (95,328,769)	\$ (31,609,736)	\$ -	\$ (35,348)	\$ (126,973,853)
Provisions made during the year	(17,074,303)	(20,748,671)	-	-	(37,822,974)
Provisions used during the year	38,797,578	16,751,632	-	-	55,549,210
Other adjustments	-	24,317,170	-	-	24,317,170
Balance at 31 March 2022	\$ (73,605,495)	\$ (11,289,605)	\$ -	\$ (35,348)	\$ (84,930,448)
Current	\$ (30,337,154)	\$ (3,260,317)	-	-	\$ (33,597,470)
Noncurrent	\$ (43,268,341)	\$ (8,029,288)	-	\$ (35,348)	\$ (51,332,978)
Provisions made during the year	(16,535,630)	(435,516)	-	-	(16,971,146)
Provisions used during the year	32,159,810	(351,987)	-	-	31,807,823
Other adjustments	-	3,715,373	-	-	3,715,373
Balance at 31 March 2023	\$ (57,981,315)	\$ (8,361,735)	\$ -	\$ (35,348)	\$ (66,378,399)
Current	\$ (23,524,500)	\$ (2,477,676)	-	-	\$ (26,002,176)
Noncurrent	\$ (34,456,815)	\$ (5,884,059)	-	\$ (35,348)	\$ (40,376,223)

At the end of fiscal year 2020, the Company maintained \$29.6 million residual risk provision based on the existing market conditions at that time 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 2022 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 \$24.3 million of the amounts previously recorded.

15. Employee Costs

Employee costs consists of the following:

	Year ended 31 March	
	2023	2022
Salaries, wages and bonus	\$ 3,423,052	\$ 3,681,097
Benefits	1,463,293	1,056,504
Other	103,795	17
Total employee costs	\$ 4,990,140	\$ 4,737,618

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16. Other Expenses

Other expenses consist of the following:

	Year ended 31 March	
	2023	2022
Consulting costs and other purchased services	\$ 4,425,347	\$ 3,866,424
Travel and entertainment costs	606,570	77,231
Facilities costs	683,381	606,920
Insurance	103,179	99,363
Retailer conferences	312,554	327,582
Information technology costs	60,179	44,521
Other general operating expenses	284,383	223,610
Total Other expenses	\$ 6,475,593	\$ 5,245,651

17. Employee benefits

The Company sponsors and administers a Defined Contribution Pension Plan (“DCPP”) a Retirement Savings Plan (“RSP”), a Group Registered Retirement Savings Plan (“Group RRSP”) and an Employee Profit Sharing Plan (“EPSP”) for the benefit of its employees.

The DCPP covers all former employees of the Ford Motor Company who transferred as a result of the sale and became members of the DCPP effective January 1, 2009. All full-time and part-time employees hired on or after January 1, 2009 will automatically join the DCPP on their date of hire as a condition of employment. The Company will make contributions to the member’s DCPP account in an amount equal to a percentage of the member’s salary. The Company’s only liability is limited to the contributions currently required under the plan. For the years ended 31 March 2023 and 2022, the Company made a contribution of approximately \$180,000 and \$179,000.

An employee is eligible to join the RSP as of the date of hire. Participation is voluntary. The member may contribute a percentage of base salary and direct the contribution to the Group RRSP or the EPSP or a combination of both. The Company will match a portion of the member’s contribution to the EPSP at a percentage authorized by the Company. The Company maintains at its discretion the right to change the level of matching contributions and to amend, modify, or terminate the plans. For the years ended 31 March 2023 and 2022, the Company made a matching contribution of approximately \$138,000 and \$163,000.

The Company maintained a plan covering certain Ford legacy employees that provides additional postretirement benefits to replace pension benefits lost as a result of the acquisition of the Jaguar and Land Rover businesses on June 2, 2008 by a subsidiary of Tata Motors Limited. The Company funds these benefits on a pay-as-you-go basis out of Company assets. As of 31 March 2023 and 2022, the Company had accrued approximately \$35,000 for both dates related to future benefit payments.

18. 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 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 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 current arrangement, residual collateral deposits are made at the inception of the lease based on final expected residual values of the underlying vehicle at lease termination. At certain points in the life of the retail leases, an interim review is performed and if there is excess collateral on deposit, the Company is entitled to receive a refund of previously deposited collateral. Due to the uncertainty in future residual values as they are impacted by many factors (e.g. economic environment, fuel prices, etc.) management is unable to predict the value, if any, of any future refunds.

The Company is responsible for all of the residual risk arising on vehicles sold by dealers 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.

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.

The Company has income-tax related contingent liabilities where the ultimate tax determination is uncertain. 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.

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19. Capital Management

The Company is capitalized via investment from its parent company, JLR Limited. The Company purchases the majority of products it sells from the parent company and related Group 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 retained within the Company. As such, no additional financing is required. From time to time, the Company will remit excess cash to JLR Limited in the form of a dividend. During the year ended 31 March 2022, the Company paid a dividend to JLR Limited in the amount of \$80.4 million. There were no dividends remitted during the year ended 31 March 2023.

20. 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.

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 2023 and 2022, respectively.

	As at 31 March			
	2023		2022	
	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Financial Assets				
Cash and cash equivalents	\$ 94,871,981	\$ 94,871,981	\$ 124,099,810	\$ 124,099,810
Trade receivables	51,557,029	51,557,029	66,327,858	66,327,858
Other financial assets (current)	127,397	127,397	149,124	149,124
Other financial assets (non-current)	4,495,463	4,495,463	4,919,564	4,919,564
Total	\$ 151,051,870	\$ 151,051,870	\$ 195,496,356	\$ 195,496,356
Financial Liabilities				
Accounts payable	\$ (100,108,722)	\$ (100,108,722)	\$ (153,481,138)	\$ (153,481,138)
Total	\$ (100,108,722)	\$ (100,108,722)	\$ (153,481,138)	\$ (153,481,138)

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 2023 and 2022 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 20 – Disclosures on financial instruments (continued)

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 Canadian dollars, nor does it have any material balances at the period end which are denominated in any currency other than CAD.

b. Interest rate risk

The Company's interest rate risk is limited to any short term borrowings, which are at market rates.

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was \$151.1 million and \$195.5 million as of 31 March 2023 and 2022, 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 20 – 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 2023, that any defaults in payment obligations will occur.

Credit quality of financial assets and impairment loss

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

	31 March 2023			31 March 2022		
	Gross	Allowance	Total	Gross	Allowance	Total
Trade Receivables						
<u>Period</u>						
Not due	\$ 7,407,185	\$ -	\$ 7,407,185	\$ 24,424,662	\$ -	\$ 24,424,662.00
Overdue 1-3 months	-	-	-	21,898,667	-	21,898,667
Overdue 3-6 months	-	-	-	-	-	-
Overdue more than 6 months	44,149,844	-	44,149,844	20,004,529	-	20,004,529
Total	\$ 51,557,029	\$ -	\$ 51,557,029	\$ 66,327,858	\$ -	\$ 66,327,858

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.

The table below provides details regarding the contractual maturities of financial liabilities as of 31 March 2023:

	Carrying amount	Due in 1st year	Due in 2nd	Due in 3rd	Due after	Non-cash amount
			year	- 5th year	5 years	
Accounts payable	\$ (100,108,722)	\$ (100,108,722)	-	-	-	-
Total	\$ (100,108,722)	\$ (100,108,722)	\$ -	\$ -	\$ -	\$ -

iv) Derivative financial instruments and risk management

The Company does not have any derivative financial instruments.

21. Collaterals

With the exception of the residual value collateral deposits described in Note 4, the Company does not have any guarantees or assets pledged as collateral.

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22. Related party transactions

The Company's related parties principally consist of subsidiaries of its parent company, JLR Limited, TML, 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 UK parent company JLR Limited. As a result, the Company will incur payables to those entities. Additionally, the Company has entered into a transfer price arrangement with JLR Limited whereby profitability is fixed as a percentage of revenues. As a result of this arrangement, the Company will transfer profits or losses to these entities to arrive at the appropriate profit target by adjusting cost of revenues and offsetting payables to affiliated companies. At 31 March 2023 and 2022, the Company had approximately \$84.3 million and \$139.2 million, respectively recorded as payables owed to JLR Limited and \$0.1 million and \$0.4 million, respectively recorded as receivables due from JLR Limited.

The Company also receives various services from Jaguar Land Rover North America including, but not limited to legal, accounting, information technology, purchasing, tax services and training. These services are charged to the Company under a service level agreement. During the 12 months ended 31 March 2023 and 2022 the Company was charged \$3.7 million and \$3.4 million, respectively, from Jaguar Land Rover North America and paid these funds in cash.

Additionally, in the normal course of business, the Company transacts with other subsidiaries of JLR Limited. At 31 March 2023, the Company had trade receivables and trade payables with Jaguar Land Rover North America in the amount of \$0.1 million and \$0.4 million, respectively.

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 2023, the Company recognized expense of \$0.1 million related to services received during that period. The Company made cash payments to these entities during the 12 months ended 31 March 2023 of \$0.1 million. Additionally, the Company had an outstanding accounts payable balances to these entities of an immaterial amount at 31 March 2023.

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	
	2023	2022
Salaries	\$ 1,899,213	\$ 1,743,416
Incentive compensation	1,271,804	1,125,489
Other	540,776	411,279
Total key employee compensation	\$ 3,711,793	\$ 3,280,184

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

Refer to Note 17 for information on transactions with post-employment benefit plans.

23. Subsequent events

There were no events occurring after the reporting date through 30 May 2023 requiring an accounting adjustment or to be disclosed that would have a material impact on the Company's results of operations, financial position or cash flows.

24. Approval of financial statements

The financial statements were approved by the board of directors and authorized for issue on 30 May 2023.